



DUNDEE CITY COUNCIL

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2007

AUDITED

FOREWORD BY THE HEAD OF FINANCE

Introduction

This foreword is intended as a commentary on the City Council's financial position, as presented within the Statement of Accounts for the financial year 2006/2007.

Accounting Policies (see pages 7 to 11)

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

Statement of Responsibilities for the Statement of Accounts (see page 12)

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

The Accounting Statements (see pages 13 to 63)

Income & Expenditure Account:

sets out the budgeted and actual expenditure for all of the Council's services and also shows how the expenditure has been financed. Both expenditure and income are measured using essentially the same accounting conventions (ie UK Generally Accepted Accounting Practice or "UKGAAP") that a large, but unlisted, company would use in preparing its financial statements.

Statement of Movement on the General Fund Balance:

reconciles the surplus or deficit for the year on the Income & Expenditure Account to the amount required by statute and non-statutory proper accounting practice to be charged or credited to the General Fund Balance.

Statement of Total Recognised Gains and Losses:

brings together all the recognised gains and losses of the Council during the period, including those not reflected in the Income & Expenditure Account.

Balance Sheet:

is a combination of the General Fund, Housing Revenue Account, Consolidated Loans Fund, Insurance Funds and Statutory Trading Account Balance Sheets and represents the overall financial position of the Council at 31 March 2007. All inter-departmental balances have been eliminated upon consolidation.

Cash Flow Statement:

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

Council Tax Income Account:

details the gross and net income from Council Tax.

Non-Domestic Rate Income Account:

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

Housing Revenue Account: Income & Expenditure 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. Both expenditure and income are measured using essentially the same accounting conventions (ie UK General Accepted Accounting Practice or "UKGAAP") that a large, but unlisted, company would use in preparing its financial statements.

Statement of Movement on the Housing Revenue Account Balance:

reconciles the surplus or deficit for the year on the Housing Revenue Account Income & Expenditure Account to the amount required by statute and non-statutory proper accounting practice to be charged or credited to the Housing Revenue Account Balance. In 2006/2007, the Housing Revenue Account had a surplus of income over expenditure and £0.676m of this surplus was transferred to the Income & Expenditure Account and then appropriated to the Renewal and Repair Fund.

Group Accounts:

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

Superannuation Funds Accounts:

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

Common Good Fund and Charitable Trust Funds Accounts:

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

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Notes to the Core Financial Statements and Other Various Accounts

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

Statement on the System of Internal Financial Control (see page 64)

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

Virement from Contingency/Fund Balances

The 2006/2007 Revenue Budget included a general contingency provision of £200,000 to allow for unforeseen items of expenditure arising during the course of the financial year together with a specific contingency of £1.0m to address additional costs arising from the Single Status Agreement. An amount of £77,000 was vired from these contingencies to offset additional expenditure incurred by departments. In addition, virements totalling £2.2m were made from General Fund Balances to fund departmental expenditure commitments that had been carried forward from 2005/2006. During the course of the financial year, the Council received additional new monies totalling £600,000 from the Scottish Executive to fund new initiatives, mainly in Social Work services.

The "Budgeted Net Expenditure/(Income)" column in the Income & Expenditure Account (see page 13 and note 13 on page 21), reflects the impact of the transfers from contingencies and from General Fund Balances together with the additional funding received from the Scottish Executive during the financial year. The budgeted net expenditure figures have also been adjusted to reflect amounts transferred from the Renewal & Repair Fund in order to fund expenditure within departments.

Revenue Budget

The 2006/2007 Revenue Budget was agreed at the meeting of the Special Finance Committee on 13 February 2006. The agreed position was effectively a "balanced" budget, with budgeted expenditure equal to budgeted income and no assumed transfer from accrued General Fund Balances. The Finance Committee received monthly revenue monitoring reports during 2006/2007 in order to keep elected members fully appraised as to the projected outturn position.

As noted above, the 2006 SORP contains significant changes to both the format and content of the 2006/2007 Statement of Accounts, including a new Income & Expenditure Account and Statement of Movement on the General Fund Balance. The following table reconciles the Revenue Budget approved by the Special Finance Committee on 13 February 2006 to the revised budget figures that are included in the aforementioned accounting statements shown on pages 13 and 14.

		Budgeted Net Expenditure/ (Income) £m
Approved Revenue Budget 13 February 2006		-
<u>Add</u>	Expenditure Carried Forward from 2005/2006	2.203
	Insurance Fund Deficit	0.350 *
	Transfer from Renewal & Repair Fund	0.496 *
	Depreciation Charges (Net)	29.560 *
<u>Less</u>	On-Street Car Parking Surplus	(0.219)
	Gain on Disposal of Assets	(12.748) *
	FRS17 Adjustment	(11.210) *
	Loan Repayments and CFCR	<u>(17.770) *</u>
Budgeted Net Income Per Income & Expenditure Account		(9.338)
<u>Add Back</u>	Items marked * above	<u>11.322</u>
Budgeted Net Expenditure per Statement of Movement on the General Fund Balance		<u>1.984</u>

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Revenue Expenditure

The Statement of Movement on the General Fund Balance (see page 14) shows an actual surplus for the year of £1.881m, against a budgeted deficit of £1.984m, ie this represents an overall net underspend of £3.865m against the 2006/2007 Revenue Budget. The main components of the net underspend are as follows:

	£m
Net Underspend on Council Services	(4.035)
Underspend on Contingencies	(1.123)
Equal Pay Costs	0.219
Reduced Contributions to Joint Boards	(0.266)
Additional Housing Benefits Subsidy Costs	0.763
Additional DCS Surpluses	(0.845)
Additional Local Taxation Income	(0.387)
Savings on Loan Charges	(0.990)
Contributions to Reserves	2.122
Additional CFCR Expenditure	1.131
Other Miscellaneous Net Underspends	<u>(0.454)</u>
	<u>(3.865)</u>

The net underspend of £4.035m on Council services was due to a number of under and overspends within departmental budgets, including underspends in Planning & Transportation, Social Work, Economic Development, Finance Revenues and Housing. Some of these underspends are as a result of planned efficiency initiatives. Given the size and diversity of the Council's Revenue Budget and the services that it provides, there can be a significant number of variances from budget in any given financial year. It should also be noted that, within the above underspends, expenditure commitments totalling £2.1m (including Education Devolved School Management balances) will be carried forward to 2007/2008.

General Fund Balances

The excess of income over expenditure for the financial year 2006/2007 was £1.881m. When added to the opening General Fund balance of £6.596m, this gives a General Fund balances figure of £8.477m at 31 March 2007. It is, however, estimated that there are expenditure commitments amounting to £1.605m outstanding at 31 March 2007. These have arisen due to underspends in 2006/2007 and these underspends will be carried forward to 2007/2008 and fully utilised in the new financial year. It was agreed that the sum of £1.300m be taken from balances in setting the 2007/2008 Council Tax. In addition, there are ear-marked balances within the General Fund of £0.511m and £0.648m in respect of the Devolved School Management Scheme and Car Parking respectively. When all of these items are taken into account, it is estimated that the Council has uncommitted General Fund balances of £4.413m as at 31 March 2007. This sum is not considered unreasonable for a local authority with an annual net cost of services of almost £300m, and given the financial risks and uncertainties currently facing the Council.

Principal Sources of Finance for Revenue Expenditure

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

	£m
Revenue Support Grant	176.0
Contributions from National Non-Domestic Pool	<u>52.5</u>
	<u>228.5</u>

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

Prudential Code

The previous controls on local authority borrowing were abolished by the Local Government in Scotland Act 2003 and replaced (with effect from 1 April 2004) by a prudential regime, based mainly on self-regulation. A Prudential Code has been developed by CIPFA as a professional code of practice to support local authorities in taking decisions on capital investment. The Code seeks to ensure that capital investment programmes are affordable, that borrowing is within prudent and sustainable levels and that treasury management decisions are taken in accordance with professional good practice. The Code also sets out a range of prudential indicators that will demonstrate whether these objectives have been met. Compliance with the Code is required under the 2003 Act. The Council has complied with all aspects of the Prudential Code in 2006/2007.

Capital Expenditure & Borrowing Facilities

Gross capital expenditure in 2006/2007 was £61.8m, of which £21.4m was spent within the Housing Department Programmes. The remaining £40.4m was spent on the Council's other services including Education, Social Work, Planning & Transportation, Leisure & Communities, Waste Management and Economic Development. The £61.8m of capital expenditure was funded through borrowing (£28.4m), various types of capital receipts (£30.3m) and directly from the 2006/2007 Income & Expenditure Account (£3.1m).

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Borrowing has the effect of increasing the Council's overall indebtedness and the level of principal repayments and loan interest charges each year. Capital expenditure met directly from the Income & Expenditure Account increases total net expenditure in that particular year but does not result in an increase in overall indebtedness. The Council uses these methods of funding capital expenditure as part of its long and short term capital financing strategy. The Council has several sources available to it in terms of borrowing to fund capital expenditure. The most significant of these is the Public Works Loans Board, although the Council can, in addition, borrow from the money markets and the European Investment Bank.

Control of Capital and Revenue Expenditure

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

Public Private Partnership (PPP)

In December 2003, the Scottish Executive confirmed their initial offer of revenue (level playing field) support of £5.73m per annum for a revised PPP project with a notional capital value of £80m for the replacement, extension and refurbishment of schools within the city. Robertson Capital Projects (RCP) were appointed preferred bidder in November 2005. In February 2007, the Council reached financial close with RCP and a Special Purpose Vehicle (Discovery Education Limited) was set up to construct and operate the schools for a period of 30 years.

Pension Liability (FRS 17)

Under Financial Reporting Standard 17 (Retirement Benefits) the Council is required to include figures in its Statement of Accounts relating to the assets, liabilities, income and expenditure of the pension scheme for its employees. It has been estimated that the Council had a net pension liability of £147.3m as at 31 March 2007. The estimated net pension liability at 31 March 2006 was £195.8m. The rising stock market helped assets grow more quickly than liabilities, whose increase was restricted by a reduction in the real interest rate and by a £16.1m commutation saving relating to changes to lump sum benefit options.

Statutory Trading Accounts

The Local Government in Scotland Act 2003 repealed CCT legislation and introduced a new requirement to maintain Trading Accounts for significant trading operations. In 2003/2004, the Council established a Statutory Trading Account for the services provided by Dundee Contract Services. The Statutory Trading Account (see Note 15 on pages 22 and 23) shows that a surplus of £0.808m was generated in 2006/2007 and this has been transferred to the Income & Expenditure Account. The statutory financial target is for the Trading Account to break-even over a three year rolling period. This requirement has been exceeded by £1.301m during the period 2004-2007.

Scottish Housing Quality Standard

Following consultation, and recognising the desire of a majority of tenants to remain with the Council, a Scottish Housing Quality Standard delivery plan was submitted to the Scottish Executive. The Scottish Executive had previously announced that they require all Scottish Council Housing to be brought up to the new Scottish Housing Quality Standard by 2015 and maintained at that standard thereafter. The standard states that Scottish Council Housing should be free from major repair, energy efficient and safe and secure. The Council's delivery plan was approved in October 2006 and sets out the achievement of the standard by 2015 and the phasing of the £140.8m investment in Council Housing core stock. The Council also intends to spend an additional £51m to supplement the SHQS by investing in a maintenance investment programme during the same period.

Equal Pay Costs/Single Status Agreement

The 2006/2007 Income & Expenditure Account includes a charge totalling £0.219m in respect of equal pay costs for certain categories of staff. In the 2005/2006 Income & Expenditure Account, a charge totalling £3.481m was included for this item. In addition to the costs associated with its own staff, these charges also reflect the Council's liability to meet a share (33%) of the equal pay costs for Tayside Contracts staff. The charges largely cover estimated equal pay costs for the 5-year period to 31 March 2006 and includes provision for Income Tax and National Insurance costs. The resolution of the equal pay issue is deemed to be a necessary step towards reaching agreement on the implementation of the Single Status Agreement, which will ensure ongoing equal pay for work of equal value for all employees of the Council. Work is ongoing within the Council towards implementing the Single Status Agreement.

Dundee Leisure

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

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Dundee Airport

In February 2007, it was agreed that the operation of Dundee Airport should be transferred to Highlands & Island Airport Limited (HIAL) with effect from 1 September 2007. The City Council will enter into a long-term lease of the Airport facilities with the Scottish Executive. As part of the transfer of the Airport operation, the Airport staff will become HIAL employees under a TUPE transfer. The financial savings from the transfer of the operation of Dundee Airport to HIAL have been reflected in future years' Revenue Budgets.

Group Accounts

The Group Income & Expenditure Account shows a surplus of £0.067m, a movement of £17.765m from the surplus of £17.832m shown in the Council's Income & Expenditure Account. This is mainly due to incorporating the Council's share of deficits on the Income & Expenditure Accounts of the Police and Fire Boards. The impact of consolidation on the Balance Sheet is to decrease the net assets and reserves by £290.008m, when compared to the Council's Balance Sheet. This is mainly due to the impact of consolidating the Council's share of the Balance Sheets of the Police and Fire Boards. These Boards' Balance Sheets show large deficits, mainly due to the effect of accounting for pension costs under Financial Reporting Standard 17 (Retirement Benefits).

Acknowledgements

I would like to thank Councillor Fraser Macpherson, the former Finance Convener, all other Elected Members and officers of the Council for their active support and co-operation in the effective management of the Council's finances during another challenging year. Finally, I would conclude this report by thanking all the Finance Department staff who contributed to the management and control of the Council's finances and to the finalisation of the City Council's 2006/2007 Statement of Accounts.

Marjory Stewart, FCCA, CPFA
Head of Finance
Dundee City Council
22 June 2007

STATEMENT OF ACCOUNTING POLICIES

General

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

- the "Code of Practice on Local Authority Accounting in the United Kingdom 2006 - A Statement of Recommended Practice" (the SORP), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LA(S)AAC)
- the Best Value Accounting Code of Practice 2006

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

Major Changes in Accounting Policy

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

The 2006 SORP contains significant changes to both the format and content of the Statement of Accounts in 2006/2007, including the following three significant changes in accounting policy that affect the new Income & Expenditure Account:

- the removal of the notional interest element from capital charges (£24.442m in 2005/2006).
- the posting of credits for government grants/capital contribution write downs to service revenue accounts (£2.658m in 2005/2006).
- the inclusion of gains and losses on the disposal of fixed assets (net gain of £2.865m in 2005/2006).

In accordance with the Financial Reporting Standard 3 (Reporting Financial Performance), the previous year figures have been restated on a comparative basis. This restatement has no impact on the movement in the General Fund Balance for 2005/2006 or on the Net Assets shown in the Balance Sheet as at 31 March 2006.

In summary, the main changes necessary to restate the accounts in line with the 2006 SORP are as follows:

- the replacement of the Consolidated Revenue Account with a new UKGAAP-compliant Income & Expenditure Account incorporating the three new accounting policies set-out above (see page 13).
- a new Statement of Movement on the General Fund Balance, together with a new supporting note analysing the reconciling items (see pages 14 and 23).
- a new Statement of Total Recognised Gains & Losses (see page 15).
- a new note detailing the Movements on Reserves (see pages 32 and 33).
- consequential changes to the Housing Revenue Account: a new HRA Income & Expenditure Account and a new Statement of Movement on the HRA Balance (see pages 42 to 44).
- minor changes to the format of the Balance Sheet to reflect the presentation requirements of FRS25 (Financial Instruments: Presentation & Disclosure (see page 16).
- consequential changes to the Group Accounts including a new Reconciliation to the Single Entity Income & Expenditure Account and a new Group Statement of Total Recognised Gains & Losses (see pages 45 to 53).
- the re-grouping and re-ordering of the core and supplementary financial statements (and the notes thereto).

Tangible Fixed Assets - Basis of Valuation

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

STATEMENT OF ACCOUNTING POLICIES

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

Investment properties within all Council Departments are revalued annually and included at open market value. The date of valuation was 31 March 2007. Surplus assets held for disposal are included at market value. Assets under construction are included at cost unless market conditions indicate that market value is significantly lower than cost, in which case the asset will be included at the lower value.

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

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

Tangible Fixed Assets - Basis of Charges to Income & Expenditure Accounts

The charges made to Service Income & Expenditure Accounts, Central Support Services and Statutory Trading Accounts, equate to the sum of depreciation (where applicable) and impairment. The Council's housing stock is depreciated using the Major Repairs Allowance as a measure for depreciation. The straight-line method of depreciation is used for all other assets that are subject to depreciation. Assets have been assigned various useful lives, typically 10-60 years for buildings, 3-10 years for plant and equipment and 10-30 years for infrastructure. Residual values have been assumed where appropriate. No depreciation is charged in the year of acquisition but a full year's charge is made in the year of disposal.

Leases

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

Finance Leases:

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

Operating Leases:

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

Investments

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

Stocks and Work in Progress

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

Covenant Schemes

Assets which have been financed through Covenant schemes are included in the Balance Sheet at a value arrived at in accordance with the accounting treatment for tangible fixed assets. An amount is included in the Long Term Liabilities section as a Deferred Liability. The Deferred Liability represents the total indebtedness to the Development Company under Covenant schemes at 31 March 2007.

STATEMENT OF ACCOUNTING POLICIES

Provisions for Bad Debts

Provisions are made for bad debts on Non-Domestic Rates, Community Charge, Council Tax, Statutory Additions and on other items of income, where appropriate. In all cases the level of provision is based on experience and an assessment of the prospects of recovering the related debts.

Provisions for Liabilities

Provisions are made for the following:-

- potential abatements of Non-Domestic Rate income due to vacant properties and valuation appeals and potential reductions in Council Tax income due to exemptions and discounts.
- self-insured/uninsured losses chargeable against the Insurance Funds operated by the Council.

Significant Estimation Techniques

The Council's Balance Sheet at 31 March 2007 includes various provisions totalling £31.720m. These provisions have been calculated using the undernoted estimation techniques.

Bad Debt Provisions

Non Domestic Rates - the provision of £1.191m has been calculated by applying a fixed percentage to each year's outstanding debt.

Community Charge - the provision of £3.532m has been calculated by projecting future collection levels based on the actual collection achieved in 2006/2007.

Council Tax - the provision of £12.124m has been calculated using the non-collection rate anticipated when each financial year's Council Tax was set, or a lower figure where the anticipated collection rate has been exceeded.

Statutory Additions - the provision of £2.421m has been calculated by applying the overall percentage relating to the various charge elements (ie Non Domestic Rates, Community Charge and Council Tax) to which the Statutory Addition was applied.

Miscellaneous Invoiced Debt - the provision of £1.722m has been calculated by applying non-collection rates to an aged debt analysis. The percentage increases according to the age of the debt. Higher percentages are also applied to types of debt which have proven difficult to collect.

Housing Rents - the provision of £0.773m 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 £1.461m has been calculated by applying an anticipated non-collection rate to the total debt.

Other Provisions

Council Tax - a provision is required for potential loss of income arising from reductions in the net charge levied by the Council, due to exemptions and discounts. The provision of £0.700m is based on the movements for charge years prior to 2006/2007.

Non Domestic Rates - a provision is required for potential loss of income arising from the settlement of valuation appeals. The provision of £3.458m is based on the value of appeals outstanding and an estimate of the percentage that will be successful.

Insurance - a provision is required to meet self-insured losses. The provision of £4.338m is based on the outstanding value of unsettled claims, considered in conjunction with aggregate stop-loss arrangements within the Council's insurance cover.

Government and EC Grants

Grants are accounted for on an accruals basis and income has been credited to either the appropriate Service Income & Expenditure Account or to the Government Grants/Capital Contributions Deferred Account. Capital grants and contributions are amortised to the appropriate Service Income & Expenditure Account over the useful life of the related asset to match the depreciation of the asset.

Capital Receipts

Income from the sale of assets is accounted for on an accruals basis and is credited initially to the Usable Capital Receipts Reserve. Thereafter, the proportion applied to fund new capital expenditure in the year, and thus reduce borrowing in the year, is transferred to the Capital Financing Account. Alternatively, transfers may be made to the Capital Fund to fund capital expenditure in future financial years.

STATEMENT OF ACCOUNTING POLICIES

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

Reserves

The Council maintains a number of reserve funds for purposes in line with relevant statute. Full details are given in the Movements on Reserves note on pages 32 and 33.

Basis of Funding and Charging for Capital

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

Repurchase of Borrowing

Losses or gains arising on the repurchase or early settlement of borrowing, where coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect, are recognised in the Income & Expenditure Account over the life of the replacement borrowing. The balance of the premium or discount is shown in the Balance Sheet as a Deferred Premium or Deferred Discount.

Public Private Partnership (PPP)

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

Revenue and Capital Transactions

Revenue and Capital transactions are recorded in the accounts on an income and expenditure basis, i.e. recognised as they are earned or incurred, not as money is received or paid. All specific and material sums payable to and due by the Council as at 31 March 2007 have been brought into account. The recognition and measurement of income is in accordance with the Application Note to Financial Reporting Standard 5 concerning "Revenue Recognition".

Statutory Additions

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

Pensions

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

Teachers:

This is an unfunded scheme administered by the Scottish Public Pensions Agency. The pension costs included in the accounts reflect the contribution rate set by the Scottish Executive on the basis of a notional fund. The Scottish Teachers' Superannuation Scheme is an unfunded scheme administered nationally by the Scottish Executive. Guidance issued by CIPFA/LASAAC concludes that the assets and liabilities underlying the scheme are not identifiable at individual employer level on a consistent basis and, accordingly, there are no FRS17 disclosure requirements.

Other Employees:

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

Central Support Services

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

Insurance

The Council's insurance arrangements are operated in accordance with the guidance contained in "Accounting for Insurance in Local Authorities in Scotland", issued by LA(S)AAC in December 2006.

STATEMENT OF ACCOUNTING POLICIES

Exceptional Items

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

Prior Period Adjustments

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

Financial Relationships with Companies

The Accounting Code of Practice requires local authorities to prepare supplementary Group Accounts to incorporate the results of subsidiaries, associates and joint ventures. A joint venture and three associates have been consolidated using the "equity" method in the Group Accounts on pages 45 to 53.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required to:

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

The Responsibilities of the Head of Finance

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

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

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

The Head of Finance has also:

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

The Statement of Accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

Marjory Stewart, FCCA, CPFA
Head of Finance
Dundee City Council
22 June 2007

INCOME & EXPENDITURE ACCOUNT

Restated 2005/2006 Actual Net Expenditure/ (Income) £000		2006/2007			
		Actual Gross Expenditure £000	Actual Income £000	Actual Net Expenditure/ (Income) £000	Budgeted Net Expenditure/ (Income) £000
	Services				
116,272	Education Services	133,280	(15,181)	118,099	117,010
2,547	General Fund Housing	69,871	(67,026)	2,845	3,665
(4,168)	Housing Revenue Account	44,273	(47,756)	(3,483)	(2,975)
21,559	Cultural & Related Services	31,867	(10,043)	21,824	21,413
15,874	Environmental Services	22,424	(5,221)	17,203	17,487
12,791	Roads & Transport Services	17,460	(8,801)	8,659	8,402
2,278	Trading Services	3,923	(1,617)	2,306	2,300
2,022	Planning & Development Services	11,772	(10,054)	1,718	2,928
64,583	Social Work	93,006	(25,431)	67,575	69,893
3,810	Corporate & Democratic Core	3,837	(99)	3,738	3,769
459	Non Distributed Costs	(15,871)	-	(15,871)	(15,871)
3,057	Central Services to the Public	10,740	(5,962)	4,778	6,433
31,676	Joint Boards	32,916	-	32,916	33,182
<u>3,481</u>	Exceptional Item (see note 2)	<u>219</u>	<u>-</u>	<u>219</u>	<u>-</u>
276,241	Net Cost of Services	<u>459,717</u>	<u>(197,191)</u>	262,526	267,636
			Ref Note No		
(2,865)	Net (Gain)/Loss on Disposal of Assets			(12,748)	(12,748)
(267)	(Surplus)/Deficit of Trading Undertakings or Other Operations		15	(808)	37
(194)	Share of Tayside Contracts Surplus			(165)	(155)
19,186	Interest Payable and Similar Charges			18,934	21,080
(1,473)	Interest & Investment Income			(2,109)	(2,100)
4,272	Pensions Interest Cost & Expected Return on Pensions Assets		35	978	978
<u>294,900</u>	Net Operating Expenditure			<u>266,608</u>	<u>274,728</u>
	Income from Taxation & General Government Grants				
(54,177)	Income from Council Tax (incl Residual Community Charge - see note 9)			(55,984)	(55,597)
(173,523)	Revenue Support Grant			(175,978)	(176,605)
(53,529)	Contribution from National Non-Domestic Rate Pool			(52,478)	(51,864)
<u>13,671</u>	(Surplus)/Deficit for the Year			<u>(17,832)</u>	<u>(9,338)</u>

Note

The Income & Expenditure Account has been prepared in accordance with the Service Expenditure Analysis for Scotland that is set out in Section 3 of the 2006 CIPFA Best Value Accounting Code of Practice (BVACoP). This standard analysis seeks to promote consistency between local authorities in terms of both format and comparability of financial reporting. The Council's internal management structure is, however, somewhat different from the service structure set out in BVACoP. For completeness, Note 13 to the Core Financial Statements (see page 21) shows the Net Cost of Services of £262.526m re-classified in line with the Council's management/department structure.

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income & Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the past 12 months. The Council is, however, required by statute to set its Revenue Budget and Council Tax level on a different accounting basis. The two main differences are that for the Revenue Budget and Council Tax purposes:

- capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The annual movement on the General Fund Balance compares the Council's spending against the Council Tax and other revenue that it received for the year, also taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The following statement summarises the differences between the outturn on the Income & Expenditure Account and the movement on the General Fund Balance. A detailed analysis of the reconciling amounts is shown at Note 17 to the Core Financial Statements (see page 23).

Actual 2005/2006 £000		Actual 2006/2007 £000	Budget 2006/2007 £000
13,671	(Surplus)/Deficit for the year on the Income and Expenditure Account	(17,832)	(9,338)
(11,383)	Net additional amount required by statute and non-statutory proper practices to be (credited) or charged to the General Fund Balance for the Year	15,951	11,322
<u>2,288</u>	General Fund (Surplus)/Deficit for the Year	<u>(1,881)</u>	<u>1,984</u>
<u>(8,884)</u>	General Fund Balance brought forward	<u>(6,596)</u>	<u>(6,596)</u>
<u>(6,596)</u>	General Fund Balance carried forward	<u>(8,477)</u>	<u>(4,612)</u>

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

2005/2006 £000		2006/2007 £000
13,671	(Surplus)/Deficit on the Income & Expenditure Account for the year	(17,832)
(9,584)	(Surplus)/Deficit arising on Revaluation of Fixed Assets	2,282
(55)	Actuarial (Gains)/Losses on Pension Fund Assets & Liabilities	(37,725)
205	Deficit arising on Revaluation of Long Term Investments	-
(969)	Capital Grant Transactions on the Capital Fund	1,477
-	Insurance Account Contribution to Capital Expenditure	(23)
435	Difference between Actuarial Pensions Contribution Figure and Actual Pensions Contribution Figure	11
3,703	Total Recognised (Gains) & Losses for the Year	(51,810)

BALANCE SHEET

As at 31 March 2006 £000	Ref Note No	As at 31 March 2007 £000	£000
TANGIBLE FIXED ASSETS			
Operational Assets:			
205,885		18,19,23,26	202,259
305,615		18,19,23,26	320,405
30,594		18,19,23,24,26	40,652
70,665		18,19,23,26	73,131
<u>1,606</u>		18,19,23,26	<u>1,606</u>
614,365			638,053
Non-Operational Assets:			
62,339		18,19,23,25,26	66,960
19,107		18,19,23,26	9,780
<u>18,608</u>		18,19,23,26	<u>17,955</u>
<u>100,054</u>			<u>94,695</u>
714,419			732,748
500		20,28	507
11,094		21	11,791
<u>5,129</u>			<u>4,999</u>
731,142			750,045
LONG TERM INVESTMENTS			
LONG TERM DEBTORS			
DEFERRED PREMIUMS ON EARLY REPAYMENT OF DEBT			
CURRENT ASSETS			
598			569
82,587		36	75,596
(24,387)		36	(23,224)
386			386
21,900			18,825
<u>123</u>			<u>98</u>
<u>81,207</u>			<u>72,250</u>
LESS CURRENT LIABILITIES			
(16,925)		29	(17,143)
(53,502)		36	(53,463)
<u>(16,118)</u>			<u>(14,819)</u>
<u>(86,545)</u>			<u>(85,425)</u>
<u>(5,338)</u>			<u>(13,175)</u>
725,804			736,870
(302,746)		29	(296,932)
(452)		22	(249)
(8,004)		30	(8,496)
(66,379)			(79,555)
-			(72)
<u>(195,752)</u>		35	<u>(147,285)</u>
<u>(573,333)</u>			<u>(532,589)</u>
<u>152,471</u>			<u>204,281</u>
Net Assets			
Financed By Fund Balances and Reserves:			
182,968		31	172,206
148,855		31	153,312
5,440		31	12,141
3,237		31	3,896
1,127		31	1,534
(195,752)		31,35	(147,285)
<u>6,596</u>		31,33	<u>8,477</u>
<u>152,471</u>			<u>204,281</u>

Marjory Stewart, FCCA, CPFA
Head of Finance
Dundee City Council
22 June 2007

CASH FLOW STATEMENT

2005/2006 £000	2006/2007	
	£000	£000
REVENUE ACTIVITIES		
<i>Cash Outflows:</i>		
218,815	Cash Paid To and On Behalf of Employees	225,263
166,015	Other Operating Cash Payments	167,550
22,741	Housing Benefits Paid Out	24,124
<u>58,112</u>	Non-Domestic Rate Payments to National Pool	<u>56,967</u>
465,683		473,904
<i>Cash Inflows:</i>		
(17,859)	Rents (After Rebates)	(15,273)
(41,546)	Council Tax Income	(43,530)
(151)	Community Charge Income	(214)
(53,674)	Non-Domestic Rate Receipts from National Pool	(52,625)
(59,239)	Non-Domestic Rate Receipts	(57,346)
(173,523)	Revenue Support Grant	(175,978)
(62,795)	DWP Grant (Benefits Subsidy)	(64,070)
(36,647)	Other Government Grants	(55,297)
(30,625)	Cash Received for Goods & Services	(34,922)
<u>(15,231)</u>	Other Operating Cash Receipts	<u>(14,533)</u>
<u>(491,290)</u>		<u>(513,788)</u>
(25,607)	<i>Net Cash (Inflow) From Revenue Activities</i>	(39,884)
RETURNS ON INVESTMENTS & SERVICING OF FINANCE		
<i>Cash Outflows:</i>		
20,557	Interest Paid	17,550
<i>Cash Inflow:</i>		
<u>(1,682)</u>	Interest Received	<u>(1,922)</u>
18,875		15,628
CAPITAL ACTIVITIES		
<i>Cash Outflows:</i>		
43,930	Purchase of Fixed Assets (Non Revenue)	58,083
4,009	Purchase of Fixed Assets (From Revenue)	4,563
-	Purchase of Long-Term Investments (from Revenue)	7
1,680	Creation of new Deferred Charges and Long-Term Debtors (Non Revenue)	846
<u>194</u>	Creation of new Deferred Charges and Long-Term Debtors (From Revenue)	<u>-</u>
<u>49,813</u>		<u>63,499</u>
<i>Cash Inflows:</i>		
(10,219)	Sale of Fixed Assets and Insurance Receipts	(21,104)
(17,604)	Capital Grants/Contributions etc Received	(21,066)
<u>(1,874)</u>	Receipts in respect of Deferred Charges and Long-Term Debtors	<u>(867)</u>
<u>(29,697)</u>		<u>(43,037)</u>
20,116		20,462
13,384	<i>Net Cash (Inflow)/Outflow Before Financing</i>	(3,794)
MANAGEMENT OF LIQUID RESOURCES		
-	Net Increase/(Decrease) in Short-Term Deposits	-
<u>19,550</u>	Net Increase/(Decrease) in Other Liquid Resources	<u>(3,075)</u>
19,550		(3,075)
FINANCING		
<i>Cash Outflows:</i>		
46,440	Repayments of Amounts Borrowed	25,725
<u>3</u>	Capital Element of Finance Lease Rental Payments	<u>3</u>
<u>46,443</u>		<u>25,728</u>
<i>Cash Inflows:</i>		
(71,000)	New Long-Term Loans Raised	(20,000)
<u>(2,400)</u>	New Short Term Loans Raised	<u>(133)</u>
<u>(73,400)</u>		<u>(20,133)</u>
<u>(26,957)</u>		<u>5,595</u>
<u>5,977</u>	<i>Net (Increase)/Decrease in Cash</i>	<u>(1,274)</u>

See notes 38, 39 and 40

NOTES TO THE CORE FINANCIAL STATEMENTS

1 ACQUIRED AND DISCONTINUED OPERATIONS

In 2006/2007 there were no acquired or discontinued operations (2005/2006 None).

2 EXCEPTIONAL ITEMS

In 2006/2007 a charge totalling £219,000 has been included in the Income & Expenditure Account in respect of equal pay costs for certain categories of staff. In the 2005/2006 Income & Expenditure Account, a charge totalling £3,481,000 was included for this item. In addition to the costs associated with its own staff, these charges also reflect the Council's liability to meet a share (33%) of the equal pay costs for Tayside Contracts staff. These charges largely cover equal pay costs for the 5-year period to 31 March 2006 and include provision for Income Tax and National Insurance costs.

In 2006/2007 a credit totalling £16,083,000 has been included in the Income & Expenditure Account, under "Non Distributed Costs". This credit relates to a recent change in the regulations governing the Local Government Pension Scheme in Scotland. Under new tax rules, scheme members are now able to exchange a part of their pension for additional lump sum benefits. This will impact on the valuation of the Council's accrued pension liabilities, depending on the number of members who decide to exercise the option. The Council's Actuary (Barnett Waddingham) has assumed a 50% take-up rate in the calculation of the Council's accrued pension liabilities as at 31 March 2007. The impact of this assumption is to reduce pension liabilities by £16,083,000 and, in accordance with proper accounting practice, this credit has been included in the 2006/2007 Income & Expenditure Account. This credit is, however, purely notional and is reversed out in the Statement of Movement on the General Fund Balance. Accordingly, there is no impact on the Council's General Fund or budgetary requirements. Also included under "Non Distributed Costs" in 2006/2007 are Past Service Pension Costs/Curtailments and Settlements (net charge of £71,000) and depreciation on surplus assets of £141,000.

3 EXTRAORDINARY ITEMS

In 2006/2007 there were no extraordinary items (2005/2006 None).

4 PRIOR PERIOD ADJUSTMENTS

In 2006/2007 a prior period adjustment has been made in respect of the various revised requirements contained in the 2006 SORP (2005/2006 None). The 2006 SORP contains significant changes to both the format and content of the Statement of Accounts in 2006/2007, including the following three significant changes in accounting policy that affect the new Income & Expenditure Account:

- the removal of the notional interest element from capital charges (£24.442m in 2005/2006)
- the posting of credits for government grants/capital contribution write downs to service revenue accounts (£2.658m in 2005/2006)
- the inclusion of gains and losses on the disposal of fixed assets (net gain of £2.865m in 2005/2006)

In accordance with Financial Reporting Standard 3 (Reporting Financial Performance), the previous year figures have been restated on a comparative basis. This restatement has no impact on the movement in the General Fund Balance for 2005/2006 or on the Net Assets shown in the Balance Sheet as at 31 March 2006.

In summary, the main changes necessary to restate the accounts in line with the 2006 SORP are as follows:

- the replacement of the Consolidated Revenue Account with a new UKGAAP-compliant Income & Expenditure Account incorporating the three new accounting policies set-out above (see page 13).
- a new Statement of Movement on the General Fund Balance, together with a new supporting note analysing the reconciling items (see pages 14 and 23).
- a new Statement of Total Recognised Gains & Losses (see page 15).
- a new note detailing the Movements on Reserves (see pages 32 and 33).
- consequential changes to the Housing Revenue Account: a new HRA Income & Expenditure Account and a new Statement of Movement on the HRA Balance (see pages 42 to 44).
- minor changes to the format of the Balance Sheet to reflect the presentation requirements of FRS25 (Financial Instruments: Presentation & Disclosure) (see page 16).
- consequential changes to the Group Accounts including a new Reconciliation to the Single Entity Income & Expenditure Account and a new Group Statement of Total Recognised Gains & Losses (see pages 45 to 53).
- the regrouping and reordering of the core and supplementary financial statements (and the notes thereto).

NOTES TO THE CORE FINANCIAL STATEMENTS

5 PUBLICITY ACCOUNT

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of expenditure on publicity. During 2006/2007 the Council incurred the expenditure shown below on publicity.

2005/2006 £000		2006/2007 £000
181	Employment Advertising	133
138	General Advertising	82
<u>249</u>	Others	<u>174</u>
<u>568</u>		<u>389</u>

6 AGENCY ARRANGEMENTS

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

2005/2006			2006/2007	
Income £000	Expenditure £000		Income £000	Expenditure £000
		Education		
655	655	Special Education services to Angus Council	573	573
		Social Work:		
4,286	4,286	Provision of Social Work services to NHS Tayside	6,530	6,530
<u>107</u>	<u>107</u>	Provision of Day Care Services to Perth & Kinross Council	<u>110</u>	<u>110</u>
<u>4,393</u>	<u>4,393</u>		<u>6,640</u>	<u>6,640</u>
		Economic Development		
9	26	Scottish Enterprise Tayside in respect of Skillseekers Initiative	4	2
		Support Services		
<u>256</u>	<u>256</u>	Crown and Procurator Fiscal Offices	<u>284</u>	<u>284</u>
<u>5,313</u>	<u>5,330</u>	TOTAL	<u>7,501</u>	<u>7,499</u>

7 LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. Detailed below is the income and related expenditure arising from work that has been carried out under the Local Authority (Goods and Services) Act 1970 (as amended by subsequent legislation) during the financial year 2006/2007.

2005/2006			2006/2007	
Income £000	Expenditure £000		Income £000	Expenditure £000
		Education		
14	14	Purchasing services to Perth & Kinross Council	15	15
		Purchasing services and instrument repair services to Angus Council	18	18
<u>14</u>	<u>14</u>	Payroll services to Dundee College	<u>14</u>	<u>14</u>
<u>45</u>	<u>45</u>		<u>47</u>	<u>47</u>
		Dundee Contract Services		
238	212	Repairs and maintenance services to Housing Associations	108	108
<u>33</u>	<u>33</u>	Ground maintenance services to Housing Associations	<u>-</u>	<u>-</u>
<u>271</u>	<u>245</u>		<u>108</u>	<u>108</u>
<u>316</u>	<u>290</u>	Total	<u>155</u>	<u>155</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

8 PENSION COSTS

The Council participates in two different pension schemes, with defined benefits related to pay and service.

Teachers

This is an unfunded scheme administered by the Scottish Public Pensions Agency. The employer's contribution rate for 2006/2007 in respect of teachers' pensions was 12.5% (2005/2006 12.5%). In 2006/2007 the Council paid £9.9m (2005/2006 £9.7m) to the Scottish Public Pensions Agency in respect of teachers' pension costs which represents 18.5% of teachers' pensionable pay including 6% employee contribution (2005/2006 18.5%). In addition the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2006/2007 these amounted to £0.06m (2005/2006 £0.05m) representing 0.12% of pensionable pay (2005/2006 0.12%).

Other Employees

The Council administers the Tayside Superannuation Fund on behalf of various scheduled and admitted bodies. The Council itself is recognised as a scheduled body within Superannuation Regulations and therefore its employees can be admitted to the Fund. In 2006/2007 the Council paid an employer's contribution of £17.8m (2005/2006 £17.6m) into the Tayside Superannuation Fund, representing 16.1% of pensionable pay (2005/2006 16.1%). The employer's contribution rate in 2006/2007 was 275% of the employee's contribution rate, which is 6% for APTC and 5% for Manual Workers. The employer's contribution rate was determined by the Fund's Actuary based on the triennial actuarial valuation at 31 March 2005 with the resultant revised contribution rates effective from 1 April 2006. There was no increase in the contribution rate in 2006/2007. Under Superannuation Regulations contribution rates are set to meet 100% of the overall liabilities of the Fund.

In addition the Council is responsible for all pension payments relating to added years' benefits it has awarded, together with the related increases. In 2006/2007 these amounted to £1.9m (2005/2006 £1.9m), representing 1.7% of pensionable pay (2005/2006 1.7%).

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

- a awarded in 2006/2007 £1.112m (2005/2006 £0.491m)
- b awarded prior to 2006/2007 for which payments are still being made £1.935m (2005/2006 £20.729m)

9 COMMUNITY CHARGE INCOME

2005/2006 Actual £000		2006/2007 Actual £000
(3)	Adjustments for Previous Year:	(4)
	Gross Charge	
(3)	Net Charge	(4)
97	Released from Provision for Bad Debts	304
94		300

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

10 OFFICERS REMUNERATION

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

Number of Employees 2005/2006	Salary Banding	Number of Employees 2006/2007
24	£50,000 - £59,999	23
17	£60,000 - £69,999	23
5	£70,000 - £79,999	3
4	£80,000 - £89,999	6
-	£90,000 - £99,999	-
-	£100,000 - £109,999	-
1	£110,000 - £119,999	1

11 MEMBERS ALLOWANCES

The total amount of members' allowances paid, under the Local Authorities Etc (Allowances) (Scotland) Regulations 1995, for the year to 31 March 2007, was £447,737 (2005/2006 £445,273).

NOTES TO THE CORE FINANCIAL STATEMENTS

12 RELATED PARTIES - TRANSACTIONS

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

2005/2006			2006/2007		
Charges To £000	Charges From £000	Revenue	Charges To £000	Charges From £000	
981	3,969	Dundee Energy Recycling Limited	990	4,203	
116	135	Dundee City Developments Limited	93	138	
59	124	Dundee Ice Arena Limited	51	100	
16	330	Dundee Contemporary Arts Limited	15	347	
1	722	Dovetail Enterprises (1993) Limited	16	642	
94	42	Tayside Fire & Rescue Board	142	90	
551	46	Tayside Joint Police Board	354	423	
399	14,099	Tayside Contracts Joint Committee	418	13,603	
160	4	Tayside Valuation Joint Board	134	4	
250	121	Tay Road Bridge Joint Board	206	840	
-	-	Dundee Leisure Ltd	88	335	
-	-	Discovery Education Companies (3 no)	-	8	

In 2006/2007, there were no other material transactions with any other related parties that are not already disclosed elsewhere in the Statement of Accounts.

13 REVISED SERVICE EXPENDITURE ANALYSIS

The Income & Expenditure Account shown on page 13 has been prepared in accordance with the Service Expenditure Analysis for Scotland that is set out in Section 3 of the 2006 CIPFA Best Value Accounting Code of Practice (BVACoP). This standard analysis seeks to promote consistency between local authorities in terms of both format and comparability of financial reporting. The Council's internal management structure is, however, somewhat different from the service structure set out in BVACoP. For completeness, the Net Cost of Services of £262.526m (as shown in the Income & Expenditure Account) has been re-classified in line with the Council's management/department structure as follows:

Restated 2005/2006		2006/2007			
Actual Net Expenditure/ (Income) £000		Actual Gross Expenditure £000	Actual Income £000	Actual Net Expenditure/ (Income) £000	Budgeted Net Expenditure/ (Income) £000
Council Services					
110,767	Education	128,070	14,756	113,314	112,289
64,413	Social Work	92,771	25,431	67,340	69,727
13,669	Planning & Transportation (incl Car Parks)	20,791	11,457	9,334	9,717
3,191	Economic Development	11,249	8,109	3,140	3,571
25,068	Leisure & Communities	35,375	10,432	24,943	24,526
14,089	Waste Management	17,986	3,277	14,709	14,922
1,953	Environmental Health & Trading Standards	3,627	987	2,640	2,700
43	Central Support Services (see note 14)	2,625	2,047	578	878
5,319	Miscellaneous Services	12,180	6,859	5,321	6,155
1,778	Other Housing	3,660	2,518	1,142	1,500
14	Supporting People	11,889	11,889	-	-
2,211	DCS Land Services Client	2,468	196	2,272	2,244
17,370	Contribution to Tayside Joint Police Board	18,068	-	18,068	18,269
13,400	Contribution to Tayside Fire & Rescue Board	13,929	-	13,929	13,929
906	Contribution to Tayside Valuation Joint Board	919	-	919	984
(704)	Housing Benefits	51,558	51,106	452	(311)
3,810	Corporate and Democratic Core	3,837	99	3,738	3,769
(828)	Net (Surplus)/Deficit on Insurance Account	94	272	(178)	490
459	Non Distributed Costs	(15,871)	-	(15,871)	(15,871)
-	Contingencies & Unforeseen Items	-	-	-	1,123
3,481	Exceptional Items (see note 2)	219	-	219	-
280,409	Net Cost of General Fund Services	415,444	149,435	266,009	270,611
(4,168)	Housing Revenue Account	44,273	47,756	(3,483)	(2,975)
<u>276,241</u>	Net Cost of Services	<u>459,717</u>	<u>197,191</u>	<u>262,526</u>	<u>267,636</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

14 CENTRAL SUPPORT SERVICES MEMORANDUM ACCOUNT

The table below shows the outturn position for the Council's various Central Support Services. The gross expenditure is shown for each service, together with the various internal and external sources of income and the resultant net expenditure for the financial year. The overall net expenditure for 2006/2007 of £578,000 is included within "Central Services to the Public" in the Income & Expenditure Account.

Restated 2005/2006 Net Expenditure/ (Surplus) £000	Central Support Service	Gross Expenditure £000	Recharges to Council Departments £000	Recharge to Corporate & Democratic Core £000	Other Internal Income £000	External Income £000	Total Income £000	2006/2007 Net Expenditure/ (Surplus) £000
(27)	Chief Executive (incl Corporate Planning)	1,149	(81)	(862)	-	(122)	(1,065)	84
(8)	Press Office	307	(274)	(18)	-	-	(292)	15
-	Personnel	1,962	(1,590)	(194)	(57)	(62)	(1,903)	59
(337)	Information Technology Administration &	6,232	(5,771)	(23)	(242)	(224)	(6,260)	(28)
253	Legal Services	5,021	(2,946)	(1,191)	(559)	(258)	(4,954)	67
314	Architectural Services	5,340	(5,032)	-	-	-	(5,032)	308
(152)	Finance General	<u>6,248</u>	<u>(2,771)</u>	<u>(1,549)</u>	<u>(474)</u>	<u>(1,381)</u>	<u>(6,175)</u>	<u>73</u>
<u>43</u>		<u>26,259</u>	<u>(18,465)</u>	<u>(3,837)</u>	<u>(1,332)</u>	<u>(2,047)</u>	<u>(25,681)</u>	<u>578</u>

15 DUNDEE CONTRACT SERVICES STATUTORY TRADING ACCOUNT

Legislation relating to Compulsory Competitive Tendering (CCT) was repealed with effect from 1 April 2003, as a result of the Local Government in Scotland Act 2003 (the Act). Section 10 of the Act sets out a requirement for Trading Accounts to be maintained and disclosed for significant trading operations. Further, a financial target is prescribed for significant trading operations: they must achieve break-even over a three year rolling period. In June 2003, CIPFA issued guidance on complying with the new requirements. The guidance was not overly prescriptive and allowed for a degree of discretion in the identification of the significant trading operations for which Statutory Trading Accounts must be maintained. The Council completed the process of identifying the relevant services in January 2004. The aforementioned and subsequent reviews have concluded that the Council should maintain a Statutory Trading Account for those services provided by Dundee Contract Services. The following disclosures are made in accordance with the Accounting Code of Practice.

Restated Target 2004/05 £000	Restated Actual 2004/05 £000	Restated Target 2005/06 £000	Restated Actual 2005/06 £000		Actual 2006/07 £000	Target 2006/07 £000	3-Year Actual 2004/07 £000	3-Year Target 2004/07 £000
(25,428)	(26,223)	(24,843)	(25,185)	Income	(27,407)	(25,549)	(78,815)	(75,820)
<u>24,681</u>	<u>25,997</u>	<u>24,306</u>	<u>24,918</u>	Expenditure	<u>26,599</u>	<u>25,586</u>	<u>77,514</u>	<u>74,573</u>
<u>(747)</u>	<u>(226)</u>	<u>(537)</u>	<u>(267)</u>	(Surplus)/Deficit	<u>(808)</u>	<u>37</u>	<u>(1,301)</u>	<u>(1,247)</u>

In accordance with the 2006 SORP, the notional interest element of capital charges has been removed. For comparative purposes, the figures for 2004/2005 and 2005/2006 have been similarly adjusted. The effect of this restatement is to increase both the target and actual surplus figures by £92,000 in 2004/2005 and by £103,000 in 2005/2006.

Services Provided

Dundee Contract Services is a quality assured organisation geared to maintain, repair and modernise houses and other public buildings. It has the technical expertise and capability to undertake most types of building construction work and provides services of a specialist nature such as lift and gas central heating maintenance. The department also provides a comprehensive grounds maintenance service including new landscape works, forestry, fencing and arboriculture works for publicly owned sites, forests, open spaces and landscaped areas. It has its own joiners' workshop, mechanical workshops, sawmill, nursery and glasshouses. In addition, it operates its own plant and fleet of vehicles although transport and equipment is hired when considered necessary. A 24-hour emergency service is available which is required for securing and making safe dangerous buildings, dealing with burst pipes, dangerous trees and extensive flooding caused by severe weather conditions. This service is an integral part of the day to day repair and maintenance provided to council house tenants. The department's main customer is the housing department with income also being generated from other Council departments and other public bodies.

Financial Targets

The Council is required to achieve a statutory financial target of break even over a three year rolling period for significant trading organisations. In addition the Council has set a financial target of £1.247m in excess of the statutory requirement for the three financial years ending 31 March 2007.

NOTES TO THE CORE FINANCIAL STATEMENTS

15 DUNDEE CONTRACT SERVICES STATUTORY TRADING ACCOUNT (Contd)

Financial Performance

The surplus for the current financial year of £0.808m exceeds the break even requirements of the Local Government in Scotland Act 2003. It also exceeds the Council's own financial target for 2006/2007 by £0.845m. Actual income exceeded the target figure due to increased demand for services, particularly in respect of major contracts. This increased income was partially offset by a corresponding rise in expenditure on direct materials and sub-contractor costs.

The total income generated of £27.407m was £2.222m (8.8%) over the previous year's actual figure of £25.185m. In turn the department's profitability has increased in comparison to the previous year.

The statutory financial target is for the Trading Account to break even over a three year rolling period and this requirement has been exceeded by £1.301m during the financial years 2004/2005 to 2006/2007. The surplus achieved was also £0.054m over the Council's own financial target of £1.247m for the same period. This is largely a result of the increase in turnover experienced in 2006/2007.

Treatment of Surplus

There was no internal reapportionment of the surplus generated during the period under review.

16 EXTERNAL AUDIT FEES

The External Auditors of Dundee City Council are appointed by the Accounts Commission for Scotland, for a period of 5 years. The total fee payable to Audit Scotland in respect of the 2006/2007 financial year, for external audit services undertaken in accordance with the Code of Audit Practice, is £393,700 (2005/2006 £398,444). During 2006/2007, the External Auditor did not provide any other services to Dundee City Council other than the duties undertaken in accordance with the Code of Audit Practice (2005/2006 None).

17 RECONCILING ITEMS IN THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The following provides an analysis of the additional items required by statute and non-statutory proper practices to be credited or charged to the General Fund in determining the Movement on the General Fund Balance for the year (see page 14).

2005/2006 £000		2006/2007 £000	£000
	Amounts included in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(29,271)	Depreciation and impairment of fixed assets	(32,302)	
2,658	Government Grants deferred amortisation matching depreciation and impairments	2,742	
(778)	Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute	-	
2,865	Net gain or (loss) on sale of fixed assets	12,748	
<u>(4,349)</u>	Amount by which pension costs calculated in accordance with the SORP (ie in accordance with FRS17) are different from the contributions due under the pension scheme regulations	<u>10,753</u>	
(28,875)			(6,059)
	Amounts not included in the Income & Expenditure Account but required to be taken into account when determining the Movement on the General Fund Balance for the year		
14,925	Repayment of debt	16,930	
<u>2,239</u>	Capital Expenditure charged to the General Fund Balance	<u>3,136</u>	
17,164			20,066
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
328	Net transfer to or (from) earmarked reserves		1,944
<u>(11,383)</u>	Net additional amount required to be (credited) or charged to the General Fund balance for the year		<u>15,951</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

18 SUMMARY OF CAPITAL EXPENDITURE AND DISPOSALS

	Council Dwellings £000	Other Land & Buildings £000	Operational Equipment £000	Infrastr. Assets £000	Community Assets £000	Invest. Properties £000	Assets Under Construct. £000	Surplus Assets Held for Disposal £000	Total £000
Gross Book Value									
As at 31 March 2006	205,885	326,396	45,229	97,245	1,606	62,339	19,107	18,882	776,689
Movements in 2006/2007:									
Expenditure	5,254	9,659	14,843	7,105	234	2,655	21,720	123	61,593
Disposals	(6,050)	(514)	(921)	-	-	(167)	-	(1,715)	(9,367)
Revaluations/Other Adjustments	5,835	14,538	(152)	(734)	(234)	2,133	(31,047)	823	(8,838)
As at 31 March 2007	<u>210,924</u>	<u>350,079</u>	<u>58,999</u>	<u>103,616</u>	<u>1,606</u>	<u>66,960</u>	<u>9,780</u>	<u>18,113</u>	<u>820,077</u>
Accumulated Depreciation									
As at 31 March 2006	-	(20,781)	(14,635)	(26,580)	-	-	-	(274)	(62,270)
Movements in 2006/2007:									
Charge for the Year	(8,665)	(15,045)	(4,526)	(3,925)	-	-	-	(141)	(32,302)
Disposals	-	29	814	-	-	-	-	44	887
Revaluations/Other Adjustments	-	6,123	-	20	-	-	-	213	6,356
As at 31 March 2007	<u>(8,665)</u>	<u>(29,674)</u>	<u>(18,347)</u>	<u>(30,485)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(158)</u>	<u>(87,329)</u>
Net Book Value									
As at 31 March 2006	<u>205,885</u>	<u>305,615</u>	<u>30,594</u>	<u>70,665</u>	<u>1,606</u>	<u>62,339</u>	<u>19,107</u>	<u>18,608</u>	<u>714,419</u>
As at 31 March 2007	<u>202,259</u>	<u>320,405</u>	<u>40,652</u>	<u>73,131</u>	<u>1,606</u>	<u>66,960</u>	<u>9,780</u>	<u>17,955</u>	<u>732,748</u>

19 SOURCES OF FINANCE FOR CAPITAL EXPENDITURE

2005/2006 £000		2006/2007 £000	£000
53,687	Capital Expenditure on Fixed Assets	61,593	
1,728	Deferred Charges	-	
-	Long-Term Investments	7	
<u>146</u>	Long-Term Debtors	<u>193</u>	
<u>55,561</u>	Capital to be Financed for the year		<u>61,793</u>
	Financed by:		
25,419	Loan	28,417	
10,009	Capital Receipts (incl Insurance Receipts)	13,952	
16,626	Government Grants/Capital Contributions	15,917	
950	Receipts in Respect of Deferred Charges	-	
318	Receipts from Long-Term Debtors	371	
<u>2,239</u>	Revenue	<u>3,136</u>	
<u>55,561</u>	Total Capital Financing for the year		<u>61,793</u>

20 LONG TERM INVESTMENTS

As at 31 March 2006 £000		As at 31 March 2007 £000
500	Dundee City Developments Limited	500
<u>-</u>	Discovery Education (Holdings) Limited	<u>7</u>
<u>500</u>		<u>507</u>

21 LONG TERM DEBTORS

As at 31 March 2006 £000		As at 31 March 2007 £000
1,159	Mortgages/Repairs Notices	1,148
6,899	Loans to Joint Boards and Joint Committee to fund Capital Expenditure	7,775
<u>3,036</u>	Other Loans	<u>2,868</u>
<u>11,094</u>		<u>11,791</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

22 COMMITMENTS UNDER CAPITAL CONTRACTS

In February 2007, the Council approved its 2007-2010 Capital Plan for General Services. This programme totals £127.0m of expenditure to be incurred in 2007/2008 and beyond. Of this expenditure £22.8m is legally committed under contracts and the remaining £104.2m relates to projects with committee approval to commence in 2007/2008 and beyond but for which contracts have not yet been entered into.

In addition, the Council approved a Standard Delivery Plan in October 2006 for the Scottish Housing Quality Standard (SHQS). The plan allows for £140.8m expenditure over the period to 2015. In June 2007, the Council approved the 2007-2010 Housing (HRA) Capital Budget that included expenditure relating to the above plan. This programme totals £58.3m of expenditure to be incurred over the period 2007-2010. Of this expenditure £8.0m is legally committed under contracts and the remaining £50.3m relates to projects with committee approval to commence in 2007/2008 and beyond but for which contracts have not yet been entered into.

The Council has a "Covenant" arrangement with a consortium of banks. This covenant was entered into prior to 1 April 2004 to allow capital expenditure to be carried out on Council projects with funding provided by the banks so that the expenditure did not require to count against the Council's Capital Section 94 Capital Consent at the time of being incurred. For this arrangement an undischarged liability of £0.449m existed as at 31 March 2007 (being £0.249m deferred liability and £0.200m loans outstanding).

23 INFORMATION ON ASSETS HELD

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

Number as at 31 March 2006		Number as at 31 March 2007
16,124	Council Dwellings	15,683
	Operational Land and Buildings	
44	Office Buildings	49
66	Schools	63
10	Sports Centres and Swimming Pools	9
26	Residential Homes and Care Centres	23
11	Neighbourhood Centres	11
54	Sports Pavilions	55
7	Airport Buildings	8
31	Off Street Car Parks	31
12	Public Conveniences	12
13	Libraries	13
7	Museums and Galleries	8
19	Cemetery Buildings	19
1	District Court	1
<u>283</u>	Miscellaneous Buildings	<u>290</u>
<u>584</u>		<u>592</u>
	Community Assets	
88	Parks and Community Land	87
11	Cemeteries (Land only)	11
14	Museum/Library Collections	14
<u>1</u>	Monuments	<u>1</u>
<u>114</u>		<u>113</u>
	Non-Operational Assets	
466	Shops, Offices, Industrial Units and Commercial Property	483
27	Assets Under Construction	18
<u>160</u>	Other Non-Operational Assets	<u>151</u>
<u>653</u>		<u>652</u>
699	Infrastructure Assets	760
824	Vehicles, Plant and Equipment	837

NOTES TO THE CORE FINANCIAL STATEMENTS

24 LEASES - DISCLOSURE BY LESSEES

Finance Leases

The Council has acquired plant and equipment that is accounted for as a finance lease. The rentals payable under this agreement during 2006/2007 were £4,000 (2005/2006 £4,000). This amount comprises £1,000 of financing costs and £3,000 relating to the write-down of obligations to the lessor.

In respect of this agreement the following values are included within Tangible Fixed Assets in the Balance Sheet:

	Vehicles, Plant and Equipment £000
Gross Book Value as at 31 March 2006	17
<u>Less</u> Accumulated Depreciation	<u>(14)</u>
Net Book Value at 31 March 2006	3
Movements in 2006/2007:	
Additions	-
Depreciation	(3)
Disposals	<u>-</u>
Net Book Value as at 31 March 2007	<u>=</u>
Analysis of Net Book Value as at 31 March 2007:	
Gross Book Value	17
<u>Less</u> Accumulated Depreciation	<u>(17)</u>
Net Book Value	<u>=</u>

There are no further outstanding obligations to make payments under this finance lease as at 31 March 2007.

Operating Leases

Operating lease rental payments of £2,380,000 were made during 2006/2007 (2005/2006 £2,546,000). These payments related to the asset categories Other Land and Buildings (£481,000) and Vehicles, Plant and Equipment (£1,899,000). In addition, the Council operates a contract car hire scheme and home computer initiative for its employees. In financial year 2006/2007, total payments of £1,386,000 (2005/2006 £1,196,000) were made by the Council to the lessors, offset by contributions of £1,023,000 (2005/2006 £739,000) from employees.

In respect of operating leases, the Council is committed to making payments to lessors of £3.123m in 2007/2008. This comprises the following elements:

	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Total £000
Leases expiring in 2007/2008	113	5	118
Leases expiring between 2008/2009 and 2011/2012	84	2,689	2,773
Leases expiring after 2011/2012	<u>206</u>	<u>26</u>	<u>232</u>
Total	<u>403</u>	<u>2,720</u>	<u>3,123</u>

25 LEASES - DISCLOSURE BY LESSORS

Finance Leases

The Council had no assets leased to third parties on finance lease as at 31 March 2007 (31 March 2006 None).

Operating Leases

Dundee City Council has entered into a number of property agreements that are managed corporately by the Economic Development Department. These agreements are accounted for as operating leases. The aggregate rentals receivable from these agreements in 2006/2007 was £4.233m (2005/2006 £4.212m).

The gross value of these assets as at 31 March 2007 was £52.115m (31 March 2006 £51.403m). These assets are classed as Investment Properties and, in accordance with the relevant accounting policy, the accumulated depreciation as at 31 March 2007 relating to these assets was Nil (31 March 2006 Nil).

NOTES TO THE CORE FINANCIAL STATEMENTS

26 VALUATION OF THE COUNCIL'S ASSETS

Council houses are revalued on a quinquennial basis, but updated for disposals/acquisitions each year. The next revaluation is due in 2008/2009. Council houses are valued on the basis of Existing Use Value for Social Housing, using the beacon approach to valuation.

The Council has a five year rolling programme of revaluation for land, buildings and surplus assets, with 2006/2007 being the third year of this rolling programme. All related assets held on the Housing Revenue, Social Work, Waste Management and Environmental Health/Trading Standards were revalued as at 31 March 2007. The rolling programme of revaluation was carried out by a team of staff from the Council's Economic Development Department led by Mr John Dobbie FRICS and conducted in accordance with The Royal Institution of Chartered Surveyors Appraisal and Valuation Manual (the "Red Book"). Each valuer was either a Fellow or Professional Associate of the Royal Institution of Chartered Surveyors (RICS).

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

	Council Dwellings £000	Other Land and Buildings £000	Operational Equipment £000	Investment Properties £000	Surplus Assets Held for Disposal £000	Grand Total £000
Valued at Historical Cost	-	-	-	-	-	-
Valued at Current Value in:						
2004/2005	-	12,437	2,515	-	1,211	16,163
2005/2006	-	6,011	2,223	-	5,244	13,478
2006/2007	-	<u>3,840</u>	<u>26,273</u>	<u>64,577</u>	<u>287</u>	<u>297,236</u>
	<u>-</u>	<u>22,288</u>	<u>31,011</u>	<u>64,577</u>	<u>6,742</u>	<u>326,877</u>

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

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

Since 1 April 2000, Dundee City Council has been required to comply with the requirements of Financial Reporting Standard 15 (Tangible Fixed Assets). One of the main requirements of FRS15 is that depreciation should be provided for all assets, which are considered to have a finite useful life, where this can be estimated with reasonable certainty at the time of acquisition/revaluation. Depreciation does not have to be provided for land, non-operational investment properties and assets under construction. The only legitimate grounds for not charging depreciation is that the depreciation charge would be immaterial. The Council's housing stock is depreciated using the Major Repairs Allowance as a measure for depreciation. The depreciation charge for 2006/2007 is £8,664,765. The straight-line method of depreciation is used by Dundee City Council for all other assets and the total depreciation charge for 2006/2007 is £23,637,431. No depreciation is charged in the year of acquisition but a full year's charge is made in the year of disposal.

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

Investment properties are not subject to depreciation but are required to be re-valued annually. The increase in balance sheet values in 2006/2007 due to the revaluation of investment properties is £2,238,100.

Dundee City Council is also required to comply with Financial Reporting Standards 11 (Impairment of Fixed Assets and Goodwill). One of the main requirements of FRS11 is that an impairment review of fixed assets should be carried out if events or changes in circumstances indicate that the carrying amount of the fixed assets may not be recoverable. During 2006/2007, there were no assets which were subject to impairment due to consumption, however, a number of assets were subject to impairment as a result of a fall in prices.

NOTES TO THE CORE FINANCIAL STATEMENTS

27 ANALYSIS OF NET ASSETS EMPLOYED

As at 31 March 2006		As at 31 March 2007
£000		£000
34,570	General Fund	80,677
115,596	Housing Revenue Account	121,635
<u>2,305</u>	Dundee Contract Services (Statutory Trading Account)	<u>1,969</u>
<u>152,471</u>	Total	<u>204,281</u>

28 INVESTMENTS IN RELATED COMPANIES

Copies of the accounts for the undernoted related companies can be obtained from the Head of Finance, Dundee City Council, Floor 4, 28 Crichton Street, Dundee, DD1 3RF.

Dundee Energy Recycling Limited (DERL)

Dundee Energy Recycling Limited is a special purpose company, established in order to construct and operate a new Waste-to-Energy Plant at Baldovie, Dundee. The plant was taken over from the construction contractor on 31 March 2000. On the same date, a 20 year contract commenced between the Council and DERL for the disposal of domestic refuse. The company was financially restructured in March 2004, as part of which the Council purchased the plant from DERL and leased it back at a commercial rate. The Council has 5,362,181 Deferred Shares of £1 par value in the company. A loan facility of £2.3m is in place to provide working capital and assist with the cash flow. The carrying value of the investment in the company in the Council's Balance Sheet is Nil (31 March 2006 Nil). The Council owned 40% of the £100 Ordinary Share Capital of DERL at 31 March 2007 (40% at 31 March 2006). Dundee City Council has two officers as Directors on the Board of DERL (maximum number of Directors is six). The Council's interest in DERL is considered to constitute a "joint venture" in terms of the Accounting Code of Practice. The DERL project was developed under the Private Finance Initiative (PFI).

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

<u>31.12.2005</u>		<u>31.12.2006</u>
<u>(Audited)</u>		<u>(Unaudited)</u>
£000		£000
72	Profit/(Loss) Before Taxation	(950)
72	Profit/(Loss) After Taxation	(950)
-	Dividends Paid	-
4,803	Net Assets (Represented by Share Capital and Reserves)	3,853

Dundee City Developments Limited

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

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

<u>30.04.2006</u>		<u>30.04.2007</u>
<u>(Audited)</u>		<u>(Unaudited)</u>
£000		£000
128	Profit/(Loss) Before Taxation	165
125	Profit/(Loss) After Taxation	165
-	Dividends Paid	-
1,966	Net Assets (Represented by Share Capital and Reserves)	1,888

NOTES TO THE CORE FINANCIAL STATEMENTS

28

INVESTMENTS IN RELATED COMPANIES (Contd)

Dundee Leisure Limited

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

The following information has been extracted from Dundee Leisure Limited's draft management accounts:

	<u>31.03.2007</u> <u>(Unaudited)</u> <u>£000</u>
Profit/(Loss) Before Taxation	170
Profit/(Loss) After Taxation	170
Dividends Paid	-
Net Liabilities (Represented by Reserves)	(1,167)

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 will have a contract with one of the above companies who will carry out the projects works and services. Dundee City Council has a 15% shareholding in Discovery Education (Holdings) Ltd and 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 two companies although the Council has no shareholding (total number of directors on both other companies is 5). To date, no statutory accounts have been prepared for these companies.

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

Dundee Ice Arena Limited

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

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

<u>31.03.2006</u> <u>(Audited)</u> <u>£000</u>		<u>31.03.2007</u> <u>(Unaudited)</u> <u>£000</u>
25	Profit/(Loss) Before Taxation	40
25	Profit/(Loss) After Taxation	40
-	Dividends Paid	-
88	Net Assets (Represented by Reserves)	129

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).

The following information has been extracted from Dundee Contemporary Arts Limited's statutory accounts:

<u>31.03.2005</u> <u>(Audited)</u> <u>£000</u>		<u>31.03.2006</u> <u>(Audited)</u> <u>£000</u>
3	Profit/(Loss) Before Taxation	(27)
3	Profit/(Loss) After Taxation	(27)
-	Dividends Paid	-
79	Net Assets/(Liabilities) (Represented by Reserves)	(44)

NOTES TO THE CORE FINANCIAL STATEMENTS

28 INVESTMENTS IN RELATED COMPANIES (Contd)

Dundee Cultural Developments Limited

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

The following information has been extracted from Dundee Cultural Developments Limited's abbreviated accounts:

<u>31.03.2005</u>		<u>31.03.2006</u>
<u>£000</u>		<u>£000</u>
2	Net Assets (Represented by Reserves)	3

Dovetail Enterprises Limited

Dovetail Enterprises Limited was established to provide training and employment for persons with disabilities. The Council provides annual grant funding to this organisation. The Council has also provided an interest free loan of £400,000 repayable in 2011 and as a result has increased its share of the Standard Security to 33% of the company's liquidated assets. As at 31 March 2007, £200,000 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).

The following information has been extracted from Dovetail Enterprises Limited's statutory accounts:

<u>31.03.2005</u>		<u>31.03.2006</u>
<u>(Audited)</u>		<u>(Audited)</u>
<u>£000</u>		<u>£000</u>
15	Profit/(Loss) Before Taxation	24
15	Profit/(Loss) After Taxation	24
-	Dividends Paid	-
(1,486)	Net Liabilities (Represented by Reserves)	(1,144)

29 ANALYSIS OF BORROWING

Long Term Borrowing

Debt Outstanding at 31 March 2006 £000	Analysis of Loans by Source	Debt Outstanding at 31 March 2007 £000	Range of Interest Rates %
	Long Term Loans:		
261,322	Public Works Loan Board	260,966	2.5 to 14.0
1,224	European Investment Bank	766	8.55
40,000	Market - Long Term	35,000	2.81 to 5.0
<u>200</u>	Covenant - Parallel Loan	<u>200</u>	5.21545
<u>302,746</u>		<u>296,932</u>	
	Analysis of Loans by Maturity:		
5,814	Between 1 - 2 years	6,122	
25,571	Between 2 - 5 years	24,467	
28,671	Between 5 - 10 years	23,148	
<u>242,690</u>	More than 10 years	<u>243,195</u>	
<u>302,746</u>		<u>296,932</u>	

NOTES TO THE CORE FINANCIAL STATEMENTS

Short Term Borrowing

Debt Outstanding at 31 March 2006 £000	Analysis of Loans by Source	Debt Outstanding at 31 March 2007 £000	
	Long Term Loans Repayable Within One Year:		
5,342	Public Works Loan Board	355	
423	European Investment Bank	459	
-	Market	<u>5,000</u>	
5,765			5,814
	Short Term Loans:		
359	Temporary Market Loans		345
	Temporary Advances from Other Accounts:		
4,386	Common Good Fund & Charitable Trust Funds	4,629	
<u>6,415</u>	Superannuation Funds	<u>6,355</u>	
10,801			10,984
<u>16,925</u>			<u>17,143</u>

30 PROVISIONS OTHER THAN BAD DEBTS

Council Tax

A provision has been made in respect of potential reductions to the amount of net Council Tax levied by the Council. Such reductions 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.

Non-Domestic Rate Income

This provision has been made in respect of potential abatements to the gross rates levied by the Council. An abatement is a credit against the original charge levied and can arise for a variety of reasons the most common of which are non-domestic properties falling vacant during the year and reductions in valuations due to the settlement of appeals. The provision is made based upon information provided each year by the Regional Assessor regarding the value of appeals outstanding and their likelihood of success. Negotiations to conclude appeals can take several years.

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 below has been made taking into account all known liabilities likely to be incurred by the Council in respect of self-insured and uninsured losses. 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.

Provision Movements 2006/2007	Balance as at 31 March 2006 £000	Movements in Provisions 2006/2007 £000	Balance as at 31 March 2007 £000
Council Tax Income - Exemptions/Discounts	700	-	700
Non-Domestic Rate Income - Abatements	2,959	499	3,458
Self-Insured/Uninsured Losses - Tayside Regional Council	693	-	693
- Dundee District Council	1,000	-	1,000
- Dundee City Council	<u>2,652</u>	<u>(7)</u>	<u>2,645</u>
	<u>8,004</u>	<u>492</u>	<u>8,496</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

31 MOVEMENTS ON RESERVES

The Council maintains a number of reserves for purposes outwith those classified as provisions. Some of these reserves are required to be held for statutory reasons and some are needed to comply with proper accounting practice. The movements on these reserves during 2006/2007 are analysed below, together with an explanation of the purpose of each reserve.

	FARA £000	CFA £000	UCRR £000	Capital Fund £000	Renewal & Repair Fund £000	Insurance Fund £000	Pensions Reserve £000	General Fund £000
Balance at 1 April 2006	(182,968)	(148,855)	-	(5,440)	(3,237)	(1,127)	195,752	(6,596)
(Gains)/Losses for the Year	2,282	-	-	-	-	-	(37,725)	(17,832)
<i>Transfers between Reserves:</i>								
Net Book Value of Asset Disposals	8,480	-	-	-	-	-	-	(8,480)
Proceeds of Asset Disposals	-	-	(21,227)	-	-	-	-	21,227
Proceeds of Asset Disposals	-	(13,927)	21,227	(7,300)	-	-	-	-
Transfers to Earmarked Reserves	-	-	-	(878)	(659)	(407)	-	1,944
Depreciation	-	32,302	-	-	-	-	-	(32,302)
Repayment of Debt	-	(16,930)	-	-	-	-	-	16,930
Government Grants Amortisation	-	(2,743)	-	-	-	-	-	2,743
CFCR	-	(3,136)	-	-	-	-	-	3,136
FRS17 Adjustments	-	-	-	-	-	-	(10,753)	10,753
<i>Other Adjustments:</i>								
Capital Grant Transactions	-	-	-	1,477	-	-	-	-
Insurance Account Contribution	-	(23)	-	-	-	-	-	-
Pensions Contributions Adjustment	-	-	-	-	-	-	11	-
Balance at 31 March 2008	(172,206)	(153,312)	-	(12,141)	(3,896)	(1,534)	147,285	(8,477)

EXPLANATION OF RESERVES

Fixed Asset Restatement Account (FARA)

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

Capital Financing Account (CFA)

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

Usable Capital Receipts Reserve (UCRR)

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

Capital Fund

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

Renewal and Repair Fund

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

Insurance Fund Reserve

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

NOTES TO THE CORE FINANCIAL STATEMENTS

31 RESERVES (Contd)

Pensions Reserve

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

General Fund

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

32 CONTINGENT ASSETS & LIABILITIES

A Contingent Liability exists at 31 March 2007 in respect of equal pay costs. A small number of City Council staff have indicated that they will be taking their claims for equal pay compensation through the Employment Tribunal process. Should they be successful, the Council will be required to make payments to these staff in excess of the amounts already provided for in the 2005/06 and 2006/07 accounts. It is estimated that the maximum liability to the Council is £235,000. No dates have yet been set for employment tribunals and the Council will be defending against these claims.

There were no Contingent Assets or Liabilities at 31 March 2006.

33 GENERAL FUND BALANCES

The Balance Sheet shows that the Council has a General Fund balance of £8.477m as at 31 March 2007 (31 March 2006 £6.596m). It is estimated that there are expenditure commitments amounting to £1.605m outstanding at 31 March 2007. These have arisen due to underspends in 2006/2007 and these underspends will be carried forward to 2007/2008 and fully utilised in the new financial year. It was agreed that the sum of £1.300m be taken from balances in setting the 2007/2008 Council Tax. In addition, there are earmarked balances within the General Fund of £0.511m and £0.648m in respect of the Devolved School Management Scheme and Car Parking respectively. When all of these items are taken into account, it is estimated that the Council has uncommitted General Fund balances of £4.413m as at 31 March 2007.

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

34 RELATED PARTIES - BALANCES

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

As at 31 March 2006			As at 31 March 2007	
Charges To £000	Charges From £000		Charges To £000	Charges From £000
424	66	Dundee Energy Recycling Limited	438	59
6	4	Dundee City Developments Limited	29	5
53	-	Dundee Ice Arena Limited	53	53
63	16	Dundee Contemporary Arts Limited	87	6
4	33	Dovetail Enterprises (1993) Limited	1	13
784	-	Tayside Fire & Rescue Board	860	4
2,985	8	Tayside Joint Police Board	3,084	22
913	1,414	Tayside Contracts Joint Committee	825	1,548
268	-	Tayside Valuation Joint Board	96	-
47	205	Tay Road Bridge Joint Board	28	384
-	-	Dundee Leisure Ltd	23	46
-	-	Discovery Education Companies (3 no)	-	-

NOTES TO THE CORE FINANCIAL STATEMENTS

35 PENSIONS - DEFINED BENEFITS SCHEMES

In accordance with Financial Reporting Standard 17 (Retirement Benefits) the Council is required to include figures in the Statement of Accounts relating to assets, liabilities, income and expenditure of the pension schemes for its employees. As explained in the Accounting Policies the Council participates in two formal schemes; the Local Government Superannuation Scheme (Tayside Superannuation Fund), a Defined Benefits Scheme which is administered by the City Council, and the Teachers' Scheme. The Scottish Teachers' Superannuation Scheme is an unfunded scheme administered nationally by the Scottish Executive. Guidance issued by CIPFA/LASAAC concludes that the assets and liabilities underlying the scheme are not identifiable at individual employer level on a consistent basis and, accordingly, there are no FRS17 disclosure requirements. In addition the Council has liabilities for discretionary pension payments outside the main schemes.

The movement in the Council's pension liability can be analysed as follows:

2005/2006			2006/2007		
£000	£000		£000	£000	
	(191,023)	Deficit at 1 April		(195,752)	
(19,117)		Current Service Cost	(23,963)		
17,619		Employer Contributions	17,822		
1,912		Contribution in respect of Unfunded Benefits	1,821		
(298)		Past Service Costs	15,277		
(193)		Settlements/Curtailments	774		
<u>(4,272)</u>		Net Return on Assets	<u>(978)</u>		
	(4,349)			10,753	
	55	Actuarial Gain/(Losses)		37,725	
		Difference between Actuarial Contribution Figure and			
	<u>(435)</u>	Actual Contribution Figure			<u>(11)</u>
	<u>(195,752)</u>	Deficit at 31 March		<u>(147,285)</u>	

The net revenue account charge is calculated as follows:

2005/2006			2006/2007		
£000			£000		
	Operating Costs				
19,117	Current Service Cost		23,963		
298	Past Service Cost		(15,277)		
<u>193</u>	(Gains)/Losses on settlements and curtailments		<u>(774)</u>		
<u>19,608</u>	Total Operating Charge (A)		<u>7,912</u>		
	Expected Returns				
29,375	Expected Return on Employer Assets		35,993		
<u>(33,647)</u>	Interest on Pension Scheme Liabilities		<u>(36,971)</u>		
<u>(4,272)</u>	Net Return (B)		<u>(978)</u>		
<u>23,880</u>	Net Income & Expenditure Account Cost (A) - (B)		<u>8,890</u>		

In 2006/2007 a credit totalling £16,083,000 has been included in the Income & Expenditure Account, under "Non Distributed Costs". This credit relates to a recent change in the regulations governing the Local Government Pension Scheme in Scotland. Under new tax rules, scheme members are now able to exchange a part of their pension for additional lump sum benefits. This will impact on the valuation on the Council's accrued pension liabilities, depending on the number of members who decide to exercise the option. The Council's Actuary (Barnett Waddingham) has assumed a 50% take-up rate in the calculation of the Council's accrued pension liabilities as at 31 March 2007. The impact of this assumption is to reduce pension liabilities by £16,083,000 and this credit is included within the Past Service Cost figure shown above.

NOTES TO THE CORE FINANCIAL STATEMENTS

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PENSIONS - DEFINED BENEFITS SCHEMES (Contd)

The history of experienced gains and losses is as follows:

	2002/2003 £000	2003/2004 £000	2004/2005 £000	2005/2006 £000	2006/2007 £000
Difference between the expected and actual return on assets	(94,226)	47,388	22,587	93,963	11,625
Value of assets	326,010	400,489	459,834	556,623	606,016
Percentage of assets	<u>(28.9%)</u>	<u>11.8%</u>	<u>4.9%</u>	<u>16.9%</u>	<u>1.9%</u>
Experience gains/(losses) on liabilities	(37,008)	(2,413)	-	(2,665)	-
Present value of liabilities	426,790	475,792	650,857	752,375	753,301
Percentage of the present value of liabilities	<u>(8.7%)</u>	<u>(0.5%)</u>	<u>0.0%</u>	<u>(0.4%)</u>	<u>0.0%</u>
Actuarial gains/(losses)	(111,339)	44,975	(5,750)	55	37,725
Present value of liabilities	426,790	475,792	650,857	752,375	753,301
Percentage of the present value of liabilities	<u>(26.1%)</u>	<u>9.5%</u>	<u>(0.9%)</u>	<u>0.0%</u>	<u>5.0%</u>
Effect of change in accounting methodology	N/A	N/A	(105,532)	N/A	N/A
Present value of liabilities	N/A	N/A	650,857	N/A	N/A
Percentage of the present value of liabilities	N/A	N/A	<u>(16.2%)</u>	N/A	N/A

The Council's assets and liabilities amounted to:

31 March 2006 £000

556,623	Share of assets in Tayside Superannuation Fund
<u>(731,154)</u>	Estimated liabilities in Tayside Superannuation Fund
(174,531)	Net assets/(liabilities) in Tayside Superannuation Fund
<u>(21,221)</u>	Estimated liabilities for discretionary pensions
<u>(195,752)</u>	Net Pension Liabilities

31 March 2007 £000

606,016
<u>(732,837)</u>
(126,821)
<u>(20,464)</u>
<u>(147,285)</u>

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

31 March 2006 £000

403,377	Equity investments
66,441	Gilts
26,621	Bonds
47,913	Property
<u>12,271</u>	Cash
<u>556,623</u>	

31 March 2007 £000

436,452
64,854
24,949
65,998
<u>13,763</u>
<u>606,016</u>

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

2005/2006

7.0%	Equities
4.2%	Gilts
4.9%	Bonds
6.5%	Property
4.0%	Cash
6.5%	Total

2006/2007

7.2%
4.4%
5.4%
6.7%
5.0%
6.7%

Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The valuations are based on a valuation as at 31 March 2005 and updated for the following year, by Barnett Waddingham the independent actuaries to the Fund. The main assumptions used in the calculations are:

2005/2006

3.0%	rate of inflation
4.5%	rate of increase in salaries
3.0%	rate of increase in pensions
4.9%	rate of discounting scheme liabilities

2006/2007

3.3%
4.8%
3.3%
5.4%

PENSIONS - DEFINED BENEFITS SCHEMES (Contd)

ANALYSIS OF SUNDRY DEBTORS AND SUNDRY CREDITORS

As at 31 March 2006 £000		As at 31 March 2007 £000
	Sundry Debtors	
19,674	Government, EC and Other Grants	14,152
3,266	Rates due and unpaid	3,612
<u>(1,188)</u>	<u>Less provision for Bad Debts</u>	<u>(1,191)</u>
2,078		2,421
4,358	Community Charge due and unpaid	3,816
<u>(4,160)</u>	<u>Less provision for Bad Debts</u>	<u>(3,532)</u>
198		284
0,174	Council Tax due and unpaid	18,854
<u>(2,549)</u>	<u>Less provision for Bad Debts</u>	<u>(12,124)</u>
7,625		6,730
3,708	Statutory Additions due and unpaid	3,649
<u>(2,451)</u>	<u>Less provision for Bad Debts</u>	<u>(2,421)</u>
1,257		1,228
1,407	General Debtors	31,513
<u>(4,039)</u>	<u>Less provision for Bad Debts</u>	<u>(3,956)</u>
<u>27,368</u>		<u>27,557</u>
<u>58,200</u>		<u>52,372</u>
As at 31 March 2006 £000		As at 31 March 2007 £000
	Sundry Creditors	
4,435)	Government, EC and Other Grants	(6,232)
5,105)	Loans Fund Interest etc	(6,219)
<u>(3,962)</u>	General Creditors	<u>(41,012)</u>
(53,502)		(53,463)

EVENTS AFTER THE BALANCE SHEET DATE

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NOTES TO THE CORE FINANCIAL STATEMENTS

38 CASH FLOW STATEMENT - RECONCILIATION OF INCOME & EXPENDITURE ACCOUNT DEFICIT TO NET CASHFLOW FROM REVENUE ACTIVITIES

Restated 2005/2006 £000		2006/2007 £000	£000
(13,671)	Surplus/(Deficit) for the year per Income & Expenditure Account		17,832
	<u>Non-cash Transactions</u>		
29,271	Depreciation & Impairment	32,302	
(1,880)	Government Grants etc Amortisation	(2,742)	
4,272	FRS17 Adjustments	(10,753)	
<u>2,227</u>	Other Adjustments	<u>(671)</u>	
33,890			18,136
	<u>Items on an Accruals Basis</u>		
(24)	(Increase)/decrease in Stores & Work-in-Progress	29	
(5,350)	(Increase)/decrease in Debtors	3,776	
<u>(4,143)</u>	Increase/(decrease) in Creditors	<u>(4,031)</u>	
(9,517)			(226)
	<u>Items Classified Elsewhere in the Cash Flow Statement</u>		
19,268	Add Interest Payable & Similar Charges	18,934	
(1,498)	Less Interest & Investment Income	(2,044)	
<u>(2,865)</u>	Less Gain on Disposal of Fixed Assets	<u>(12,748)</u>	
<u>14,905</u>			<u>4,142</u>
<u>25,607</u>	Net Cash Inflow from Revenue Activities		<u>39,884</u>

39 CASH FLOW STATEMENT - RECONCILIATION OF THE MOVEMENT IN CASH TO THE MOVEMENT IN NET DEBT

2005/2006 £000		2006/2007 £000	£000
(5,977)	Increase/(Decrease) in Cash in the Period	1,274	
19,550	Movement in Liquid Resources	(3,075)	
(26,957)	(Increase) in Borrowing	5,596	
<u>200</u>	Reduction in Long-Term Liability	<u>200</u>	
(13,184)	Change in Net Debt		3,995
<u>(301,031)</u>	Opening Net Debt at 1 April		<u>(314,215)</u>
<u>(314,215)</u>	Closing Net Debt at 31 March		<u>(310,220)</u>

Analysis of Movement in Net Debt

	1 April 2006 £000	Cash Flows £000	Non Cash Changes £000	31 March 2007 £000
Cash				
Cash & Bank	123	(25)	-	98
Bank Overdraft	<u>(16,118)</u>	<u>1,299</u>	-	<u>(14,819)</u>
	<u>(15,995)</u>	<u>1,274</u>	-	<u>(14,721)</u>
Liquid Resources *	<u>21,900</u>	<u>(3,075)</u>	-	<u>18,825</u>
Borrowing				
Short-Term Advances from Other Accounts	(10,801)	(182)	-	(10,983)
Short-Term Loans	(359)	13	-	(346)
Long-Term Loans Repayable within One Year	(5,765)	5,765	(5,814)	(5,814)
Long-Term Loans	<u>(302,746)</u>	<u>-</u>	<u>5,814</u>	<u>(296,932)</u>
	<u>(319,671)</u>	<u>5,596</u>	-	<u>(314,075)</u>
Covenant Deferred Liability	<u>(449)</u>	<u>200</u>	-	<u>(249)</u>
TOTAL NET DEBT	<u>(314,215)</u>	<u>3,995</u>	-	<u>(310,220)</u>

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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CASH FLOW STATEMENT - ANALYSIS OF GOVERNMENT GRANTS

2005/2006		2006/2007
Actual		Actual
£000		£000
173,523	Revenue Support Grant	175,978
62,795	DWP Grant (Benefits Subsidy)	64,070
11,715	Supporting People	11,748
2,148	National Priorities Action Fund	6,674
4,686	Criminal Justice Services	4,859
3,926	Community Regeneration Fund	4,170
2,204	Changing Children's Services Fund	1,548
2,002	Benefits Administration Grant	2,295
1,870	Community Wardens/Anti Social Behaviour	2,210
1,000	Working with Families Fund	1,000
904	Ardler Debt Servicing	620
563	Modernising Government/Efficiency and Reform	247
464	Housing Implementation Act	228
-	Housing Estate Regeneration Fund	668
1,139	Private Sector Housing Grant	2,532
-	Concessionary Travel	1,407
199	Central Waterfront	2,496
21	Vacant and Derelict Land Fund	330
3,806	Other Various	12,265
<u>272,965</u>		<u>295,345</u>

COUNCIL TAX INCOME ACCOUNT

2005/2006 £000		2006/2007 £000 £000	
70,400	Gross Charge		72,958
(6,208)	Deduct - Exemptions	(6,858)	
(55)	- Disabled Relief	(56)	
(8,158)	- Discounts	(8,018)	
(14,421)			(14,932)
55,979	Net Council Tax		58,026
(13,043)	Deduct - Rebates	(13,171)	
13,314	- Less: DWP Grant (Benefits Subsidy)	13,369	
271			198
(12)	- MOD Properties		(14)
12	- Contribution Received		14
(2,342)	Provision for Bad Debts/Exemptions/Discounts		(2,490)
53,908	Total Council Tax Income for Current Financial Year		55,734
(750)	Adjustment to Previous Years' Council Tax		(779)
925	Adjustment to Previous Years' Provision for Bad Debts		729
175	Total Adjustments for Previous Years		(50)
54,083	Total Council Tax Income		55,684

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

1 COUNCIL TAX INCOME

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

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

The valuation bands and the fractions used in calculating the Council Tax payable for each valuation band are set out below, together with details of the 2006/2007 charges levied. Details of the calculation of the Council Tax base are shown at Note 2.

<u>Council Tax</u> <u>Charge</u> <u>2005/2006</u> <u>£</u>	<u>Valuation</u> <u>Band</u>	<u>Property</u> <u>Valuation</u> <u>Range</u>	<u>Fraction</u> <u>of</u> <u>Band D</u>	<u>Council Tax</u> <u>Charge</u> <u>2006/2007</u> <u>£</u>
786.67	A	Up to £27,000	6/9	807.33
917.78	B	£ 27,001 - £ 35,000	7/9	941.89
1,048.89	C	£ 35,001 - £ 45,000	8/9	1,076.44
1,180.00	D	£ 45,001 - £ 58,000	9/9	1,211.00
1,442.22	E	£ 58,001 - £ 80,000	11/9	1,480.11
1,704.44	F	£ 80,001 - £106,000	13/9	1,749.22
1,966.67	G	£106,001 - £212,000	15/9	2,018.33
2,360.00	H	Over £212,000	18/9	2,422.00

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

2 CALCULATION OF THE COUNCIL TAX BASE

2005/2006

2006/2007

	<u>Council Tax Base</u>	A	B	C	D	E	F	G	H	TOTAL
72,206	Total Number of Properties	30,883	16,641	7,864	7,902	5,835	1,929	848	42	71,944
6,551	<u>Less</u> Exemptions/Deductions	3,766	1,297	700	699	329	85	22	13	6,911
<u>9,164</u>	<u>Less</u> Adjustment for Single Chargepayers	<u>4,865</u>	<u>2,025</u>	<u>840</u>	<u>639</u>	<u>383</u>	<u>101</u>	<u>44</u>	<u>4</u>	<u>8,901</u>
56,491	Effective Number of Properties	22,252	13,319	6,324	6,564	5,123	1,743	782	25	56,132
	Band D Equivalent Factor (Ratio)	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
47,688	Band D Equivalent Number of Properties	<u>14,832</u>	<u>10,359</u>	<u>5,621</u>	<u>6,564</u>	<u>6,261</u>	<u>2,518</u>	<u>1,303</u>	<u>50</u>	<u>47,508</u>
<u>12</u>	<u>Add</u> Contribution in lieu in respect of Class 18 dwellings (Band D equivalent)									<u>12</u>
47,700	NOMINAL TAX YIELD									47,520
<u>(1,669)</u>	<u>Less</u> Provision for Non-Collection 3.5%									<u>(1,663)</u>
<u>46,031</u>										<u>45,857</u>
	COUNCIL TAX BASE 2006/2007 (equivalent to a Band D Council Tax of £1,211)									

NON-DOMESTIC RATE INCOME ACCOUNT

2005/2006		2006/2007
£000		£000
76,272	Gross Rate Levied	75,181
386	Transitional Surcharge	320
<u>(2,600)</u>	Transitional Relief	<u>(1,688)</u>
74,058		73,813
	Deduct:	
(5,000)	Exemptions, Voids and Partially Occupied Properties	(5,475)
(1,060)	Disabled Relief	(1,365)
(5,783)	Other Reliefs, Charities, etc	(6,209)
(1,491)	Relieved on Appeal	(1,053)
<u>(3,356)</u>	Provision for Bad Debts/Abatements	<u>(2,407)</u>
57,368		57,304
	Adjustments to Previous Years:	
4	Interest on Overpaid Rates	17
<u>(1,221)</u>	Bad Debts/Abatements	<u>(131)</u>
56,151		57,190
	Allocated as follows:	
56,296	Contribution to National Non-Domestic Rate Pool	57,337
<u>(145)</u>	City Council Non-Domestic Rates	<u>(147)</u>
56,151		57,190
	National Non-Domestic Rate Pool:	
56,296	Contribution to National Non-Domestic Rate Pool	57,337
<u>53,674</u>	Contribution from National Non-Domestic Rate Pool	<u>52,625</u>
<u>2,622</u>	Net Contribution to National Non-Domestic Rate Pool	<u>4,712</u>

NOTES TO THE NON-DOMESTIC RATE INCOME ACCOUNT

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

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

A common non-domestic rate poundage (The Uniform Business Rate) is set by the Minister for Finance and Public Services for Scotland for each financial year. The rate poundage for 2006/2007 was 44.9p for properties with a rateable value of over £11,500, with a 0.4p supplement for properties with a rateable value of £29,000 or over. The purpose of this supplement is to finance the revised reduction for properties with a rateable value of £11,500 and under which is now based on a sliding scale.

2 RATEABLE SUBJECTS AND VALUES

2005	<u>Non-Domestic Rateable Subjects at 1 April</u>	2006
2,947	Commercial	2,983
677	Industrial	668
<u>1,990</u>	Miscellaneous	<u>1,980</u>
5,614		5,631
2006	<u>Non-Domestic Rateable Values at 1 April</u>	2007
£000		£000
73,406	Commercial	75,687
25,533	Industrial	25,044
<u>63,515</u>	Miscellaneous	<u>64,595</u>
162,454		165,326

HOUSING REVENUE ACCOUNT: INCOME AND EXPENDITURE ACCOUNT

Restated 2005/2006 Net Expenditure/ (Income) £000		2006/2007	
		Actual Expenditure/ (Income) £000	Budgeted Expenditure/ (Income) £000
	INCOME		
(38,700)	Dwelling Rents (gross)	(38,794)	(39,076)
(828)	Non-dwelling Rents (gross)	(868)	(882)
(62)	Housing Support Grant	(92)	(94)
(2,670)	Other Income	(8,002)	(6,229)
(42,260)		(47,756)	(46,281)
	EXPENDITURE		
18,217	Repairs and Maintenance	19,176	17,475
9,318	Supervision and Management	13,334	14,028
8,941	Depreciation and Impairment of Fixed Assets	9,898	9,898
1,220	Bad Debts and Voids	1,469	1,509
396	Other Expenditure	396	396
38,092		44,273	43,306
	Net Cost of HRA Services as included in the whole authority Income and Expenditure Account		
(4,168)		(3,483)	(2,975)
363	HRA share of Corporate and Democratic Core	235	387
-	HRA share of other amounts included in the whole authority Net Cost of Services	-	-
(3,805)	Net Cost of HRA Services	(3,248)	(2,588)
	HRA share of the operating income and expenditure included in the whole authority accounts:		
(2,761)	(Gain) or loss on sale of HRA fixed assets	(4,309)	(4,309)
7,269	Interest payable and similar charges	6,939	7,271
-	Amortisation of premiums and discounts	-	-
(238)	Interest and investment income	(201)	(175)
238	Pensions interest costs and expected return on pension assets	64	64
<u>703</u>	(Surplus)/Deficit for the year on HRA services	<u>(755)</u>	<u>263</u>

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

Actual 2005/06 £000		Actual 2006/2007		Budget 2006/2007	
		£000	£000	£000	£000
	Increase or Decrease in the Housing Revenue Account Balance for the year comprising:				
	(Surplus)/Deficit for the year on the HRA Income & Expenditure Account				
703			(755)		263
	Additional amounts required by statute or non-statutory proper practices to be taken into account in determining the increase or decrease in the HRA Balance				
2,761	Gain or (loss) on sale of HRA Fixed Assets		4,309		4,309
(202)	HRA Share of Contributions from the Pensions Reserve		(259)		(297)
-	Capital Expenditure funded by the HRA		-		-
	Transfer from the Capital Financing Account:				
(8,954)	Depreciation	(9,911)		(9,911)	
13	Amortisation of Government Grants	14		14	
<u>5,343</u>	Loan Repayments	<u>5,926</u>		<u>5,659</u>	
(3,598)			(3,971)		(4,238)
336	Transfer to the General Fund		676		(37)
(703)			755		(263)
-	Increase or decrease on the HRA Balance for the year		-		-
-	HRA Balance brought forward		-		-
-	HRA Balance carried forward		-		-

NOTES TO THE HOUSING REVENUE ACCOUNT

1 GROSS RENT INCOME

This is the total rent income for the year. Average annual rents charged were £48.50 per week in 2006/2007 (2005/2006 £47.35).

2 HOUSING STOCK

The Council was responsible for managing 15,683 dwellings as at 31 March 2007 (31 March 2006 16,124). The stock was made up as follows:

2006			2007	
<u>Number</u>	<u>%</u>		<u>Number</u>	<u>%</u>
3,645	23	Houses	3,542	23
11,339	70	Flats	11,014	70
1,140	7	Maisonettes	1,127	7
<u>16,124</u>	<u>100</u>		<u>15,683</u>	<u>100</u>

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

16,396	Stock at 1 April	16,124
(260)	Less: Sales	(243)
(12)	Less: Demolitions etc	(198)
<u>16,124</u>	Stock at 31 March	<u>15,683</u>

Within the Housing Stock of 15,683 a total of 1,180 properties have been earmarked for demolition and are not generating rental income.

3 RENT ARREARS AND BAD DEBTS

The amount of rent arrears written off at 31 March 2007 was £398,159 (31 March 2006 £539,175) which is equivalent to 1.07% (2005/2006 1.40%) of rent collectable from tenants. The provision for doubtful debts was increased to £772,956 (2005/2006 £706,100).

Rent arrears at 31 March 2007 were £1,358,346 or 3.65% (31 March 2006 £1,246,929 or 3.23%) of rent collectable and this equated to an average rent arrears per house of £93.66 (2005/2006 £83.11). These figures are net of prepaid rents as at 31 March 2007.

4 EXCEPTIONAL OR PRIOR YEAR ITEMS

There are no exceptional or prior year items in 2006/2007 (2005/2006 None).

GROUP ACCOUNTS

INTRODUCTION

The Statement of Recommended Practice (SORP) requires local authorities to consider all their interests in other organisations (including statutory bodies) and to prepare a full set of group financial statements where they have material interests in subsidiary and associated companies and joint ventures. The following Group Accounts are prepared on the basis of the 2006 SORP. The local authority group is defined as the local authority and its interests in entities which would be regarded as its subsidiaries or associates or joint ventures if the local authority was subject to the Companies Act. The Local Authority Group includes the Joint Boards on which the City Council has representation and are funded from requisitions. These Boards are consolidated as associates.

Dundee City Council's interest in Dundee Energy Recycling Limited is considered to constitute a joint venture in terms of the SORP. A joint venture is defined as "an interest on a long term basis in an entity and that entity is jointly controlled by the local authority and one or more other public or private sector entities under a contractual arrangement". Further, Dundee City Developments Limited and Dundee Leisure Limited are considered to be associates in terms of the SORP.

The group financial statements comprise a Group Income & Expenditure Account, Reconciliation of the Single Entity Deficit to the Group Deficit, Group Statement of Total Recognised Gains & Losses, Group Balance Sheet and Group Cash Flow Statement, together with relevant supporting notes.

BASIS OF CONSOLIDATION

As part of the consolidation process the City Council's accounts have been adjusted to incorporate the balances of directly managed funds which include the Common Good Fund and two Charitable Trust Funds (the Fleming Trust and the Burial Grounds Perpetuity Fund). The fixed assets owned by the Fleming Trust are valued at historical cost. A further adjustment has been made to incorporate a proportion of the Balance Sheet of Tayside Contracts, which is accounted for as a joint arrangement.

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

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

The Group Income & Expenditure Account shows a surplus of £0.067m, a movement of £17.765m from the surplus of £17.832m shown in the Council's Income & Expenditure Account. This is mainly due to incorporating the Council's share of deficits on the Income & Expenditure Accounts of the Police and Fire Boards.

The impact of consolidation on the Balance Sheet is to decrease the net assets and reserves by £290.008m, when compared to the Council's Balance Sheet. This is mainly due to the impact of consolidating the Council's share of the Balance Sheets of the Police and Fire Boards. These Boards' Balance Sheets show large deficits, mainly due to the effect of accounting for pension costs under Financial Reporting Standard 17 (Retirement Benefits).

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

TAYSIDE JOINT POLICE BOARD

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

The Board consists of 18 Councillors appointed from the three Councils as follows: 7 members from Dundee City Council, 6 members from Perth & Kinross Council and 5 members from Angus Council. There has been no change to the overall composition of the Board from 2005/2006. The Board shares responsibility for Tayside Police with Scottish Ministers and the Chief Constable, who is responsible for operational matters. The Board is supported by two officers from Angus Council as officials to the Board.

Dundee City Council has included the Tayside Joint Police Board in the Group Accounts as an associate in terms of the SORP and accounted for it on a 'net equity' basis. The City Council's share is 45.4% based on the percentage of funding requisitions for the Board. The Board's accounting period is 31 March. For the purpose of consolidation and disclosure, draft statutory accounts for the year ended 31 March 2007 were used.

The Board's draft Income & Expenditure Account shows a net deficit for 2006/2007 of £28.880m, of which £13.112m (45.4%) has been included in the Group Accounts. The Board's draft Balance Sheet shows a net liability of £482.608m, of which £219.104m (45.4%) has been included in the Group Accounts.

TAYSIDE FIRE & RESCUE BOARD

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

GROUP ACCOUNTS

TAYSIDE FIRE & RESCUE BOARD (Contd)

The Board consists of 18 Councillors appointed from the three Councils as follows: 7 members from Dundee City Council, 6 members from Perth & Kinross Council and 5 members from Angus Council. There has been no change to the overall composition of the Board from 2005/2006. The Board is supported by two officers from Perth & Kinross Council as officials to the Board. Dundee City Council has included the Tayside Fire & Rescue Board in the Group Accounts as an associate in terms of the SORP and accounted for it on a 'net equity' basis. The City Council's share is 52% based on the percentage of funding requisitions for the Board. The Board's accounting period is 31 March. For the purpose of consolidation and disclosure, draft statutory accounts for the year ended 31 March 2007 were used.

The Board's draft Income & Revenue Expenditure Account shows a net deficit for 2006/2007 of £9.083m, of which £4.725m (52%) has been included in the Group Accounts. The Board's draft Balance Sheet shows a net liability of £150.905m, of which £78.470m (52%) has been included in the Group Accounts.

TAYSIDE VALUATION JOINT BOARD

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

The Board consists of 15 Councillors appointed from the three Councils as follows: 6 members from Dundee City Council, 5 members from Perth & Kinross Council and 4 members from Angus Council. There has been no change to the overall composition of the Board from 2005/2006. The Board is supported by two officers from Dundee City Council as officials to the Board. Dundee City Council has included the Tayside Valuation Joint Board in the Group Accounts as an associate in terms of the SORP and accounted for it on a 'net equity' basis. The City Council's share is 34.68% based on the percentage of funding requisitions for the Board. The Board's accounting period is 31 March. For the purpose of consolidation and disclosure, draft statutory accounts to the year ended 31 March 2007 were used. The Board's draft Income & Expenditure Account shows a net surplus for 2006/2007 of £0.141m of which £0.049m (34.68%) has been included in the Group Accounts. The Board's draft Balance Sheet shows a net liability of £2.288m, of which £0.792m (34.68%) has been included in the Group Accounts.

DUNDEE CITY DEVELOPMENTS LIMITED

Dundee City Developments Limited was established in 1999 as a company limited by guarantee to continue the process of economic regeneration and to maintain momentum across a range of economic development initiatives in the city. Dundee City Council has provided this company with an interest free loan of £500,000 primarily to provide the company with initial working capital. The interest free loan is currently shown as a long-term investment in the Council's Balance Sheet. Dundee City Council has two officers on the Board of Dundee City Developments Limited (there can be up to ten other Board members). The company is limited by guarantee and the members liability is limited to a maximum amount of £1. Dundee City Council has included the company in the Group Accounts as an associate in terms of the SORP. The percentage for consolidation is 28.57%, based on the actual board membership as at 30 April 2007 (33% at 30 April 2006). The company has been consolidated in the Group Accounts on a 'net equity' basis. DCD's accounting period is 30 April. For the purpose of consolidation and disclosure, draft Statutory Accounts to 30 April 2007 have been used and adjusted to 31 March 2007. The company's draft Profit & Loss Account shows a profit of £0.165m for the year to 31 March 2007, of which £0.045m (28.57%) has been included in the Group Accounts. The company's draft Balance Sheet shows a net asset of £1.888m of which £0.539m has been included in the Group Accounts.

DUNDEE ENERGY RECYCLING LIMITED

Dundee Energy Recycling Limited is a special purpose company, established in order to construct and operate a new Waste-to-Energy Plant at Baldovie, Dundee. The plant was taken over from the construction contractor on 31 March 2000. On the same date, a 20 year contract commenced between the Council and DERL for the disposal of domestic refuse. The company was financially restructured in March 2004, as part of which the Council purchased the plant from DERL and leased it back at a commercial rate. The Council has 5,362,181 Deferred Shares of £1 par value in the company. A loan facility of £2.3m is in place to provide working capital and assist with cash flow. The carrying value of the investment in the company in the Council's Balance Sheet at 31 March 2007 is Nil (31 March 2006 Nil). The Council owned 40% of the £100 Ordinary Share Capital of DERL at 31 March 2007 (40% at 31 March 2006). Dundee City Council has two officers as Directors on the Board of DERL (maximum number of Directors is six). Dundee City Council has included the company in the Group Accounts as a joint venture in terms of the SORP. The DERL project was developed under the Private Finance Initiative (PFI).

The company has been consolidated in the Group Accounts on a 'gross equity' basis. DERL's accounting period is 31 December. For the purpose of consolidation and disclosure, figures from DERL's draft statutory accounts to 31 December 2006 have been used. The company's draft Profit & Loss Account shows a loss of £0.950m for the year to 31 December 2006, of which £0.380m (40%) has been included in the Group Accounts. The company's draft Balance Sheet shows a net asset of £3.853m, of which £1.541m (40%) has been included in the Group Accounts.

DUNDEE LEISURE LIMITED

Dundee Leisure Limited was established to manage and operate swimming and leisure facilities in Dundee from 1 April 2006. The Council pays a management fee to the company. The swimming and leisure facilities are owned by the Council and leased to the company. The Council has provided a loan facility up to £100,000. The company is limited by guarantee and the members' liability is limited to a maximum amount of £1. The Council has five elected members and two officers appointed as Directors to the Board (total number of Directors is 15). Dundee City Council has included the company in the Group Accounts as an associate in terms of the SORP. The percentage for consolidation is 46.67%, based on the actual board membership as at 31 March 2007. The company has been consolidated in the Group Accounts on a "net equity" basis. Dundee Leisure's accounting period is 31 March. For the purpose of consolidation and disclosure, draft management accounts to 31 March 2007 have been used. The company's draft Profit & Loss Account shows a profit of £0.170m for the year to 31 March 2007, of which £0.079m (46.67%) has been included in the Group Accounts. The company's draft Balance Sheet shows a net liability of £1.167m, of which £0.544m (46.67%) has been included in the Group Accounts.

GROUP INCOME & EXPENDITURE ACCOUNT

Restated 2005/2006 Actual Net Expenditure/ (Income) £000		2006/2007		
		Actual Gross Expenditure £000	Actual Income £000	Actual Net Expenditure/ (Income) £000
	Services			
116,236	Education Services	133,280	(15,181)	118,099
2,391	General Fund Housing	69,945	(67,253)	2,692
(4,167)	Housing Revenue Account	44,273	(47,756)	(3,483)
21,498	Cultural and Related Services	31,932	(10,127)	21,805
15,876	Environmental Services	22,424	(5,221)	17,203
13,625	Roads and Transport Services	17,460	(8,801)	8,659
2,278	Trading Services	3,923	(1,617)	2,306
1,145	Planning and Development Services	11,772	(10,054)	1,718
64,577	Social Work	93,006	(25,431)	67,575
3,810	Corporate and Democratic Core	3,837	(99)	3,738
459	Non Distributed Costs	(15,871)	-	(15,871)
3,084	Central Services to the Public	10,740	(5,962)	4,778
31,676	Joint Boards	32,916	-	32,916
3,481	Exceptional Item	219	-	219
71	Common Good	143	-	143
(2,624)	Share of Turnover of Joint Venture	-	(2,276)	(2,276)
2,539	Share of Other Operating Expenses of Joint Venture	2,605	-	2,605
52,319	Share of Operating Results of Associates	54,240	-	54,240
(49,872)	Share of Joint Boards' Requisitions	-	(51,661)	(51,661)
278,402	Net Cost of Services	516,844	(251,439)	265,405
(2,865)	Net (Gain)/Loss on Disposal of Assets			(12,748)
-	Share of Net (Gain)/Loss on Disposal of Assets (Associates and Joint Venture)			(14)
(370)	Other Operating Income and Expenditure			(973)
19,184	Interest Payable and Similar Charges			18,934
817	Share of Interest Payable (Associates and Joint Venture)			685
(1,667)	Interest and Investment Income			(2,359)
(372)	Share of Interest and Investment Income (Associates and Joint Venture)			(345)
4,272	Pensions Interest Cost and Expected Return on Pension Asset			978
14,864	Share of Pensions Interest Cost and Expected Return on Pension Asset (Associates)			14,810
312,265	Net Operating Expenditure			284,373
	Income from Taxation & General Government Grants			
(54,177)	Income from Council Tax (incl Residual Community Charge)			(55,984)
(173,523)	Revenue Support Grant			(175,978)
(53,529)	Contribution from National Non-Domestic Rate Pool			(52,478)
31,036	(Surplus)/Deficit for the Year			(67)

RECONCILIATION OF THE SINGLE ENTITY SURPLUS TO THE GROUP SURPLUS

2005/2006 £000		2006/2007 £000
13,671	(Surplus)/Deficit on the Authority's Single Entity Income & Expenditure Account for the year	(17,832)
-	<u>Less</u> Subsidiary and Associate Dividend Income and any other distributions from Group Entities included in the Single Entity Deficit on the Income & Expenditure Account	-
	<u>Add</u> (Surplus)/Deficit arising from Other Entities included in the Group Accounts	
-	Subsidiaries	-
17,700	Associates	17,664
(29)	Joint Ventures	380
(306)	Others	(279)
<hr/>		<hr/>
31,036	Group (Surplus)/Deficit for the Year	(67)
<hr/> <hr/>		<hr/> <hr/>

GROUP STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

2005/2006 £000		2006/2007 £000
31,036	Net (surplus)/deficit for the year	(67)
(10,472)	(Surplus)/loss arising on revaluation of fixed assets	2,528
10,498	Actuarial (gains)/losses on pension fund assets and liabilities	(50,231)
205	Deficit arising on revaluation of long term investments	-
(969)	Capital Grant Transactions on the Capital fund	1,477
-	Insurance Account Contribution to Capital Expenditure	(23)
435	Difference between Actuarial Pensions Contribution Figure and Actual pensions Contribution Figure	11
938	Other Miscellaneous Adjustments	643
<u>31,671</u>	Total Recognised (Gains) and Losses for the Year	<u>(45,662)</u>

GROUP BALANCE SHEET

As at 31 March 2006 £000		As at 31 March 2007 £000 £000	
TANGIBLE FIXED ASSETS			
Operational Assets:			
205,885	Council Dwellings	202,259	
310,227	Other Land and Buildings	325,157	
31,371	Vehicles, Plant and Equipment	42,388	
70,665	Infrastructure Assets	73,131	
<u>1,606</u>	Community Assets	<u>1,606</u>	
619,754	Non-Operational Assets:		644,541
63,827	Investment Properties	67,004	
19,107	Assets Under Construction	9,780	
<u>18,608</u>	Surplus Assets Held for Disposal	<u>17,955</u>	
<u>101,542</u>			<u>94,739</u>
721,296			739,280
LONG TERM INVESTMENTS			
(290,550)	Investments in Associates		(298,371)
Investment in Joint Venture:			
3,660	Share of Gross Assets	3,552	
<u>(1,739)</u>	Share of Gross Liabilities	<u>(2,011)</u>	
1,921			1,541
500	Other Investments		1,637
11,094			11,791
<u>5,129</u>			<u>4,999</u>
449,390			460,877
CURRENT ASSETS			
1,121	Stores and Work In Progress	1,148	
83,943	Sundry Debtors	77,642	
(24,387)	<u>Less</u> Bad Debt Provisions	(23,224)	
386	Short Term Investments	698	
25,247	Short Term Lending	22,333	
<u>123</u>	Cash and Bank	<u>98</u>	
<u>86,433</u>		<u>78,695</u>	
LESS CURRENT LIABILITIES			
(16,925)	Borrowing Payable on Demand or Within 12 Months	(17,184)	
(54,062)	Sundry Creditors	(54,898)	
<u>(17,373)</u>	Bank Overdraft	<u>(16,052)</u>	
<u>(88,360)</u>		<u>(88,134)</u>	
<u>(1,927)</u>			<u>(9,439)</u>
447,463	Total Assets Less Net Current Liabilities		451,438
(302,746)	Borrowing Repayable within a Period in Excess of 12 Months	(297,347)	
(837)	Deferred Liabilities	(974)	
(13,138)	Provisions	(8,496)	
(66,379)	Government Grants/Capital Contributions Deferred	(79,555)	
-	Deferred Discounts on Early Repayment of Debt	<u>(72)</u>	
<u>(383,100)</u>			<u>(386,444)</u>
64,363	Net Assets before Pension Liabilities		64,994
<u>(195,752)</u>	Liability Related to Defined Benefit Pension Scheme		<u>(150,721)</u>
<u>(131,389)</u>	Net Liabilities		<u>(85,727)</u>
Financed By Fund Balances and Reserves:			
206,590	Fixed Asset Restatement Account	195,604	
139,965	Capital Financing Account	144,013	
75	Usable Capital Receipts Reserve	114	
5,440	Capital Fund	12,141	
568	Revaluation Reserve of Associate	421	
3,272	Renewal and Repair Fund	3,932	
1,127	Insurance Fund	1,534	
(509,949)	Pensions Reserve	(467,044)	
9,438	Common Good & Charitable Trust Fund Balances	9,717	
6,741	General Fund	8,523	
3,341	Associates - Joint Boards' General Reserves	3,580	
<u>2,003</u>	Profit & Loss Account of Associates and Joint Ventures	<u>1,738</u>	
<u>(131,389)</u>			<u>(85,727)</u>

Marjory Stewart, FCCA, CPFA
Head of Finance
Dundee City Council
22 June 2007

GROUP CASH FLOW STATEMENT

2005/2006		2006/2007	
£000		£000	£000
REVENUE ACTIVITIES			
<i>Cash Outflows:</i>			
227,960	Cash Paid To and On Behalf of Employees	233,969	
175,389	Other Operating Cash Payments	176,298	
22,741	Housing Benefits Paid Out	24,124	
<u>58,112</u>	Non-Domestic Rate Payments to National Pool	<u>56,967</u>	
484,202			491,358
<i>Cash Inflows:</i>			
(17,859)	Rents (After Rebates)	(15,273)	
(41,546)	Council Tax Income	(43,530)	
(151)	Community Charge Income	(214)	
(53,674)	Non-Domestic Rate Receipts from National Pool	(52,625)	
(59,239)	Non-Domestic Rate Receipts	(57,346)	
(173,523)	Revenue Support Grant	(175,978)	
(62,795)	DWP Grant (Benefits Subsidy)	(64,070)	
(36,647)	Other Government Grants	(55,297)	
(49,461)	Cash Received for Goods & Services	(53,042)	
<u>(15,231)</u>	Other Operating Cash Receipts	<u>(14,533)</u>	
<u>(510,126)</u>			<u>(531,908)</u>
(25,924)	<i>Net Cash (Inflow) From Revenue Activities</i>		(40,550)
RETURNS ON INVESTMENTS & SERVICING OF FINANCE			
<i>Cash Outflows:</i>			
20,576	Interest Paid	17,601	
14	Interest Element of Finance Lease Rental Payments	46	
<i>Cash Inflow:</i>			
<u>(1,682)</u>	Interest Received	<u>(1,922)</u>	
18,908			15,725
CAPITAL ACTIVITIES			
<i>Cash Outflows:</i>			
44,099	Purchase of Fixed Assets (Non Revenue)	58,556	
4,009	Purchase of Fixed Assets (From Revenue)	4,563	
-	Purchase of Long-Term Investments (from Revenue)	7	
1,680	Creation of new Deferred Charges and Long-Term Debtors (Non Revenue)	846	
<u>194</u>	Creation of new Deferred Charges and Long-Term Debtors (from Revenue)	<u>-</u>	
<u>49,982</u>		<u>63,972</u>	
<i>Cash Inflows:</i>			
(10,234)	Sale of Fixed Assets and Insurance Receipts	(21,140)	
(17,604)	Capital Grants/Contributions etc Received	(21,078)	
<u>(1,874)</u>	Receipts in respect of Deferred Charges and Long-Term Debtors	<u>(867)</u>	
<u>(29,712)</u>		<u>(43,085)</u>	
20,270			20,887
13,254	<i>Net Cash Outflow Before Financing</i>		(3,938)
MANAGEMENT OF LIQUID RESOURCES			
-	Net Increase/(Decrease) in Short-Term Deposits	-	
<u>19,550</u>	Net Increase/(Decrease) in Other Liquid Resources	<u>(3,075)</u>	
19,550			(3,075)
FINANCING			
<i>Cash Outflows:</i>			
47,269	Repayments of Amounts Borrowed	25,725	
<u>56</u>	Capital Element of Finance Lease Rental Payments	<u>125</u>	
<u>47,325</u>		<u>25,850</u>	
<i>Cash Inflows:</i>			
(71,000)	New Long-Term Loans Raised	(20,000)	
<u>(2,400)</u>	New Short Term Loans Raised	<u>(133)</u>	
<u>(73,400)</u>		<u>(20,133)</u>	
<u>(26,075)</u>			<u>5,717</u>
<u>6,729</u>	<i>Net (Increase)/Decrease in Cash</i>		<u>(1,296)</u>

See notes 2, 3, 4 and 5

NOTES TO THE GROUP ACCOUNTS

1 BALANCES WITH GROUP ENTITIES

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

As at 31 March 2006			As at 31 March 2007	
Charges To £000	Charges From £000		Charges To £000	Charges From £000
424	66	Dundee Energy Recycling Limited	438	59
6	4	Dundee City Developments Limited	29	5
784	-	Tayside Fire & Rescue Board	860	4
2,985	8	Tayside Joint Police Board	3,084	22
913	1,414	Tayside Contracts Joint Committee	825	1,548
268	-	Tayside Valuation Joint Board	96	-
-	-	Dundee Leisure Limited	23	46

2 CASH FLOW STATEMENT - RECONCILIATION OF GROUP INCOME & EXPENDITURE ACCOUNT DEFICIT TO NET CASHFLOW FROM REVENUE ACTIVITIES

Restated 2005/2006 £000		2006/2007 £000	£000
(31,036)	Surplus/(Deficit) for the year per Group Income & Expenditure Account		67
	<u>Non-cash Transactions</u>		
29,271	Depreciation & Impairment	32,302	
(1,880)	Government Grants etc Amortisation	(2,742)	
4,272	FRS17 Adjustments	(10,753)	
17,365	Deficit arising from Other Entities included in the Group Accounts	17,765	
<u>2,544</u>	Other Adjustments	<u>(5)</u>	
51,572			36,567
	<u>Items on an Accruals Basis</u>		
(24)	(Increase)/decrease in Stores and Work-in-Progress	29	
(5,350)	(Increase)/decrease in Debtors	3,776	
<u>(4,143)</u>	Increase/(decrease) in Creditors	<u>(4,031)</u>	
(9,517)			(226)
	<u>Items Classified Elsewhere in the Cash Flow Statement</u>		
19,268	Add Interest Payable & Similar Charges	18,934	
(1,498)	Less Interest & Investment Income	(2,044)	
<u>(2,865)</u>	Add Gain on Disposal of Fixed Assets	<u>(12,748)</u>	
<u>14,905</u>			<u>4,142</u>
<u>25,924</u>	Net Cash Inflow from Revenue Activities		<u>40,550</u>

3 CASH FLOW STATEMENT - EFFECTS OF ACQUISITION OF SUBSIDIARY ACTIVITIES

The City Council has not acquired any subsidiaries during 2006/2007 (2005/2006 None).

NOTES TO THE GROUP ACCOUNTS

4 CASH FLOW STATEMENT - MATERIAL EFFECTS OF CASH FLOWS OF AN ENTITY ACQUIRED IN THE PERIOD

The City Council has not acquired any entities during 2006/2007 (2005/2006 None).

5 CASH FLOW STATEMENT - IMPACT OF CONSOLIDATING TAYSIDE CONTRACTS

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

2005/2006 £000		2006/2007 £000
	Revenue Activities	
18,519	Cash Outflows	17,454
<u>(18,836)</u>	Cash Inflows	<u>(18,120)</u>
(317)		(666)
	Returns on Investment and Servicing of Finance	
19	Interest Paid	51
<u>14</u>	Interest Element of Finance Lease Rental Payments	<u>46</u>
33		97
	Capital Activities	
188	Purchase of Fixed Assets	473
(15)	Sale of Fixed Assets	(36)
<u>(19)</u>	Capital Grants Received	<u>(12)</u>
154		425
	Financing	
829	Repayments	-
<u>53</u>	Capital Element of Finance Lease Rental Payments	<u>122</u>
<u>882</u>		<u>122</u>
<u>752</u>	NET EFFECT - DECREASE/(INCREASE) IN CASH	<u>(22)</u>

TAYSIDE SUPERANNUATION FUND ACCOUNTS

2005/2006 £000	<u>FUND ACCOUNT</u>	2006/2007 £000	£000
	CONTRIBUTIONS AND BENEFITS		
	Contributions receivable:		
(53,053)	From employers	(54,338)	
(18,444)	From members	(19,172)	
(71,497)			(73,510)
(7,681)	Transfers in		(9,796)
	Benefits payable:		
35,441	Pensions	37,406	
6,599	Lump Sums	10,184	
42,040			47,590
	Payments to and on account of Leavers:		
346	Refunds of Contributions	362	
5,626	Transfers Out	3,439	
5,972			3,801
1,167	Administration Expenses		1,186
(29,999)	Net Deposits from dealings with Members		(30,729)
	RETURNS ON INVESTMENTS		
	Investment Income		
(5,226)	Interest from Fixed Interest Securities	(5,395)	
(22,753)	Dividends from Equities	(29,626)	
(4,121)	Income from Index Linked Securities	(5,046)	
(5,517)	Income Pooled Investment Vehicles	(2,864)	
(1,392)	Interest on Cash Deposits	(1,627)	
(1,536)	Other Income	(1,672)	
(257,025)	Change in Market Value of Investments	(69,641)	
3,853	Investment Management Expenses	4,814	
438	Taxation	544	
(293,279)	Net Returns on Investments		(110,513)
(323,278)	NET (INCREASE) IN FUND DURING THE YEAR		(141,242)
(1,123,047)	OPENING NET ASSETS OF THE SCHEME		(1,446,325)
(1,446,325)	CLOSING NET ASSETS OF THE SCHEME		(1,587,567)
2006 £000	<u>NET ASSETS STATEMENT (AS AT 31 MARCH)</u>	2007 £000	£000
	INVESTMENT ASSETS AT MARKET VALUE		
	Listed Investments		
573,366	- UK Equities	426,979	
57,357	- UK Fixed Interest - Public Sector	44,325	
16,621	- UK Fixed Interest - Other	21,015	
34,234	- UK Index Linked	39,998	
266,295	- Overseas Equities	440,586	
19,916	- Overseas Fixed Interest - Other	31,906	
19,416	- Overseas Fixed Interest - Public Sector	10,436	
	Unlisted Investments		
98,166	- UK Open Ended Investment Companies	104,048	
196,123	- Overseas Open Ended Investment Companies	246,918	
131,225	- Property Unit Trusts	180,325	
19,968	Cash Balances held by Fund Managers	24,866	
1,432,687			1,571,402
	CURRENT ASSETS		
12,167	Sundry Debtors	14,960	
6,034	Revenue Deposits with Dundee City Council Loans Fund	6,210	
18,201		21,170	
	LESS CURRENT LIABILITIES		
(4,563)	Sundry Creditors	(5,005)	
13,638	NET CURRENT ASSETS		16,165
<u>1,446,325</u>	NET ASSETS		<u>1,587,567</u>

Marjory Stewart, FCCA, CPFA
Head of Finance
Dundee City Council
22 June 2007

TAYSIDE TRANSPORT SUPERANNUATION FUND ACCOUNTS

2005/2006 £000	FUND ACCOUNT	2006/2007 £000	2006/2007 £000
	CONTRIBUTIONS AND BENEFITS		
	Contributions receivable:		
(282)	From employers	(500)	
<u>(118)</u>	From members	<u>(115)</u>	
(400)			(615)
(11)	Transfers In		(40)
	Benefits payable:		
1,603	Pensions	1,643	
<u>113</u>	Lump Sums	<u>101</u>	
1,716			1,744
	Payments to and on account of Leavers:		
44	Transfers Out		44
<u>40</u>	Administration Expenses		<u>35</u>
1,389	Net Withdrawals from dealings with Members		1,168
	RETURNS ON INVESTMENTS		
	Investment Income		
(300)	Interest from Fixed Interest Securities	(238)	
(497)	Dividends from Equities	(646)	
(260)	Income from Index Linked Securities	(313)	
(165)	Income Pooled Investment Vehicles	(65)	
(47)	Interest on Cash Deposits	(45)	
(4)	Other Income	(5)	
(6,174)	Change in Market Value of Investments	(1,173)	
99	Investment Management Expenses	125	
<u>9</u>	Taxation	<u>9</u>	
<u>(7,339)</u>	Net Returns on Investments		<u>(2,351)</u>
(5,950)	NET (INCREASE) IN FUND DURING THE YEAR		(1,183)
<u>(34,898)</u>	OPENING NET ASSETS OF THE SCHEME		<u>(40,848)</u>
<u>(40,848)</u>	CLOSING NET ASSETS OF THE SCHEME		<u>(42,031)</u>
2006 £000	NET ASSETS STATEMENT (AS AT 31 MARCH)	2007 £000	2007 £000
	INVESTMENT ASSETS AT MARKET VALUE		
	Listed Investments		
12,317	- UK Equities	12,381	
5,590	- UK Fixed Interest - Public Sector	4,187	
1,620	- UK Fixed Interest - Other	1,985	
3,336	- UK Index Linked	3,778	
7,566	- Overseas Equities	9,713	
1,892	- Overseas Fixed Interest - Other	3,014	
1,941	- Overseas Fixed Interest - Public Sector	986	
	Unlisted Investments		
643	- UK Open Ended Investment Companies	577	
1,346	- Overseas Open Ended Investment Companies	238	
3,891	- Property Unit Trusts	4,075	
<u>441</u>	Cash Balances held by Fund Managers	<u>974</u>	
40,583			41,908
	CURRENT ASSETS		
61	Sundry Debtors	80	
<u>390</u>	Revenue Deposits with Dundee City Council Loans Fund	<u>154</u>	
451		234	
	LESS CURRENT LIABILITIES		
<u>(186)</u>	Sundry Creditors	<u>(111)</u>	
<u>265</u>	NET CURRENT ASSETS		<u>123</u>
<u>40,848</u>	NET ASSETS		<u>42,031</u>

Marjory Stewart, FCCA, CPFA
Head of Finance
Dundee City Council
22 June 2007

SUPERANNUATION FUNDS ACCOUNTS

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1 Basis of Preparation

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

The accounts summarise the transactions and net assets of the Funds' for the financial year to 31 March 2007. They do not take account of liabilities to pay pensions and other benefits in the future.

2 Investments

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

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

3 Debtors and Creditors

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

4 Investment Income

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

5 Foreign Currency Translation

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

6 Investment Management Expenses

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

7 Acquisition Costs

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

NOTES TO THE SUPERANNUATION FUNDS ACCOUNTS

TAYSIDE SUPERANNUATION FUND

Operations and Membership

Dundee City Council is the administering authority for the Tayside Superannuation Fund (previously Tayside Regional Council). The Tayside Superannuation Fund is a pension fund for employees of various public bodies and non-profit making organisations. As at 31 March 2007, 44 bodies were participants in the scheme being 11 "scheduled bodies" and 33 other organisations admitted at the discretion of the scheme administrators and known as "admitted bodies". The scheduled bodies were as follows:

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

Total membership of the fund decreased to 18,952 employees at 31 March 2007 from 19,049 employees at 31 March 2006. The number of pensioners on the roll at 31 March 2007 was 10,193 compared with 9,918 at 31 March 2006.

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

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

Contributions Receivable and Benefits Payable

The contributions receivable from and benefits payable on behalf of Contributing bodies in 2005/2006 and 2006/2007 were as follows:-

	Contributions Receivable		Benefits Payable	
	2005/2006	2006/2007	2005/2006	2006/2007
	£000	£000	£000	£000
Dundee City Council	24,641	26,062	17,460	19,939
Other Scheduled Bodies	37,406	38,980	21,776	24,623
Admitted Bodies	<u>9,450</u>	<u>8,468</u>	<u>2,804</u>	<u>3,028</u>
TOTAL	<u>71,497</u>	<u>73,510</u>	<u>42,040</u>	<u>47,590</u>

Investment Administration

During the year, Dundee City Council charged the Tayside Superannuation Fund £1,064,310 for administering the Fund (2005/2006 £1,044,326). These are actual costs incurred for Salaries and Wages, Information Technology, Legal Services etc.

Market Value of Investments Managed Externally

The Fund's investment assets are under the management of five external fund managers. At 31 March 2007 the market value of these investment assets was £1,571.4m (31 March 2006 £1,432.7m), managed as follows:

	2006		2007	
	£m	%	£m	%
Baillie Gifford & Co	366.3	25.6	381.1	24.2
Fidelity Pensions Management	408.4	28.5	432.2	27.5
Schroder Properties Limited	134.7	9.4	186.7	11.9
Goldman Sachs	148.2	10.3	155.1	9.9
Alliance Bernstein	<u>375.1</u>	<u>26.2</u>	<u>416.3</u>	<u>26.5</u>
	<u>1,432.7</u>	<u>100.0</u>	<u>1,571.4</u>	<u>100.0</u>

Purchases & Sales

Purchases and Sales in 2005/2006 and 2006/2007 amounted to:-

	2005/2006	2006/2007
	£m	£m
Purchases	593.2	902.9
Sales	463.5	692.1

NOTES TO THE SUPERANNUATION FUNDS ACCOUNTS

Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2007 was £107.9m (31 March 2006 £182.4m). This was covered by related collateral, at a level of 105.5%, consisting of UK and Overseas gilts, UK equities, certificates of deposit and letters of credit.

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 these members that have elected to contribute, it has been decided not to include the relevant figures in the financial statements. All AVCs are managed by Standard Life and the contribution for 2006/2007 was £390,419 (2005/2006 £347,572) and value at 5 April 2007 was £3,973,655 (5 April 2006 £3,449,444).

TAYSIDE TRANSPORT SUPERANNUATION FUND

Operations and Membership

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

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

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

At 31 March 2007 the number of contributing employees was 121 (125 at 31 March 2006) and the number of pensioners was 403 (400 at 31 March 2006). As with the Tayside Superannuation Fund an actuarial valuation is carried out every three years to ensure that the Fund can meet its future pension liabilities.

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

Investment Administration

During the year, Dundee City Council charged the Tayside Transport Fund £28,524 for administering the fund (2005/2006 £36,465). These are actual costs incurred for Salaries and Wages, Information Technology, Legal Services etc.

Market Value of Investments Managed Externally

The market value of the Fund's investment assets at 31 March 2007 was £41.9m (31 March 2006 £40.6m) and these investment assets were managed as follows:

	2006		2007	
	£m	%	£m	%
Baillie Gifford & Co	22.1	54.6	23.0	55.0
Schroder Properties Limited	4.0	9.8	4.2	10.0
Goldman Sachs	<u>14.5</u>	<u>35.6</u>	<u>14.7</u>	<u>35.0</u>
	<u>40.6</u>	<u>100.0</u>	<u>41.9</u>	<u>100.0</u>

Purchases & Sales

Purchases and Sales in 2005/2006 and 2006/2007 amounted to:-

	2005/2006	2006/2007
	£m	£m
Purchases	25.8	26.1
Sales	21.5	21.2

Securities Lending

The total amount of stock released to third parties under a stock lending arrangement at 31 March 2007 was £4.2m (31 March 2006 £6.8m). This was covered by related collateral, at a level of 105.5%, consisting of UK and Overseas gilts, UK equities, certificates of deposit and letters of credit.

NOTES TO THE SUPERANNUATION FUNDS ACCOUNTS

ACTUARIAL VALUATION

Both the Tayside Superannuation Fund, and the Tayside Transport Superannuation Fund are subject to an actuarial valuation every three years. The actuarial valuations are carried out to determine the level of contributions required to be made by employing bodies in order to ensure that the Funds are able to meet all future benefit payments. The valuations carried out as at 31 March 2005 determined the employer contribution rates for the years 2006/2007, 2007/2008 and 2008/2009. The results of the valuations, the assumptions made and the bases of the valuations were as follows:-

TAYSIDE SUPERANNUATION FUND

The valuation carried out as at 31 March 2005 showed that the actuarial value and market value of the Fund's assets stood at £1,111.8m representing 91% of the Fund's then accrued liabilities. The conclusion reached by the valuation was that the required levels of contribution to be paid to the Fund by the City Council and the other participating bodies with effect from 1 April 2006 were:-

275% of employees' contributions for 2006/2007

295% of employees' contributions for 2007/2008

315% of employees' contributions for 2008/2009

The common rate of contribution is the rate which, in addition to the accumulated assets and contributions paid by members, is sufficient to meet 100% of the liabilities of the Fund. This rate takes into account the deficit at 31 March 2005. The deficit is spread over the average remaining working lifetime of the existing members (approximately 12 years).

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

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

STATEMENT OF INVESTMENT PRINCIPLES

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

NOTES TO THE SUPERANNUATION FUNDS ACCOUNTS

ACTUARIAL VALUATION

TAYSIDE TRANSPORT SUPERANNUATION FUND

The valuation carried out as at 31 March 2005 showed that the actuarial value and market value of the Fund's assets stood at £34.5m, representing 89% of the Fund's then accrued liabilities. The required level of employer's contribution to be paid to the Fund by Travel Dundee Ltd with effect from 1 April 2006 were:-

£500,000 for 2006/2007

£700,000 for 2007/2008

£900,000 for 2008/2009

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

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

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

STATEMENT OF INVESTMENT PRINCIPLES

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

COMMON GOOD FUND ACCOUNT

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

2005/2006 £000		2006/2007 £000
	<u>Income & Expenditure Account</u>	
	<u>Income</u>	
(29)	Rents and Feuduties	-
(122)	Interest on Loans	(132)
(21)	Dividends and Commission	(36)
(172)		(168)
	<u>Expenditure</u>	
102	Donations and Contributions	58
36	Other Expenditure	83
-	Loss on Sale of Shares	-
138		141
(34)	Surplus for Year	(27)
	<u>Balance Sheet as at 31 March</u>	
2006 £000		2007 £000
-	<u>Tangible Fixed Assets</u>	-
	<u>Current Assets</u>	
-	Debtors	-
358	Investments	356
2,810	Loans Fund Investment	2,837
3,168	Total Current Assets	3,193
	<u>Current Liabilities</u>	
-	Creditors and Accruals	-
-	Total Current Liabilities	-
3,168	Net Current Assets	3,193
3,168	Total Net Assets	3,193
	<u>Reserves</u>	
3,168	Capital	3,193
3,168		3,193

Notes

- 1 Included within the Investments figure of £356,000 shown above, £312,000 relates to marketable securities. These securities are valued at cost and their market value was £550,000 as at 31 March 2007.
- 2 Expenditure commitments totalling £10,000 have been carried forward from 2006/2007 into 2007/2008.

Marjory Stewart, FCCA, CPFA
Head of Finance
Dundee City Council
22 June 2007

CHARITABLE TRUST FUNDS ACCOUNT

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

<u>Income & Expenditure Account</u>		<u>2006/2007</u>			
2005/2006		Interest on	Other	Total	(Surplus)/
Actual		Investments	Income	Income	Deficit
£000		£000	£000	£000	£000
(168)	Fleming Trust	(17)	(227)	(244)	74
(56)	Hospital Fund	(20)	(54)	(74)	16
4	Dundee Festival Trust	(2)	-	(2)	5
(88)	Burial Grounds Perpetuity Fund	(64)	(83)	(147)	64
1	A T Cathro Bequest	-	(1)	(1)	1
<u>(6)</u>	Other Various Smaller Trusts (30 no)	<u>(31)</u>	<u>(9)</u>	<u>(40)</u>	<u>26</u>
<u>(313)</u>	Total	<u>(134)</u>	<u>(374)</u>	<u>(508)</u>	<u>186</u>
2006	<u>Balance Sheet as at 31 March</u>			2007	
£000				£000	
5,172	Property			5,271	
1,602	Revenue Deposits with Loans Fund			1,869	
1,130	External Revenue Deposits			1,130	
<u>19</u>	Sundry Debtors less Sundry Creditors			<u>26</u>	
<u>7,923</u>	Total Assets			<u>8,296</u>	
	Represented by:				
13	Long-Term Loans			12	
<u>7,910</u>	Trust Fund Balances			<u>8,284</u>	
<u>7,923</u>				<u>8,296</u>	

Marjory Stewart, FCCA, CPFA
Head of Finance
Dundee City Council
22 June 2007

Notes

- 1 In addition to the expenditure shown above, the Fleming Trust incurred capital expenditure of £113,486 in 2006/2007 (2005/2006 £55,000). No capital receipts were received in 2006/2007 (2005/2006 £Nil).
- 2 The nature and purpose of the Funds' detailed above is as follows:

Fleming Trust

This Trust was established with sums gifted in 1929 by Robert Fleming for the purchase of land and buildings and the provision of suitable accommodation for re-housing the displaced occupants of slum property in Dundee. The balance on the Trust at 31 March 2007 was £5.076m (31 March 2006 £4.907m).

Hospital Fund

This Fund was established under the Dundee Churches and Hospital Act 1964, for behoof of the poor of the town. An annual payment of £60 is made from the Fund to local pensioners who require financial assistance. The balance on the Fund at 31 March 2007 was £482,000 (31 March 2006 £424,000).

Dundee Festival Trust

This Trust was created from the income that was received from events to mark the 800th anniversary of the foundation of Dundee as a Royal Burgh. The Trust is used to promote summer festival events. The balance on the Trust at 31 March 2007 was £40,000 (31 March 2006 £43,000).

Burial Grounds Perpetuity Fund

The income accruing on this Fund is used for the upkeep of Burial Grounds. The balance on the Fund at 31 March 2007 was £1.475m (31 March 2006 £1.391m).

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 2007 was £23,000 (31 March 2006 £23,000).

CHARITABLE TRUST FUNDS ACCOUNT

Notes (Contd)

- 3 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 Episc 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 Endow Fund (SC018913)
D W Crichton Trust (SC018914)
Gilroy Mausoleum (SC018921)
Lochee Day Nurseries (SC018918)
Camperdown Estate (SC018899)

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the 2006/2007 Statement of Accounts for Dundee City Council.

In respect of the Council's internal control system, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

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

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

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

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

During the course of the financial year, the Council's external auditor issued various follow-up reports on previous audit reviews including Best Value and Community Planning, Financial Strategy and a review of Key Financial Systems. The Council have agreed action plans in respect of these areas and are now progressing with the implementation of the recommendations included in these reports.

As part of the new prudential regime for controlling capital expenditure, the Council established a Corporate Asset Management Group to develop its asset management strategy and plan. The Group's work is currently ongoing and the Council's Asset Management Plan will commence during 2007/2008. The Council is also reviewing its Option Appraisal guidelines in light of the Best Practice Guide issued recently by CIPFA.

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

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

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

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

- the Statements on the System of Internal Financial Control included in the respective financial statements of the Joint Boards and Tayside Contracts Joint Committee;
- assurances from Company directors and/or other senior Company officials;
- the work of the relevant bodies respective external auditors (and, where relevant, internal audit function) and other interim reports.

In conclusion, it is my opinion that reasonable assurance can be placed upon the internal financial control systems of the other bodies that fall within the Council's Group boundary.

Marjory Stewart, FCCA, CPFA
Head of Finance
Dundee City Council
22 June 2007

INDEPENDENT AUDITOR'S REPORT

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

I certify that I have audited the financial statements of Dundee City Council and its group for the year ended 31 March 2007 under Part VII of the Local Government (Scotland) Act 1973. These comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash-Flow Statement, Council Tax Income Account, Non-Domestic Rate Income Account, Housing Revenue Account Income and Expenditure Account, Statement of Movement on the Housing Revenue Account Balance, the Group Accounts, the Pension Funds Accounts, Common Good Fund Account, Charitable Trust Funds Account and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Head of Finance and auditor

The Head of Finance's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2006 - A Statement of Recommended Practice (the 2006 SORP) are set out in the Statement of Responsibilities.

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

I report my opinion as to whether the financial statements present fairly the financial position of the local authority and its group in accordance with applicable laws and regulations and the 2006 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the local authority has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the Statement on the System of Internal Financial Control reflects the authority's compliance with the SORP. I report if, in my opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement covers all risk and controls. Neither am I required to form an opinion on the effectiveness of the local authority's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

I conducted my audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Head of Finance in the preparation of the financial statements, and of whether the accounting policies are appropriate to the local authority's and its group's circumstances, consistently applied and adequately disclosed.

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

INDEPENDENT AUDITOR'S REPORT

Opinion

In my opinion

- the financial statements present fairly, in accordance with applicable laws and regulations and the 2006 SORP, the financial position of the local authority and its group as at 31 March 2007 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Mark Taylor CPFA, Assistant Director
Audit Scotland – Audit Services
Osborne House, 1/5 Osborne Terrace
Edinburgh, EH12 5HG

28 September 2007