Tayside contracts

ANNUAL REPORT 2012/13

INVESTORS IN PEOPLE

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ANNUAL REPORT 2012/13

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BACKGROUND

Tayside Contracts Joint Committee ("Tayside Contracts" or "the Joint Committee") is an excellent example of local authorities working together to the benefit of the public. It was set up in its present form following local government re-organisation in 1996 by Angus, Dundee City and Perth and Kinross Councils.

Tayside Contracts enables the constituent Councils to benefit from the economies of scale and retention of specialist services which the organisation offers. In addition, year on year Tayside Contracts has demonstrated what can be achieved through Councils sharing resources. Tayside Contracts clearly meets the stated aims of the Scottish Government and UK Government's reform agenda of shared services within the public sector being the preferred way forward for the future.

Tayside Contracts:

- Is unique within Scotland as a joint local authority trading organisation.
- Operates under a Joint Committee, comprising of 18 elected members:

  - 5 elected members from Angus Council
  - 6 elected members from Dundee City Council
  - 7 elected members from Perth and Kinross Council

- Employs around 2,250 people in 2974 posts, with a number of employees filling more than one post.

- Has an annual turnover in excess of £68 million.

- Returns surpluses to the three constituent Councils for reinvestment in services. Since 1996 it has returned over £16.7 million to the Councils in the form of surpluses.

TAYSIDE CONTRACTS JOINT COMMITTEE

ANGUS COUNCIL

Councillor
Robert Myles

Councillor
Jim Houston
Vice Convener

Councillor
Helen Oswald

Councillor
Bill Bowles

Councillor
Sheena Welsh

DUNDEE CITY COUNCIL

Councillor
David Bowes
Convener

Councillor
Jimmy Black

Councillor
Tom Ferguson

Councillor
Christina
Roberts

Councillor John
Alexander

Councillor
Georgia
Cruickshank

PERTH AND KINROSS COUNCIL

Councillor
Jack Coburn
Vice Convener-Elect

Councillor
Gordon Walker

Councillor
Joe Giacopazzi

Councillor
Mac Roberts

Councillor
Caroline Shiers

Councillor
Rhona Brock

Councillor
Henry Anderson

FOREWORD TO THE ACCOUNTS

Introduction

The Joint Committee's financial performance for the year ended 31 March 2013 is as set out in the Comprehensive Income & Expenditure Summary and its financial position is as set out in the Balance Sheet and Cash Flow Statement.

These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code). It is the purpose of this foreword to explain in an easily understandable way the financial facts in relation to the Joint Committee.

The Statement of Accounts explains the Joint Committee's finances during the financial year 2012/13 and its financial position at the end of that year. It follows approved accounting standards and is necessarily technical in parts.

Accounting Policies

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

This statement, as set out on page 23, sets out the main financial responsibilities of the Joint Committee of Tayside Contracts and the Proper Officer.

The Accounting Statements

The Movement in Reserves Statement

This Statement, as set out on page 26, shows the movement in the year on the different reserves held by the Joint Committee, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Joint Committee's services, more details of which are shown in the Comprehensive Income and Expenditure Summary (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance. The 'Net increase/decrease before transfers to Statutory and Other Reserves' line shows the statutory General Fund Balance before contributions to constituent Councils.

Comprehensive Income and Expenditure Statement (CIES)

This statement, as set out on page 27, shows the income and cost in the year of providing services in accordance with generally accepted accounting practices.

Balance Sheet

The Balance Sheet, as set out on page 28, shows the value as at the Balance Sheet date, of the Joint Committee's assets and liabilities. The net assets/liabilities of the Joint Committee (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that may be used to fund expenditure, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Joint Committee is not able to use to fund expenditure.

This category includes reserves that hold unrealised gains and losses and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

The Cash Flow Statement, as set out on page 29, shows the changes in cash and cash equivalents of the Joint Committee during the reporting period. The statement shows how the Joint Committee generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Joint Committee are funded by way of services provided by the Joint Committee. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Joint Committee's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Joint Committee.

Material Changes in Accounting Policy

Tayside Contracts 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 (LASAAC). There were no changes in accounting policies during 2012/13.

Trading Performance

During 2012/13, income generated by the Construction Division exceeded expectations by £6.395m, as a result of extensive winter maintenance activity along with full programmes of patching and surface dressing work and significant major project work. Costs increased by £6.1m against budget, resulting in a surplus of £843k, being £293k better than budget. The increase in costs has largely been a direct consequence of increased workloads well in excess of budget, and, again, inflationary pressures across all areas of operations, primarily the marked increase in petrol-based products such as fuel and bitumen.

The figures shown in the tables below are adjusted to reflect the elimination of all inter-divisional trading, and to include all statutory and proper accounting adjustments.

Construction Division	**Budget £'000**	**Actual £'000**	**Variance £'000**
Income	38,824	45,219	6,395 (Fav)
Expenditure	38,274	44,376	(6,102) (Adv)
Surplus	550	843	293 (Fav)

Facilities Services Division, comprising the Cleaning and Catering Units, also outperformed budget expectations for the year. Income exceeded budget by £69k, at £23.25m. Despite this increased level of sales, expenditure was carefully and rigorously managed to achieve a decrease of £477k against budget for the year. These combined elements resulted in a surplus which was £546k higher than budget at £846k.

Facilities Services Division	**Budget £'000**	**Actual £'000**	**Variance £'000**
Income	23,178	23,247	69 (Fav)
Expenditure	22,878	22,401	477 (Fav)
Surplus	300	846	546 (Fav)

The overall financial performance against budget therefore shows an increased surplus of £1.69m earned from turnover of £68.47m, against a target surplus of £850k.

Tayside Contracts - Total	Budget £'000	Actual £'000	Variance £'000
Income	62,002	68,466	6,464 (Fav)
Expenditure	61,152	66,777	(5,625) (Adv)
Surplus	850	1,689	839 (Fav)

Balance Sheet

The major movement in the Balance Sheet from March 2012 is largely caused by the volatile movements in the Pensions Liability and Pensions Reserve Accounts. The movement in this financial year results in part from of an increase of £12m in the actuary's estimate of Pension Fund liabilities, from £119.6m in March 2012 to £ 131.6m in March 2013. The impact of lower inflation is enhanced by a 17.5% increase in the value of Pension Fund assets from £83.2m in March 2012 to £97.8m in March 2013. The overall impact of these movements is a net decrease of £2.55m in the pension liability.

Overall, at 31 March 2013 International Accounting Standards 19 – Employee Benefits (IAS 19) has an impact on the Balance Sheet whereby a net asset value of £3.1m is offset by the notional pension liability of £33.8m to create a net liability position of £30.7m. The equivalent figure for 2011/12 is a net liability of £34.2m.

The Balance Sheet shows a small increase in non-current assets of £41k, with the investment of £1.8m in new assets almost balanced by depreciation charges and disposals. The net book value of non-current assets has therefore increased to marginally over £8.9m at 31 March 2013.

There has been significant movement in several of the Balance Sheet items. Debtors have increased by £2.9m to £15.8m, and short term creditors have also increased, by £1.3m to £13.9m. Both these elements reflect the increased, and later incidence of, winter maintenance activity compared to last year. By the end of May 2013, debtors' balances had returned to a more normal level of £3.4m, a decrease of £12.4m from the balances contained in the accounts. Similarly, the creditors system shows a balance of under £4m by the end of May. Short term provisions have increased by £315k to £610k. Several factors have influenced this increase – increased provisions for remedial works, reflective of the impact of the wet summer and prolonged winter on works carried out, legal fees, and allowing for the costs of retrospective checks for the protection of vulnerable groups. Stock holdings have also reduced, by £889k on last year, resulting from both improved stock control, and reduced salt stocks at the year end.

Net current liabilities are lower at £167k, a £434k improvement on the 2012 balance of £601k. Short term borrowing shows an increase of £128k due to increased utilisation of prudential borrowings, while the bank overdraft has stayed at a similar level as at March 2012.

Usable reserves, the General Fund now incorporating the balances previously held as the Repairs and Renewal fund, have increased by £434k and now stand at £1.627m.

It has been agreed with the constituent Councils that £1.127m of this balance be set aside for use in offsetting the increased costs of adopting and implementing the Living Wage proposals, leaving a useable balance of £500k available to Tayside Contracts.

FOREWORD TO THE ACCOUNTS

Cash Flow Statement

The Cash Flow Statement shows a net inflow of cash during 2012/13 of £56k. The major influences behind this movement are an inflow of £3.56m from operating activities and cash outflows to meet capital expenditure, financing charges and payment of prior years' surpluses to the constituent Councils. This has resulted in a bank overdraft position of £2.22m at 31 March 2013, compared to an overdraft of £2.28m at 31 March 2012.

Acknowledgements

I would like to thank all Members of the Joint Committee and staff of Tayside Contracts for their support throughout what has been a very challenging but successful year. In particular, I would like to thank all of the Finance and Administration Unit staff for their commitment and hard work throughout the year and for their contribution to the finalisation of Tayside Contracts 2012/13 Statement of Accounts.

Marjory M Stewart FCCA, CPFA
Proper Officer
Tayside Contracts
19 September 2013

MANAGING DIRECTOR'S REPORT

Introduction

2012/13 saw some of the financial pressures, particularly in relation to inflationary costs relating to some of our high areas of expenditure such as fuel, bitumen and food costs, stabilise in terms of previous years. On the income front we experienced 4.3% growth due to a number of factors, including dealing with the extreme weather conditions which we experience, the capital investment in Dundee associated with the waterfront and the continuing increase in school meals uptake.

However, we are only too well aware of the financial challenges that local government is facing in the coming years and for this reason we continue to apply the practice of 'Lean Thinking' throughout the organisation to drive out waste and improve efficiency.

2012/13 has seen Tayside Contracts deliver an exceptional set of financial figures given the challenging economic climate we are operating in. These have only been achieved through the contribution and commitment of our greatest asset, our employees, and I would like to thank them for continuing to deliver excellent quality services and these impressive financial results.

Results

The significant financial figure for 2012/13 is that, as an organisation, we achieved an overall surplus of £1.69m which exceeded the budgeted surplus of £850k. This surplus was achieved through the strong performance and contribution of all parts of the organisation.

- This year saw the Construction Division having to respond to all the flooding events associated with the 7th wettest Scottish summer since 1910, as well as providing an excellent winter service for one of the longest winters on record. This was at the same time as delivering all the clients' work programmes and many elements of the capital schemes associated with the Dundee waterfront redevelopment.
- The Facilities Services Division saw the cleaning unit continue to improve productivity levels, thereby driving down costs and delivering a strong financial performance. The catering unit again saw an increase in meal numbers which, along with a tight control on costs, produced good financial figures.
- Central support and property costs continued to be well managed with further reductions in cost levels when compared with previous years.

The surplus of £1.69m in 2012/13 was an increase on the £1.08m achieved last year and represents an excellent performance considering the economic climate. It was achieved from an income of £68.5m which is a 4.3% increase on the 2011/12 figure of £65.7m.

In addition to this surplus, our two trading operations, namely the Construction and Facilities Services Divisions have more than complied with the requirements of the Local Government in Scotland Act 2003 legislation that they achieve a break even position over a three year rolling period.

The statutory trading surpluses achieved over the three year period in question are £4.235m for the Construction Division and £5.237m for the Facilities Services Division.

Cash Flow

The management of cash flow is one of the key financial indicators for Tayside Contracts with an average overdraft target of £2.5m. I am pleased to report that this has again been achieved with an average of £2.422m.

However, this doesn't tell the whole story as a management decision was taken not to draw down the money for capital expenditure payments until the end of the year due to favourable overdraft interest rates.

Debt Management

Along with the cash flow, debt management is one of the key priorities of Tayside Contracts given the challenging trading conditions, particularly within the Construction industry. The procedures which were put in place a couple of years ago have ensured that the bad debt provision this year is minimal.

Surplus Distribution

The requirement of our major stakeholders Angus, Dundee City and Perth and Kinross Councils, as detailed in our business plan, is that we return a surplus for 2012/13 of £750k. As a result of the strong financial performance achieved in 2012/13 a surplus of £1.255m can be returned to the constituent Councils. This is distributed on the agreed ownership percentage of Tayside Contracts which was revised for the three year period by the Joint Committee at its meeting on 21 November 2011 as being 31.5% to Angus Council, 33% to Dundee City Council and 35.5% to Perth and Kinross Council.

As per the agreement with the three constituent Councils, the balance of £435k from the 2012/13 surplus will be retained by Tayside Contracts in the general reserve fund for future use as agreed by the Joint Committee.

The Market

The majority of Tayside Contracts income comes from our constituent Councils, either through a partnering agreement, an awarded works basis or through competitive tendering depending on each Council's best value criteria. In 2012/13 the percentage of work which Tayside Contracts obtained from the constituent Council's and other public bodies was 95%. The balance of the 5% of income not from the constituent Councils and other public bodies was predominantly generated through the sale of materials from Collace Quarry and external works carried out by the Construction Division.

The information we had available when preparing our 2013/14 budget was that roads maintenance budgets would remain broadly similar to 2012/13 with no increase for either wage or material inflation. In the case of the Facilities Services Division budget, again the budgets would remain broadly similar to 2012/13.

However, it is in relation to the cost pressures we are facing in 2013/14 that there is a significant difference between the two trading divisions. In terms of the Construction Division it is continuing to face the rise in material costs especially bitumen, fuel and salt, although there are signs that these have stabilised somewhat, at least in the short term. The challenge to the Facilities Services Division is the cost increases due to both the constituent Councils' and subsequently Tayside Contracts' decision to become a Living Wage employer and also the Scottish Government's decision that there should be a Scottish Living Wage of £7.50 per hour for 2013/14.

The additional annual pay bill cost for the Facilities Services Division of paying the £7.50 rate, compared to current pay rates amounts to £1 million for 2013/14. The constituent Councils have made it clear that they cannot fund this increase and it has been agreed that for 2013/14 only that Tayside Contracts will fund this from the reserves we currently hold.

Key to Tayside Contracts' future success will be our ability to manage and, where possible, reduce costs throughout the organisation and by working with our clients to change specifications and methods of service delivery to enable costs of the living wage increases both now and in the future to be fully funded. Internally, savings have already been delivered and will continue to be delivered through the adoption of "lean" techniques, known as BIT (Business Improvement Techniques) within the Construction Division.

MANAGING DIRECTOR'S REPORT

Similar principles have been applied within the Facilities Services Division and the Support Services units, to deliver efficiency savings and drive out waste and these will continue to be applied going forward.

Our Employees

The success of Tayside Contracts is very much due to the work of our employees. We are continually looking for opportunities to improve as an organisation and one of the ways in which we do this is through seeking the views of our employees and recognising what they do in delivering efficient services to the public.

One of the ways in which we have chosen to recognise the work of our employees is through the Tayside Contracts Excellence Awards which we introduced in 2010. The 2012 awards ceremony was held on 17 May 2012, again in the Caird Hall, Dundee with the main award of Team of the Year being won by the catering team at St John's High School, Dundee.

The introduction of these awards came about from views expressed by our staff who responded to our employee survey in 2008. This employee survey is now a biennial event with the most recent one being undertaken towards the end of 2012. It is pleasing to report that, despite the economic turmoil we have all had to face over the last few years that our overall positive responses of 58% are only marginally down on the 59% achieved in the 2010 survey. All the key actions which have been identified from the outcome of the survey have now been included in each unit's service improvement plans.

Strategy

2012/13 was the second year of our three year business plan which was approved by the Joint Committee on 9 May 2011. To ensure that the business plan reflected the needs of our key stakeholders, we involved senior representation of each of the constituent Councils in its development. Also, to ensure the continued engagement of the constituent Councils we have continued to involve them in the quarterly reviews of progress against the aims and objectives in the plan. In addition to this and to strengthen the governance of what we do by the Joint Committee, reports of progress against the aims and objectives in the plan are provided every six months to meetings of the Joint Committee.

The business plan sets out clearly the key strategic aims and objectives for Tayside Contracts and provides a clear framework of how these will be delivered. Supporting this business plan are comprehensive corporate and service improvement plans for all divisions and units within the organisation. These contain details of how each section in the organisation will contribute to the key aims and objectives detailed in the business plan.

They also identify the key targets and performance indicators which will be used to measure the achievements of all sections and therefore ultimately the success of Tayside Contracts. The business plan represents the commitment of Tayside Contracts to adapt our organisation and amend the way in which we deliver services to meet the ever changing needs of all our clients. This aligns with the theme which has been adopted in the business plan for addressing the challenges going forward which is "Transformation – delivering more for less".

The five key business objectives detailed in the business plan are:-

- Deliver on our financial targets
- Provide quality services which meet clients' expectations
- Protect the environment
- Effectively manage and develop our people
- Ensure the safety and welfare of our people and the public.

MANAGING DIRECTOR'S REPORT

Our financial results for 2012/13, the second year of the business plan, have in the main exceeded the forecasts contained in the plan. Information obtained from the constituent Councils and other potential sources of income during the 2013/14 budget process leads us to believe that there is no need to change any of the predictions contained within the business plan.

Outlook

Based on the information we gathered as part of the budget process, 2013/14 may be less turbulent than the last couple of years, particularly in terms of inflationary pressures relating to some of the higher areas of spend such as fuel, bitumen and food costs. However, we cannot become complacent as we are all only too well aware of the potential scale of the budget cuts we are likely to face from 2014 and beyond.

One of the most difficult challenges we are facing is the Scottish Government's policy of introducing a Scottish Living Wage which is proposed to be £7.50 from April 2013 and this is predicted to rise annually, broadly in line with the national living wage. As I have already said in this report, this will increase our labour costs in the Facilities Services Division by approximately £1 million for 2013/14. While it has been agreed with the constituent Councils that this will be funded from Tayside Contracts reserves for 2013/14, this is not a sustainable option going forward. There are a number of options we are discussing with the constituent Councils about how this can be funded in the future which will be further developed throughout 2013/14.

One of the ways which we believe that the budget challenges facing local Government can be addressed is through embracing the Scottish Government's shared services agenda. Given Tayside Contracts excellent record since 1996, I firmly believe that we are best placed to build on the services we provide to our constituent Councils. An excellent recent example of this has been the Roads Maintenance Partnership with Perth and Kinross Council which has just completed its first successful year in operation.

We are presently involved in a number of further shared service discussions with our constituent Councils, the main ones being:-

- Tayside Facilities Partnering with Angus and Dundee City Council in relation to janitorial and school crossing patrol services.
- Angus Council in relation to fleet management and depots, waste collection, street cleaning, parks and burials.

The outcome of these and other shared service discussions may increase the number or scale of services provided by Tayside Contracts.

In conclusion, we have clear strategies in place, a strong and determined corporate management team and operational teams to ensure that Tayside Contracts continues to build on its past successes during 2013/14 and in years to come.

Iain C Waddell BSc, C Eng, MICE
Managing Director
Tayside Contracts
19 September 2013

CONSTRUCTION DIVISION OPERATIONAL REPORT

Objectives

The Construction Division aims to deliver the five key business objectives identified in the Tayside Contracts Business Plan, namely,

Deliver on our financial targets.
Provide quality services which meet client's expectations.
Protect the environment.
Effectively manage and develop our people, and
Ensure the safety and welfare of our people and the public.

Richard Cranney
Depute Director (Operations)

General

The new financial year started off on a positive note with all client departments reporting an increase in their overall maintenance budgets. Whilst being a very welcome message it is one that flew in the face of the prevailing assumption that road maintenance budgets were going to come under pressure. The reversal of this assumption was no doubt due to a series of harsh winters and wet summers that left the roads condition in need of substantial investment just to maintain a steady state condition. In the event it was just as well that budgets were maintained because the weather conditions that brought about the deterioration persisted and were amplified throughout 2012/13. Not only did the UK experience the second wettest summer on record but in parts of Eastern Scotland it was <u>the</u> wettest summer on record and this was followed by a long cold winter which began in early October 2012 and lingered well into April 2013. I feel sure that the early investment in the repair of potholes and the significant patching programme that was undertaken limited further damage to the network occasioned by the adverse weather. It seems that the great British pastime of discussing the weather is set to continue well into the future if the last year is anything to go by.

Despite the vagaries of the summer weather a reasonable surface dressing programme was undertaken and once again I am happy to report that there were no substantial failures as were experienced in the 2010 season. As a result of the implementation of the Construction Products Directive a substantial amount of work went into amending our surface dressing processes in order to achieve CE Marking. This European Directive comes into force in July 2013 and the Division expects to be able to comply fully as a result of the early and comprehensive work undertaken during this year.

Another area in which CE Marking will be an issue is at Collace Quarry where our aggregates and coated material will be required to comply with the Directive. Again, much early work was undertaken during the year and again we expect to be able to comply with the Directive for all material from Collace by July 2013.

In last year's Operational Report I highlighted the importance of embedding 'Lean' thinking and processes into the work of the Division and I am happy to report that the programme continues unabated. The 'Lean' project was undertaken as part of a Knowledge Transfer Partnership (KTP) with the University of Dundee and it is testimony to the team's commitment and drive that the project was granted the highest grade of 'Outstanding' by the KTP Grading Panel following submission of the final report. 'Lean' continues to be the catalyst for continuous improvement within the Division with the Business Improvement Team leading the way.

Partnering continues to be an essential approach to the way in which the Division does business and in this context I can record the establishment during the year of a Roads Maintenance Partnership with Perth & Kinross Council. Ruthvenfield Depot is the location of the integrated unit and immediate tangible benefits are being delivered to both organisations. The benefits of the new setup were most notably delivered when responding to a flooding emergency in Comrie and Crieff. Not only was there a swift initial response to the flooding but the subsequent remedial work was undertaken by the Partnership in exemplary fashion.

CONSTRUCTION DIVISION OPERATIONAL REPORT

The only area in which a formal partnering agreement is not in force is roads maintenance in Angus but I will continue to espouse the virtues of the 'partnering' approach to the Angus client as the opportunity arises.

It was pleasing to be involved in much of the regeneration work going on in the centre of Dundee City. Major environment schemes are set to transform the City centre and the Division has played a major role in getting these schemes on the ground. The schemes form a vital part of the City Council's vision for a vibrant and modern Dundee and the team from the City Engineers and Tayside Contracts delivering this vision are to be commended for their enthusiasm and commitment.

The financial results achieved reflect the excellent operational performance during the year. As a consequence of the increased workload arising from the wet summer and elongated winter, together with the extensive surface dressing and patching works, and supplemented by the larger-scale project work in Dundee city centre and waterfront, income generated during 2012/13 amounted to £45.2m, £6.4m (16.5%) up on budget and a £2.8m (6.6%) increase against 2011/12. A surplus of £843k was earned, £293k up on budget and £446k higher than last year.

During the year the 4th Generation of Transport Scotland's Motorway and Trunk Road contract for the North West Unit was won by BEAR Scotland but despite initial interest it was not possible to conclude any arrangement for ongoing work on the Unit. This ends an association with these contracts dating back to 1996 when the first contract was won by a consortium of Local Authorities of which Tayside Contracts was a part and ever since then the Division has undertaken work on all succeeding contracts.

And finally, to end on something of a lighter note, during the year the Dundee Courier mistook a cone placed over a toby on one of our sites to mark its position as artwork created by the street artist Banksy. We have always known that our work is more than just construction but art is maybe going just a bit too far.

Future

The Division will continue to work through the strategies and themes contained within the 2011 – 2014 Business Plan albeit that 2013/14 is the last year of the current plan. The process of preparing a new business plan will begin, and within the time frame covered by the new plan, matters of historic importance will need to be considered. The Scottish Government's referendum on independence will take place on the 18 September 2014 with the result of that vote determining the future of the country. Regardless of the ultimate decision the Division will continue to deliver services for the benefit of the people it serves in the best way that it can.

FACILITIES SERVICES OPERATIONAL REPORT

Objectives

Frank Reilly, Head of Facilities and Personnel Services

Facilities Services aims to provide quality catering and cleaning services to the three constituent Councils and other customers which is cost efficient and maintains the high standards expected by our clients and consumers. It strives, through the pursuit of partnership working, to provide Best Value for the long term benefit of the Councils and the communities they serve.

General

During 2012/13 further improvements and efficiencies were achieved within both the Catering and Cleaning Units and despite the major economic challenges facing all services in the public sector, 2012/13 resulted in an outstanding financial performance in both Catering and Cleaning. The Cleaning Unit achieved a surplus of £563k, which was £313k in excess of the budgeted target surplus of £250k and the Catering Unit achieved a surplus of £284k, which was £234k in excess of the budgeted target surplus of £50k.

Whilst remaining committed to driving out inefficiencies wherever possible there remains an equally strong commitment to maintaining and where possible improving the quality of our services. Therefore, there continues to be a substantial, but more effectively targeted, investment in training for employees to increase the skills level and assist in productivity and performance improvements.

It is also recognised that cost reductions must not be achieved by compromising the high quality of our services. To help ensure that this is not the case and to provide evidence of Best Value to service users and the constituent Councils, Tayside Contracts' Catering and Cleaning Units participate in APSE's national performance benchmarking programme. The benchmarking exercise measures the quality and cost of Tayside Contracts' cleaning and catering services against 22 comparator local authorities throughout Scotland. The outcomes published in 2012/13 saw further impressive performances by both the Catering and Cleaning Units which, yet again, compared extremely favourably with all comparator local authorities and evidenced that Best Value is being achieved in the delivery of catering and cleaning services. During 2013/14 and going forward, we will continue to participate in the APSE national benchmarking process to provide evidence of Best Value and to identify best practice elsewhere and incorporate this into our culture.

Several other key priorities and actions during 2012/13 were determined by the Improvement Plans arising from the recent comprehensive Best Value Reviews of the Catering and Cleaning Units, which have been developed and agreed with the constituent Councils. The majority of the required improvements have already been achieved and this process will continue until all of the agreed improvements are implemented in accordance with the agreed timescales.

The primary goal arising from the Best Value reviews was that Tayside Contracts and the constituent Councils should work towards developing improved service delivery models which would operate within the framework of partnering agreements. A Tayside Facilities Partnering Group was established during 2012/13 and will continue working throughout 2013/14 to develop revised service delivery models which will substantially reduce costs whilst improving the quality of school catering, cleaning and other associated services throughout Tayside.

Catering

The year has been another outstanding year in terms of increases in meal sales and a significant reduction in costs. During 2012/13 Tayside Contracts Catering Unit provided 4,363,225 school meals throughout Tayside, an increase of almost 1% compared to 2011/12. The percentage of pupils across Tayside taking school meals also increased, to 43.3% compared to 40.1% in 2011/12, which is highly encouraging.

The substantial year on year increase in secondary sales is in no small part due to the success of mobile catering units, now installed at five secondary schools.

It should be noted that the increased sales associated with these mobile units can be attributed to attracting those pupils who would normally have patronised local food outlets outwith school boundaries, and is not associated with a shift in pupil patronage from the school dining rooms.

We have also developed a comprehensive and interactive online menu system for primary schools which allows teachers, parents and pupils to view all recipes, nutritional information, individual ingredient specifications and allergy advice. This advance in the presentation of menus has received positive comments by service users and Education Scotland's nutritional inspectorate.

Following the revision of the secondary school menu, incorporating a full school/pupil consultation exercise, we have continued to introduce additional new food concepts and have yet again changed our food packaging to align our approach to that of the high street. The continuation of this approach remains successful and the new menu concepts on offer remain very popular.

Tayside Contracts also continues to provide community meals, predominantly in Dundee, which are produced at Tay Cuisine. We have also developed a further interactive menu for community meals where menus can be viewed by our consumers, family members and allied health professionals allowing them to link to photographic imagery of the meals, nutritional and allergy information giving all parties the opportunity to make well-informed choices.

The Catering Unit's achievements in driving down costs whilst maintaining, and often improving, the quality of service delivery can be evidenced by the unit's performance against key cost indicators compared to the previous year. Cost per meal, food cost per meal and subsidy per meal have all reduced against 2011/12 costs.

None of these achievements would be possible, of course, without a highly skilled, dedicated and committed workforce and again I am delighted to report that in 2012/13 Catering Unit employees have excelled in a wide range of prestigious national and local catering awards.

Cleaning

This has been an extremely profitable year for the Cleaning Unit, with overall income higher than budget and direct costs managed to below budget, which contributed to the achievement of a surplus of £563k which was £313k better than the budget target surplus of £250k.

The Cleaning Unit's achievements in delivering a high quality, cost-efficient service can be evidenced by the performance of the Unit Cleaning against APSE key cost indicators compared to the average for 22 comparator local authority school cleaning services. Tayside Contracts' Cleaning Unit performance is better than the group average for all cost indicators (cost per sq m, frontline staff costs, cleaning materials and investment in equipment) which is a highly impressive performance.

The productivity improvements were enhanced by the continued investment in new cleaning machines, cleaning products and uniforms, which are vital to ensure that Tayside Contracts is in the vanguard of the cleaning industry and maintains our professional image and competitive edge. During 2012/13 the Cleaning unit secured additional cleaning contracts within each Council area, helping to compensate for office and school closures as Councils continue to rationalise their property estates.

It is anticipated that the workload within the Cleaning Unit will remain promising and relatively constant for 2013/14 and the Cleaning Unit will continue to actively pursue additional cleaning work to address any anticipated shortfalls in future workload.

Facilities Services – the Future

The future holds many challenges and opportunities for the Facilities Services Division.

The most significant challenge in the immediate future and into the longer term is the introduction of the Living Wage (a minimum hourly pay rate). Both catering and cleaning are highly labour intensive operations staffed by employees on low pay rates.

Therefore, the introduction of the Living Wage will have a disproportionate impact on the Facilities Services Division, with an anticipated 12% increase in total pay bill costs.

Within the Cleaning Unit a key objective in the immediate future is to conclude work with the constituent Councils, through the Tayside Facilities Partnering Group, to develop and implement partnering arrangements and integrated service delivery models.

Within Catering, Tayside Contracts and the constituent Councils will continue to work in partnership to increase the uptake of meals by continually reviewing methods of service delivery whilst measuring customer satisfaction.

On 1 April 2013 the food production process at Tay Cuisine was changed from a cook-chill facility to a cook-fresh process and a seamless transition has been achieved. Whilst this change is delivering, and will continue to will deliver, substantial cost savings, feedback from service users confirms that there has been absolutely no detriment to the quality of meals. Tay Cuisine also provides the scope for more radical service delivery models, which will be actively explored in partnership with the Councils during 2013/14.

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Tayside Contracts Joint Committee is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards thereby ensuring that public funds and assets at its disposal are safeguarded, properly accounted for and used economically, efficiently and effectively. The Joint Committee also has a duty to secure continuous improvement in the way its services are delivered.

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

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

The Joint Committee's Governance Framework

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

The Local Code of Corporate Governance is supported by detailed evidence of compliance which is reviewed by the Managing Director and the Corporate Management Team.

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

The overall control arrangements include:

- Identifying the Joint Committee's objectives in the Business Plan, subsequently translated into actions in divisional and unit service improvement plans
- Monitoring of objectives and service performance by senior officers of the Joint Committee
- Comprehensive revenue and capital budgeting systems
- Setting targets to measure financial and other performance
- Preparation of regular financial monitoring reports which indicate actual and projected expenditure against budget
- Annual financial reports which indicate actual financial performance against budget
- Clearly defined Standing Orders, Scheme of Delegation, Financial Regulations and Tender Procedures
- Formal project appraisal techniques and project management disciplines
- An anti-fraud and corruption strategy supported by a range of policies and guidelines.
- Regular reporting of performance and projected outcomes to the Joint Committee
- Public performance reporting by means of an Annual Performance Report
- Information security policy
- Employee code of conduct
- Employee-related matters and policies
- Annual performance appraisals
- Risk management strategy

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness

Members and officers of the Joint Committee are committed to the concept of sound governance and the effective delivery of services and take into account comments made by external auditors and other review agencies and inspectorates.

The effectiveness of the governance framework is reviewed annually by the Managing Director and the Corporate Management Team, including the use of a self-assessment tool involving completion of a 31-point checklist covering four key areas of governance:

- Service Planning and Performance Review
- Internal Control Environment
- Budgeting, Accounting and Financial Control
- Risk Management and Business Continuity

This self-assessment indicates a high level of compliance.

The Joint Committee operates a range of corporate financial systems, which are subject to review by both internal audit and by the external auditor, KPMG who have been appointed for the five year period from 2011/12. In 2010 a decision was taken to significantly change the approach to delivery of the internal audit service, and following completion of an Audit Needs Assessment the service was out-sourced to Henderson Loggie, enabling a fully impartial, professional and cost-effective service to be established. A strategic audit plan was developed from which the audit plan for 2012/13 was formulated and approved by the Joint Committee.

The internal audit 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 the internal audit service has unrestricted access to all data and records and is responsible for providing an independent opinion to the Joint Committee on the effectiveness of the internal control environment and the degree to which it supports and promotes the achievement of the Joint Committee's objectives. The key thrust of internal audit work 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.

The key areas covered in the 2012/13 internal audit programme are:

- Payroll
- Job Costing and Billing
- Debtors
- Stock Verification
- Fixed Asset Verification
- Procurement, Creditors and Purchasing
- Energy Management
- Follow-Up reviews
- Liaison with External Audit

A significant amount of focussed internal audit work has been carried out by Henderson Loggie and agreed reports and action plans have been presented to the Joint Committee. No significant issues have been highlighted in the annual internal audit report. All agreed areas for improvement identified are being progressed to appropriate timescales, as are actions brought forward from previous years' audits. Some 46 out of 48 actions (96%) brought forward are either fully implemented or partly/substantially complete. In the annual internal report presented to the Joint Committee, Henderson Loggie provide an independent opinion which reports positively on the adequacy and effectiveness of the system of internal financial control. The existence of an internal audit service does not diminish the responsibility of management to ensure the effectiveness of internal financial control in the Joint Committee's systems and dependence should not be placed on this service as a substitute for effective controls.

Continuous Improvement

The annual review of corporate governance arrangements and their effectiveness has identified the following areas for improvement, to be progressed during 2013/14:

- Further development of the service planning process and monitoring of progress against actions to ensure consistency of approach and effectiveness of delivery
- Review of all corporate policies and procedures, and the means by which they are communicated to employees
- Development of Transport IT systems and information requirements
- Redevelopment of the employee performance appraisal and development system
- Management development and succession planning programmes

In conclusion it is our opinion that the annual review of governance together with the work of internal and external auditors and certifications of assurance from senior managers provide sufficient evidence that the principles of good governance operated effectively and the Joint Committee complies with the Local Code of Corporate Governance in all significant respects. It is proposed through 2013/14 that steps are taken to address the areas identified for improvement to further enhance the Joint Committee's governance arrangements.

Iain C Waddell BSc, C Eng, MICE
Managing Director
Tayside Contracts
19 September 2013

Marjory M Stewart FCCA, CPFA
Proper Officer
Tayside Contracts
19 September 2013

ANNUAL REMUNERATION REPORT 2012/13

Introduction

Tayside Contracts is required to prepare and publish within its Statement of Accounts an Annual Remuneration Report under the Local Authority Accounts (Scotland) Amendment Regulations 2011 (Scottish Statutory Instrument No. 2011/64), which came into force on 31 March 2011. The following report has been prepared in accordance with the aforementioned Regulations and also in accordance with the non-statutory guidance set out in Scottish Government Finance Circular 8/2011, issued on 13 May 2011.

The report sets out the remuneration and accrued pension benefits of the Senior Employees of the organisation. The report also provides information on the number of employees (including Senior Employees) whose total actual remuneration was £50,000 or more, this information being disclosed in salary bandings of £5,000.

Tayside Contracts' External Auditor is required to audit certain parts of the Remuneration Report and give a separate opinion in his report on the Statement of Accounts as to whether the Remuneration Report has been properly prepared in accordance with the Regulations. The tables "General Disclosure by Pay Band" and "Remuneration for Relevant Persons", along with the Pension Benefits section are subject to audit, and the remainder of the report is subject to review.

Remuneration Arrangements

The salary of senior employees is set by reference to national arrangements.

The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/144 sets the amount of salary for the Chief Executives of the Scottish Local Authorities for the period 2008 to 2011. This circular still applies as there hasn't been a pay award for Chief Officers subsequent to this agreement.

The salary of Tayside Contracts' Managing Director is based on a comparison with Chief Officials within other local authorities and takes account of the unique additional responsibilities of this post compared to that of a Chief Official post. The salaries of the 3 other members of the Corporate Management Team are based on a percentage of the Managing Director's salary, the Depute Director (Operations) (75%), Head of Financial Services (70%), Head of Personnel and Facilities Services (70%).

These arrangements were agreed through approval of the Joint Committee Reports (JC 1/2003 and JC 12/2003) 'Review of Chief Officers' Salaries' at Joint Committee meetings on 27 January 2003 and 24 March 2003.

General Disclosure by Pay Band

The table below details the number of employees whose remuneration was £50,000 or more.

Remuneration Bands (£)	Number of Employees	
	2011-12	2012-13
50,000 – 54,999	4	2
55,000 – 59,999	1	1
60,000 – 64,999		
65,000 – 69,999		
70,000 – 74,999	2	2
75,000 – 79,999	1	1
80,000 – 84,999		
85,000 – 89,999		
90,000 – 94,999		
95,000 – 99,999		
100,000 – 104,999	1	1

ANNUAL REMUNERATION REPORT 2012/13

Remuneration for Relevant Persons

This following table provides details of the remuneration for those employees designated as being “Senior Employees” within the relevant legislative guidance.

The senior employees included in the report include any employee who has responsibility for management of the organisation to the extent that the person has power to direct or control the major activities of the organisation (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons, and as such, constitutes the members of the Corporate Management Team of Tayside Contracts.

Post	Post Holder	Salaries, Fees and Allowances	Compensation for loss of employment	2011/12 Total Remuneration	2012/13 Total Remuneration
		(£000)	(£000)	(£000)	(£000)
Managing Director	Iain Waddell	105		103	105
Depute Director – Operations	Richard Cranney	78		77	78
Head of Financial and Administrative Services	Angus Milne	72		72	72
Head of Personnel Services	Frank Reilly	72		72	72

There are no remunerations paid in respect of Councillors by Tayside Contracts.

Pension Benefits

Note 1.

The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 make provision for authorities to make discretionary payments to local government employees to pay compensation for premature retirement. A person who has been granted a credited period is entitled to receive compensation in the form of a lump sum and is also entitled to receive annual compensation. Where applicable, both the lump sum and annual compensation is included within the compensation for loss of employment category.

Pension disclosure

Pension benefits for local government employees are provided through the Local Government Pension Scheme (LGPS).

For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year’s pay and the number of years that person has been a member of the scheme. The scheme’s normal retirement age for employees is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non manual employees.

The tiers and members contribution rates for 2012/13 remain at the 2011/12 rates, and the marginal rates of pension contribution paid by members are shown in the table below. The contributions to the pension scheme made by the Senior Employees included in this report in 2012/13 amounted to £31k.

Whole time pay	Contribution rate 2011-12	Contribution rate 2012-13
On earnings up to and including £18,000	5.5%	5.5%
On earnings above £18,000 and up to £22,000	7.25%	7.25%
On earnings above £22,000 and up to £30,000	8.5%	8.5%
On earnings above £30,000 and up to £40,000	9.5%	9.5%
On earnings above £40,000	12%	12%

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

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

Assumptions and Contextual Information

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

Pension Benefits of Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2013 are shown in the table below, together with the contribution made by the Joint Committee to each Senior Employees' pension during the year.

		In-year pension contributions			Accrued Pension Benefits	
		For Year to 31 March 2012	For Year to 31 March 2013		As at 31 March 2013	Difference from 31 March 2012
Post	Post Holder	(£000)	(£000)		(£000)	(£000)
Managing Director	Iain Waddell	19	19	Pension Lump Sum	35 85	0 -1
Depute Director – Operations	Richard Cranney	14	14	Pension Lump Sum	36 85	0 0
Head of Financial and Administrative Services	Angus Milne	13	13	Pension Lump Sum	8 16	-2 0
Head of Personnel Services	Frank Reilly	13	13	Pension Lump Sum	19 42	1 0

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

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

(ii) the accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time. In 2012/13, the scheme member contribution rate for Senior Employees was in the range of 9.3% to 10.0% of pensionable pay. In 2012/13, the employer contribution rate was 18.0% of pensionable pay for Senior Employees.

Exit packages

During the year, a number of exit packages were paid. The total cost per band and total cost of all redundancies are set out in the table below:

		2011/12 Number of departures	2012/13 Number of departures	2011/12 Cost of departures £000	2012/13 Cost of departures £000
Voluntary redundancies					
£0	-£20,000	8	5	47	78
£20,001	-£40,000	1		21	
£40,001	-£60,000	-		-	
Total voluntary exits		**9**	**5**	**68**	**78**
Compulsory redundancies					
£0	-£20,000	5	4	5	8
£20,001	-£40,000	-		-	
£40,001	-£60,000	-		-	
Total compulsory exits		**5**	**4**	**5**	**8**
Total exit packages		**14**	**9**	**73**	**86**

Iain C Waddell BSc, C Eng, MICE
Managing Director
Tayside Contracts
19 September 2013

Marjory M Stewart FCCA, CPFA
Proper Officer
Tayside Contracts
19 September 2013

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Responsibilities of the Joint Committee

The Joint Committee is required:

- to ensure that arrangements for the proper administration of its financial affairs are made and to secure that an appointed officer has the responsibility for the administration of those affairs. The Joint Committee has appointed the Director of Finance, Dundee City Council as Proper Officer for this purpose while the daily management of the financial affairs is conducted by the Managing Director of Tayside Contracts.

- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Responsibilities of the Proper Officer

The Proper Officer is responsible for the preparation of Tayside Contracts' statement of accounts in terms of the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing this statement of accounts, the Proper Officer 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 Proper Officer 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 provides a true and fair view of the financial position of Tayside Contracts Joint Committee as at 31 March 2013 and its income and expenditure for the year then ended.

Iain C Waddell BSc, C Eng, MICE
Managing Director
Tayside Contracts
19 September 2013

Marjory M Stewart FCCA, CPFA
Proper Officer
Tayside Contracts
19 September 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAYSIDE CONTRACTS JOINT COMMITTEE AND THE ACCOUNTS COMMISION FOR SCOTLAND

We have audited the financial statements of Tayside Contracts Joint Committee for the year ended 31 March 2013 on pages 26 to 55. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 (the 2012-13 Code).

This report is made solely to the members of Tayside Contracts Joint Committee and the Accounts Commission for Scotland, in accordance with Part VII of the Local Government (Scotland) Act 1973. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Tayside Contracts Joint Committee and the Accounts Commission for Scotland, for this report, or the opinions we have formed.

Respective responsibilities of the Proper Officer and auditor

As explained more fully in the Statement of Responsibilities on page 23, the Proper Officer is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Proper Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material misstatements or inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the body as at 31 March 2013 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government Scotland Act 2003.

Opinion on other matters prescribed by the Local Government (Scotland) Act 1973

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Local Authority Accounts (Scotland) Regulations 1985; and

- the information given in the Foreword to the Accounts by the Proper Officer for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Local Government (Scotland) Act 1973 requires us to report to you if, in our opinion:

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

David Watt
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	General Fund Balance	Capital Receipts Reserve	Renewal and Repairs Fund	Total Usable Reserves	Total Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2011	**885**		**225**	**1,110**	**(21,685)**	**(20,575)**
Movement in Reserves During the Year:						
Surplus on provision of services	879			879		879
Other Comprehensive Income and Expenditure					(13,819)	(13,819)
Total Comprehensive Income and Expenditure	879			879	(13,819)	(12,940)
Adjustments between accounting basis and funding basis under regulations (Note 13)	201			201	154	355
Net Increase/(Decrease) before Transfers to Statutory and Other Reserves	**1,080**			**1,080**	**(13,665)**	**(12,585)**
Contributions to constituent Councils	(1,000)			(1,000)		(1,000)
Interest on Reserve Balances	2		1	3		3
Increase / (Decrease) in Year	**82**		**1**	**83**	**(13,665)**	**(13,582)**
Balance as at 31 March 2012	**967**	**0**	**226**	**1,193**	**(35,350)**	**(34,157)**
Movement in Reserves During the Year:						
Surplus on provision of services	(119)			(119)		(119)
Other Comprehensive Income and Expenditure					4,452	4,452
Total Comprehensive Income and Expenditure	(119)	0	0	(119)	4,452	4,333
Adjustments between accounting basis and funding basis under regulations (Note 13)	1,810			1,810	(1,400)	410
Interest adjustment	(2)			(2)	1	(1)
Net Increase/(Decrease) before Transfers to Statutory and Other Reserves	**1,689**	**0**	**0**	**1,689**	**3,053**	**4,742**
Contributions to constituent Councils	(1,255)			(1,255)		(1,255)
Funds transfers	226		(226)	0		0
Interest on Reserve Balances						
Increase / (Decrease) in Year	**660**	**0**	**(226)**	**434**	**3,053**	**3,487**
Balance as at 31 March 2013	**1,627**	**0**	**0**	**1,627**	**(32,297)**	**(30,670)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR TO 31 MARCH 2013

	Note	2011/12 Gross Expenditure £'000	2011/12 Gross Income £'000	2011/12 Net £'000	2012/13 Gross Expenditure £'000	2012/13 Gross Income £'000	2012/13 Net £'000
Construction Division	8	(42,179)	42,426	247	(44,582)	45,219	637
Facilities Services Division	8	(22,732)	23,242	510	(23,141)	23,247	106
Corporate and Democratic Core		(39)		(39)	(42)		(42)
Non Distributed Costs		(129)		(129)	(76)		(76)
Surplus / (Deficit) on Continuing Operations		**(65,079)**	**65,668**	**589**	**(67,841)**	**68,466**	**625**
Other Operating Income / (Expenditure)	14			13			3
Financing and Investment Income / (Expenditure)	15			277			(747)
Surplus / (Deficit) on Provision of Services				**879**			**(119)**
Actuarial gains / (losses) on pension assets and liabilities	32			(13,819)			4,452
Adjustments between accounting basis and funding basis under regulations	13			355			410
Other adjustments				3			(1)
Contributions to constituent Councils				(1,000)			(1,255)
Other Comprehensive Income and Expenditure				**(14,461)**			**3,606**
Total Comprehensive Income and Expenditure				**(13,582)**			**3,487**
Represented by:							
Net Liabilities at beginning of year				(20,575)			(34,157)
Net Liabilities at end of year				(34,157)			(30,670)
Net Movement in net Liabilities				**(13,582)**			**3,487**

BALANCE SHEET AS AT 31 MARCH 2013

	Notes	31 March 2012 £'000	31 March 2013 £'000
Property, Plant & Equipment	16	8,860	8,901
Non-Current Assets		**8,860**	**8,901**
Inventories	19	2,561	1,763
Short Term Debtors	20	12,907	15,782
Cash and Cash Equivalents	21	4	4
Current Assets		**15,472**	**17,549**
Bank Overdraft	21	(2,278)	(2,222)
Short Term Borrowing	22	(834)	(962)
Short Term Creditors	23	(12,666)	(13,922)
Short Term Provisions	24	(295)	(610)
Current Liabilities		**(16,073)**	**(17,716)**
Net Current Liabilities		**(601)**	**(167)**
Long Term Creditors	23	(698)	(263)
Long Term Provisions	24	(292)	(276)
Long Term Borrowing	22	(5,084)	(5,074)
Other Long Term Liabilities	26	(36,342)	(33,791)
Long Term Liabilities		**(42,416)**	**(39,404)**
Net Liabilities		**(34,157)**	**(30,670)**
Usable Reserves	Page 26	1,193	1,627
Unusable Reserves	26	(35,350)	(32,297)
Total Reserves		**(34,157)**	**(30,670)**

Iain C Waddell BSc, C Eng, MICE
Managing Director

Marjory M Stewart FCCA, CPFA
Proper Officer

The unaudited accounts were issued on 14 June 2013 and the audited accounts were authorised for issue on 19 September 2013

CASH FLOW STATEMENT AS AT 31 MARCH 2013

	Notes	2011/12 £'000	2012/13 £'000
Net Surplus / (Deficit) on the Provision of Services	Page 27	**879**	**(119)**
Adjustments to surplus on the provision of services for non-cash movements	27(a)	2,979	3,270
Adjustment for items included in the net surplus on the provision of services that are investing and financing activities	27(a)	390	413
Net Cash Flows from Operating Activities		**4,248**	**3,564**
Net Cash Flows from Investing Activities	27(b)	(1,458)	(1,617)
Net Cash Flows from Financing Activities	27(c)	(1,925)	(1,891)
Net Increase / (Decrease) in Cash and Cash Equivalents		**865**	**56**
Cash and Cash Equivalents at the beginning of the reporting period		**(3,139)**	**(2,274)**
Cash and Cash Equivalents at the end of the reporting period		**(2,274)**	**(2,218)**
Cash Balances		**4**	**4**
Bank Overdraft		**(2,278)**	**(2,222)**
Cash and Cash Equivalents		**(2,274)**	**(2,218)**

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Accounting Policies

General Principles

The Statement of Accounts summarises the Joint Committee's transactions for the 2012/13 financial year and its position at the year end of 31 March 2013. The Joint Committee is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985, which section 12 of the Local Government in Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the Best Value Accounting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The Statements have been prepared in accordance with the fundamental accounting principles of relevance, reliability, comparability, understandability, materiality, accruals, going concern and primacy of legislative requirements. The accounting convention adopted in the Statement of Accounts is principally historical cost.

Summary of Significant Accounting Policies

Accruals of Income and Expenditure

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

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

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in less than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown inclusive of bank overdrafts that are repayable on demand and form an integral part of the Joint Committee's cash management.

NOTES TO THE FINANCIAL STATEMENTS

Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Joint Committee's financial performance.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Joint Committee's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service

The Joint Committee is not required to fund depreciation and impairment losses through its revenue streams. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to loans fund principal charges. Depreciation and impairment losses are therefore replaced by the contribution in the General Fund Balance for loans fund principal, by way of an adjusting transaction within the Capital Adjustment Account and in the Movement in Reserves Statement for the difference between the two amounts.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Joint Committee. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination and Post Employment Benefits

Termination benefits are amounts payable as a result of a decision by the Joint Committee to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Joint Committee is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Joint Committee to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The Local Government Pension Scheme

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

- The liabilities of the Tayside Superannuation Fund attributable to the Joint Committee are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the yield on the iBoxx AA rated over 15 year corporate bond index at 31 March 2013 to meet the requirements of IAS19).
- The assets of the Tayside Superannuation Fund attributable to the Joint Committee are included in the Balance Sheet at their fair value:

    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value.

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

Discretionary Benefits

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

Events After the Balance Sheet Date

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Inventories and Long Term Contracts

Construction and vehicle maintenance inventories are included in the Balance Sheet at the lower of average cost and net realisable value. Catering stock has been included at replacement value from suppliers' list prices (this value is not significantly different from original cost).

Work in progress is measured at the cost of work unbilled at 31 March. For the year ending 31 March 2013 work in progress was valued at £91k. There was no work in progress for the year ending 31 March 2012.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. Tayside Contracts has no arrangements of this nature of significant value in place.

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Joint Committee are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Joint Committee at the end of the lease period).

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2012/13 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, including:

- Corporate and Democratic Core – costs relating to the Joint Committee's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services, and are charged in full to the Statutory Trading Accounts.

Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Joint Committee does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Joint Committee). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Joint Committee.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Impairment

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

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down against the relevant Division in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant Division in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised, with corresponding entries made as appropriate to the Capital Adjustment Account.

Depreciation

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

Deprecation is calculated on the following bases:

- buildings – straight-line allocation over the useful life of the property. Buildings at Collace Quarry are depreciated over the remaining economic life of the quarry as estimated at the date of acquisition or construction of the building.

- vehicles, plant and equipment – straight-line allocation over the useful life of each class of assets, ranging from 5 to 10 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment.

Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the General Fund, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Joint Committee a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Joint Committee may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate Division in the Comprehensive Income and Expenditure Statement in the year that the Joint Committee becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Joint Committee settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Joint Committee a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Joint Committee.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

Reserves

The Joint Committee sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to be reflected in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Joint Committee – these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Joint Committee has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of revenue expenditure.

VAT

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

Borrowing

Borrowing represents the outstanding principal repayable (plus accrued interest) on loans arranged with Dundee City Council to finance capital expenditure. Interest is charged annually to the Comprehensive Income and Expenditure Statement in accordance with loan agreements. Loan terms are arranged to match the useful lives of assets financed.

Treatment of Surpluses/Deficits

An element of profit is included in each tender where possible and any profit made at the end of the year is used to fund capital expenditure (CFCR), transferred to the constituent Councils at an agreed amount and any remaining surplus transferred into reserves.

Any shortfall in surplus against the agreed distribution to the constituent Councils is met from reserves. In the event of a deficit arising, it would be met first from any available reserves and secondly by a contribution from each constituent Council.

Consolidation

The Comprehensive Income and Expenditure Statement and supporting statements, Balance Sheet, Movement in Reserves Statement and Cash Flow Statement reflect all the functions and activities of Tayside Contracts. All inter-divisional transactions have been eliminated on consolidation.

Going Concern

The Joint Committee's Balance Sheet as at 31 March 2013 shows a Net Liability of £30.67m (2011/12 £34.157m). The significant factor in this is the IAS 19 Pension Liability of £33.79m (2011/12 £36.34m), which is based on a "snap-shot" at 31 March 2013 and is particularly sensitive to the vagaries of the equities market and the discount rate applied to determine the present value of future liabilities. The IAS 19 Pension Liability is a notional figure and does not require to be funded. Any projected liability on the Tayside Superannuation Fund is currently recouped by increased employer's contributions. The IAS 19 Pension Liability does not impact on the Joint Committee's General Fund or budget requirements, and does not affect the Joint Committee's ability to continue trading as a going concern.

2. Accounting Standards that have been issued but not yet been adopted

There are no Accounting Standards that have been issued but not yet adopted which would have an impact on Tayside Contracts' financial statements.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Joint Committee has to make certain judgements about complex transactions or those involving uncertainty about future events. There were no critical judgements made in preparing the Statement of Accounts.

4. Assumptions that have been made about the future

Pensions

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected return on pension fund assets. A firm of actuaries is engaged by the pension fund administrators to provide the Joint Committee with expert advice regarding the assumptions to be applied.

The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate would result in a reduction of £2.96m in the net pension liability.

NOTES TO THE FINANCIAL STATEMENTS

5. Construction Division Statutory Trading Account

2010/11 £'000	2011/12 £'000		2012/13 £'000	3 Year Total £'000
		Income		
38,389	37,921	Charges to Constituent Councils	**40,685**	116,995
144	154	Charges to Internal Users	**147**	445
4,689	4,505	Other Income	**4,534**	13,728
43,222	42,580		**45,366**	131,168
		Expenditure		
7,448	10,017	Direct Labour	**10,363**	27,828
13,777	13,862	Direct Purchases	**15,093**	42,732
5,122	6,496	Sub-contractors	**6,123**	17,741
3,500	2,045	Transport and Plant Hire	**2,478**	8,023
6,557	7,833	Overheads	**8,720**	23,110
1,596	1,742	Depreciation	**1,564**	4,902
507	429	Depot Rental Charges	**479**	1,415
379	394	Interest Payable	**409**	1,182
38,886	42,818		**45,229**	126,933
4,336	**(238)**	**Net Surplus/(Deficit) including IAS 19 Adjustments**	**137**	**4,235**
		IAS 19 Adjustments included above		
644	218	Current Service (Gains)/Cost	**751**	1,613
(4,955)	49	Past Service Cost (Gains)/Cost	**37**	(4,869)
(4,311)	**267**		**788**	**(3,256)**
25	**29**	**Trading Account Surplus/(Deficit) before IAS 19 Adjustments**	**925**	**979**

The financial objective set by the Local Government in Scotland Act (2003) determines that each Statutory Trading Account must break even over a rolling three-year period. This objective is measured after adjusting for IAS 19 pension costs. However, due to the notional nature of IAS 19 adjustments, the significant impact they have on the trading surplus and the fact that they are wholly outwith the control of Tayside Contracts, trading surpluses/(deficits) have been disclosed above both inclusive of and excluding IAS 19 adjustments. Over the three year period 2010/11 to 2012/13 the financial objective for the Construction Division has been achieved, with a surplus of £4.235m after applying IAS 19 adjustments, and £979k excluding IAS 19 adjustments.

Notes 8 and 9 provide reconciliations of the Statutory Trading Account to the Comprehensive Income & Expenditure Statement and the movement in General Fund balance respectively.

NOTES TO THE FINANCIAL STATEMENTS

6. Facilities Services Division Statutory Trading Account

2010/11 £'000	2011/12 £'000		2012/13 £'000	3 Year Total £'000
		Income		
20,996	21,448	Charges to Constituent Councils	**21,422**	63,866
158	152	Charges to Internal Users	**157**	467
1,857	1,794	Other Income	**1,825**	5,476
23,011	23,394		**23,404**	69,809
		Expenditure		
11,163	14,501	Direct Labour	**14,790**	40,454
3,829	4,103	Direct Purchases	**4,140**	12,072
3,193	4,299	Overheads	**4,342**	11,834
29	32	Depreciation	**25**	86
28	26	Depot Rental Charges	**29**	83
13	12	Interest Payable	**18**	43
18,255	22,973		**23,344**	64,572
4,756	**421**	**Net Surplus including IAS 19 Adjustments**	**60**	**5,237**
		IAS 19 Adjustments included above		
748	224	Current Service (Gains)/Cost	**757**	1,729
(4,614)	46	Past Service Cost (Gains)/Cost	**36**	(4,532)
(3,866)	270		**793**	(2,803)
890	**691**	**Trading Account Surplus/(Deficit) before IAS 19 Adjustments**	**853**	**2,434**

The financial objective set by the Local Government in Scotland Act (2003) determines that each Statutory Trading Account must break even over a rolling three-year period. This objective is measured after adjusting for IAS 19 pension costs. However, due to the notional nature of IAS 19 adjustments, the significant impact they have on the trading surplus and the fact that they are wholly outwith the control of Tayside Contracts, trading surpluses/(deficits) have been disclosed above both inclusive of and excluding IAS 19 adjustments. Over the three year period 2010/11 to 2012/13 the financial objective for the Facilities Services Division has been achieved, with a surplus of £5.237m including IAS 19 adjustments, and £2.434m excluding IAS 19 adjustments.

Notes 8 and 9 provide reconciliations of the Statutory Trading Account to the Comprehensive Income & Expenditure Statement and the movement in the General Fund balance respectively.

7. Trading Operations

The Movement in Reserves Statement shows a surplus of £1.255m (2011/12 £1.0m) for distribution to the constituent Councils after IAS 19 requirements have been met and an increase of £434k (2011/12 £83k) has been made to the Useable Reserves.

Financial Objectives are measured over a three-year period under the Local Government in Scotland Act (2003), with each Statutory Trading Account required to break even over that period. Both Construction Division and Facilities Services Statutory Trading Accounts have achieved the statutory financial objective, reporting cumulative surpluses of £4.235m and £5.237m respectively for the three years 2010/11, 2011/12 and 2012/13.

8. Reconciliation of Statutory Trading Accounts to the Comprehensive Income & Expenditure Statement

The accounting treatment of certain items of income and expenditure differs between the Statutory Trading Accounts and the Comprehensive Income & Expenditure Statement. In particular, internal trading requires to be eliminated and interest charges are identified separately in the Comprehensive Income & Expenditure Statement. A reconciliation between the two accounting statements is provided in the table below.

	Expenditure	Income	Net Income / (Expenditure)
	£'000	£'000	£'000
Construction Division			
Total per Statutory Trading Account (Note 5)	45,229	45,366	137
Adjustments:			
Internal Trading	(157)	(147)	10
Interest Charges	(410)	-	410
Corporate & Democratic Core Costs	(29)	-	29
Non Distributed Costs	(51)	-	51
Comprehensive Income & Expenditure Statement	44,582	45,219	637
Facilities Services			
Total per Statutory Trading Account (Note 6)	23,344	23,404	60
Adjustments:			
Internal Trading	(147)	(157)	(10)
Interest Charges	(18)	-	18
Corporate & Democratic Core Costs	(13)	-	13
Non Distributed Costs	(25)	-	25
Comprehensive Income & Expenditure Statement	23,141	23,247	106

9. Reconciliation of Statutory Trading Accounts to Movement in the General Fund Balance

Further to the reconciliation in Note 8 above, a number of accounting adjustments are required by the Code to produce the Movement in Reserves Statement. The table below provides reconciliation between the surpluses/ (deficits) reported in the Trading Accounts and the increase in the General Fund balance, with an analysis between the Construction and Facilities Divisions.

2011/12 Trading Accounts Construction £'000	Facilities £'000	Total £'000		2012/13 Trading Accounts Construction £'000	Facilities £'000	Total £'000
(238)	**421**	**183**	**Surplus / (Deficit) per Trading Accounts**	**137**	**60**	**197**
2	1	3	Interest on Reserve Balances	0	0	0
1,742	32	1,774	Depreciation & Impairment	1,564	25	1,589
329	26	355	Difference between notional and actual depot costs	381	29	410
(71)	(72)	(143)	Difference between IAS 19 and actual pension costs	947	954	1,901
338	342	680	IAS 19 pension interest cost and expected return	(159)	(161)	(320)
(1,222)	(21)	(1,243)	Repayment of debt	(1,262)	(22)	(1,284)
(482)	(50)	(532)	CFCR	(758)	(49)	(807)
-	-	-	Other Adjustments		(1)	(1)
-	-	-	Transfer to Renewal and Repair fund			
(1)	4	3	Short-term compensated absences	(7)	11	4
(368)	(632)	(1,000)	Contribution to constituent Councils	(900)	(355)	(1,255)
29	**51**	**80**	**Increase in General Fund Balance**	**(57)**	**491**	**434**

10. Net Liability

The Joint Committee's Balance Sheet as at 31 March 2013 shows a Net Liability of £30.67m (2011/12 £34.157m). The significant factor in this is the IAS 19 Pension Liability of £33.8m (2011/12 £36.342m), which is based on a "snap-shot" at 31 March 2013 and is particularly sensitive to the vagaries of the equities market and other investment returns, the discount rate applied to determine the present value of future liabilities and assumptions regarding future inflation and mortality rates. The IAS 19 Pension Liability is a notional figure and does not require to be funded. Any projected liability on the Tayside Superannuation Fund is currently addressed by increased employer's contributions. The IAS 19 Pension Liability does not impact on the Joint Committee's General Fund or budget requirements and does not affect the Joint Committee's ability to continue trading as a going concern. All of Tayside Contracts net liabilities relate to trading undertakings.

11. Contributions to the Constituent Councils

For the financial year ending 31 March 2013, the constituent Councils agreed that the total amount to be distributed was £750k. However, as a consequence of the strong financial performance achieved for the year, an increased amount of £1.255m will be distributed to the constituent Councils (2011/12 £1.0m distributed). This amount has been apportioned to the three constituent Councils in accordance with the agreed percentage split per the Minute of Agreement as amended by resolution of the Joint Committee on 21 November 2011.

12. Events After the Balance Sheet Date

There were no events that occurred between 1 April 2013 and 19 September 2013 that would have an impact on the 2012/13 financial statements. The latter date was the date the audited financial statements were authorised for issue by the Proper Officer.

13. Adjustments between the Accounting Basis and Funding Basis under Regulations

	2011/12 £'000	2012/13 £'000
Adjustments involving the Capital Adjustment Account:		
Reversal of items debited or credited to the CIES:		
Charges for depreciation and impairment of non current assets	1,774	1,589
Capital expenditure funded from revenue	(532)	(807)
Carrying amount of non current assets sold	43	153
Loans/Lease principal repayments during the year	(1,243)	(1,284)
Reduction in liability on expiry of finance leases	(43)	(142)
Difference between notional and actual rental charge for depots	355	410
Insertion of items not debited or credited to the CIES:		
Other Adjustments	-	-
Adjustments involving the Capital Receipts Reserve:		
Proceeds From Sale of Non Current Assets	(13)	(14)
Adjustments involving the Pensions Reserve:		
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 32)	3,401	5,203
Employer's pensions contributions and direct payments to pensioners payable in the year (see Note 32)	(3,544)	(3,302)
Adjustment involving the Accumulating Compensated Absences Adjustment Account		
Adjustments in relation to Short-term compensated absences	3	4
Total Adjustments	**201**	**1,810**

14. Other Operating Expenditure

	2011/12 £'000	2012/13 £'000
Net Proceeds from sale of Non-Current Assets	13	14
Carrying amount of Non-Current Assets Sold	(43)	(153)
Reduction in liability on expiry of finance leases	43	142
Gains / (Losses) on Sale of Non-Current Assets	13	3

15. Financing and Investment Income and Expenditure

Interest payable and similar charges	2011/12 £'000	2012/13 £'000
Lease Interest	120	93
Bank Interest	17	71
Loan Interest	266	263
	403	427
Pensions interest cost and expected return on pensions assets		
Expected return on assets in the scheme	(6,029)	(5,120)
Interest cost	5,349	5,440
	(680)	320
Total Financing and Investment Income and Expenditure	**(277)**	**747**

16. Property Plant and Equipment

16 (a) Comparative Year

	Land	Buildings	Vehicles, Plant & Equipment	Leased Assets	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
Balance as at 1 April 2011	69	377	15,379	5,391	21,216
Additions	-	-	1,514	-	1,514
Derecognition - Disposals	-	-	(80)	(399)	(479)
At 31 March 2012	**69**	**377**	**16,813**	**4,992**	**22,251**
Depreciation and Impairment					
Balance as at 1 April 2011	0	101	8,291	3,663	12,055
Depreciation Charge		27	1,193	553	1,773
Derecognition - Disposals			(80)	(357)	(437)
At 31 March 2012	**0**	**128**	**9,404**	**3,859**	**13,391**
Net Book Value					
Balance as at 31 March 2012	**69**	**249**	**7,409**	**1,133**	**8,860**
Balance as at 31 March 2011	**69**	**276**	**7,088**	**1,728**	**9,161**

16 (b) Current Year

	Land	Buildings	Vehicles, Plant & Equipment	Leased Assets	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation					
Balance as at 1 April 2012	69	377	16,813	4,992	22,251
Additions			1,784		1,784
Derecognition - Disposals			(4,415)	(1,415)	(5,830)
At 31 March 2013	**69**	**377**	**14,182**	**3,577**	**18,205**
Depreciation and Impairment					
Balance as at 1 April 2012	0	128	9,404	3,859	13,391
Depreciation Charge		25	1,310	254	1,589
Derecognition - Disposals			(4,407)	(1,269)	(5,676)
At 31 March 2013	**0**	**153**	**6,307**	**2,844**	**9,304**
Net Book Value					
Balance as at 31 March 2013	**69**	**224**	**7,875**	**733**	**8,901**
Balance as at 31 March 2012	**69**	**249**	**7,409**	**1,133**	**8,860**

In accordance with the stated accounting policy, owned assets are depreciated over their estimated useful life. The useful life assigned to the various types of plant, vehicles and equipment ranges from 5 to 10 years. Quarry buildings are depreciated over the estimated remaining economic life of the quarry at the date of acquisition, and a range of 10 to 16 years has been applied. Computer equipment (large value servers) is depreciated over 5 years. Assets acquired under finance leases are depreciated over the life of the lease taking into account any residual value at the end of the lease period.

17. Capital Expenditure – Sources of Finance

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

	2011/12 £'000	2012/13 £'000
Capital Receipts	13	14
Capital Funded from Current Revenue	532	807
Bank Borrowing	-	-
Loans	969	963
	1,514	1,784

At 31 March 2013 there were no commitments in respect of vehicles, plant and equipment ordered but not received at that date. The Value of such transactions in 2012 was also zero.

18. Financial Instruments

With the exception of debtors, creditors and borrowings to fund capital expenditure, analyses of which are provided in notes 20, 23 and 22 respectively, Tayside Contracts does not have any financial instruments that are required to be re-measured and disclosed under International Accounting Standards 39 and 32 and International Financial Reporting Standard 7.

19. Inventories

In undertaking its work, the Joint Committee holds reserves of stock together with amounts of uncompleted work (work in progress). The figure shown in the balance sheet may be subdivided as follows:

	2011/12 £'000	2012/13 £'000
Work in Progress	-	91
Stock	2,561	1,672
Total Inventory	2,561	1,763

20. Debtors

Short Term Debtors

	2011/12 £'000	2012/13 £'000
Constituent Councils	11,088	13,884
Trade Debtors	1,892	1,932
Provision for Bad Debts	(73)	(34)
	12,907	15,782

NOTES TO THE FINANCIAL STATEMENTS

21. Cash and Cash Equivalents

	2011/12 £'000	2012/13 £'000
Cash and Bank Balances	4	4
Bank Overdraft	(2,278)	(2,222)
	(2,274)	(2,218)

22. Short and Long Term Borrowing

During 2012/13, loans amounting to £963k were arranged with Dundee City Council to finance capital expenditure. The net future obligation in respect of these loans, together with loans arranged in previous years, as at 31 March is:

	2011/12 £'000	2012/13 £'000
Due in 1 year	834	962
Due in 2 – 5 years	3,421	3,691
Due in more than 5 years	1,663	1,383
	5,918	6,036

23. Creditors

Short Term Creditors	2011/12 £'000	2012/13 £'000
Constituent Councils	1,461	1,605
Finance Leases	500	353
Employees	1,543	1,597
Accumulated Absences	679	683
Trade Creditors	8,483	9,684
	12,666	13,922
Long Term Creditors		
Finance Leases	698	263
Total Creditors	13,364	14,185

24. Provisions

A provision has been created in respect of completed contracts for which costs associated with remedial works are expected to arise in future years. The provisional sum represents the estimated value of irrecoverable costs which include outstanding claims, remedial and maintenance expenses. Provision is also made for the future reinstatement of the two quarries operated by Tayside Contracts and remedial costs at the Bolshan landfill quarry site as determined by SEPA. Other provisions relate to obsolete or ageing stock items, legal fees and allowing for the costs of retrospective checks for the protection of vulnerable groups.

Current Year

	Balance as at 1 April 2012 £'000	Increase During Year £'000	Utilised During Year £'000	Unused Amounts Reversed £'000	Interest Earned £'000	Balance as at 31 March 2013 £'000
Remedial Works	284	488	(177)	(107)		488
Quarry Reinstatement Costs	192	4	(20)			176
Bolshan Quarry Reinstatement Costs	100					100
Other	11	120	(9)			122
	587	**612**	**(206)**	**(107)**	**0**	**886**
Short Term Provisions	295	608	(186)	(107)		610
Long Term Provisions	292	4	(20)			276
	587	**612**	**(206)**	**(107)**	**0**	**886**

Comparative Year

	Balance as at 1 April 2011 £'000	Increase During Year £'000	Utilised During Year £'000	Unused Amounts Reversed £'000	Interest Earned £'000	Balance as at 31 March 2012 £'000
Remedial Works	1,088	284	(823)	(265)	-	284
Quarry Reinstatement Costs	221	5	(34)	-	-	192
Bolshan Quarry Reinstatement Costs	100			-	-	100
Other	41	11	(41)	-	-	11
	1,450	**300**	**(898)**	**(265)**	**-**	**587**
Short Term Provisions	1,129	295	(864)	(265)	-	295
Long Term Provisions	321	5	(34)	-	-	292
	1,450	**300**	**(898)**	**(265)**	**-**	**587**

25. Useable Reserves

Capital Receipts Reserve

These are cash receipts from the sale of the Joint Committee's assets, which have been applied to finance capital expenditure.

	2011/12 £'000	2012/13 £'000
Opening Balance, 1 April	-	-
Capital Receipts in the year	13	14
Capital Receipts used to finance capital expenditure	(13)	(14)
Closing Balance, 31 March	-	-

Renewal and Repairs Fund

The Renewal and Repairs fund had been established as a means of contributing towards potential future expenditure on property repairs, IT and other equipment renewals. As no use had been made of this fund, it was agreed that the balances held on this account be transferred into the General Fund balance.

	2011/12 £'000	2012/13 £'000
Opening Balance, 1 April	225	226
Funds transferred in during the year	1	(226)
Funds transferred to finance expenditure	-	-
Closing Balance, 31 March	226	-

26. Unusable Reserves

	2011/12 £'000	2012/13 £'000
Capital Adjustment Account	1,671	2,176
Pensions Reserve	(36,342)	(33,791)
Accumulating Compensated Absences Account	(679)	(682)
	(35,350)	(32,297)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different accounting arrangement in respect of consumption of non-current assets and the financing of the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set aside by the Joint Committee as finance for the costs of acquisition, construction and enhancement.

	2011/12 £'000	2012/13 £'000
Opening Balance, 1 April	1,656	1,671
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Depreciation and impairment of non-current assets	(1,773)	(1,589)
Capital expenditure funded from revenue	532	807
Non-current assets written off on disposal or sale	(43)	(153)
	(1,284)	(935)
Capital financing applied in the year:		
Capital receipts applied to finance capital expenditure	13	14
Loan and Lease principal repayments	1,243	1,284
Reduction in liability on expiry of finance leases	43	142
	1,299	1,440
Closing Balance, 31 March	1,671	2,176

Pensions Reserve

The Joint Committee accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangement require benefits earned to be financed as the Joint Committee makes employers' contributions to pension funds or pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. There is an equal and opposite liability for this amount in the Balance Sheet.

	2011/12 £'000	2012/13 £'000
Opening Balance, 1 April	(22,666)	(36,342)
Actuarial gains or (losses) on pensions assets and liabilities	(13,819)	4,452
Reversal of items relating to retirement benefits debited or credited to the surplus on the provision of service in the Comprehensive Income and Expenditure (see Note 32)	143	(1,901)
Closing Balance, 31 March	(36,342)	(33,791)

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement outstanding at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2011/12 £'000	2012/13 £'000
Opening Balance, 1 April	(675)	(679)
Settlement or cancellation of accrual made at the end of the preceding year	675	679
Amounts accrued at the end of the current year	(679)	(682)
Closing Balance, 31 March	(679)	(682)

27. Notes to the Cash Flow Statement

27(a) Analysis of Adjustments to the Surplus on Provision of Services

	2011/12 £'000	2012/13 £'000
Depreciation	1,774	1,589
(Increase)/Decrease in Stock	(735)	798
(Increase)/Decrease in Debtors	2,901	(2,875)
Increase/(Decrease) in Creditors	(310)	1,148
Net charge to Pension Fund	(143)	1,901
Contribution to Other Reserves/Provisions	(863)	299
Difference between notional and actual depot charges	355	410
	2,979	3,270
Adjustment for items that are investing and financing activities		
Interest Paid	283	334
Interest element of finance lease payments	120	93
Proceeds from the sale of non-current assets	(13)	(14)
	390	413

27(b) Cash Flows from Investing Activities

	2011/12 £'000	2012/13 £'000
Purchase of Property, Plant and Equipment	1,514	1,784
Carrying amount of non-current assets sold	(43)	(153)
Proceeds from the sale of non-current assets	(13)	(14)
	1,458	1,617

27(c) Cash Flows from Financing

	2011/12 £'000	2012/13 £'000
Cash receipts from short and long term borrowing	969	963
Finance lease principal cash repayments	(541)	(440)
Short and long term borrowing cash repayments	(702)	(844)
Surpluses paid to constituent Councils	(1,205)	(1,003)
Other payments for Financing Activities	(446)	(567)
	(1,925)	(1,891)

28. Members' Allowances

The Joint Committee does not make payment to members in the form of salaries and allowances. The only costs relating to members incurred by the Joint Committee are those associated with attendance at relevant conferences and seminars.

	2011/12 £'000	2012/13 £'000
Conferences and Seminars	3	3
Travel and Subsistence	-	-
	3	3

29. External Audit Fees

The external auditors of Tayside Contracts Joint Committee 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 2012/13 financial year, for external audit services undertaken in accordance with the Code of Practice, is £38k (2011/12 36k). During 2012/13 the external auditor did not provide any other services to the Joint Committee other than the duties undertaken in accordance with the Code of Audit Practice.

30. Related Parties

The Joint Committee is required to disclose material transactions with related parties – bodies that have the potential to control or influence Tayside Contracts. By the very nature of Joint Committee structure and operations, the three constituent Councils would be considered related parties. Work carried out for the constituent Councils during the financial year was valued as follows:

	2011/12 £'000	2012/13 £'000
Angus Council	18,192	19,344
Dundee City Council	21,224	21,182
Perth and Kinross Council	19,953	21,581
	59,369	62,107

Charges were made by the constituent Councils for services provided to the Joint Committee, including historical loans fund charges for the use of depots, as follows: (Note that these figures exclude prudential loan principal and interest repayments.)

	2011/12 £'000	2012/13 £'000
Angus Council	507	319
Dundee City Council	2,380	1,978
Perth and Kinross Council	251	279
	3,138	2,576

The following repayments of surpluses due to the constituent Councils, including interest accrued on outstanding balances, were made by Tayside Contracts:

	2011/12 £'000	2012/13 £'000
Angus Council	374	316
Dundee City Council	374	331
Perth and Kinross Council	457	356
	1,205	1,003

Loan repayments to Dundee City Council in respect of sums borrowed to fund capital expenditure, including interest and loans fund expenses, are included in the accounts amounting to £1.103m in 2012/13 (£968k in 2011/12).

Included in the Balance Sheet are a number of balances relating to amounts due from and to the constituent Councils. These are summarised as follows:

	2011/12 £'000	2012/13 £'000
Debtors:		
Operational Activities	11,088	13,884
	11,088	13,884
Creditors:		
Trade and Sundry Creditors	(461)	(350)
Surpluses due to constituent Councils	(1,000)	(1,255)
	(1,461)	(1,605)

Also included in the Balance Sheet are balances outstanding on loans from Dundee City Council as disclosed in Note 22.

31. Leases

In order to comply with IFRS accounting requirements, all leases held by the Joint committee as lessee have been reviewed, and all leases are now classified as finance leases.

Note 16 (b) provides an analysis of the asset values of all leased assets, showing cost, depreciation and movements due to additions and disposals (being termination at the end of the lease contracts), with comparative figures for 2011/12 disclosed in note 16 (a).

During 2012/13, finance lease charges of £74k (2011/12 £120k) were incurred in respect of finance charges and capital repayments of £546k (2011/12 £541k) were made. Future finance lease obligations as at 31 March are as follows:

	Within 1 year £'000	2 to 5 years £'000	After 5 years £'000	Total £'000
31 March 2013				
Finance lease payments	381	281	-	662
Less: Finance charges	28	18	-	46
Net present value	353	263	-	616
31 March 2012				
Finance lease payments	538	772	-	1,310
Less: Finance charges	38	74	-	112
Net present value	500	698	-	1,198
1 April 2011				
Finance lease payments	673	1,292	18	1,983
Less: Finance charges	91	110	-	201
Net present value	582	1,182	18	1,782

These future obligations are included in the Balance Sheet as:

	2010/11 £'000	2011/12 £'000	2012/13 £'000
Current Liabilities	582	500	353
Long Term Liabilities	1,200	698	263
	1,782	1,198	616

32. Defined Benefits Pension Scheme

Participation in the Local Government Pension Scheme

As part of the terms and conditions of employment of its employees, the Joint Committee offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Joint Committee has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Joint Committee participates in the Tayside Superannuation Fund, administered by Dundee City Council. This is a funded scheme, meaning that the Joint Committee and employees pay contributions into a fund, calculated at a level intended to balance the pension funds liabilities with investment assets.

Transactions Relating to Retirement Benefits – CIES Charges

The Joint Committee recognises the cost of retirement benefits in the Cost of Services on Continuing Operations when they are earned by employees rather than when the benefits are eventually paid as pensions.

However, the charge the Joint Committee is required to make is based on the cash payable in the year, and the real cost of retirement is reversed out in the adjustments between accounting basis and funding basis under regulations line, in the Movement in Reserves Statement during the year:

	2011/12 £'000	2012/13 £'000
Current service cost	3,952	4,807
Past service cost/(gain)	94	73
Gains and losses on settlements or curtailments	35	3
Net Operating Expenditure:		
Interest cost	5,349	5,440
Expected return on scheme assets	(6,029)	(5,120)
Net charge to the CIES	3,401	5,203

	2011/12 £'000	2012/13 £'000
Adjustments between accounting basis and funding basis under regulations:		
Reversal of charges made for retirement benefits in accordance with IAS 19	(3,401)	(5,203)
Employers' contributions payable to the scheme	3,544	3,302
Net Charge to the General Fund Summary	143	(1,901)

In addition to the recognised gains and losses included in the CIES, actuarial losses of £4.452m (£13.819m loss in 2011/12) were included in other comprehensive income and expenditure in the CIES. The five-year cumulative amount of actuarial gains and losses recognised in other comprehensive income and expenditure is a loss of £30.931m.

Assets and Liabilities in Relation to Retirement Benefits

The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- expected return on assets – the annual investment return on the fund assets attributable to the Joint Committee, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Joint Committee of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the Tayside Superannuation Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Reconciliation of present value of the scheme liabilities:

	2011/12 £'000	2012/13 £'000
Balance as at 1 April	**100,565**	**119,608**
Current service cost	3,952	4,807
Interest cost	5,349	5,440
Contributions by members	1,070	1,025
Actuarial losses/(gains)	12,290	4,499
Past service costs/(gains)	94	73
Losses/(gains) on curtailments	35	3
Estimated unfunded benefits paid	(118)	(110)
Estimated benefits paid	(3,629)	(3,734)
Balance as at 31 March	**119,608**	**131,611**

Reconciliation of present value of the scheme assets:

	2011/12 £'000	2012/13 £'000
Balance as at 1 April	**77,899**	**83,266**
Expected return on assets	6,029	5,120
Contributions by members	1,070	1,025
Contributions by employer	3,544	3,302
Actuarial gains/(losses)	(1,529)	8,951
Benefits paid	(3,747)	(3,844)
Balance as at 31 March	**83,266**	**97,820**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year showed a return of £14.07m (2011/12 was a return of £334k).

Fair Value of Plan Assets

	2011/12 £'000	2012/13 £'000
Equity Investments	56,622	69,453
Gilts	6,661	6,847
Bonds	9,159	10,760
Property	9,159	8,804
Cash	1,665	1,956
	83,266	97,820

The above asset values are at bid value as required by IAS 19.

Scheme History - Analysis of scheme assets and liabilities

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Fair value of assets in pension scheme	51,435	70,701	77,899	83,266	97,820
Present value of defined benefit obligation	(69,183)	(112,302)	(100,565)	(119,608)	(131,611)
	(17,748)	(41,601)	(22,666)	(36,342)	(33,791)

Amount recognised in other comprehensive income and expenditure

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Actuarial gains/(losses)	(9,951)	(23,358)	11,745	(13,819)	4,452
Cumulative actuarial gains and losses	(9,951)	(33,309)	(21,564)	(35,383)	(30,931)
History of experience gains and losses:					
Experience gains and (losses) on assets	(21,765)	14,713	431	(1,529)	8,951
Experience gains and (losses) on liabilities	288	(104)	311	4,350	(110)

The liabilities show the underlying commitments that the Joint Committee has in the long run to pay retirement benefits. The total liability of £33.791m has a substantial impact on the net worth of the Joint Committee as recorded in the Balance Sheet, resulting in a net liability of £30.67m.

However, statutory arrangements for funding the deficit mean that the financial position of the Joint Committee remains healthy. The deficit of £33.791m on the Pension Fund will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Analysis of projected amount to be charged to CIES for the year to 31 March 2014

	2013/14 Projected	
	£'000	**%**
Projected current cost	5,021	3.82%
Net Interest on obligation	1,449	1.11%
Administration expenses	48	
Balance as at 31 March	6,518	4.50%

The total contributions expected to be made to the Tayside Superannuation Fund by the Joint Committee in the year to 31 March 2014 is £3.179m

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013.

	2008/09 %	**2009/10 %**	**2010/11 %**	**2011/12 %**	**2012/13 %**
Experience gains and (losses) on assets	-42.3%	20.8%	0.6%	-1.8%	9.2%
Experience gains and (losses) on liabilities	0.4%	-0.1%	0.3%	3.6%	-0.10%

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc.

The pension fund liabilities have been assessed by an independent firm of actuaries, estimates being based on data pertaining to the latest full valuation of the scheme as at 31 March 2008.

	2011/12	**2012/13**
Long term expected rate of return on assets in the scheme:	6.10%	6.10%

For accounting years beginning on or after 1 January 2013, the expected return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return equal to the IAS19 discount rate.

Mortality assumptions:	**2011/12**	**2012/13**
Longevity at 65 for current pensioners:		
Men	20.6 yrs	20.6 yrs
Women	22.8 yrs	22.9 yrs
Longevity at 65 for future pensioners:		
Men	21.8 yrs	21.9 yrs
Women	24.4 yrs	24.5 yrs
Inflation / Pension increase rate	2.5%	2.6%
Salary increase rate	4.8%	4.8%
Expected return on assets	6.1%	6.1%
Discount rate	4.6%	4.5%
Take-up of option to convert annual pension into retirement lump sum:		
Service to April 2013	50%	50%
Service post April 2013	50%	50%

Major categories of plan assets as percentage of total plan assets

The Tayside Superannuation Fund's assets consist of the following categories, by proportion of the total assets held:

	2010/11	**2011/12**	**2012/13**
Equity Investments	72%	68%	71%
Gilts	7%	8%	7%
Bonds	10%	11%	11%
Property	9%	11%	9%
Cash	2%	2%	2%
	100%	100%	100%

34. Contingent Liabilities

No events have occurred that would give rise to the need to account for any contingent liabilities

35. Contingent Assets

No events have occurred that are expected to result in the creation of an asset.