ANNUAL REPORT 2008/09

Tay Road Bridge, Dundee

Glen Esk, Angus

River Tay, Perth

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ANNUAL REPORT 2008/09

BACKGROUND

Tayside Contracts is an excellent example of local authorities working together to the benefit of the public. It was set up in its present form at 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 in excess of 2,300 people.

- Has an annual turnover of some £64 million.

- Returns surpluses to the three constituent Councils for reinvestment in services. Since 1996 it has returned in excess of £12m million to the Councils in the form of surpluses.

TAYSIDE CONTRACTS JOINT COMMITTEE

ANGUS COUNCIL

Councillor
Robert Myles
Vice Convener

Councillor
Mark Salmond

Councillor
Helen Oswald

Councillor
Sandy West

Councillor
John Whyte

DUNDEE CITY COUNCIL

Bailie
George Regan
Vice-Convener
Elect

Bailie
Helen Wright

Councillor
Helen Dick

Councillor
Christina
Roberts

Bailie
Roderick
Wallace

Councillor
Jim Barrie

PERTH AND KINROSS COUNCIL

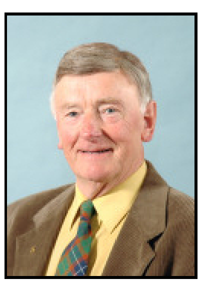
Councillor
Jack Coburn
Convener

Councillor
John Kellas

Councillor
Lewis Simpson

Councillor
Mac Roberts

Councillor
Caroline Shiers



Councillor
Peter Mulheron

Councillor
Ken Lyall

MANAGING DIRECTOR'S REPORT

Introduction

2008/09 was unlike any other year we have faced since the formation of Tayside Contracts in 1996. It started in a very similar vein to previous years, but all was to change from late autumn onwards with the global economic meltdown. Some work contracts stopped overnight and suppliers and contractors ceased trading. This was on top of the high price increases we were experiencing, in particular with regard to bitumen, fuel, construction materials and food costs. To round off the year we also experienced the worst winter for many years.

Despite all of this Tayside Contracts has produced very good financial results for 2008/09 which have only been achieved through the hard work and commitment of all our employees.

Results

The significant financial figure for 2008/09 is that as an organisation we achieved an overall surplus of £1.090m which exceeded the budgeted surplus of £600k. This increase from the £659k surplus achieved in 2007/08 was due to the contribution of all parts of the organisation:

- The Construction Division completed a very full workload while at the same time providing an excellent winter maintenance service. As an indication of the severity of winter conditions, the total number of hours the workforce was engaged on this activity was 53% more than the previous years.

- The Facilities Division saw the Cleaning unit commence work on the new PPP schools in both Angus and Dundee City including some of the builders cleans while at the same time continuing to clean the old schools prior to the pupils moving. The year also saw in the Catering unit the trend of increasing school meal numbers as the resistance to healthy eating has been gradually overcome.

- Central, support and property costs were also well managed with the majority of these being brought in below budget, despite the overall income of Tayside Contracts increasing by 9.4% against budget.

The surplus generated of £1.090m in 2008/09 represents an increase of 65% from the 2007/08 figure of £659k. This was achieved from an income of £63.9m which was an increase of 8.6% on the 2007/08 figure of £58.8m.

The continued delivery of a sound surplus was achieved by the good management of costs at a time when we were facing construction and food inflation of around 10%.

In addition to this surplus our two trading operations, namely the Construction and the 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.

MANAGING DIRECTOR'S REPORT

The statutory trading account surpluses achieved over the three year period in question are £758k for the Construction Division and £1.406m for the Facilities Services Division.

Cash Flow

Last year in my report I expressed the one area of slight concern I had despite the good financial performance was the management of our cash flow. The management of this throughout 2008/09 has been robustly undertaken on a monthly basis and I am pleased to report that the average overdraft has dropped from £3.9m in 2007/08 to £3.4m in 2008/09. The underlying trend is actually lower for 2008/09 as a positive decision was taking during the year not to draw down the money for the purchase of capital purchases until the end of year and to run with a higher overdraft, as the overdraft rates we were getting were lower than the bank lending rates offering better value for money. On a like for like comparison with 2007/08 the 2008/09 overdraft would have been £2.8m, which is below the average overdraft target, a key corporate performance indicator in the business plan, of £3m.

The management of cash flow will continue to be a key management priority over the coming years especially with the turmoil the markets are facing and will no doubt continue to face over the next few years.

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 2008/09 of £500k. As a result of the strong financial performance achieved in 2008/09 an increased surplus of £1.0m can be returned to the constituent Councils. This is distributed on the agreed ownership percentage of Tayside Contracts which was revised for 2008/09 for a period of three years by the Joint Committee at its meeting on 11 May 2009 of 31% to Angus Council, 31% to Dundee City Council and 38% to Perth and Kinross Council.

As per the agreement with the three constituent Councils, the balance of £90k from the 2008/09 surplus will be retained by Tayside Contracts in the general reserve fund for future agreed use.

The Market

The majority of Tayside Contracts income comes from our constituent Councils, either through a partnering arrangement, an awarded work basis or through competition depending on the Councils individual Best Value criteria. In 2008/09 the percentage of work which Tayside Contracts obtained from the constituent Councils was 80%. In addition to this, a further 7% was generated through work for other Councils, the trunk roads operating company, Scotland Transerv and other public bodies, with the remaining 13% from other sources.

The information we had available when preparing our budget for 2009/10 was that at best Council budgets would remain broadly similar to the 2008/09 figures, with little or no increase to cover the cost of construction and food inflation which rose at around 10% on average throughout 2008/09. In addition, there is significant risk that budgets will be cut as 2009/10 progresses in response to the effect on the Councils of the fall out from the global recession.

MANAGING DIRECTOR'S REPORT

There are already early warnings of significant reductions in Council budgets in both 2010/11 and 2011/12. To prepare ourselves for this we have already made savings in support services costs through restructuring with more in the pipeline during 2009/10.

In addition to this we have entered into a Knowledge Transfer Partnership with the University of Dundee using Lean Construction Techniques across our Construction Division. This in effect uses Business Improvement Techniques to drive out waste and unnecessary costs initially within the Construction Division including financial and administration processes. The longer term aim is to extend this to cover our Facilities Services Division and all our Central and Support Services.

Implementation of New Pay and Grading Structure

As I said in my statement last year, the most significant challenge which Tayside Contracts, along with other public sector organisations was facing was to bring to a conclusion the resolution of the Single Status Job Evaluation (SSJE) exercises and the settlement of outstanding equal pay claims. I am pleased to report that a new gender proof pay and grading structure along with new terms and conditions of employment were implemented on 1 July 2008.

Strategy

March 2006 saw the approval by the Joint Committee of the five year business plan, following a strategic review which had been in progress for nearly a year. Unlike previous reviews, this new plan was developed in conjunction with representatives of our major stakeholders, the constituent Councils.

This business plan sets out the key strategic objectives for Tayside Contracts over the five year period 2006 to 2011 and provides a framework for how these will be delivered. It represents the commitment of Tayside Contracts to:

- Modernise and continuously improve the services it provides to all our stakeholders and
- Achieve best practice in managing our people and resources

This all aligns to the mission statement which Tayside Contracts has had in place since 1996 which is still very relevant to what we aim to achieve. Our mission statement is "Community benefit through the pursuit of excellence" clearly demonstrating our commitment to providing quality services to the Tayside public.

To ensure that all of our employees have clarity of purpose as to what this means we have a vision statement of: "To excel and grow as a commercial local authority trading organisation".

The five key business objectives contained within the business plan are:

1. To provide a cost effective and quality product / service which meets the requirements of the three constituent Councils and other clients.

2. To develop partnerships with all our stakeholders including the constituent Councils, other clients, the people and businesses within the community.

3. To create a responsive organisation which develops, monitors and evaluates standards of performance.

4. To encourage innovations which add value to our products and services.

5. To seek to expand our customer base within current legislation for the benefit of the community.

Our financial predictions and actual figures achieved to date have been very close to what was contained in the business plan. However, with the potential of significant cuts in Council budgets in 2010/11, 2011/12 and beyond it is considered relevant to revise our business plan and produce a new 3 year plan effective from April 2010.

It is essential that the new business plan reflects the corporate and strategic objectives of the constituent Councils and is aligned in particular to the service departments for the services we provide to the Councils. For this reason a senior officer of each of the constituent Councils along with the corporate management team of Tayside Contracts makes up the business plan project team.

Outlook

As identified in my statement last year, Tayside Contracts needs to continue to modernise to continue to be successful in the future. I believe that the modernisation framework is now in place and embedded within the organisation. The intention is to continue to move forward with this process during the coming year.

I would like to thank all the employees of Tayside Contracts for their excellent contribution to the progress we have made to date and for the progress which I am sure we will continue to make during the coming year.

In conclusion, we have a clear strategy in place, a strong corporate management team and operational management teams and year on year we are delivering an improvement in performance and will continue to do so during 2009/10.

Iain C Waddell BSc, C Eng, MICE
Managing Director
Tayside Contracts
16 June 2009

CONSTRUCTION DIVISION OPERATIONAL REPORT

Richard Cranney
Depute Director (Operations)

Objectives

The Construction Division aims to provide products and services that meet all the requirements of our customers. We aim to achieve this first time, on time and to provide all our customers with Best Value.

General

The year 2008/9 is likely to be a year that we will remember for all of the wrong reasons. It was the year that global financial systems teetered on the edge of extinction, when oil prices rose to unprecedented levels, energy costs went through the roof and the UK experienced the worst snowfalls for 18 years and possibly the coldest winter for 30 years. And all of these events are likely to mask what, for the Construction Division, was a good year.

We certainly were not immune to the effects of the 'credit crunch' as private developers' work began to dry up and construction inflation almost spiralled out of control with energy and oil based product prices rising virtually on a monthly basis. This meant that client budgets achieved far less than they had done in the past. But in the main progammes did hold up and in the end we had more than sufficient work to see us through.

Away from global economics the Division had quite a few successes that make the year memorable for all of the right reasons.

April 2008 saw the establishment of the Dundee Roads Maintenance Partnership with Tayside Contracts and Dundee City Council personnel forming an integrated team and operating out of our Fairmuir Depot to provide a seamless road maintenance service to the citizens of Dundee. Such was the success of the arrangement that approval was given by the year end to a three year extension. The existing Street Lighting Partnership that encompasses both Dundee City and Perth & Kinross Councils was also extended for another three year period emphasising the success of the Division's partnering approach.

June 2008 saw the launch of a new cold mix surfacing system that we call Tayset®. The material has been developed through a Knowledge Transfer Partnership (KTP) between Tayside Contracts, the University of Dundee and NYNAS (our bitumen supplier). The system incorporates recycled asphalt planings and a specialist bitumen binder and is mixed at ambient temperatures which make the material both cost effective and environmentally friendly.

John Swinney MSP, Cabinet Secretary for Finance and Sustainable Growth with Tayside Contrcats surfacing crew at the launch of Tayset ®

CONSTRUCTION DIVISION OPERATIONAL REPORT

The value of the system was recognised as we won two national awards, the Best Environmental Initiative at the APSE (Association for Public Service Excellence) national awards and a VIBES (Vision In Business for the Environment of Scotland) award in the product category. More tangible recognition came when Transport Scotland allowed the use of the system in a trunk road contract on the A90 Perth to Dundee road. What we hope will be a very successful trial in a very demanding environment will further enhance the credentials of this innovative product.

July 2008 saw the implementation of a new pay and conditions scheme that addressed the inequality issues that surrounded the old scheme. This brought a degree of certainty to what had been a very uncertain time and whilst there is still an appeals process to complete some measure of closure has been achieved and the Division can move on.

In November 2008 we received approval for yet another initiative that we hope will bring lasting benefit to the Division. We have entered into another KTP with the University of Dundee in order to introduce Lean Construction techniques into our processes. The project, which is scheduled to take 30 months, will seek to introduce more efficient methods of working into all aspects of the Division's work. Undertaking this project underlines our commitment to innovation and excellence in all that we do.

From a work perspective the most memorable aspect of the year was winter maintenance. Winter began in earnest much earlier than has been the 'norm' over the past few years and carried right through to the end of February 2009. Not only were we experiencing low temperatures but also more prolonged snow events. To put the winter into perspective we incurred 53% more winter working hours than the average of the previous two winters. The winter was also much more widespread than usual with the whole of the UK experiencing similar conditions. This meant that salt supplies became scarce and government took on a coordinating role to ensure equality of supply across the country. Whilst levels became low we managed to survive the winter without actually running out by means of judicious movement of supplies between depots. For the 'older' members of the Division it was a reminder of how winters used to be and provided the opportunity to tell stories of winters past. Once again the workforce stepped up to the mark and provided a service that was second to none.

So, all in all a good year with many successes that prove the Division is amongst the elite when it comes to the provision of road maintenance services.

Future

Over the next few years we are likely to feel the impact of the billions of pounds that have been poured into the financial sector as public finances are ‘squeezed’. It is difficult to anticipate with any certainty just where the full impact of a reduction in public spending will fall but it is likely that all public services will feel the ‘pinch’.

We may be entering a period where only the fittest will survive. The Division is well placed to meet the challenges that lie ahead and with the support of the workforce we will continue to ‘excel and grow’ even in the difficult times that we are anticipating.

FACILITIES SERVICES OPERATIONAL REPORT

Ian Shepherd
Head of Facilities Services

Objectives

Facilities Services aims to provide a quality catering and cleaning service to the three constituent Councils and other customers which is cost effective 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

The year has again been full of challenges with a high degree of success, but nevertheless in some areas the challenges still remain. One of the challenges which continues for both Cleaning and Catering is the recruitment and retention of sufficient employees to be able to meet the service requirements of our customers. There is an ever decreasing pool of labour willing to undertake the work at the relatively low rates of pay. The innovative approach to advertising Cleaning and Catering vacancies and the repackaging of work has assisted in meeting the challenge. In addition the attrition rate relating to job turnover has remained at the improved levels achieved during the previous year, but it is still too high and consequently efforts will continue to be made to seek innovative ways of overcoming these challenges.

Improvements were seen in reducing absence levels particularly in the areas where the levels were highest. In addition there was heavy investment in training for employees at all levels to increase the skills level and assist in productivity improvements.

New partnership agreements have been forged with some clients and suppliers with a view to improving the overall catering and cleaning service to the customers.

The major challenge of the Public Private Partnership (PPP) for schools programme continued during the year with all three constituent Councils continuing with major school replacement and refurbishment plans. Catering has been excluded (‘carved out’) from these contracts but cleaning is included in the PPP contracts. Tayside Contracts was successful in securing the contract for the Angus Council work in addition to the previously won contract for the Dundee City Council work and a significant number of the new schools were opened during this financial year. As reported previously Tayside Contracts was unsuccessful in relation to the Perth & Kinross Council work.

Catering

The year has been better in terms of workload for the Catering Unit with the unit achieving its targeted numbers in all areas despite being faced with certain challenges in relation to falling school rolls in some areas and potential resistance to Hungry for Success menus in some locations.

The year continued with the unit and the three Councils working in partnership to develop a value for money service which meets the requirements of the ‘Hungry for Success’ criteria laid down by the Scottish Government.

FACILITIES SERVICES OPERATIONAL REPORT

This was the fourth full year of the new menus developed to meet the recommendations for healthier eating in all primary schools during the year and it was pleasing to note that the initial negative reaction in some areas has been more than overcome with sales meeting expectations in all areas.

This was the second full year of implementation of the ‘Hungry for Success’ criteria within secondary schools. This has had a little impact on the level of sales in two of the Council areas, but it initially had a serious impact in the Perth & Kinross area with sales down. However, the combined effort of the unit and the client overcame this situation and the sales for the year just exceeded the target. It was also encouraging to note that the numbers of pupils making healthier choices in all areas increased markedly. It is clear from this evidence that the healthy agenda should ultimately be successful in improving the eating patterns of school children.

‘Tay Cuisine’, our state of the art cook-chill production unit in Dundee, completed its sixth full year of operation and the meal sales were significantly ahead of target although it still does not operate at anything like full capacity. It produces meals for the welfare sector of the highest quality and operates to very high standards. The unit gives us considerable scope to develop and shape the future of the welfare meals service throughout the wider Tayside area.

The unit was also successful in securing the lucrative contract to provide catering facilities to Tayside Police in Dundee at Police HQ and Baluniefield Training Centre. This proved so successful that towards the end of the financial year the contract was extended to cover Perth HQ.

Again I am delighted to report that Tayside Contracts’ representatives have excelled in the prestigious National School Chef of the Year (SCOTY) organised by the Local Authority Caterers Association (LACA). Shona Sutherland, Cook-in-Charge at Coupar Angus Primary School, who had won the North East England and Scotland Regional title was the runner up in the National (UK) final in June 2008. This is a great achievement for Shona as the standards in this competition are exceptionally high.

Alison Sinclair

In addition Alison Sinclair, Cook-in-Charge at Inchture Primary School won the North East England and Scotland Regional title in February 2009 as part of the 2009 competition and went on to the National (UK) final in May 2009 where she was highly commended for her dessert.

It is fantastic to note that this is the third time in five years that Tayside Contracts has lifted the regional title.

Cleaning

This has been a good year for the Cleaning Division as overall workload increased, with the highlight being the formal signing of the Angus PPP schools cleaning contract to add to the Dundee PPP schools contract.

Centre: Iain Waddell, Managing Director, Left: Angus Milne, Head of Financial Services, Right: Ian Shepherd, Head of Facilities Services signing the Angus PPP Cleaning Contract.

The cleaning of communal areas in tenements in Dundee has proved very successful and continues to expand. It is proving to be a worthwhile service for the customers and is well received. Accordingly it continues to have considerable potential although changes to the housing estate could have an effect on this.

As in previous years planned productivity improvements were implemented in some of the 400+ premises for which a cleaning service is provided. These improvements are carried out in accordance with the agreement of the Trade Unions.

Productivity improvements were enhanced by the continued investment in new cleaning machines and products which is necessary to ensure that Tayside Contracts is in the vanguard of the industry. The new and innovative machinery is vital to maintain Tayside Contracts competitive edge in cleaning and will assist in keeping the cleaning unit at the forefront of industry developments.

As ever there have been some challenges associated with the cleanliness of a limited number of premises. Steps were taken which are still ongoing to raise the level of cleanliness to an acceptable level in all premises. It should be noted that the overwhelming majority of the 400+ premises are cleaned to that acceptable level at all times. In fact the customer satisfaction level is in excess of 95%. Efforts will continue to improve on this level of satisfaction.

FACILITIES SERVICES OPERATIONAL REPORT

As part of this commitment to improve the service to clients the new web based help desk system was expanded during the year to cover more clients. This system gives immediate access to information regarding issues raised by customers. Together with the computerised quality monitoring system utilising hand held devices this will greatly improve the information relating to quality provided to clients.

I am also delighted to report further success of our Cleaning employees in winning awards. The APSE Scotland Outstanding Achievement Award in Buiding Cleaning was won by Tayside Contracts in respect of the Cleaning team at Menzieshill High School in Dundee in November 2008. The award was collected on behalf of the team by Lorna Clark (Cleaner-in-Charge) and Margaret Davidson (Area Cleaning Manager, Dundee).

Rachel Laing

Additionally Tayside Contracts employees did well in the 2008 Asset Skills (Scotland) Team Cleaning Challenge held in December 2008 in both the team and individual categories. A team of 4 from Tayside Contracts were runners up in the team category whilst Rachel Laing (Assistant Cleaning Manager Dundee) magnificently won the individual category.

All of this adds up to a tremendous achievement for the employees and Tayside Contracts as there was fierce competition from both public and private organisations for these awards for cleaning excellence.

Future

The future holds many challenges for Facilities Services within Tayside Contracts not least of which is the workload concern relating to the loss of a sizeable amount of cleaning work associated with the PPP schools project in Perth & Kinross, the effects of which will begin to be felt during the next financial year 2009/10. Even with the success in other contracts the process will bring significant challenges in the future.

Nevertheless there are opportunities to increase workload in other areas particularly associated with the cleaning of offices and the provision of additional catering services.

Although it may be eased somewhat by the general rise in unemployment, major focus will be placed on meeting the challenge relating to recruiting and retaining sufficient employees from the labour pool in order to continue to provide the required level of service.

This will involve the further repackaging of work and more flexibility in employment contracts. As part of the strategy to meet this challenge significant emphasis will remain on employee training at all levels. It is vital in order to improve recruitment and retention that Tayside Contracts is regarded as a good employer who is prepared to invest in its employees.

However, by far the biggest challenge faced by Facilities Services over the coming years is dealing with the financial pressures flowing from the implementation of the new pay scales associated with Single Status in July 2008 which resulted in pay increases for employees in both Cleaning and Catering. Great emphasis will undoubtedly be put on further improving the productivity level in both services.

Tayside Contracts will continue to seek improvements in all spheres of its Facilities Services operations to continue to provide a quality service and best value for all of its customers, particularly the three Councils.

FOREWORD TO THE ACCOUNTS

This foreword is intended as a comment on the financial position of Tayside Contracts, as presented within the Statement of Accounts for the financial year 2008/09.

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 sets out the main financial responsibilities of the Joint Committee of Tayside Contracts and the Proper Officer.

The Accounting Statements

Income and Expenditure Account:

Sets out the actual net operating surpluses/(deficits) generated by the Divisional operations of Tayside Contracts.

Statement of Movement on the General Fund Balance:

Shows the movement in the General Fund Balance after adjustments to meet statutory and non-statutory proper accounting practice.

Statement of Total Recognised Gains and Losses:

Brings together all gains and losses experienced in the year and comprises surplus or deficit on the Income & Expenditure Account, surplus or deficit arising on revaluation of fixed assets and actuarial gains and losses on pension fund assets and liabilities.

Balance Sheet:

Represents the overall financial position of Tayside Contracts at 31 March 2009, all inter-divisional balances having been eliminated on consolidation.

Cash Flow Statement:

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

Major 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).

Under the 2008 SORP Tayside Contracts has adopted the amendment to FRS 17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 1 April 2008 has been restated from £68.2m to £67.5m.

FOREWORD TO THE ACCOUNTS

Trading Performance

The Statement of Movement in the General Fund Balance shows a surplus of £1.090m (£659k in 2007/08), enabling an increase in the agreed distributable amount from £500k to £1.0m to be distributed to the constituent Councils. The increased surplus has been achieved through a strong financial performance in all areas of the business. Construction Division income and surplus have benefited from a consistently high workload through the year, enhanced by a sharp increase in winter maintenance activity driven by the severest conditions experienced for a number of years. The Cleaning Unit has performed consistently above budget throughout the year, benefitting from the introduction of new PPP schools allied to productivity gains. The Catering Unit has also performed better than in previous years, with school meal uptake showing a welcome recovery after initial resistance to the Hungry for Success healthy menus. The financial performance of the operational units has been supplemented by savings against budget in support function and property-related costs. The overall financial performance is highly creditable against a backdrop of high inflation in energy, fuel and food costs and also the higher cost incurred following implementation of Single Status in July 2008.

Surpluses are payable to the constituent Councils in accordance with the profit sharing percentages approved by the Joint Committee on 11 May 2009.

The Construction Division achieved a trading account surplus of £514k (£144k deficit in 2007/08). Before application of notional adjustments required by Financial Reporting Standard (FRS)17 (Retirement Benefits), a credit of £195k, a surplus of £319k was achieved (2007/08 £50k). Facilities Services achieved a trading surplus of £652k (£199k in 2007/08). Before applying FRS17 adjustments, a credit of £150k, the surplus generated was £502k (2007/08 £313k).

The financial objective set by the Local Government in Scotland Act (2003) requires that each Statutory Trading Account must break even over a rolling three year period. For the three year period covering 2006/07, 2007/08 and 2008/09 the Construction Division Statutory Trading Account shows a cumulative surplus of £758k, having reported a surplus of £388k, a deficit of £144k and a surplus of £514k for each year respectively. Facilities Services Statutory Trading Account for the same period reports a cumulative surplus of £1.406m, having reported surpluses of £555k, £199k and £652k for each of those years. Both Divisions have therefore achieved their statutory financial objective.

Financial performance has exceeded budgeted targets for the year. Income of £63.9m is £5.1m (8.6%) above budget, largely due to increased workload in the Construction Division and particularly a busier winter maintenance period. Income generated by the Construction Division in the year was £43.6m against a budget of £38.9m, a gain of £4.7m (12.1%). However, increased materials, plant and sub-contractor costs were necessarily incurred to meet the increased activity, and the impact of high inflation on materials, fuel and energy costs together with competitive pressure on prices, meant that the surplus earned by the Construction Division was constrained to £241k higher than budget, as shown in the table below:

Construction Division	**Budget £'000**	**Actual £'000**	**Variance £'000**
Income	38,858	43,592	+ 4,734
Expenditure	38,498	42,991	- 4,493
Surplus	360	601	+ 241

FOREWORD TO THE ACCOUNTS

Facilities Services Division, comprising the Cleaning and Catering Units, also outperformed budget expectations for the year. Income was £349k (1.7%) up on budget at £20.3m as a result of increased school and welfare meal sales in the Catering Unit and additional work on PPP schools in the Cleaning Unit. Expenditure was carefully managed to an increase of £100k against budget for the year. The surplus was therefore £249k higher than budget at £489k.

Facilities Services Division	**Budget £'000**	**Actual £'000**	**Variance £'000**
Income	19,994	20,343	+ 349
Expenditure	19,754	19,854	- 100
Surplus	240	489	+ 249

The overall financial performance against budget therefore shows an increased surplus of £1.090m earned from turnover of £63.9m, against a target surplus of £600k.

Tayside Contracts - Total	**Budget £'000**	**Actual £'000**	**Variance £'000**
Income	58,852	63,935	+ 5,083
Expenditure	58,252	62,845	- 4,593
Surplus	600	1,090	+ 490

The figures shown in the tables above exclude all inter-divisional trading, and include all statutory and proper accounting adjustments.

Balance Sheet

The major movement in the Balance Sheet from March 2008 is an increase in the Pensions Liability and Pensions Reserve Accounts. This increase is predominantly due a significant reduction in the value of Pension Fund assets from £67.5m in March 2008 to £51.4m in March 2009, reflecting the significant falls experienced in stock market and property values. This reduction is partly compensated by a reduction in the present value of the pension fund liabilities, resulting from an increase in the corporate bond rate applied as the discount rate to determine the present cost of those future liabilities.

The liability is valued at £69.2m at 31 March 2009 compared with a liability of £75.4m in March 2008. The overall impact of these movements is a net increase in Pension Liabilities of £9.821m.

Overall, at 31 March 2009, FRS 17 has an impact on the Balance Sheet whereby a net asset value of £2.176m is offset by the notional pension liability of £17.748m to create a net liability position of £15.572m. The equivalent figure for 2007/08 is a net liability of £5.989m (restated from £5.307m to reflect a change in the method of valuing pension fund investments).

The other major movements in the Balance Sheet are an increase in fixed assets, reflecting the decision to fund £1.068m of capital purchases during 2008/09 by borrowing from Dundee City Council loans fund, as a more cost effective and flexible funding option than operating or finance leases for those assets.

FOREWORD TO THE ACCOUNTS

The debtors and provisions figures also show a significant movement. Both of these are impacted by a reduction in the provision for settlement of equal pay costs, and the subsequent reimbursement of these costs by the constituent Councils.

A provision of £3.106m was made in March 2008, and this has been reduced to £1.163m at 31 March 2009 following receipt of legal advice on the potential areas of risk.

Net current liabilities are marginally lower than the value at March 2008. Creditors' balances at 31 March 2009 show an increase over the previous year, reflecting the high value workload towards the financial year end. Both debtors' balances and the bank overdraft have reduced from March 2008 levels, the latter by £2.1m driven by the success of efforts made to speed up billing and debt collection. Stock and Work In Progress balances show little movement against 2007/08. Provisions for potential remedial work and future liabilities for quarry restoration work have been increased following review of potential costs.

Cash Flow Statement

The Cash Flow Statement shows a net inflow of cash during 2008/09 of £2.104m. The major influences behind this movement are an inflow of £4.287m generated by revenue activities offset by cash outflows to meet financing charges, capital expenditure and payment of prior years' surpluses to the constituent Councils. This has resulted in a bank overdraft position of £2.311m at 31 March 2009, a reduction of £2.103m from the overdraft of £4.414m at 31 March 2008.

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 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 2008/09 Statement of Accounts.

Marjory M Stewart FCCA, CPFA
Proper Officer
Tayside Contracts
16 June 2009

STATEMENT OF ACCOUNTING POLICIES

General

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, a Statement of Recommended Practice (SORP) issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). The Statement of Accounts are intended to present fairly the financial position and transactions of Tayside Contracts and 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 accounts follow the historical cost convention.

Income and Expenditure

The accounts have been prepared on an accruals basis, which is that income and expenditure are recognised as they are earned or incurred, not as money is received or paid. All specific and material sums payable to and due by Tayside Contracts as at the end of the financial year are brought into account and accruals are made in respect of further material items.

Fixed Assets

Tayside Contracts has implemented the capital accounting requirements of the SORP. The purpose of these requirements is to improve asset management and give better information about the value of capital assets. Fixed assets have been included in the Balance Sheet at depreciated historical cost, with the exception of land which is included at cost.

Capital Expenditure

All expenditure on the acquisition of tangible fixed assets is capitalised in the Balance Sheet, initially at cost.

Capital Receipts

Capital receipts arising from the sale of assets are credited initially to the Capital Receipts Reserve. Thereafter, the proportion applied to fund new capital expenditure is transferred to the Capital Adjustment Account.

Depreciation – Owned Assets

Depreciation is calculated on a straight line basis over the useful life of the assets. Depreciation is charged in the year of acquisition from the date at which the asset is brought into use. This approach is consistent with the treatment of assets acquired under finance leases. No depreciation charge is applied to land, in accordance with the SORP.

Depreciation – Finance Leases

Depreciation is calculated on a straight line basis over the period of the lease, taking into account any residual values at the end of the lease period. Depreciation is charged in the first year of the lease, from the date at which the asset is brought into use.

Operating Leases

Operating lease costs are charged to the Income and Expenditure Account over the period of the lease.

Finance Leases

Assets acquired on terms meeting the definition of a finance lease are capitalised and included together with the liability to pay future rentals. Interest costs on finance leases are charged to the Income and Expenditure Account.

Overhead Costs

Costs of support services are recharged to relevant divisions on an agreed percentage based on the most appropriate assessment of usage for each support service throughout the financial year.

In accordance with the SORP, costs relating to the Corporate and Democratic Core (CDC) and Non Distributed Costs (NDC) are shown separately in the Income & Expenditure Account. However, CDC and NDC costs have been charged against the Statutory Trading Accounts of the Construction and Facilities Services Divisions in order to reflect the full cost of Tayside Contracts trading operations, and to ensure that all costs are absorbed by trading activities.

Revenue and Capital Debtors and Creditors

All specific and material sums payable to and due by Tayside Contracts as at 31 March 2009 have been brought to account. Where actual costs are not known estimates are included, although none of these are deemed to be significant.

Stock and Work In Progress

Catering stock has been included at replacement value from supplier's list prices, (this value is not materially different from original cost). Construction and vehicle maintenance stocks have been stated in the accounts at the lower of average cost or net realisable value.

Work In Progress is measured at the cost of work unbilled at 31 March 2009.

Pensions

Dundee City Council administers the Tayside Superannuation Fund on behalf of various scheduled and admitted bodies. Tayside Contracts is recognised as a scheduled body within the superannuation regulations and therefore its employees can be admitted to the fund.

Tayside Contracts is required to comply fully with Financial Reporting Standard 17 (Retirement Benefits). The main objectives of FRS 17 are to ensure that:

- financial statements reflect a fair value of pension assets and liabilities
- the operating costs of providing retirement benefits to employees are recognised in the period in which they are earned, and related finance costs and changes in value of the assets and liabilities are reflected in the period in which they arise, and
- the financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities.

This current and past cost of service is adjusted by the expected return on the Pension Fund's assets and interest on the pension scheme liability. A Pensions Reserve and a Pensions Liability have been set up in the Balance Sheet, the value determined by the independent actuary.

As Tayside Contracts currently has a small fixed asset base, the creation of a largely notional Pensions Liability leads to an overall net liability in the Balance Sheet. The liability is notional in as much as all future liabilities in the Pension Fund will be met by Tayside Contracts based on the actuarial valuation.

Insurance

Expenditure included in the Statement of Accounts relates primarily to premiums paid, policy excesses and settlement of claims where Tayside Contracts has self-insured its liability.

Provisions

Provision has been made in the Income and Expenditure Account for bad debts. Provisions other than bad debts are explained in the notes to the Core Financial Statements. A provision has also been made for the estimated reinstatement costs associated with the lease terminations on both Boysack and Collace Quarries and also to satisfy SEPA requirements for potential remedial costs at the Bolshan Quarry landfill site.

Provision has also been made for the estimated settlement cost of equal pay claims. The cost of equal pay settlements has been estimated by calculating the potential liability for each affected employee for the period from the previous settlement in August 2006 to implementation of Single Status on 1 July 2008. This provision has been entirely offset by an allowance for full reimbursement by the constituent Councils.

Renewal and Repair Fund

A Renewal and Repair Fund was established in 2004/05 with an initial transfer of £100k as a means of contributing towards future potential expenditure on property repairs, IT and other equipment renewals. A further transfer of £100k was made to this fund in 2007/08, and interest is credited annually to the fund.

VAT

All Income and Expenditure included in the accounts is exclusive of VAT, except where VAT is irrecoverable.

Reserves

Tayside Contracts maintains a number of reserve funds for purposes in line with statute. Full details are provided in the note relating to movements on reserves (Note 30 on pages 39 and 40).

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

Changes in Accounting Policy

Prior Period Adjustments

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies and standards or the correction of mis-statements. In accordance with Financial Reporting Standard 3 (Reporting Financial Performance) prior period adjustments are accounted for by restating the comparative figures for the preceding period in the Core Financial Statements and supporting notes, and adjusting the opening balance of reserves for the cumulative effect.

A prior period adjustment has been made to reflect the amendment to FRS 17, Retirement Benefits, which requires that quoted securities held as assets in the defined pension scheme are now valued at bid price rather than at mid-market value. This change has required the asset value of the fund as at 31 March 2008 to be revalued from £68.2m to £67.5m, and the pension Reserve to be adjusted accordingly.

Accounting for Financial Instruments

Revised arrangements were introduced in 2007/08 for accounting for financial instruments, based on Financial reporting Standards 25, 26 and 29. The Joint Committee does not have any financial instruments that require to be re-measured and disclosed under these revised arrangements.

Going Concern

The Joint Committee's Balance Sheet as at 31 March 2009 shows a Net Liability of £15.572m (2007/08 £5.989m as restated). The significant factor in this is the FRS 17 Pension Liability of £17.748m (2007/08 £7.927m as restated), which is based on a "snap-shot" at 31 March 2009 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 FRS 17 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 FRS 17 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.

STATEMENT OF RESPONSIBILITIES

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 Head 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 presents fairly the financial position of Tayside Contracts at the accounting date and its income and expenditure for the year ended 31 March 2009.

Iain C Waddell BSc, C Eng, MICE
Managing Director
Tayside Contracts
16 June 2009

Marjory M Stewart FCCA, CPFA
Proper Officer
Tayside Contracts
16 June 2009

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

2007/08 NET INCOME / (EXPENDITURE) £'000		2008/09 GROSS EXPENDITURE £'000	2008/09 GROSS INCOME £'000	2008/09 NET INCOME / (EXPENDITURE) £'000	NOTES
	INCOME & EXPENDITURE ACCOUNT				
	Service Expenditure Analysis				
307	Construction Division	42,509	43,592	1,083	1 & 4
312	Facilities Services	19,599	20,343	744	2 & 4
1,734	Exceptional Cost – Equal Pay Settlement	(1,943)	0	1,943	9
(1,734)	Reimbursement of Equal Pay Settlement Costs	1,943	0	(1,943)	9
619		62,108	63,935	1,827	
(45)	Corporate and Democratic Core	46	0	(46)	17
(79)	Non Distributed Costs	174	0	(174)	17
(124)		220	0	(220)	
495	**Net Income from Services**	62,328	63,935	1,607	
52	Gain on Sale of Fixed Assets			21	
(426)	Interest Payable			(421)	18
359	Pensions Interest Cost and Expected Return on Pensions Assets			(215)	33
(15)				(615)	
480	**Income & Expenditure Surplus for the year**			992	

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2007/08		2008/09	NOTES
480	Surplus for the year on Income & Expenditure Account	992	
179	Net additional amount required by statute and non-statutory proper practice to be credited to the General Fund Balance for the year	98	14
659	**Surplus for the year after statutory and proper practice accounting adjustments**	**1,090**	
(500)	Contributions to Constituent Councils	(1,000)	7 & 32
159	**Increase/(Decrease) in General Fund Balance for the year**	90	5 & 30
140	**General Fund Balance brought forward**	299	30
299	**General Fund Balance carried forward**	389	30

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR TO 31 MARCH 2009

Restated 2007/08 £'000		**2008/09 £'000**
480	Surplus for the year on the Income and Expenditure Account	992
370	Difference between notional and actual rental charges for depots	376
(500)	Contribution to constituent Councils	(1,000)
3,117	Actuarial gains/(losses) on pension fund assets and liabilities	(9,951)
3,467	**Total Recognised Gains / (Losses)**	**(9,583)**

	Represented by:	
9,456	Net Liabilities at beginning of year	5,989
5,989	Net Liabilities at end of year	15,572
3,467	**Total Recognised Gains / (Losses)**	**(9,583)**

BALANCE SHEET AS AT 31 MARCH 2009

Restated 2007/08 £'000		2008/09 £'000	£'000	£'000	NOTES:
	Tangible Fixed Assets				
381	Land & Buildings			384	19
5,766	Vehicles, Plant & Equipment			6,330	19
6,147				6,714	
	Current Assets				
1,678	Stock & Work In Progress		1,670		
18,000	Sundry Debtors		15,305		26
2	Advances for Petty Outlays		3		
19,680			16,978		
	Current Liabilities				
(4,414)	Bank Overdraft	(2,311)			34
(700)	General Funds– constituent Councils	(1,172)			32
(10,318)	Creditors	(10,906)			27
(235)	Loans – due within 1 year	(342)			25
(400)	Finance Leases – due within 1 year	(403)			24
(3,805)	Provisions	(2,047)			29
(19,872)			(17,181)		
(192)	**Net Current Assets/(Liabilities)**			(203)	
5,955				6,511	
	Long Term Liabilities				
(7,927)	Pension Liabilities		(17,748)		33
(2,218)	Loans – due in excess of 1 year		(2,939)		25
(1,799)	Finance Leases due in excess of 1 year		(1,396)		24
(11,944)				(22,083)	
(5,989)	**Total Net Assets/(Liabilities)**			**(15,572)**	
	REPRESENTED BY:				
1,423	Capital Adjustment Account			1,563	30
(7,927)	Pensions Reserve			(17,748)	30
216	Renewal and Repair Fund			224	30
299	General Fund			389	30
(5,989)				**(15,572)**	

Iain C Waddell BSc, C Eng, MICE
Managing Director

Marjory M Stewart FCCA, CPFA
Proper Officer

The unaudited accounts were issued on 16 June 2009 and the audited accounts were authorised for issue on 03 September 2009.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

2007/08 £'000		2008/09 £'000	2008/09 £'000	NOTES:
	REVENUE ACTIVITIES			
(27,916)	Cash paid to and on behalf of employees	(28,878)		
(29,144)	Other Operating Cash Payments	(32,113)		
(57,060)			(60,991)	
57,986	Cash received for goods and services		65,278	
926	**Net Cash Inflow/(Outflow) from Revenue Activities**		4,287	34
	RETURNS ON INVESTMENTS & SERVICING OF FINANCE			
(167)	Interest paid	(239)		
(132)	Interest element of finance lease rental payments	(111)		
(299)	**Net Cash Inflow/(Outflow) from Investments and Servicing of Finance**		(350)	
	CAPITAL ACTIVITIES			
(1,582)	Payments to acquire tangible fixed assets	(1,598)		
0	Capital Grants Received	0		
0	Capital Expenditure not yet funded at year end	0		
59	Receipts from the sale of tangible fixed assets	21		
(1,523)	**Net Cash Inflow/(Outflow) from Capital Activities**		(1,577)	
	FINANCING			
(385)	Capital element of finance lease rental payments	(400)		
1,194	New loans to fund capital expenditure	1,068		
0	Loan repayments	(125)		
(1,208)	Repayment of surpluses to constituent Councils	(535)		
(12)	Equal Pay payments made	(264)		
629	Equal Pay reimbursement from constituent Councils	0		
218	**Net Cash Inflow/(Outflow) from Financing**		(256)	
(678)	**INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS**		2,104	34

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Construction Division Statutory Trading Account

2006/07 £'000	2007/08 £'000		2008/09 £'000	3 Year Total £'000
		Income		
27,578	28,402	Charges to Constituent Councils	**31,969**	87,949
93	118	Charges to Internal Users	**127**	338
9,128	11,813	Other Income	**11,623**	32,564
36,799	40,333		**43,719**	120,851
		Expenditure		
9,783	10,316	Direct Labour	**10,410**	30,509
9,962	11,015	Direct Purchases	**13,245**	34,222
4,329	4,987	Sub-contractors	**5,990**	15,306
1,675	2,011	Transport and Plant Hire	**2,134**	5,820
9,356	10,462	Overheads	**9,543**	29,361
677	830	Depreciation	**1,004**	2,511
356	507	Depot Rental Charges	**504**	1,367
273	349	Interest Payable	**375**	997
36,411	40,477		**43,205**	120,093
388	**(144)**	**Net Surplus/(Deficit) including FRS17 Adjustments**	**514**	**758**
		FRS 17 Adjustments included above		
538	190	Current Service Cost	**(243)**	485
(798)	4	Past Service Cost	**48**	(746)
(260)	194		**(195)**	(261)
128	**50**	**Trading Account Surplus/(Deficit) before FRS17 Adjustments**	**319**	**497**

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 FRS17 pension costs. However, due to the notional nature of FRS17 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 FRS17 adjustments. Over the three year period 2006/07 to 2008/09 the financial objective for the Construction Division has been achieved, with a surplus of £758k after applying FRS17 adjustments, and £497k excluding FRS17 adjustments.

Notes 4 and 5 provide reconciliations of the Statutory Trading Account to the Income & Expenditure Account and the Movement in General Fund Balance respectively.

2. Facilities Services Statutory Trading Account

2006/07 £'000	2007/08 £'000		2008/09 £'000	3 Year Total £'000
		Income		
17,434	18,068	Charges to Constituent Councils	**19,154**	54,656
117	148	Charges to Internal Users	**164**	429
515	445	Other Income	**1,189**	2,149
18,066	18,661		**20,507**	57,234
		Expenditure		
11,054	11,633	Direct Labour	**12,552**	35,239
2,981	3,139	Direct Purchases	**3,495**	9,615
3,369	3,557	Overheads	**3,694**	10,620
26	26	Depreciation	**22**	74
0	16	Depot Rental Charges	**26**	42
81	91	Interest Payable	**66**	238
17,511	18,462		**19,855**	55,828
555	**199**	**Net Surplus from Normal Trading**	**652**	**1,406**
		Exceptional Items		
715	1,734	Settlement Cost of Equal Pay Claims	**(1,943)**	506
(715)	(1,734)	Reimbursement of Equal Pay Costs by Constituent Councils	**1,943**	(506)
555	**199**	**Net Surplus including FRS17 Adjustments**	**652**	**1,406**
		FRS 17 Adjustments included above		
372	111	Current Service Cost	**(186)**	297
(552)	3	Past Service Cost	**36**	(513)
(180)	114		**(150)**	(216)
375	**313**	**Trading Account Surplus/(Deficit) before FRS17 Adjustments**	**502**	**1,190**

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 FRS17 pension costs. However, due to the notional nature of FRS17 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 and excluding FRS17 adjustments. Over the three year period 2006/07 to 2008/09 the financial objective for the Facilities Services Division has been achieved, with a surplus of £1.406m including FRS17 adjustments, and £1.190m excluding FRS17 adjustments.

Notes 4 and 5 provide reconciliations of the Statutory Trading Account to the Income & Expenditure Account and the Movement in General Fund Balance respectively.

3. Trading Operations

The Statement on the Movement in the General Fund Balance shows a surplus of £1.0m for distribution to the constituent Councils after FRS 17 requirements have been met and a transfer to the General Fund of £90k has been made.

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 £758k and £1.406m respectively for the three years 2006/07, 2007/08 and 2008/09.

4. Reconciliation of Statutory Trading Accounts to Income & Expenditure Account

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

	Expenditure £'000	Income £'000	Net Income £'000
Construction Division			
Total per Statutory Trading Account (Note 1)	43,205	43,719	514
Less:			
Internal Trading	(164)	(127)	37
Interest Charges	(375)		375
Corporate & Democratic Core Costs	(36)		36
Non Distributed Costs	(121)		121
Income & Expenditure Account	42,509	43,592	1,083
Facilities Services			
Total per Statutory Trading Account (Note 2)	19,855	20,507	652
Less:			
Internal Trading	(127)	(164)	(37)
Interest Charges	(66)		66
Corporate & Democratic Core Costs	(10)		10
Non Distributed Costs	(53)		53
Income & Expenditure Account	19,599	20,343	744

Note that the total interest charge included in the Trading Accounts (£441k) includes a notional charge of £20k in respect of interest on reserve balances. The interest payable figure shown on the Income & Expenditure account is the net charge of £421k.

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

Further to the reconciliation in Note 4 above, a number of accounting adjustments are required by the SORP to produce the Statement of Movement in the General Fund Balance. The table below provides a reconciliation between the surplus/(deficit) reported in the Trading Accounts and the increase in the General Fund balance, with an analysis between the Construction and Facilities Divisions.

2007/08 Trading Accounts				2008/09 Trading Accounts		
Construction £'000	**Facilities £'000**	**Total £'000**		**Construction £'000**	**Facilities £'000**	**Total £'000**
(144)	**199**	**55**	**Surplus / (Deficit) per Trading Accounts**	**514**	**652**	**1,166**
10	4	14	Interest on Revenue Balances	14	6	20
830	26	856	Depreciation & Impairment	1,005	26	1,031
356	14	370	Difference between notional and actual depot costs	354	22	376
(29)	(22)	(51)	Difference between FRS17 and actual pension costs	(73)	(57)	(130)
204	155	359	FRS17 pension interest cost and expected return	(121)	(94)	(215)
(492)	(17)	(509)	Repayment of debt	(623)	(18)	(641)
(329)	0	(329)	CFCR	(464)	(45)	(509)
(73)	(33)	(106)	Transfer to Renewal and Repair fund	(5)	(3)	(8)
(269)	(231)	(500)	Contribution to constituent Councils	(551)	(449)	(1,000)
64	**95**	**159**	**Increase in General Fund Balance**	**50**	**40**	**90**

6. Net Liability

The Joint Committee's Balance Sheet as at 31 March 2009 shows a Net Liability of £15.572m (2007/08 £5.989m as restated). The significant factor in this is the FRS 17 Pension Liability of £17.748m (2007/08 £7.927m as restated), which is based on a "snap-shot" at 31 March 2009 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 FRS 17 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 FRS 17 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.

7. Contributions to the Constituent Councils

For the financial year ending 31 March 2009, the constituent Councils agreed that the total amount to be distributed was £500k (2007/08 £500k). However, as a consequence of the strong financial performance achieved for the year, an increased amount of £1.0m will be distributed to the Councils. 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 11 May 2009.

8. Extraordinary Items

There were no extraordinary items.

9. Exceptional Items

The estimated settlement cost associated with equal pay claims has been treated as an exceptional cost in the 2008/09 accounts. The best estimate of this cost is £1.163m, including tax and National Insurance contributions. The cost has been entirely offset by a credit to reflect full reimbursement of these costs by the constituent Councils. To date £6.124m has been paid in settlement of equal pay claims and associated tax, National Insurance and legal costs. In addition to the initial provision of £1.372m made in 2006/07, a further provision of £1.734m was made in 2007/08 for the estimated equal pay liability. However, more recent legal advice has been received which has resulted in a reduction in estimated liability by £1.943m from the March 2008 estimate to £1.163m at March 2009.

10. Publicity Expenditure

Section 5 of the Local Government Act 1986 requires local authorities to keep a separate account of expenditure on publicity. During 2008/09 the following expenditure was incurred on publicity:

	2007/08 £'000	2008/09 £'000
Recruitment Advertising	86	69
Other Advertising	5	2
	91	71

11. Local Authority (Goods and Services) Act 1970

The accounts contain the following charges from the constituent Councils arising from work that has been carried out under the above act during 2008/09:

	2007/08 £'000	2008/09 £'000
Dundee City Council:		
Legal and Committee Services, Treasury Management, Insurance and Payroll	67	66

12. Officers' Remuneration

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

Number of Employees 2007/08	Salary Banding	Number of Employees 2008/09
1	£50,000 - £59,999	3
2	£60,000 - £69,999	3
1	£70,000 - £79,999	1
0	£80,000 - £89,999	0
1	£90,000 - £99,999	1

13. Related Party Transactions

Tayside Contracts 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 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.

	2007/08 £'000	2008/09 £'000
Angus Council	14,595	17,088
Dundee City Council	14,520	15,951
Perth and Kinross Council	17,355	18,084
	46,470	51,123

Charges were made by the constituent Councils for services provided to Tayside Contracts, including historical loans fund charges for the use of depots, as follows.

	2007/08 £'000	2008/09 £'000
Angus Council	48	197
Dundee City Council	379	623
Perth and Kinross Council	189	255
	616	1,075

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

	2007/08 £'000	2008/09 £'000
Angus Council	332	151
Dundee City Council	640	0
Perth and Kinross Council	236	397
	1,208	548

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 £240k in 2008/09 (£206k in 2007/08).

In addition to the operational transactions above, the constituent Councils have agreed to reimburse Tayside Contracts for the cost of equal pay settlements, for which a provision of £1.163m has been made in 2008/09 (2007/08 £3.106m), along with reimbursement of £350k paid in equal pay settlements during 2008/09.

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:

	2007/08 £'000	2008/09 £'000
Debtors:		
Operational Activities	10,049	10,422
Equal Pay Reimbursement	3,106	1,513
	13,155	11,935
Creditors:		
Trade Creditors	(104)	(1)
Surpluses due to constituent Councils	(700)	(1,172)
	(804)	(1,173)

Also included in the Balance Sheet are balances outstanding on loans from Dundee City Council as disclosed in Note 25.

14. Supporting Analysis to the Statement of Movement on the General Fund Balance

2007/08 £'000		2008/09 £'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year:	
856	Depreciation and impairment of fixed assets	1,031
(52)	Net gain on sale of fixed assets	(21)
523	Notional rental charges for depots	526
(51)	Amount by which pension costs calculated in accordance with FRS 17 are different from the contributions due under the pension scheme regulations	(130)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year:	
(509)	Statutory provision for repayment of debt	(641)
(329)	Capital expenditure charged to the General Fund Balance	(509)
(153)	Actual rental charges for depots	(150)
	Transfers(to)/from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year:	
(106)	Transfer (to) Renewal and Repair Fund	(8)
179		98

15. 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 2008/09 financial year, for external audit services undertaken in accordance with the Code of Practice, is £41k (2007/08 £34k).

During 2008/09 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.

16. Pension Costs

In 2008/09 Tayside Contracts paid an employer's contribution of £2.972m (2007/08 £2.689m) into the Tayside Superannuation Fund (which is a defined benefits or final salary scheme) representing 18.2% (2007/08 18.1%) of total pensionable pay. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last applicable review being at 31 March 2008. Under Superannuation regulations contribution rates are set to meet 100% of the overall liabilities of the Fund. For the purposes of complying with FRS17 the actual payments made were replaced by the Actuarial valuation of the Cost of Service which was £2.454m (2007/08 £2.958m) with a balancing adjustment made in the Statement of Movement on the General Fund Balance as a contribution from Pension Reserve.

In addition Tayside Contracts is responsible for all pension payments relating to added year's benefits it has awarded, together with the related increases. Tayside Contracts is also required to disclose the cost of these payments since they are treated as Non Distributed Costs in line with the Best Value Accounting Code of Practice. In 2008/09 the total value of past service costs, settlements, curtailments and unfunded benefits amounted to £174k (2007/08 £79k).

17. Best Value Accounting Code of Practice

In line with the above code the following Corporate and Democratic Core activities and Non Distributed Costs are required to be disclosed in the Income & Expenditure Account. The make up of the figures is shown below:

Corporate and Democratic Core	**2007/08 £'000**	**2008/09 £'000**
Clerk & Proper Officer	7	5
Councillors' Costs	0	0
External Audit	38	41
	45	46
Non Distributed Costs		
Strain on Pension Costs – Unfunded Benefits	72	71
FRS 17 Settlements/Curtailments	0	19
FRS17 Past Service Costs	7	84
	79	174

18. Interest Payable

Charges from Dundee City Council for Interest on Revenue Balances have been included in the accounts. These charges are made on the basis of bank balances held at the end of each month. Tayside Contracts' bank account is a subsidiary account of Dundee City Council.

Interest charges relating to balances of surpluses distributable to the constituent Councils but not yet paid have also been included in the accounts. Interest payable on loan borrowing from Dundee City Council and interest on finance leases are also included in the total interest payable charge of £421k (£426k in 2007/08).

19. Fixed Asset Transactions

	Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Leased Assets £'000	Totals £'000
Gross Book Value at 31 March 2008	403	10,562	4,008	14,973
Accumulated Depreciation at 31 March 2008	(22)	(6,960)	(1,844)	(8,826)
Net Book Value at 31 March 2008	381	3,602	2,164	6,147
Additions	28	1,570	0	1,598
Disposals – Cost	0	(286)	0	(286)
Disposals – Accumulated Depreciation	0	286	0	286
Depreciation	(25)	(589)	(417)	(1,031)
Net Book Value at 31 March 2009	384	4,583	1,747	6,714
Gross Book Value at 31 March 2009	431	11,846	4,008	16,285
Accumulated Depreciation at 31 March 2009	(47)	(7,263)	(2,261)	(9,571)
Net Book Value at 31 March 2009	384	4,583	1,747	6,714

20. Sources of Finance for Fixed Asset Additions

	2007/08 £'000	2008/09 £'000
Capital Receipts	59	21
Revenue	329	509
Bank Borrowing	0	0
Loans	1,194	1,068
Finance Lease	0	0
Total Fixed Asset Additions	1,582	1,598

21. Information on Assets held

The number of Fixed Assets owned or held under Finance Lease by Tayside Contracts is summarised as follows:

	2007/08	2008/09
Owned		
Vehicles, Plant & Equipment	262	310
Land & Buildings	6	8
Finance Lease		
Vehicles, Plant & Equipment	144	144

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 15 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.

22. Valuation of Assets

Vehicles, plant and equipment have been included in the balance sheet at historical depreciated cost. Operational buildings have also been included on this basis of valuation, using historical depreciated cost as a proxy for depreciated replacement cost. Land has been valued at cost.

23. Capital Commitments

At 31 March 2009, there were commitments amounting to £242k (2008 = £267k) in respect of vehicles, plant and equipment ordered but not received at that date.

24. Operating and Finance Leases

During 2008/09, charges were made for operating lease rental payments of £570k (2007/08 £665k). The undischarged liability at 31 March is:

	2007/08 £'000	2008/09 £'000
Due in 1 year	522	375
Due in 2-5 years	965	795
Due in more than 5 years	128	99
	1,615	1,269

During 2008/09, a Finance Lease charge of £124k (2007/08 £91k) and Capital Repayments of £400k (2007/08 £385k) were made. The net future obligation under Finance Leases as at 31 March is:

	2007/08 £'000	2008/09 £'000
Due in 1 year	400	403
Due in 2-5 years	1,483	1,274
Due in more than 5 years	316	122
	2,199	1,799

In addition Contract Car Hire payments of £34k were made in 2008/09 (2007/08 £26k) which were reduced by employee contributions of £18k (2007/08 £15k) towards their agreed share. An undischarged liability of £49k remained at 31 March 2009 (2008 £35k).

25. Loans

During 2008/09, loans amounting to £1,068k 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:

	2007/08 £'000	2008/09 £'000
Due in 1 year	235	342
Due in 2-5 years	1,087	1,568
Due in more than 5 years	1,131	1,371
	2,453	3,281

26. Debtors

	2007/08 £'000	2008/09 £'000
Constituent Councils	10,049	10,422
Constituent Councils – Equal Pay Reimbursement	3,106	1,513
Sundry Debtors	4,927	3,470
	18,082	15,405
Less: provision for bad debts	82	100
	18,000	15,305

27. Creditors

	2007/08 £'000	2008/09 £'000
Payroll related Creditors (i.e. PAYE, NI etc)	2,629	3,027
Trade Creditors	4,745	4,810
Constituent Council Creditors	104	1
Sundry Creditors	2,408	2,552
Interest on Revenue Balances	226	142
Loan Repayments	206	374
	10,318	10,906

28. Self Insured Insurance Claims

Included in the Creditors figure in the balance sheet is an allowance for the value of outstanding claims at 31 March 2009 where the value of each claim is at or below the agreed excess on the individual Insurance Policy. No material unfunded risks are anticipated. An analysis of the position can be seen as follows:

	2007/08 £'000	2008/09 £'000
Balance of o/s claims at 1 April	143	177
Claims settled during the year	(48)	(1)
	95	176
Accrual of claims not settled	82	51
Creditor at 31 March	177	227

29. Provisions

In accordance with FRS 12, provision has been made for the estimated cost of equal pay settlements, comprising liability to employees and HMRC.

A provision has also 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. An analysis of the provisions is as follows:

	2007/08 £'000	2008/09 £'000
Provision for equal pay settlement costs:		
Staff Liability	2,543	930
Tax & NI Liability	563	233
	3,106	1,163
Provision for remedial works	296	477
Provision for Quarry reinstatement costs	185	213
Provision for Bolshan Landfill Quarry remedial costs	100	100
Other Provisions	118	94
Total Provisions	3,805	2,047

30. Statement of Movement in Reserves

Capital Reserves

	Capital Adjustment Account £'000	Capital Receipts Reserve £'000
Balance at 1 April 2008	1,423	0
Fixed Asset Disposals/Adjustments		21
Capital Funded from Current Revenue	509	
Capital Receipts Applied	21	(21)
Excess of Depreciation over Principal Repayments	(390)	
Balance at 31 March 2009	1,563	0

Pensions Reserve

	£'000
Balance at 1 April 2008 (as Restated)	(7,927)
Actuarial Gains / (Losses)	(9,951)
Transfer to Statement of Movements on the General Fund Balance	130
Balance at 31 March 2009	(17,748)

Revenue Reserves

	Renewal and Repair Fund £'000	General Fund £'000
Balance at 1 April 2008	216	299
Transfer from/(to) Statement of Movements in General Fund Balance	8	90
Balance at 31 March 2009	224	389

Capital Adjustment Account

Appropriations to and from this account are required for the difference between loans fund principal charges and the amount of depreciation provided in the accounts. Credits relate to Capital Finance from Current Revenue and capital receipts.

Capital Receipts Reserve

This reserve holds capital receipts from the disposal of assets which are utilised to finance capital expenditure or principal repayments.

Renewal and Repair Fund

A Renewal and Repair Fund was established in 2004/05 with an initial transfer of £100k as a means of contributing towards future potential expenditure on property repairs and developments, IT and other equipment renewals. A further transfer of £100k was made in 2007/08, and each year notional interest earned is credited to the fund, bringing the balance at 31 March 2009 to £224k.

General Fund

This fund is primarily required to meet any losses in future years, but may also be applied to meet future costs of restructuring and other expenditure of an exceptional nature.

Pensions Reserve

This reserve is required to balance the notional pension liability. Actuarial gains or losses are recorded here as is the transfer to the Income and Expenditure Account representing the difference between the notional net revenue account charge to the Income & Expenditure Account and the actual pensions contributions made.

31. Contingent Gains or Liabilities

Tayside Contracts, in common with all Scottish local authorities, has progressed the Single Status Job Evaluation exercise, which aimed to address any grading and equality issues that may have existed in the old pay structure. The new grading structure and terms and conditions package was implemented on 1 July 2008. While some financial liabilities may arise from appeals against individual gradings, the appeals process is not yet completed, and it is therefore not possible to accurately estimate the potential extent of any liability.

As disclosed in notes 9 and 29 above, provision has been made for the estimated cost of settling equal pay claims. However, the trade unions have lodged equal pay claims with the Employment Tribunal (ET), the outcome of which could potentially affect the amounts awarded. It is not possible to quantify the potential outcome of the ET process should claims progress that far.

32. Current Liabilities

Included in the Balance Sheet are the balances due to the three constituent Councils for any surpluses still outstanding to be paid to the three Councils on the agreed basis (per The Minute of Agreement as amended by resolution of the Joint Committee). Interest has been accrued on these balances and is included as part of the figure in the balance sheet. A summary of these amounts can be seen as follows:

	2007/08 £'000	2008/09 £'000
Balance at 1 April	1,380	700
Add: Interest accrued to 31 March	28	7
	1,408	707
Less: Payments made in year	1,208	535
	200	172
Surplus for year	500	1,000
Balance at 31 March	700	1,172

33. Retirement Benefits

In accordance with FRS 17 (Retirement Benefits) Tayside Contracts is required to disclose certain information concerning assets, liabilities, income and expenditure related to the pension scheme for its employees. As explained in the Accounting Policies, Tayside Contracts participates in the Local Government Superannuation Scheme which is administered by Dundee City Council.

The cost of retirement benefits is recognised in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against revenue expenditure is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

2007/08 £'000	Income and Expenditure Account	2008/09 £'000
	Net Cost of Services:	
(2,958)	Current service costs	(2,454)
(7)	Past service costs	(84)
0	Losses on curtailments and settlements	(19)
	Net Operating Expenditure:	
(4,371)	Interest cost	(4,976)
4,740	Expected return on scheme assets	4,761
(2,596)	Net charge to the Income and Expenditure Account	(2,772)

2007/08 £'000	Statement of Movement on the General Fund Balance	2008/09 £'000
2,596	Reversal of net charges made in accordance with FRS 17	2,772
2,657	**Actual amount charged against the General Fund Balance for pensions in the year**	2,902

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £9,951k (£3,117k gain in 2007/08) were included in the Statement of Total Recognised Gains and Losses (STRGL). The cumulative effect of actuarial gains and losses included in the STRGL in the 3 years since its introduction in 2006/07 amounts to a net loss of £2,325k.

Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

2007/08 Restated £'000		2008/09 £'000
79,585	Opening Defined Benefit Obligation as at 1 April	75,442
2,958	Current service cost	2,454
4,371	Interest cost	4,976
(11,266)	Actuarial losses (gains)	(11,814)
0	Losses on curtailments	19
(1,011)	Estimated benefits paid net of transfers in	(2,815)
7	Past service cost	84
870	Contributions by scheme participants	908
(72)	Unfunded pension payments	(71)
75,442	Closing Defined Benefit Obligation as at 31 March	69,183

Reconciliation of fair value of the scheme assets:

2007/08 Restated £'000		2008/09 £'000
68,480	Opening fair value of scheme assets as at 1 April	67,515
4,740	Expected return on scheme assets	4,761
(8,149)	Actuarial gains (losses)	(21,765)
2,657	Employer contributions	2,902
870	Contributions by scheme participants	908
(1,083)	Estimated benefits paid net of transfers in, including unfunded pensions	(2,886)
67,515	Closing fair value of scheme assets as at 31 March	51,435

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 negative position of £13,359k (2007/08 also a negative return of £3,409k).

Scheme History:

	2004/05 Restated £'000	2005/06 Restated £'000	2006/07 Restated £'000	2007/08 Restated £'000	2008/09 Restated £'000
Present value of liabilities	(68,832)	(77,549)	(79,585)	(75,442)	(69,183)
Fair value of scheme assets	47,800	61,372	68,480	67,515	51,435
Surplus / (Deficit)	(21,032)	(16,177)	(11,105)	(7,927)	(17,748)
Experience adjustments on scheme liabilities		4,950			288
Experience adjustments on scheme assets	2,346	10,379	1,311	(8,149)	(21,765)

The value of scheme assets has been restated to reflect a change of valuation basis from "mid market value" to a "bid value" basis (estimated where necessary) for the periods prior to 31 March 2009. This change resulted in a reduction of £682k in asset value at 31 March 2008, from £68.197m to £67.515m.

Assets are valued at fair value and Tayside Contracts' share of the pension fund assets consists of:

31 March 2008 £'000	31 March 2008 %		31 March 2009 £'000	31 March 2009 %
46,416	68.7%	Equities	33,117	64.4%
8,591	12.7%	Gilts	5,906	11.5%
3,284	4.9%	Other Bonds	4,371	8.5%
7,342	10.9%	Property	5,205	10.1%
1,882	2.8%	Cash	2,836	5.5%
67,515	100.0%	Total	51,435	100.0%

The liabilities show Tayside Contracts share of the underlying commitments that the Tayside Superannuation Fund has in the long run to pay retirement benefits. The net liability of £17.7m has a significant impact on the balance sheet, resulting in a negative overall balance of £15.6m. However, statutory arrangements for funding the deficit mean that the financial position of Tayside Contracts remains healthy. The deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the pension scheme by Tayside Contracts in the year to 31 March 2010 is £2.955m.

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 future years dependent on assumptions about mortality rates, salary levels, etc.

The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries. The principal assumptions used by the actuary have been:

2007/08		2008/09
	Long-term rate of return on assets in the scheme:	
7.6%	Equities	7.8%
4.3%	Gilts	4.0%
6.6%	Bonds	6.5%
7.1%	Property	7.3%
5.0%	Cash	3.0%
	Mortality assumptions:	
	Longevity at 65 for current pensioners (years):	
-	Men	21.37
-	Women	24.44
	Longevity at 65 for future pensioners (years):	
-	Men	22.30
-	Women	25.34
3.7%	Rate of Inflation	3.0%
5.2%	Salary Increases	4.5%
3.7%	Pension Increases	3.0%
6.6%	Discount Rate for scheme liabilities	6.7%
50%	Take-up of option to convert annual pension into maximum lump sum allowed	50%

34. Notes to the Cash Flow Statement

Reconciliation of Distributable Surplus to Net Cash Flow from Revenue Activities

2007/08 £'000		2008/09 £'000
500	Distributable Surplus for Year	1,000
329	Capital funded from Current Revenue	509
0	Capital Grants Received	0
385	Capital payments on Finance Leases	400
265	Non Cash Reserve Transfers	98
236	Interest payable on Revenue Balances	161
82	Loan Interest Payable	136
132	Interest element of Finance Lease Rental Payments	124
125	Repayments to Loans Fund	241
(1,952)	(Increase)/Decrease in Debtors	752
970	Increase/(Decrease) in Creditors	673
75	(Increase)/Decrease in Stock & Work In Progress	8
(221)	Increase/(Decrease) in Provisions	185
926	**Net Cash Inflow/(Outflow) from Revenue Activities**	4,287

The SORP requires a reconciliation of the net surplus on the Income & Expenditure Account to the net cash flow on revenue activities in the Cash Flow Statement. The reconciliation shown above is a slight departure from the SORP, being a reconciliation of distributable surplus to net cash flows from revenue activities, as this is considered to better reflect the movement between cash flows generated from operational activities to the amount returned to the constituent Councils.

Analysis of Movement in Cash and Net Debt

2007/08 £'000		2008/09 £'000
(678)	Increase/(Decrease) in Cash in the period	2,104
(1,071)	(Increase)/Decrease in Borrowing	(828)
(1,749)	Change in Net Debt	1,276
(5,116)	Opening Debt at 1 April 2008	(6,865)
(6,865)	Closing Debt at 31 March 2009	(5,589)

	1 April 2008 £'000	Cash Flow £'000	31 March 2009 £'000
Loans Outstanding	(2,453)	(828)	(3,281)
Advances for Petty Outlays	2	1	3
Bank Overdraft	(4,414)	2,103	(2,311)
Net Cash/(Debt) as at 1 April 2008 & 31 March 2009	(6,865)	1,276	(5,589)

35. Financial Instruments

The Joint Committee does not have any financial instruments that require to be re-measured and disclosed under Financial Reporting Standards 25, 26 and 29.

36. Events after the Balance Sheet Date

There were no events that occurred between 1 April 2009 and 03 September 2009 that would have an impact on the 2008/09 financial statements. The latter date was the date the financial statements were authorised for issue by the Proper Officer.

37. Further Financial Detail

More detailed information can be obtained from:

Managing Director,
Tayside Contracts,
Contracts House,
1 Soutar Street,
Dundee.
DD3 8SS.

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the 2008/09 Statement of Accounts for the Tayside Contracts Joint Committee. We acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

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

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

- Comprehensive revenue and capital budgeting systems
- Rigorous business planning and service planning processes
- 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 Financial Regulations, Tender Procedures and Standing Orders
- Formal project appraisal techniques and project management disciplines
- An anti-fraud and corruption strategy supported by a range of policies and guidelines.

The Joint Committee operates a range of corporate financial systems, which are subject to review by Tayside Contracts' internal control function and by the External Auditor, Audit Scotland. The internal audit and control service is provided in-house and is independent of the activities it audits. This is essential to enable auditors to perform their duties in a manner that facilitates impartial and effective professional judgements and recommendations to management. In undertaking its duties the internal control function 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. The key thrust of internal audit and control work is therefore to objectively examine, evaluate and report on the adequacy of internal control and its contribution to the proper, economic, efficient and effective use of resources. An annual report is prepared to provide an overview of internal audit and control work carried out during the year, and was presented to, and approved by, the Joint Committee on 11 May 2009. The existence of an internal control function 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.

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

- The work of senior officials and staff of Tayside Contracts
- The work of Tayside Contracts' internal control function
- Tayside Contracts' External Auditor in her annual report and other interim reports.

In conclusion we are not aware of any significant weaknesses or failures in Tayside Contracts' system of internal financial control that could have a material effect on the operations of the Joint Committee.

Iain C Waddell BSc, C Eng, MICE
Managing Director
Tayside Contracts
16 June 2009

Marjory M Stewart FCCA, CPFA
Proper Officer
Tayside Contracts
16 June 2009