



PERTH & KINROSS COUNCIL

STATEMENT OF ACCOUNTS

2010/2011

AUDITED

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EXPLANATORY FOREWORD BY THE ACTING HEAD OF FINANCE

1. Introduction

The Annual Statement of Accounts demonstrates the Council's stewardship of the public funds with which it is entrusted. The Accounts are in respect of the year ended 31 March 2011 and have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 ('the Code') and are set out on pages 9 to 12. Pages 14 to 21 set out the accounting policies adopted by the Council in the preparation of the Accounts to ensure that they present a 'true and fair view' of the financial position of the Council. An explanation of the main technical terms used in the Accounts is included on pages 94 to 95.

2. The Financial Statements

Core Financial Statements

An explanation of the financial statements which follow and their purpose are:

- The **Movement in Reserves Statement** reports the movement in the year on the different reserves held by the Council analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.
- The **Comprehensive Income and Expenditure Statement** reports the accounting cost for the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- The **Balance Sheet** brings together all the assets and liabilities of the Council. It is a statement of the resources of the Council and the means by which they have been financed. It is also a report on the Council's financial position at a particular point in time and represents a snapshot of its financial affairs at the close of the year expressed in accounting terms.
- The **Cash Flow Statement** summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties on both day to day revenue transactions and on capital activities. Cash is defined for the purpose of this statement as cash in hand and deposits repayable on demand less overdrafts repayable on demand. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.
- The **Statement of Responsibilities for the Statement of Accounts** explains the responsibilities of the Council and of the Head of Finance as they relate to the Statement of Accounts.
- The **Notes to the Core Financial Statements** provide further information on the above 'core' financial statements.
- The **Annual Governance Statement** explains how the Council has complied with the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) standard for good corporate governance and meets the requirements of relevant legislation and current good practice.
- The **Remuneration Report** provides details of the Council's remuneration of its senior councillors and senior officers with regard to salary, expenses and pension benefits and states how remuneration arrangements are managed.

Supplementary Financial Statements

An explanation of the supplementary financial statements and their purpose are:

- The **Housing Revenue Account** shows the major elements of housing revenue account expenditure and how these are funded by rents and other income.
- The **Council Tax Income Account** reports the gross and net income from Council Tax, together with details of the number of properties on which Council Tax is levied, and the charge per property.
- The **Non-Domestic Rates Income Account** shows the gross and net income from non-domestic rates and details the amount payable to the national non domestic pool, and the resulting net income for the financial year to the Council that is shown in the Comprehensive Income and Expenditure Statement.
- The **Loans Fund** statement explains the operation of the Consolidated Loans Fund and includes the Loans Fund Income and Expenditure Account and Balance Sheet.
- The **Charitable Trusts** statement includes the summary Income and Expenditure Account and Balance Sheet of those Charitable Trusts and Endowments administered by the Council.
- The **Common Good** statement includes the summary Income and Expenditure Account and Balance Sheet for the Common Good Funds administered by the Council.
- The **Group Accounts** statement incorporates the share of the Council's Associates into the Group Statement of Movement in Reserves, Group Comprehensive Income and Expenditure Statement and includes the Reconciliation of the Single Entity (Council) Surplus or Deficit for the year to the Group Surplus or Deficit; Group Balance Sheet and Group Cash Flow Statement.

3. Revenue Budget 2010/11 – Review of Financial Performance

The Council's Comprehensive Income and Expenditure Statement for financial year 2010/11 is set out on page 10. It should be noted that the classification of Services in this statement complies with that prescribed by the Best Value Accounting Code of Practice and differs from the management structure of the Council. (Information on the Council's financial performance based on the management structure is shown in Note 21 on page 33). The major differences are that Education Services excludes expenditure on Children's Services which is reported in the accounts under Social Work Services; that Cultural and Related Services includes expenditure on the Council's Arts & Heritage, Libraries & Archives, Outdoor Services and Recreation Activities and that Environmental Services includes expenditure on Flood Prevention.

The Council approved the General Fund Revenue Budget and Council Tax charge for financial year 2010/11 on 11 February 2010. Expenditure is monitored on a monthly basis and was formally reported, for both revenue and capital budgets, to the Council's Strategic Policy and Resources Committee in September and December 2010 and February and April 2011. Expenditure is reported to Committee on a projected outturn basis (estimated expenditure to 31 March 2011) with the Chief Executive and Executive Directors being responsible and accountable to the Council for managing within the approved budget for their Service and within the limits of the Council's Approved Budget Flexibility Scheme. The ongoing financial management of the Council is focussed upon identifying and taking corrective action to address budget variances throughout the course of the financial year and the foreword to the accounts aims to highlight and summarise the main factors behind the most significant of these variances. The pattern of expenditure reported within the financial statements is subsequently used in developing the Council's future budget strategy.

Under the Council's Revenue Budget Flexibility Scheme the Chief Executive and Executive Directors are permitted, with the prior approval of Council, to carry forward budget under spends of up to 2.5% of the value of their net Service budget into the following financial year. The scheme limits the carry forward of budget over spends to 1% of the value of net Service budgets. The carry forward, under the Budget Flexibility Scheme, of managed under spends totalling £1,089,000 from 2010/11 into 2011/12 is reflected within the results for 2010/11 below. The Council's financial planning has been greatly facilitated by this management of resources over the medium term.

The following table summarises the movement on the Council's General Fund balance in 2010/11 including the main variances from budget reflected in the Comprehensive Income and Expenditure Statement. The budget figures are based on the updated 2010/11 General Fund Revenue Management Budget approved by the Council's Strategic Policy and Resources Committee on 20 April 2011 and the 2010/11 Housing Revenue Account Budget. The General Fund Revenue Management Budget assumed a net contribution from balances of £2,126,000 and the Housing Revenue Account assumed a contribution to balances of £157,000.

In summary, the Council reported a favourable variance of £1,096,000 for financial year 2010/11 within the Comprehensive Income and Expenditure Statement on page 10. The Council's General Fund Balances therefore increased by £1,096,000 in financial year 2010/11 as shown in the Movements in Reserves Statement on page 9. This reflects a positive variance of £3,222,000 from the budgeted contribution from General Fund Balances of £2,126,000 in 2010/11.

	Actual Net Expenditure £000	Budgeted Net Expenditure £000	Variance Against Budget £000
Education Services	145,135	149,063	(3,928)
Social Work Services	74,459	75,002	(543)
Roads and Transport Services	20,468	17,429	3,039
Planning and Development Services	6,171	6,649	(478)
Environmental Services	22,385	23,181	(796)
Housing General Fund	14,215	13,689	526
Housing Revenue Account	(5,429)	(5,272)	(157)
Financing Costs	18,498	18,808	(310)
Council Tax / Community Charge	(69,578)	(70,826)	1,248
Other Items (Net)	(339,791)	(340,094)	303
Movement on the General Fund Balance	(113,467)	(112,371)	(1,096)

The major factors underlying each of the variances are considered in more detail below:

Education Services (under spend of £3,928,000)

Devolved School Management Budget (under spend of £1,227,000):

The net under spend on the Council's Devolved School Management (DSM) Budget was £1,227,000. The DSM budget is part of the overall budget for Education Services and represents those funds directly managed by school head teachers. The net under spend is carried forward as an earmarked reserve to meet future expenditure within DSM schools.

Expenditure within schools on teaching staff and support staff was less than budget by £3,130,000 and £607,000 respectively due to staff turnover and workforce planning measures throughout the year. These under spends were delivered in the context of achieving a Council approved target from vacancy management (staff slippage) of £1,217,000. Expenditure on staff training and development was also under spent by £257,000. These under spends were partially offset by additional supply teaching costs of £1,936,000 to ensure continuity of education provision and voluntary severance costs of £486,000 to facilitate the early retirement of teachers to generate recurring savings over the longer term and create capacity to employ newly qualified and probationer teachers.

Additional income from the Scottish Qualifications Authority of £382,000; pupil's contributions to school activities of £101,000; savings on supplies and services budgets of £244,000 together with further under spends of £145,000 on property and transport costs represents the balance of the under spend on the DSM budget.

Non Devolved Budget (under spend of £2,701,000):

Expenditure on administrative and support staff was £1,324,000 less than budget due to vacancies, staff turnover and the workforce planning measures undertaken to deliver staff cost savings as part of the Service's future budget strategy.

Additional income of £436,000 was realised as a result of increased demand for school meals and from other income sources across the Service. The provision of strategy and support functions across the Service delivered a further under spend of £656,000. Further under spends of £744,000 were generated due to delays in the purchase of mini buses, savings on transport contracts and a reduced recharge for the provision of central administration functions.

These under spends were partially offset by an over spend of £459,000 on additional support needs services due to continued demand for young people to be placed outwith the Council's mainstream care provision.

Social Work Services (under spend of £543,000)

Within Older People's Services there was an under spend of £965,000 due primarily to savings within homecare (£163,000), residential care homes (£128,000), placements (£305,000) and the Service managing the level of approved care packages (£369,000) to ensure future years recurring service provision could be sustained within the resources available. In Mental Health Services there was an under spend of £171,000 due, in the main, to slippage on the Glenelg Resettlement Programme. The Service has also achieved further planned slippage as it embarked on the transformation agenda. This resulted in additional slippage of £192,000 within the Addictions and Community Safety teams. Across the Service there were further under spends of £191,000 on commissioned services, adult protection services and senior management costs.

These under spends were partially offset by a net over spend of £716,000 within the Learning Difficulties Sector due primarily to an increase in the cost of care packages, income from a number of sources not being achieved and a shortfall in charging income of £260,000 due to the high level of personal care that is provided by the Council that is not chargeable under the Free Personal Care Legislation.

Roads and Transport (over spend of £3,039,000)

Expenditure on Winter Maintenance was £3,160,000 in excess of budget reflecting the significant costs incurred in maintaining access to the Council's local roads network during the extended period of extreme weather over late 2010 and into 2011. This position was partially offset by net under spends across the Service on roads and transport related activities of £121,000 including savings generated by workforce planning measures.

Planning and Development Services (under spend of £478,000)

Expenditure on staff costs was £222,000 less than budget as a result of workforce planning measures undertaken to generate cost savings. Income from a number of sources including European funding and events income exceeded budget by £58,000. Other under spends on projects and grant applications amounted to a further £198,000.

Environmental Services (under spend of £796,000)

Expenditure on staff costs was £715,000 less than budget primarily as a result of workforce planning measures undertaken to generate cost savings. Other net under spends across environmental services activities contributed a further £81,000 including the generation of income in excess of budget within Operations on cleaning and skip hire.

Housing General Fund (over spend of £526,000)

Within the Homelessness Service there was a net over spend of £82,000 due to an increased provision for bad debts and repairs costs partially offset by additional government grant and service charge income for Greyfriars Hostel. There was a £92,000 over spend on the Private Sector Access Scheme due to the delayed opening of this project. Within Housing Benefits there was an over spend of £700,000 as a result of providing for a potential claw back of benefit subsidy by the Department of Work and Pensions (DWP) and also an increase in overpayments not recoverable from the DWP of £119,000.

These over spends were partially offset by net under spends within Strategy and Support and Neighbourhood Services of £467,000 due primarily to additional staff slippage as workforce planning measures were implemented to reduce costs for future years.

Council Tax / Community Charge Income (net reduction in income of £1,248,000)

This variance mainly reflects the adjustment to prior year collection assumptions in relation to outstanding council tax debt. This adjustment was made to recognise the difficulties that the Council was encountering in collecting old year debt due primarily to the down turn in the economic climate and an increase in the number of sequestrations and voluntary bankruptcies.

4. General Fund Balance at 31 March 2011

The General Fund Balance at 31 March 2011 is shown on the Movement in Reserves Statement on page 9 as £32,096,000 (this figure includes £803,000 in respect of the Housing Revenue Account which is classified under the Accounting Code of Practice as a component of the General Fund).

There are a number of commitments totalling £19,065,000 against the General Fund Balance at 31 March 2011 which are explained in more detail in note 6 on page 24 of the notes to the financial statements.

In summary the uncommitted General Fund Balance as at 31 March 2011 (including the Housing Revenue Account) was £13,031,000.

	General Fund	Housing Revenue Account	Total
	£000	£000	£000
General Fund Balance as at 31 March 2011	(31,293)	(803)	(32,096)
Commitments (see Note 6 on page 24)	18,910	155	19,065
Uncommitted Balances	(12,383)	(648)	(13,031)

5. Other Funds and Usable Reserves

The balance on each of the following funds and usable reserves at 31 March 2011 was as follows: Capital Fund £8,257,000; Renewal and Repair Fund £543,000; Insurance Fund £933,000; Capital Receipts Reserve £2,680,000; and Capital Grants Unapplied £171,000. These Reserves are held for revenue expenditure purposes with the exception of the Capital Grants Unapplied which is held for capital purposes.

6. Capital Budget 2010/11 – Review of Financial Performance

A summary of the Council's Capital expenditure is reflected within Note 33 to the Core Financial Statements shown on page 48. The Council's Gross Capital expenditure in financial year 2010/11, including Capital Financed from Current Revenue (CFCR), was £64,009,000. This total comprises £7,102,000 on the Council's Housing Revenue Account (HRA) and £27,518,000 on the Council's Composite (General Fund) Programme, of which £406,000 related to Public Private Partnership (PPP) assets. A further £29,389,000 of expenditure was incurred on assets held by the Council under PPP arrangements.

Capital expenditure was funded through borrowing, sales of assets, various grants, other miscellaneous capital receipts and directly from the General Fund and HRA Revenue Budgets. The Council finances capital expenditure through borrowing from various sources, the most significant being the Public Works Loan Board (PWLB). As at 31 March 2011, the Council had long-term borrowing relating to the funding of capital expenditure of £193,377,000 (measured at par value), and other long term liabilities of £130,002 relating to assets held under PPP arrangements.

The Capital Financing Requirement (CFR) as at 31 March 2011 was £354,048,000, which compares to total capital financing liabilities (above) of £323,778,000. The difference in funding is met from internal balances. Broadly speaking, the capital financing requirement measure's the Council's underlying requirement to borrow, or finance by other long term liabilities, its capital expenditure.

During 2010/11, the CFR increased by £29,800,000, of which £2,798,000 related to expenditure directly incurred by the Council and £27,002,000 related to assets held under PPP arrangements. Actual new borrowing undertaken with the Public Works Loan Board (PWLB) amounted to £27,500,000, covering loans for a range of periods from 3 years up to 50 years. In addition, there were repayments of previous loans amounting to £20,161,000. The effect of all these transactions together was to increase total borrowings by £7,339,000, as well as to slightly lengthen the maturity profile of outstanding debt at the end of the financial year. In addition, the liability under the PPP agreements increased during the year by £29,389,000, less an annual principal repayment of £2,386,000.

Expenditure on the Composite Programme included £5,975,000 on Education projects, including £691,000 on the Primary School Upgrade Programme and £1,626,000 on the Secondary School Upgrade Programme; £767,000 on residences for service users with Additional Support Needs and £1,067,000 on the Refurbishment of Aytoun Hall in Auchterarder. A total of £9,885,000 was spent on Roads & Transport projects, including £6,722,000 on Structural Maintenance and £1,356,000 on Bridges, of which £896,000 was on the A822 Amulree Bridge Replacement. There was also expenditure of £449,000 on Road Safety measures, mostly related to school routes, and a further £776,000 on the renewal programmes for street lighting, traffic signals and footways. The remaining General Fund expenditure included park improvements (£2,263,000); developing recycling centres and waste initiatives (£1,578,000) and on upgrading the Council's property fabric including energy efficiency schemes, fire alarms and lighting (£1,479,000). Capital expenditure was also incurred on various Environmental, Economic Development, Community Care and Information Technology projects.

Expenditure on the Housing Revenue Account Investment Plan included the provision of new affordable housing with £3,856,000 being incurred on construction costs. The remaining £3,246,000 related to a number of programmes including replacement windows, kitchens and bathrooms, energy efficiency measures and affordable housing initiatives including Mortgage-to-Rent.

7. Material Assets and Liabilities

In terms of the normal activities of the Council, there were no material assets acquired or liabilities incurred that were unusual in scale.

8. Post Employment Benefits

The Council is required to account for pension benefits earned by employees in the current year and the associated pension assets and liabilities. Full details and analysis of the Council's estimated pension assets and liabilities is contained in Note 25 to the Statement of Accounts.

The actuary to the Tayside Superannuation Fund (the Fund) has estimated that Perth and Kinross Council has a net retirement pension liability of £130,073,000 at 31 March 2011 (£234,344,000 at 31 March 2010) based upon the actuarial estimation of the Council's share of the assets and retirement benefit obligations of the Fund in accordance with International Accounting Standard (IAS) 19 – Employee Benefits. The main reason for the significant reduction in the Council's net liability was the change in pension benefits arising from the move to linking pension increases to Consumer Price Index Inflation (CPI) rather than Retail Price Index Inflation (RPI). The net liability is reflected within the Council's Balance Sheet and is offset by the Council's Pension Reserve.

The net pension liability of £130,073,000 represents the best estimate of the current value of pension benefits which will have to be funded by Perth and Kinross Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2011.

9. Material / Unusual Charges or Credits to the Accounts

There were no material or unusual charges or credits included within the Statement of Accounts, having regard for the normal activity of the Council.

10. International Financial Reporting Standards

These financial statements have been prepared, for the first time, under International Financial Reporting Standards (IFRS) as adopted by the European Union and as interpreted or adapted for the public sector context as set out in Note 1 of the Accounting Policies. Financial Statements were previously prepared under UK Generally Accepted Accounting Principles (UK GAAP). The effect of the transition from UK GAAP to IFRS, with an effective date of 1 April 2008, is set out in Note 44 - First Time Adoption of IFRS.

11. Revenue Budget 2011/12 to 2013/14

The Council approved the General Fund Revenue Budget for 2011/12 and Provisional Revenue Budgets for 2012/13 and 2013/14 together with the Council Tax for 2011/12 (and provisional tax levels for 2012/13 and 2013/14) at a special meeting of the Council on 17 February 2011 (Report No 11/56 refers). The 2011/12 General Fund Revenue Budget (updated) amounts to £334,147,000. As in previous years, it is anticipated that the Revenue Budget ultimately reflected within the 2011/12 Statement of Accounts will differ from this figure as a result of both adjustments to the management budget approved by the Council during the course of the financial year and additional funding announcements by the Scottish Government.

The same Special Meeting of the Council also approved the estimated costs of the Investment in Learning (Schools PPP) Programme between 2011/12 and 2020/21 of £200,153,000 and the funding strategy for the programme.

The Council has identified a number of significant financial risks in preparing future years Revenue Budgets including inflationary pressures and uncertainty over future funding levels. These risks are reflected in the management of the Council's Revenue Reserves as set out in the Council's Reserves Strategy approved by Council on 17 February 2011.

The Council approved the 2011/12 Housing Revenue Account (HRA) Budget and Rent Levels at the meeting of the Housing and Health Committee on 2 February 2011. The Gross HRA Revenue Budget for 2011/12 amounts to £22,700,000 and continues to be predicated on meeting the operating costs of managing the Council's Housing stock and ensuring the delivery of the Council's Housing Business Plan as submitted to the Scottish Government and agreed with Perth and Kinross Tenant's Federation.

The Council is also engaged in a Transformation Programme to facilitate the modernisation of a number of key services across the Council including the Reablement Project which aims to provide intensive homecare to individuals in the short term to allow them to stay in their own home.

12. Capital Budget 2011/12 to 2015/16

The Composite Capital Budget 2011/12 to 2015/16 was approved at the meeting of the Council of 11 May 2011 (Report No. 11/200 refers). This approved Capital expenditure totalling £177,655,000 over a five year period. The financing and phasing of this Capital programme is set out in the following table -

	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Capital Grants	12,243	11,079	9,729	10,207	10,207
Capital Receipts	4,001	1,866	7,011	449	125
Contributions	580	8,177	4,707	150	0
Borrowing Requirement	<u>24,606</u>	<u>22,238</u>	<u>18,408</u>	<u>14,122</u>	<u>17,750</u>
Total Capital Resources	<u>41,430</u>	<u>43,360</u>	<u>39,855</u>	<u>24,928</u>	<u>28,082</u>

The Council's Capital Budget includes further expenditure on the major refurbishment and expansion of various schools to address increasing school rolls and revised standards for school accommodation as well as planned improvements to the local roads network. The Council has also made provision for the redevelopment of several parks and public spaces, as well as a budgeted contribution to the redevelopment of Perth Theatre. Homelessness projects are also included, mainly for families and young people. Further investment in Waste Reduction and Recycling features in the Council's planned expenditure, as well as improvements to its property portfolio and the development and expansion of its rural business unit infrastructure. Ongoing expenditure on the school estate; road safety measures; street lighting and Council vehicle fleet operations are also planned to continue. These expenditure plans are funded through a combination of grants, receipts and new borrowing and are considered, prudent, affordable and sustainable in the long-term.

The Housing Revenue Account Strategic Financial Plan incorporating the Five Year Capital Investment Programme and Rent Strategy to 2015/16 was approved by the Council's Housing and Health Committee on 2 February 2011. The Approved Gross HRA Capital Budget for the 5-year period amounts to £47,054,000. Capital expenditure on the Housing Revenue Account in 2011/12 mainly focuses upon continuing the provision of affordable housing and the maintenance of the Council's existing housing stock, particularly central heating, energy efficiency and rewiring, to ensure the delivery of the Council's Housing Standard.

Both the Composite Capital Programme and the Housing Revenue Account programmes are funded by a combination of borrowing, capital receipts, grants and contributions from the respective Revenue Budgets. The Capital Financing Requirement at the end of the 5-year period is estimated to be £403,500,000. The annual cost of servicing this borrowing and Public Private Partnership (PPP) liabilities is reflected within the Council's Provisional Revenue Budget and remains affordable, prudent and sustainable.

The Council is also near the end of a programme of construction work for six new school campus sites under a PPP agreement. As at 31 March 2011, five of the new campuses were fully completed and operational, with the remaining campus anticipated to be completed by October 2011.

13. Contingencies / Write Offs / Impairments

In order to mitigate against future bad debts the Council had created impairments for bad debts which have been added to over a number of years. At 31 March 2011 the Council had impairments as follows – Sales Ledger (£905,288); Community Charge (£1,331,201); Council Tax (£11,474,064); Statutory Additions (£3,451,075); Housing Benefit Overpayments (£487,039); Irrecoverable Rents (£2,009,926) and other miscellaneous impairments (£203,261).

The meeting of the Strategic Policy and Resources Committee of 15 June 2011 (Report No. 11/321 refers) approved the write off of bad debts in relation to Sales Ledger (£37,737); Council Tax (£713,622); Non Domestic Rates (£441,881); Irrecoverable Rents (£36,000); Homeless Arrears (£43,171); Housing Benefit Overpayments (£151,341); Commercial Rent (£4,559) and Car Park Trading Account income (£99,314). The Committee also approved the write off of obsolete stock to the value of £24,141. Although these amounts have been written off for accounting purposes, every effort will be made to collect the outstanding debt wherever legally possible.

The Council is also required to carry out regular revaluations of its fixed assets. The main purpose of this exercise is to show the fair market value of the assets on the Balance Sheet. The revaluation of the assets may lead to a reduced value known as impairment. Impairment is not charged to the General Fund but is reflected in the capital adjustment account. In 2010/11 the Council incurred revaluation and impairment losses of assets to the value of £12,196,000 including the Council buildings at 2 High Street, Perth and Breadalbane Campus.

As set out in Note 41 to the Core Financial Statements, the Council has identified a number of contingent liabilities in respect of existing and potential new claims under the Equal Pay Act 1970; from potential exposure to financial penalties under the Landfill Allowance Scheme (Scotland) Regulations; from the potential claw-back of Housing Benefit Subsidy by the Department of Work and Pensions; and from incurred but not reported insurance claims. In each case, the Council cannot presently ascertain the value of its potential liability.

14. Impact of the Current Economic Climate

At present, the UK economy is still recovering from a recession and this continues to have an impact upon a number of Services within the Council. Examples of this include an increase in expenditure on housing benefits and Council Tax benefits; pressures on the budget for supporting homeless people; reductions in prior year Council Tax collection levels, increased Council Tax discounts and exemptions and reductions in income generated from planning fees and building warrants. These issues will continue into 2011/12 and beyond. There are also ongoing implications from reductions in Capital receipts due to the economic environment. Rates of inflation have also been increasing for a number of months which presents risks in terms of the management of the General Fund Revenue Budget in 2011/12 and beyond. Additionally, while interest rates have been held at a very low level for a number of months there is the possibility of increases in borrowing costs in the future.

Forecasts of cost increases and loss of income have been incorporated in the Revenue Budget for 2011/12 to 2013/14. Inevitably, however, there remains uncertainty with regard to the potentially wide ranging impact of the economic climate on the demand for and cost of delivering Council services.

The changing fiscal and political landscape nationally may also have a significant impact on the Council's financial planning process. The Scottish Government has, at present, only issued local authorities with a financial settlement for 2011/12 and there remains uncertainty over the Council's level of funding beyond the next financial year.

In addition to the risks arising from the uncertainties over external influences such as inflation and interest rates the Council's financial planning needs to take account of risks inherent in managing other influences on service delivery. Although the Revenue Budget for 2011/12 – 2013/14 makes allowance for the anticipated costs of service delivery there are inevitably uncertainties inherent in budget preparation. These include unanticipated increases in demand for services; legislative and national policy influences and the challenges faced in delivering proposed savings and efficiencies. Services will be asked to contain unbudgeted cost pressures wherever possible, but there may be occasions where the Council's Reserves have to be utilised.

15. Group Accounts

In accordance with the Accounting Code of Practice, the 2010/11 Group Accounts Statements are included on pages 73 to 77. The basis for consolidation is set out in the Notes to the Group Accounts Statements on pages 78 to 81.

The effect of consolidation is to reduce the Council's net assets by £216,269,000 resulting in a Group Balance Sheet showing a net liability of £22,069,000 at 31 March 2011 as set out on page 75. This position reflects the Council's share of the pension liabilities of the Associates included within the Group Balance Sheet which are estimated, in accordance with International Accounting Standard (IAS) 19 – Employee Benefits, to be £249,168,000 at 31 March 2011.

Both Tayside Joint Police and Tayside Fire and Rescue Boards operate unfunded defined benefit pension schemes which have pension liabilities which represent a significant long term financial management issue for the constituent authorities (Perth and Kinross Council; Angus Council and Dundee City Council). The Group pension liabilities are, however, unlikely to be realised in the short term. The 2010/11 local government finance settlement and the Council's budget process provided resources to meet the Council's net service expenditure in 2010/11. It is expected that future settlements, aligned to the Council's budget process which balances the Council's estimated expenditure with the funding available, will provide sufficient resources to finance future liabilities. It is, therefore, considered appropriate to adopt a going concern basis for the preparation of these financial statements.

16. Accounting Ratios

The following financial indicators have been developed to provide an indication as to the Council's financial sustainability and affordability of its financial plans. They also aim to provide a measure of the effectiveness of the financial management within the Council.

FINANCIAL INDICATOR	2010/11	2009/10	PURPOSE
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	3.8%	2.9%	Reflects the level of funding available to manage financial risk / unplanned expenditure.
Movement in the Uncommitted General Fund Balance	£3,415,000	(£232,000)	Reflects the extent to which the Council has increased / decreased its Uncommitted General Fund Reserve.
Council Tax – In Year Collection Rate	96.5%	96.3%	Demonstrates the Council's effectiveness in collecting debt and financial management.
Ratio of Council Tax Income to Overall Level of Funding	20.8%	22.2%	This reflects the Council's capacity to vary expenditure by raising Council Tax Income.
Final Net Service Expenditure compared to Budgeted Net Service Expenditure	(£1,096,000) (0.32%)	(£991,000) (0.30%)	Measurement of how final expenditure compares with the budgeted position and is a reflection on the effectiveness of financial management.
Actual Contribution to / from Unallocated General Fund Balance compared to budget	Budget £588,000 Actual (£1,096,000)	Budget £2,093,000 Actual (£991,000)	Further measure of the effectiveness of financial management.
Capital Financing Requirements	£354,048,000	£324,248,000	Measurement of prudence in relation to borrowing levels – borrowing only to invest in capital. This measure provides confirmation of borrowing only for capital investment purposes.
External Debt Levels	£323,378,000	£289,037,000	Further confirmation on borrowing only for capital investment purposes.
Capital Financing Requirement Ratio	91.3%	89.1%	Further confirmation on borrowing only for capital investment purposes.
Ratio of Financing Costs to Net Revenue Stream	6.1%	6.6%	Measurement of the Council's ability to fund borrowing costs.

17. Post Balance Sheet Events

No significant events occurred between the Balance Sheet date and the date the Acting Head of Finance signed the accounts that would have a material impact on the 2010/11 Statement of Accounts.

18. Acknowledgements

I would like to thank both my Finance and Service colleagues for their support and co-operation in the effective management of the Council's finances during the 2010/11 financial year.

Stewart MacKenzie CPFA
Acting Head of Finance
21 September 2011

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Fund £'000	Renewal & Repair Fund £'000	Insurance Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2009	(28,979)	(1,030)	(5,122)	(1,196)	(1,553)	(2,994)	0	(40,874)	(185,295)	(226,169)
<u>Movement in reserves during 2009/10</u>										
(Surplus) or deficit on the provision of services	11,906	12,867	0	0	0	0	0	24,773	0	24,773
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	120,663	120,663
Total Comprehensive Income and Expenditure	11,906	12,867	0	0	0	0	0	24,773	120,663	145,436
Adjustments between accounting basis & funding basis under regulations (note 5)	(13,584)	(12,400)	0	0	0	289	0	(25,695)	25,695	0
Net (increase)/decrease before transfers to earmarked reserves	(1,678)	467	0	0	0	289	0	(922)	146,358	145,436
Transfers to/(from) Earmarked Reserves	436	(216)	(644)	347	77	0	0	0	0	0
(Increase)/decrease in 2009/10	(1,242)	251	(644)	347	77	289	0	(922)	146,358	145,436
Balance at 31 March 2010	(30,221)	(779)	(5,766)	(849)	(1,476)	(2,705)	0	(41,796)	(38,937)	(80,733)
<u>Movement in reserves during 2010/11</u>										
(Surplus) or deficit on the provision of services	(34,581)	(5,174)	0	0	0	0	0	(39,755)	0	(39,755)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(73,712)	(73,712)
Total Comprehensive Income and Expenditure	(34,581)	(5,174)	0	0	0	0	0	(39,755)	(73,712)	(113,467)
Adjustments between accounting basis & funding basis under regulations (note 5)	29,686	7,331	0	0	0	25	(171)	36,871	(36,871)	0
Net (increase)/decrease before transfers to earmarked reserves	(4,895)	2,157	0	0	0	25	(171)	(2,884)	(110,583)	(113,467)
Transfers to/(from) Earmarked Reserves	3,823	(2,181)	(2,491)	306	543	0	0	0	0	0
(Increase)/decrease in 2010/11	(1,072)	(24)	(2,491)	306	543	25	(171)	(2,884)	(110,583)	(113,467)
Balance at 31 March 2011 carried forward	(31,293)	(803)	(8,257)	(543)	(933)	(2,680)	(171)	(44,680)	(149,520)	(194,200)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

<i>Restated</i> 2009/10			2010/11				
<i>Actual</i> <i>Gross</i> <i>Expenditure</i> £'000	<i>Actual</i> <i>Income</i> £'000	<i>Actual</i> <i>Net</i> <i>Expenditure</i> £'000	Notes	Actual Gross Expenditure £'000	Actual Income £'000	Actual Net Expenditure £'000	Budgeted Net Expenditure £'000
COUNCIL SERVICES							
164,245	(17,909)	146,336		158,341	(13,206)	145,135	149,063
91,370	(21,316)	70,054		95,254	(20,795)	74,459	75,002
27,098	(7,558)	19,540		28,883	(8,415)	20,468	17,429
10,459	(4,756)	5,703		11,030	(4,859)	6,171	6,649
47,381	(32,442)	14,939		50,197	(35,982)	14,215	13,689
20,295	(1,831)	18,464		21,773	(1,944)	19,829	20,449
38,134	(16,994)	21,140		38,696	(16,311)	22,385	23,181
3,802	(1,462)	2,340	7	4,165	(1,363)	2,802	2,760
26,321	(1,344)	24,977	8	23,322	(1,156)	22,166	22,292
2,829	0	2,829		3,722	0	3,722	3,143
238	0	238		(47,522)	0	(47,522)	(47,878)
31,531	(22,394)	9,137		17,587	(23,016)	(5,429)	(5,272)
463,703	(128,006)	335,697		405,448	(127,047)	278,401	280,507
		2,052	9			(2,054)	(1,787)
		17,327	10			18,498	18,808
		(330,303)	11			(334,600)	(336,187)
		24,773				(39,755)	(38,659)
		(2,298)				(8,139)	(8,139)
		122,961				(65,573)	(65,573)
		120,663				(73,712)	(73,712)
		145,436				(113,467)	(112,371)

BALANCE SHEET

<u>Restated</u> <u>1 April 2009</u> £000	<u>Restated</u> <u>31 March 2010</u> £'000		Notes	<u>31 March 2011</u> £'000
513,791	594,851	Property, Plant & Equipment	32	635,708
24,375	24,168	Investment Property	29	19,447
46	35	Intangible Assets	30	24
929	975	Assets Held for Sale	35	2,029
<u>1,164</u>	<u>1,731</u>	Long Term Debtors	38	<u>715</u>
540,305	621,760	Long Term Assets		657,923
18,881	10,036	Short Term Investments		13,092
305	904	Assets Held for Sale		0
547	573	Inventories	36	576
21,958	23,505	Short Term Debtors	37	24,978
<u>510</u>	<u>5,955</u>	Cash and Cash Equivalents		<u>7,375</u>
42,201	40,973	Current Assets		46,021
(55,798)	(28,555)	Short Term Borrowing		(9,291)
(45,310)	(48,962)	Short Term Creditors	39	(51,058)
<u>(699)</u>	<u>(159)</u>	Provisions	40	<u>(1,094)</u>
(101,807)	(77,676)	Current Liabilities		(61,443)
(917)	(1,674)	Provisions	40	(1,702)
(129,748)	(167,493)	Long Term Borrowing		(189,558)
(123,743)	(335,074)	Other Long Term Liabilities		(257,041)
<u>(122)</u>	<u>(83)</u>	Capital Grants Receipts in Advance		<u>0</u>
(254,530)	(504,324)	Long Term Liabilities		(448,301)
<u>226,169</u>	<u>80,733</u>	NET ASSETS		<u>194,200</u>
40,874	41,796	Usable Reserves		44,680
185,295	38,937	Unusable Reserves	16	149,520
<u>226,169</u>	<u>80,733</u>	TOTAL RESERVES		<u>194,200</u>

The unaudited accounts were issued on 29 June 2011 and the audited accounts were authorised for issue on 21 September 2011.

S MacKenzie CPFA
Acting Head of Finance
21 September 2011

CASH FLOW STATEMENT

<u>Restated</u> <u>2009/10</u>		Notes	<u>2010/11</u>
£'000			£'000
(24,773)	Net surplus/(deficit) on the provision of services		39,755
54,575	Adjustments to net surplus or deficit on the provision of services for non cash movements		(4,540)
(11,528)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(8,518)
<u>18,274</u>	Net cash flows from Operating Activities		<u>26,697</u>
(22,504)	Investing Activities	18	(25,469)
9,675	Financing Activities	19	192
<u>5,445</u>	Net increase or (decrease) in cash and cash equivalents		<u>1,420</u>
510	Cash and cash equivalents at the beginning of the reporting period		5,955
<u><u>5,955</u></u>	Cash and cash equivalents at the end of the reporting period	20	<u><u>7,375</u></u>

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required:

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

The Responsibilities of the Head of Finance

The Head of Finance is responsible for the preparation of the Council's statement of accounts, which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year.

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

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

The Head of Finance has also:

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

The Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

S MacKenzie
Acting Head of Finance
Perth & Kinross Council
21 September 2011

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

General

The Statement of Accounts has been prepared in accordance with proper accounting practices as required by the Local Authority Accounts (Scotland) Regulations 1985, section 12 of the Local Government in Scotland Act 2003. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS). The Statement of Accounts is intended to present a true and fair view of the financial position and transactions of the authority and has been prepared in accordance with the fundamental accounting principles of relevance, reliability, comparability, understandability and materiality.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

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

In particular:

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

Cash and Cash Equivalents

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

Changes in Accounting Policies and Estimates and Errors

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

Charges to Revenue for Non-Current Assets

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

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

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits

Employees of the Council are members of two separate pension schemes: The Scottish Teachers' Superannuation Scheme and the Local Government Pension Scheme.

The Scottish Teachers' Superannuation Scheme is a statutory unfunded defined benefit final salary scheme administered nationally by the Scottish Public Pensions Agency on behalf of the Scottish Government. There are no investment assets built up under the scheme to meet pension liabilities. The contributions paid into the scheme by the Council and teaching employees are determined nationally and member's pension benefits are prescribed under the Teachers' Superannuation (Scotland) Regulations 2005 with the Scottish Government being responsible for meeting the scheme's liabilities.

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (LGPS). The LGPS is a statutory funded defined final benefit salary scheme operated through local pension funds. Perth & Kinross Council and its employees pay contributions into the Tayside Superannuation Fund administered by Dundee City Council calculated at a level to balance the pension liabilities with investment assets. The contributions paid into the scheme by employees and member pension benefits are prescribed, for the period to which the accounts relate, by the Local Government Pensions Scheme (Scotland) Regulations 1998 as amended. Perth & Kinross Council's contributions, as employer, into the Tayside Superannuation Fund are subject to the advice of the Fund actuary.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Education Service line in the Comprehensive Income and Expenditure Statements is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the Tayside Superannuation Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 5.5% which is based on the indicative rate of return on the high quality corporate bond index (i Boxx AA).

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

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

The change in the net pension's liability is analysed into seven components:

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;

- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;
- contributions paid to the Tayside Superannuation Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

In the Council's Group Accounts the Tayside Fire & Rescue Board and Tayside Joint Police Board have recognised the impact of IAS 19 for their unfunded schemes for uniformed members.

Events After the Reporting Period

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

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

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

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

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

Financial Assets

Financial assets are loans and receivables that have fixed or determinable payments but are not quoted in an active market.

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

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

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Interests in Companies and Other Entities

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

Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is valued at the cost of direct materials and labour plus attributable overheads based on the normal level of activity less any attributable losses. In the Council's Group Accounts the Tayside Fire & Rescue Board values stock on an average cost basis. This departure from standard accounting practice is immaterial to the Group's overall financial position.

Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

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

The Council as Lessor

Operating Leases - Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price;

- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located where there is a legal or constructive obligation to do so.

The Council does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Council. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- all other assets – fair value, determined by the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, the revaluation loss is accounted for by:

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

Disposals

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

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

Leasehold properties	over period of lease
Roads and bridges	15-30 years
Other infrastructure assets	10-30 years
Vehicles, plant and equipment	3-15 years
Council Buildings	up to 50 years
Council Dwellings	10-30 years
Intangible Fixed Assets	5 years

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

Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease);
- lifecycle replacement costs – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

Provisions

The Council is required to make provisions where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provision has been made for bad and doubtful debts in respect of Council Tax, Community Charge, Housing Rents and other items of income, where appropriate. In all cases the level of provision is based on experience and an assessment of the prospects of recovering the related debt.

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

Contingent Liabilities

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

Reserves

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

Revenue Expenditure Funded from Capital under Statute

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

VAT

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

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

The Code requires that all local authorities adopt FRS 30 Heritage Assets and this will require the Council to recognise heritage assets as a separate class of assets within the 2011/12 financial statements.

Heritage assets are those assets that are held and maintained by the Council principally for their contribution to knowledge and culture and with the intention that they are preserved in trust for future generations because of their environmental, cultural or historical associations. Heritage assets include historical buildings, archaeological sites, military and scientific equipment of historical importance, civic regalia, museum and gallery collections and works of art.

Heritage assets are normally measured at fair value, however, there will be exceptions where it is not practicable to obtain a fair value and in these instances historic cost will be used instead. Depreciation is not required on heritage assets having indefinite lives. The carrying amount of a heritage asset shall be reviewed when there is evidence that an asset has deteriorated and it shall be tested for impairment per the requirements of IAS 36 Impairment of Assets.

The following provides a summary of the carrying amount of heritage assets included within the category of Community Assets in the 2010/11 Council balance sheet.

	2010/11 £'000
Works of Art	545
War Memorials	71
	<hr/> <hr/>
	616

The J D Ferguson art collection and war memorials are included within the 2010/11 Council balance sheet at historic cost.

The Council curators are currently reviewing all Council museum collections to provide indication of the magnitude of task if the Council were to value, or assess valuations for, the collections on a regular basis. This task will be completed during 2011/12 and in the meantime it is unreasonable to predict the amount of revaluation gains and losses which may or may not be recognised on reclassification. Similarly, anticipating changes in depreciation and/or impairment which require to be recognised in restating 2010/11 financial statements is unrealistic and cannot be quantified at the present time.

The war memorial carrying value of £71,000 represents the historic cost of works at various memorials in Blairgowrie, Alyth and Perth. The cost of attributing a fair value to this type of asset would be excessive in comparison to the benefits to be obtained by the user of the financial statements. The Council will continue will continue to assess these assets annually in line with the requirements of IAS 36 Impairment of Assets and if required, reduce the carrying values accordingly.

3. Critical Judgements in Applying Accounting Policies

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

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

The Council has £1million deposited with the Glitnir Icelandic Bank which is in administration. A decision by the courts has ruled that the Council will have the status of a preferred creditor and it is therefore considered that the full deposit with accrued interest will be repaid.

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

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

The item in the Council's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year is in respect of Pensions Liability.

Uncertainty

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

Effect if Actual Results Differ from Assumptions

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £65,340,000. However, the assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pension's liability had decreased by £104,271,000 as a result of pension increases being linked to Consumer price Index rather than Retail Price Index, and due to updating of the assumptions.

5. Movement in Reserves statement – Adjustments between Accounting Basis and Funding Basis under Regulations

	Usable Reserves				Total	Restated 2009/10
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied Account		
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adjustments involving the CAA</u>						
Depreciation and impairment on non-current assets	(22,293)	(3,818)	0	0	(26,111)	(30,500)
Revaluation Losses on PPE	(7,540)	(101)	0	0	(7,641)	(19,918)
Movements in MV of Investment Properties	(20)	0	0	0	(20)	(52)
Amortisation of Intangible Assets	(11)	0	0	0	(11)	(11)
Capital grants and contributions credited to the CI&E Statement	7,984	365	0	0	8,349	11,528
Amounts of non current assets written off on disposal as part of the gain/loss	(1,353)	(739)	0	0	(2,092)	(4,607)
<u>Items not debited or credited to the CI&E Account</u>						
Statutory provision for repayment of debt	11,777	2,494	0	0	14,271	12,540
Capital expenditure charged to the General Fund and HRA balances	3,332	4,398	(92)	0	7,638	4,067
<u>Adjustments involving the CRR</u>						
Transfer of sale proceeds credited as part of the gain/loss on disposal	1,503	2,186	(3,689)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	3,806	0	3,806	2,921
<u>Adjustments involving the Capital Grants Unapplied Account</u>	171	0	0	(171)	0	0
<u>Adjustments involving the FIAA</u>	462	127	0	0	589	665
<u>Adjustments involving the Pensions Reserve</u>						
Employers pensions contributions and direct payments to pensioners payable in the year	15,763	981	0	0	16,744	16,603
Amount by which pension costs calculated in accordance with the Code and different from the contributions due under pension scheme regulations	20,520	1,434	0	0	21,954	(19,065)
<u>Adjustments involving STACA</u>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(609)	4	0	0	(605)	134
Total Adjustments	29,686	7,331	25	(171)	36,871	(25,695)

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

	Balance as at 1 April 2010 £'000	Transfers In £'000	Transfers Out £'000	Balance as at 31 March 2011 £'000
Devolved School Management Balances	(945)	(1,227)	945	(1,227)
Car Parking	(1,698)	(376)	373	(1,701)
Budget Flexibility (approved in 2009/10)	(2,470)	0	2,228	(242)
Budget Flexibility (approved in 2010/11)	0	(1,089)	0	(1,089)
Equal Pay Strategy	(1,507)	0	0	(1,507)
Single Status Provision	(1,892)	0	837	(1,055)
Council Tax Income on second homes/long term empty properties	(3,663)	(1,168)	2,181	(2,650)
Developers Contributions: Commuted Sums & Infrastructure	(705)	(420)	14	(1,111)
Developers Contributions: Affordable Housing	(1,101)	(207)	42	(1,266)
Energy Efficiency Fund	(212)	(90)	49	(253)
Financial Assistance (Mod)	(80)	(20)	0	(100)
Strategic Waste Fund	(759)	0	759	0
Zero Waste Fund Resources contribution to Loan Charges	(675)	0	249	(426)
Investment in Improvement Funds	(452)	0	251	(201)
Investment in Learning Project	(2,767)	0	2,767	0
Contaminated Land	(200)	0	200	0
Perth 800/Perth City Status	(165)	0	145	(20)
Planning Fees and Building Warrant income	(820)	0	700	(120)
Transformation Agenda	(165)	0	165	0
Transport Projects	(185)	0	185	0
Additional funding for Roads maintenance due to severe weather	(219)	0	219	0
Potential Impairment in relation to Icelandic bank deposit	(568)	(1)	0	(569)
Perth Theatre & City Centre Projects	0	(1,800)	0	(1,800)
Elections	0	(153)	0	(153)
Potential DWP Subsidy Clawback	0	(1,500)	0	(1,500)
Roads Maintenance	0	(657)	0	(657)
Insurance Fund	0	(500)	0	(500)
Diamond Jubilee	0	(50)	0	(50)
Dewars Ice Rink	0	(58)	0	(58)
Revenue Grants	0	(655)	0	(655)
HRA: Potential Impairment in Icelandic deposit	(136)	(19)	0	(155)
Earmarked Balances at 31 March 2011	(21,384)	(9,990)	12,309	(19,065)
Total transfers out in 2010/11	12,309			
Total transfers in 2010/11	(9,990)			
Net Reduction in Earmarked Commitments in 2010/11	2,319			

Purpose of Earmarked General Fund Balances

Devolved School Management Scheme (DSM) – the amount shown is an estimate of the accumulated sum available to be carried forward at 31 March 2011 under the approved scheme for managing these budgets. The purposes for which the earmarked amount can be used and the procedures for its management and control are detailed in the Council's approved DSM scheme.

Car Parking – this balance is an estimate of the accumulated surpluses at 31 March 2011 which are restricted in their application under the Road Traffic Regulation Act 1984 and any proposals to utilise these resources will require approval by the Strategic Policy and Resources Committee.

Budget Flexibility – to assist in the management of the Revenue Budget, the Council's approved budget flexibility scheme permits services to carry forward underspends and overspends from one financial year into future financial years within set limits and with the prior approval of Council. The earmarked amount can only be utilised for purposes approved by Council and this will be monitored and controlled through the revenue monitoring reporting arrangements to the Strategic Policy and Resources Committee.

Equal Pay Strategy - in common with many other local authorities, the Council has recognised its potential liability under the Equal Pay Act 1970 in respect of inherited national and local pay structures which, in some instances, differentiated between male and female employees undertaking work of equal value.

Single Status Provision – this represents the amount anticipated to be required to fund the strategy for managing single status costs approved in February 2008. It is proposed that the available reserves will be applied to partially meet the forecast costs of single status over the period from 2011/12 to 2013/14.

Council Tax Income on Second Homes/Long term empty properties for affordable housing - the Council has previously agreed to reduce the level of Council Tax Discounts on Second Homes and Long Term Unoccupied Dwellings to 10% to create funding to support the development of affordable housing within the Perth & Kinross area in partnership with Registered Social Landlords. The application of these resources will be monitored as part of the revenue monitoring process to the Strategic Policy & Resources Committee and reviewed annually as part of the budget setting process.

Developers Contributions; Commuted Sums, Infrastructure and Affordable Housing - the Enterprise & Infrastructure Committee approved a comprehensive affordable housing policy on 29 August 2007. As a consequence, commuted sums are received from some developers in lieu of the provision of affordable housing. These sums are held in the Council's reserves until they are applied to schemes for the provision of affordable housing. Additionally, contributions are provided by developers towards the cost of maintaining public open space, play areas and Infrastructure. The application of these resources will be monitored as part of the revenue monitoring process to the Strategic Policy & Resources Committee and reviewed annually as part of the budget setting process.

Energy Efficiency Fund – this fund is a means of pooling grant received from the former Scottish Executive together with savings achieved from the implementation of energy conservation and efficiency schemes to fund expenditure on further schemes of the same type. These resources will be monitored as part of the revenue monitoring process to the Strategic Policy & Resources Committee and reviewed annually as part of the budget setting process.

Financial Assistance (Mod) – at its meeting on 9 February 2006 the Council approved the creation of a recurring budget to fund its contribution to the Mod. These resources will be monitored as part of the revenue monitoring process to the Strategic Policy & Resources Committee and reviewed annually as part of the budget setting process.

Zero Waste Fund Resources contribution to Loan charges - the Council approved the transfer to reserves of Zero Waste Fund resources in 2008/09 and 2009/10. These resources are to be utilised in funding loan charges over the subsequent 3 years in respect of additional waste strategy projects which are being promoted by the Environment Service. These resources will be monitored as part of the revenue monitoring process to the Strategic Policy & Resources Committee and reviewed annually as part of the budget setting process.

Investment in Improvement Fund - this amount is earmarked for specific projects in accordance with reports approved by the Strategic Policy & Resources Committee. The application of the earmarked balance will be monitored and controlled through the revenue monitoring arrangements to the Strategic Policy & Resources Committee, with additional reports on progress in utilising the resources to be submitted to that committee where necessary.

Perth City Status – funds have been earmarked to support the bid for city status for Perth through the 2012 Diamond Jubilee Civic Honours Competition. These resources will be monitored as part of the revenue monitoring process to the Strategic Policy & Resources Committee.

Planning Fees and Building Warrant Income – this balance will be utilised to fund any shortfall in income in 2011/12. These resources will be monitored as part of the revenue monitoring process to the Strategic Policy & Resources Committee.

Potential Impairment in relation to Icelandic Deposit – The Council deposited £1million with the Icelandic Bank Glitnir hf in March 2008 which has not been repaid to the Council on maturity. There remains an expectation that the balance will be repaid in full, however reserves have been earmarked to reflect the estimated worst case scenario if the Council is not treated as a preferential creditor and only receives 29% of its investment as discussed in note 43 to the Accounts. These resources will be monitored as part of the revenue monitoring process to the Strategic Policy & Resources Committee.

Perth Theatre and City Centre Projects – this balance will be utilised to develop Perth Theatre and would also be available for other projects in Perth city centre should there be a funding gap identified for development works. These resources will be monitored as part of the revenue monitoring process to the Strategic Policy & Resources Committee.

Elections – the Strategic Policy & resources Committee has approved the transfer to reserves of resources which are to be utilised in future years to offset the costs of Local Government elections. These resources will be monitored as part of the revenue monitoring process to the Strategic Policy & Resources Committee.

Potential Department of Works and Pensions Subsidy Clawback – following the External Audit of the Council's Housing Benefit and Council Tax Subsidy claim for the year ended 31 March 2010, the External Auditors raised a number of issues with the Department of Works and Pensions (DWP) in relation to the Council's approach to service charges for dispersed tenancies. The Council await the outcome of the DWP's consideration of this issue and there is a risk to the Council that the DWP may consider that the service charges levied for temporary accommodation are not permitted under the benefits regulation. The earmarked balance reflects the potential liability for the three financial years to 31 March 2010.

Roads maintenance – additional funding was received from the Scottish Government for urgent repairs of local roads and the extra cost of winter maintenance arising from severe weather. These resources are to be carried forward to 2011/12 to fund repairs to local roads and will be monitored as part of the revenue monitoring process to the Strategic Policy & Resources Committee.

Insurance Fund – resources have been earmarked for a contribution to this fund. The Insurance Fund is currently experiencing pressure from claims arising due to the severe weather experienced in the last two winters. Additionally the Council has a number of high value claims which may result in payments from the fund. An Actuarial review of the Fund is currently being undertaken and there is a potential risk that the additional cost pressures would result in the current funding strategy no longer being sustainable. These resources will remain earmarked until the outcome of the Actuarial review has been considered. These resources will be monitored as part of the revenue monitoring process to the Strategic Policy & Resources Committee.

Diamond Jubilee – this balance has been earmarked for Council and community activities to mark the Diamond Jubilee. These resources will be monitored as part of the revenue monitoring process to the Strategic Policy & Resources Committee.

Dewars Ice Rink – this balance is to provide short term funding in 2011/12. These resources will be monitored as part of the revenue monitoring process to the Strategic Policy & Resources Committee.

Revenue Grants – these grants are being carried forward in reserves as the conditions have been met but the expenditure has not been fully incurred.

7. Comprehensive Income & Expenditure Statement - Central Services

This heading includes areas of expenditure that cannot be attributed or apportioned to the main services provided by the Council.

	2010/11 £'000	2009/10 £'000
Local Tax Collection	1,240	1,020
Registration of Births, Deaths and Marriages	149	128
Electoral Registration /Elections	668	500
Licensing	68	67
Emergency Planning	118	66
General Grants, Bequests and Donations	559	559
	<u>2,802</u>	<u>2,340</u>

8. Comprehensive Income & Expenditure Statement - Other Expenditure

Other Expenditure is detailed as follows. The services of Fire & Rescue, Police and Valuation are provided by joint boards on behalf of Perth & Kinross, Angus and Dundee City Councils.

	2010/11 £'000	2009/10 £'000
Fire & Rescue	7,187	8,616
Police	10,515	12,317
Valuation	1,214	1,190
Commercial Property	2,468	2,134
Irrecoverable Costs of Support to Outside Bodies	563	542
Harbour	219	178
	<u>22,166</u>	<u>24,977</u>

The harbour at Perth is a commercial port. Income from harbour dues during the year amounted to £120,000 (2009/10 £133,000), and the net deficit was £219,000 (2009/10 deficit £178,000).

9. Comprehensive Income and Expenditure Statement – Other Operating Expenditure

	2010/11 £'000	2009/10 £'000
(Gains)/Losses on the Disposal of Non Current Assets	(1,597)	2,357
Share of Tayside Contracts surplus	(457)	(305)
	<u>(2,054)</u>	<u>2,052</u>

10. Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure

	2010/11	2009/10
	£'000	£'000
Interest payable and similar charges	14,401	11,350
Pensions interest cost and expected return on pensions assets	5,815	6,641
Interest receivable and similar income	(545)	(511)
Losses on the repurchase or early settlement of borrowing	1	934
Income and expenditure in relation to investment properties and changes in their fair value	(1,174)	(1,087)
Total	<u>18,498</u>	<u>17,327</u>

11. Comprehensive Income and Expenditure Statement – Taxation and Non Specific Grant Incomes

	2010/11	2009/10
	£'000	£'000
Council Tax Income	(69,578)	(70,725)
Non Domestic Rates	(57,555)	(59,687)
Non Ringfenced Government Grants	(198,948)	(188,363)
Capital Grants and Contributions	(8,519)	(11,528)
Total	<u>(334,600)</u>	<u>(330,303)</u>

12. Comprehensive Income and Expenditure Statement – Material Items of Income and Expense

There have been no material items of income and expense during 2010/11 in terms of the normal activities of the Council.

13. Premiums and Discounts on Debt Rescheduling Written Down

The Code requires that any premiums or discounts arising from debt rescheduling should be written off in the year they were incurred, except in limited circumstances where they would qualify as a 'modification' of debt. During 2010/11, there were no such debt modifications, therefore all premiums incurred and discounts received were charged or credited in full to the Comprehensive Income and Expenditure Statement as extinguishments of debt. In 2010/11, £6,500,000 of debt with the Public Works Loans Board (PWL B) was prematurely repaid. This incurred total premiums of £112,549 and a discount of £111,216 being received. These have been charged to the Comprehensive Income and Expenditure Statement in 2010/11 in full.

The net amount of premium and discount debited to the General Fund and HRA for transactions prior to 1 April 2010 (as permitted by statutory guidance) from the Financial Instruments Adjustment Account (FIAA) was £577,751 (2009/10 £610,680).

14. General Grants, Bequests and Donations

Perth and Kinross Council is represented on, exercises influence over and provides grants to a large number of outside bodies which provide services to the public, consistent with the Council's statutory responsibilities.

During 2010/11 a total of £10,215,000 (2009/10 £11,017,000) was paid out in support of these organisations ranging from remission of hall rents of a few pounds to the contribution towards the operational and other costs of Live Active Leisure Limited (formerly Perth and Kinross Leisure Ltd) of £3,069,000 (2009/10 £3,393,000). Details of grants are shown below.

	2010/11 £'000	2010/11 £'000	2009/10 £'000	2009/10 £'000
Education				
- Service Level Agreements with Voluntary Organisations		505		561
Social Work				
- Service Level Agreements with Voluntary Organisations		3,394		3,605
Housing (General Fund)				
- Churches Action for the Homeless	470		502	
- Perth and Kinross Community Mediation	126		136	
<i>Sub Total Housing (General Fund)</i>		596		638
Planning & Development				
- Perthshire Investment Fund Limited	13		114	
- Visit Scotland	170		179	
- Perth & Kinross Countryside Trust	109		109	
- Perth & Kinross Heritage Trust	148		148	
- Perth Festival of the Arts	23		24	
<i>Sub Total Planning & Development</i>		463		574
Cultural & Related				
- Live Active Leisure Limited	3,069		3,393	
- Perth Concert Hall	1,014		1,046	
- Perth Repertory Theatre	386		397	
- Pitlochry Festival Theatre	195		201	
- Perth & Kinross Sports Council	18		18	
<i>Sub Total Cultural & Related</i>		4,682		5,055
Central Services				
- Citizens Advice Bureau	142		142	
- Perthshire Womens Aid	54		49	
- Other	379		393	
<i>Sub Total Central Services</i>		575		584
		<u>10,215</u>		<u>11,017</u>

15. Balance Sheet – Usable Reserves

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

16. Balance Sheet – Unusable Reserves

	2010/11 £'000	2009/10 £'000
Revaluation Reserve	(62,542)	(55,656)
Capital Adjustments Account	(239,473)	(240,031)
Financial Instruments Adjustment Account	14,556	15,145
Pensions Reserve	130,073	234,344
Accumulating Compensated Absences Adjustment Account	7,866	7,261
Total Unusable Reserves	<u>(149,520)</u>	<u>(38,937)</u>

Revaluation Reserve

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

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

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

	2010/11 £'000	2009/10 £'000
Balance at 1 April	(55,656)	(55,498)
IFRS 2009/10 restatement adjustment	0	(628)
Upward revaluation of assets	(8,751)	(2,367)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	612	697
Surplus or deficit on revaluation of non current assets not posted to the (Surplus) or Deficit on the Provision of Services	(63,795)	(57,796)
IFRS 2009/10 restatement adjustment	0	901
Difference between fair value depreciation and historical cost depreciation	1,131	975
Accumulated gains on assets sold or scrapped	122	264
Amount written off the Capital Adjustment Account	(62,542)	(55,656)
Balance at 31 March	<u>(62,542)</u>	<u>(55,656)</u>

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2010/11 £'000	2009/10 £'000
Balance at 1 April	(240,031)	(261,925)
IFRS 2009/10 restatement adjustment		(899)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non current assets	26,111	30,500
Revaluation losses on Property, Plant and Equipment	7,641	19,918
Amortisation of intangible assets	11	11
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,092	4,607
	<u>(204,176)</u>	<u>(207,788)</u>
Adjusting amounts written out of the Revaluation Reserve	<u>(1,253)</u>	<u>(1,239)</u>
Net written out amount of the cost of non current assets consumed in the year	(205,429)	(209,027)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(3,806)	(2,921)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(8,349)	(11,528)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(14,271)	(12,540)
Capital expenditure charged against the general fund and HRA balances	<u>(7,638)</u>	<u>(4,067)</u>
	(239,493)	(240,083)
Movements in the market value of the Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	20	52
Balance at 31 March	<u><u>(239,473)</u></u>	<u><u>(240,031)</u></u>

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) is used to hold the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the Account to manage the balance of premiums and discounts which existed at 31 March 2007, which arose on the early redemption of loans. These are charged to the General Fund and Housing Revenue Account (HRA) in accordance with statutory provisions, and so spreading the burden on Council Tax and Housing Rents. These statutory arrangements allow for the annual charges to be made in accordance with the original amortisation schedules which existed at that time. Whilst these statutory provisions allow for the spreading of discounts and premiums which arose after 1 April 2007 in certain circumstances, there have been no such premiums or discounts in this period.

The Council also uses the FIAA to hold the difference in interest charges which arises on stepped interest rate loans. These typically have low interest rates in the early years before "stepping up" to a higher interest rate. Interest on such loans is now required to be charged consistently over the life of the loan using the Effective Interest Rate Method. The difference in the cumulative charges under this new method to 31 March 2007 was debited to the FIAA, and is to be charged to the General fund and the HRA over the life of the loans under the statutory provisions.

Accordingly, the balance on the FIAA as at 31 March 2011 in respect of the above provisions will be charged to the General Fund and HRA over the next 44 years. The movements on the FIAA during the year are shown below:

	2010/11 £'000	2009/10 £'000
Balance at 1 April	15,145	15,810
Proportion of discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	17	16
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(594)	(594)
Reverse Deferment of Glitnir Impairment	0	(76)
Difference on restatement of Stepped Interest Rate Loans	(12)	(11)
Balance at 31 March	<u>14,556</u>	<u>15,145</u>

Pensions Reserve

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

	2010/11 £'000	2009/10 £'000
Balance at 1 April	234,344	108,921
Actuarial gains or losses on pensions assets and liabilities	(65,573)	122,961
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(21,954)	19,065
Employer's pensions contributions and direct payments to pensioners payable in the year	(16,744)	(16,603)
Balance at 31 March	<u>130,073</u>	<u>234,344</u>

Accumulating Absences Account

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

	2010/11 £'000	2009/10 £'000
Balance at 1 April	7,261	7,395
Settlement or cancellation of accrual made at the end of the preceding year	(7,261)	(7,395)
Amounts accrued at the end of the current year	7,866	7,261
Balance at 31 March	<u>7,866</u>	<u>7,261</u>

17. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2010/11 £'000	2009/10 £'000
Interest received	(545)	(511)
Interest paid	14,401	11,350
	<u>13,856</u>	<u>10,839</u>

18. Cash Flow Statement – Investing Activities

	2010/11 £'000	2009/10 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(34,622)	(45,506)
Purchase of short-term and long-term investments	(3,055)	0
Proceeds from the sale of of property, plant and equipment, investment property and intangible assets	3,690	2,251
Proceeds of short-term and long-term investments	0	8,844
Other receipts for investing activities	8,518	11,907
	<u>(25,469)</u>	<u>(22,504)</u>

19. Cash Flow Statement – Financing Activities

	2010/11 £'000	2009/10 £'000
Cash receipts of short and long-term borrowing	71,069	186,853
Other receipts from financing activities	(139)	(137)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(2,386)	(690)
Repayments of short and long-term borrowing	(68,269)	(176,351)
Other payments for financing activities	(83)	0
Net cash flows from financing activities	<u>192</u>	<u>9,675</u>

20. Cash Flow Statement – Cash and Cash Equivalents

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

	2010/11 £'000	2009/10 £'000
Cash held by officers	40	38
Bank current accounts	(1,949)	(1,261)
Short-term deposits with banks	9,214	7,178
Short-term deposit with other organisations	70	0
Total cash and cash equivalents	<u>7,375</u>	<u>5,955</u>

21. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive Directors on the basis of internal management reports analysed across service areas. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- expenditure on some support services is budgeted for centrally and not charged to portfolios.

The income and expenditure of the Council's principal services recorded in the management reports for the year is as follows:

Segmental Analysis 2010/11	Education & Children's Services £'000	Housing & Community Care £'000	The Environment Service £'000	Total £'000
Fees, charges and other service income	(12,986)	(46,779)	(28,837)	(88,602)
Government Grants and contributions	(1,739)	(31,503)	(968)	(34,210)
Total Income	(14,725)	(78,282)	(29,805)	(122,812)
Employee expenses	105,249	41,138	25,499	171,886
Other service expenses	55,785	100,279	42,214	198,278
Support Service Recharges	13,194	9,818	10,541	33,553
Total operating expenses	174,228	151,235	78,254	403,717
Net Cost of Services	159,503	72,953	48,449	280,905

2010/11
£'000

Reconciliation to Net Cost of Services in Group Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis	280,905
Add services not included in main analysis	17,258
Add amounts not reported to management	<u>(19,762)</u>
Net cost of services in Comprehensive Income and Expenditure Statement	278,401
Group operating results	<u>(22,369)</u>
Net cost of services in Group Comprehensive Income and Expenditure Statement	<u><u>256,032</u></u>

Reconciliation to Subjective Analysis	Service Analysis	Services not in Analysis	Not reported to management	Group Results	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(88,602)	(323)	(2,290)	(287)	(91,502)	(1,278)	(92,780)
Surplus or deficit on associates and joint ventures	0	0	0	(22,445)	(22,445)	(457)	(22,902)
Interest and Investment Income	0	0	0	0	0	(686)	(686)
Income from council tax	0	0	0	0	0	(69,577)	(69,577)
Government grants and contributions	(34,210)	(1,622)	0	0	(35,832)	(265,023)	(300,855)
Total Income	(122,812)	(1,945)	(2,290)	(22,732)	(149,779)	(337,021)	(486,800)
Employee expenses	171,886	14,461	(43,871)	0	142,476	20,531	163,007
Other service expenses	198,278	4,742	(8,732)	363	194,651	2	194,653
Support Service Recharges	33,553	0	0	0	33,553	0	33,553
Depreciation, amortisation and impairment	0	0	35,131	0	35,131	0	35,131
Interest payments	0	0	0	0	0	14,632	14,632
(Gain) or loss on disposal of non-current assets	0	0	0	0	0	(1,610)	(1,610)
Total operating expenses	403,717	19,203	(17,472)	363	405,811	33,555	439,366
(Surplus)/Deficit on the provision of services (Group Comprehensive I&E)	280,905	17,258	(19,762)	(22,369)	256,032	(303,466)	(47,434)

Segmental Analysis 2009/10

	<i>Education & Children's Services</i>	<i>Housing & Community Care</i>	<i>The Environment Service</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
Fees, charges and other service income	(16,419)	(47,722)	(29,050)	(93,191)
Government Grants and contributions	(2,166)	(28,836)	(1,687)	(32,689)
Total Income	(18,585)	(76,558)	(30,737)	(125,880)
Employee expenses	101,518	41,018	24,257	166,793
Other service expenses	52,723	96,551	41,804	191,078
Support Service Recharges	17,282	9,188	10,617	37,087
Total operating expenses	171,523	146,757	76,678	394,958
Net Cost of Services	152,938	70,199	45,941	269,078

2009/10
£'000

Reconciliation to Net Cost of Services in Group Comprehensive Income and Expenditure Statement

Cost of Services in Service Analysis	269,078
Add services not included in main analysis	29,306
Add amounts not reported to management	37,313
Net cost of services in Comprehensive Income and Expenditure Statement	335,697
Group operating results	(2,285)
Net cost of services in Group Comprehensive Income and Expenditure Statement	333,412

Reconciliation to Subjective Analysis	<i>Service Analysis</i>	<i>Services not in Analysis</i>	<i>Not reported to management</i>	<i>Group Results</i>	<i>Net Cost of Services</i>	<i>Corporate Amounts</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(93,191)	(735)	(581)	0	(94,507)	0	(94,507)
Surplus or deficit on associates and joint ventures	0	0	0	(2,410)	(2,410)	(1,523)	(3,933)
Interest and Investment Income	0	0	0	0	0	(1,007)	(1,007)
Income from council tax	0	0	0	0	0	(70,725)	(70,725)
Government grants and contributions	(32,689)	(810)	0	0	(33,499)	(259,577)	(293,076)
Total Income	(125,880)	(1,545)	(581)	(2,410)	(130,416)	(332,832)	(463,248)
Employee expenses	166,793	16,446	(2,057)	0	181,182	19,967	201,149
Other service expenses	191,078	14,405	(10,480)	125	195,128	968	196,096
Support Service Recharges	37,087	0	0	0	37,087	0	37,087
Depreciation, amortisation and impairment	0	0	50,431	0	50,431	0	50,431
Interest payments	0	0	0	0	0	11,616	11,616
(Gain) or loss on disposal of non-current assets	0	0	0	0	0	2,353	2,353
Total operating expenses	394,958	30,851	37,894	125	463,828	34,904	498,732
(Surplus)/Deficit on the provision of services (Group Comprehensive I&E)	269,078	29,306	37,313	(2,285)	333,412	(297,928)	35,484

22. Agency Services

Agency arrangements operate in some Services where the Council undertakes work on behalf of other local authorities; Scottish Water; government and other public bodies. The main items of income and related expenditure, which are included within the Income and Expenditure Account, are shown below.

	2010/11 Income	2010/11 Expenditure	2009/10 Income	2009/10 Expenditure
	£'000	£'000	£'000	£'000
<u>Education Services</u>				
Provision of Support for Learning Assistants to other local authorities	88	88	78	78
<u>Roads and Transport Services</u>				
Receipts from other local authorities for cross boundary bus services	26	26	27	27
<u>Housing & Community Care</u>				
Income from Water Authorities	367	367	308	308
Totals	481	481	413	413

23. External Audit Costs

In 2010/11 Perth and Kinross Council incurred the following fees relating to external audit services provided in accordance with the Code of Audit Practice:

	2010/11 £'000	2009/10 £'000
Fees payable to Audit Scotland	324	308

24. Termination Benefits

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £3,601,440 (£18,000 in 2009/10). This has been payable to 118 officers from various services who participated in the Council's Voluntary Severance Scheme or restructuring reviews within the Council during the year and has delivered significant recurring savings.

25. Post Employment Benefits

International Accounting Standard 19 'Employee Benefits' (IAS 19) prescribes how pension costs and liabilities are to be disclosed in the financial statements. The standard requires employing organisations to account for post employment benefits in the period in which they are committed to give them, even if the actual payment of these benefits will be many years in the future. The following notes are prepared in accordance with the code guidance on disclosure requirements in respect of IAS 19.

Perth & Kinross Council participates in two different pension schemes, one for teaching staff and a separate scheme for all other employees.

Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers

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

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

In 2010/11, the Council paid £7,686,000 to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.9% of pensionable pay. The figures for 2009/10 were £7,661,000 and 14.9%. There were no contributions remaining payable at the year-end. Additional payments relating to added year's benefits, which the Council has inherited from predecessor authorities or awarded itself, together with related increases, amounted to £270,000 (2009/10 £277,000).

Pension Schemes Accounted for as Defined Benefit Pension Schemes

Local Government Pension Scheme

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (LGPS). The LGPS is a statutory funded defined benefit final salary scheme operated through local pension funds. Perth & Kinross Council and its employees pay contributions into the Tayside Superannuation Fund administered by Dundee City Council calculated at a level to balance the pension liabilities with investment assets. The contributions paid into the scheme by employees and member pension benefits are prescribed, for the period to which the accounts relate, by the Local Government Pensions Scheme (Scotland) Regulations 1998 as amended. Perth & Kinross Council's contributions, as an employer, into the Tayside Superannuation Fund are subject to the advice of the Fund actuary.

The Local Government Pension Scheme allows for the award of discretionary post employment benefits upon early retirement. This is an unfunded defined benefit final arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pension's liabilities, and cash has to be generated to meet actual pension's payments as they eventually fall due.

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

Local Government Pension Scheme

	2010/11 £'000	2009/10 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- Current service cost	22,682	12,167
- Settlements & curtailments	1,451	124
- Past service (gains)/costs	(51,902)	133
Financing and Investment Income and Expenditure		
- Interest cost	34,245	25,837
- Expected return on scheme assets	(28,430)	(19,196)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	<u>(21,954)</u>	<u>19,065</u>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- Actuarial gains and losses	65,573	(122,961)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	<u>65,573</u>	<u>(122,961)</u>

Local Government Pension Scheme

	2010/11 £'000	2009/10 £'000
Movement in Reserves Statement		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	21,954	(19,065)
Actual amount charged against the General Fund Balance for pensions in the year		
- Employers contributions payable to scheme	16,744	16,603

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £553,088,000.

Assets and Liabilities in Relation to Post Employment Benefits

The Code requires information to be provided in the notes to the accounts on the Council's assets and liabilities arising from its retirement benefit obligations as defined under IAS19. The actuarial assessment of the share of Tayside Superannuation Fund assets and liabilities attributable to Perth & Kinross Council at 31 March 2011 is set out below in the form of a reconciliation of the movement in year in the value of the Council's pension assets and defined benefit obligation. The estimates have been prepared in accordance with guidance on accounting for post employment benefits under IAS 19 issued by the Institute and the Faculty of Actuaries.

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2010/11 £'000	2009/10 £'000
Opening balance at 1 April	(616,481)	(383,246)
Current service cost	(22,682)	(12,167)
Interest Cost	(34,245)	(25,837)
Contributions by scheme participants	(5,292)	(5,190)
Settlements and curtailments	(1,451)	(124)
Actuarial Gains and (Losses)	62,489	(202,313)
Benefits paid	15,533	12,529
Past service costs	51,902	(133)
Closing Value at 31 March	<u>(550,227)</u>	<u>(616,481)</u>

Reconciliation of the fair value of the scheme (plan) assets:

	2010/11 £'000	2009/10 £'000
Opening balance at 1 April	382,137	274,325
Expected rate of return	28,430	19,196
Actuarial gains and (losses)	3,084	79,352
Employer contributions	16,744	16,603
Contributions by scheme participants	5,292	5,190
Benefits paid	(15,533)	(12,529)
Closing balance at 31 March	<u>420,154</u>	<u>382,137</u>

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 was £30,765,000 (2009/10 £98,238,000)

Scheme History

To assist in putting the Council's net pension liability in 2010/11 into context, movements in the Council's net pension deficit in both the current and preceding four financial years are analysed below in accordance with CIPFA / LASAAC guidelines. In the interest of consistency, the fair value of scheme assets is shown at bid price (estimated where necessary) for the periods prior to 31 March 2011.

Local Government Pension Scheme	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000
Present Value of Liabilities	(550,227)	(616,481)	(383,246)	(381,930)	(403,753)
Fair value of assets in the Local Government Pension Scheme	<u>420,154</u>	<u>382,137</u>	<u>274,325</u>	<u>350,865</u>	<u>355,067</u>
Surplus/(deficit) in the scheme:	(130,073)	(234,344)	(108,921)	(31,065)	(48,686)
Net Surplus/Deficit of the scheme at 31 March	<u>(130,073)</u>	<u>(234,344)</u>	<u>(108,921)</u>	<u>(31,065)</u>	<u>(48,686)</u>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £130,073,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due) as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £15,647,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham Public Sector Consulting, an independent firm of actuaries. The estimates for the Tayside Superannuation Fund being based on the latest full valuation of the scheme as at 31 March 2008 and rolled forward to 31 March 2011.

The principal assumptions used by the actuary have been:

	2010/11	2009/10
Long term expected rate of return on assets in the scheme:		
Equity investments	8.2%	8.3%
Bonds - Gilts	4.4%	4.5%
Bonds - Other	5.5%	5.5%
Other - Property	5.4%	5.5%
Other - Cash	3.0%	3.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.4	21.4
- Women	24.4	24.4
Longevity at 65 for future pensioners:		
- Men	22.3	22.3
- Women	25.3	25.3
Rate of inflation CPI	2.7%	-
Rate of inflation RPI	3.5%	3.9%
Rate of increase in salaries	5.0%	5.4%
Rate of increase in pensions	2.7%	3.9%
Rate for discounting scheme liabilities	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31-Mar-11	31-Mar-10
	%	%
Equity investments	72.0%	72.0%
Debt instruments	17.0%	17.0%
Other assets	11.0%	11.0%
	<u>100.0%</u>	<u>100.0%</u>

History of Experience Gains and Losses

	2010/11	2009/10	2008/09	2007/08
	%	%	%	%
Differences between the expected and actual return on assets	0.6%	20.7%	(40.2%)	(12.1%)
Experience gains and losses on liabilities	0.6%	(0.6%)	(7.4%)	0.0%

26. Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Acting Head of Finance on 21 September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

27. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in note 21 on amounts reported to decision makers.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in the Remuneration Report. During 2010/11, works and services to the value of £201,072 were commissioned from a company in which one member had an interest. Contracts were entered into in full compliance with the council's standing orders.

28. Leases

Council as Lessee

The Council has previously acquired grounds maintenance and waste disposal vehicles by entering into contract hire agreements. The Council also operates a Lease Car Scheme which is available to eligible employees and lease rental payments are recovered from employees. The vehicle contract hire and car leasing agreements are due to expire during the financial years 2011/12 to 2013/14.

The Council has also acquired the use of a number of properties by entering into leasing arrangements. The majority of such properties are used for office accommodation and any capital works undertaken within these premises is written down over the shorter of the lease term or the useful life of the property.

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

	2010/11	2009/10
	£'000	£'000
Not later than one year	9	11
Later than one year and not later than five years	2,487	444
Later than five years	2,242	4,997
	<u>4,738</u>	<u>5,452</u>

The expenditure charged to the Services lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2010/11	2009/10
	£'000	£'000
Minimum lease payments	1,060	1,004
Contingent rents	0	0
Sublease payments receivable	(18)	(28)
	<u>1,042</u>	<u>976</u>

Council as Lessor

The Council leases out property under operating leases at normal market rents with the following purpose:

Land for the generation of rental income arising from its use; land and buildings, which include offices and shops, for the supply of suitable business accommodation to promote economic development or satisfy social needs, or to solely generate rental income for the Council.

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

	2010/11 £'000	2009/10 £'000
Not later than one year	105	181
Later than one year and not later than five years	519	723
Later than five years	52,317	53,477
	<u>52,941</u>	<u>54,381</u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were no material adjustments in respect of contingent rents during the years 2009/10 and 2010/11.

29. Investment Properties

	2010/11 £'000	2009/10 £'000
Rental income from investment property	(1,278)	(1,218)
Direct operating expenses arising from investment property	84	79
Net gain	<u>(1,194)</u>	<u>(1,139)</u>

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

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

	2010/11 £'000	2009/10 £'000
Balance at start of year	24,168	24,377
Additions:		
Subsequent expenditure	22	2
Disposals	(215)	(184)
Net gain/(losses) from fair value adjustments	(20)	(52)
Transfers:		
(to)/from Property, Plant and Equipment	(4,508)	0
Other Changes	0	25
Balance at end of year	<u>19,447</u>	<u>24,168</u>

30. Intangible Assets

The movement on Intangible Asset balances during the year is as follows:

	2010/11		2009/10	
	Other	Total	Other	Total
	Assets	Assets	Assets	Assets
	£'000	£'000	£'000	£'000
Balance at start of year				
Gross carrying amount	57	57	57	57
Accumulated amortisation	(22)	(22)	(11)	(11)
Net carrying amount at start of year	35	35	46	46
Amortisation for the period	(11)	(11)	(11)	(11)
Net carrying amount at end of year	24	24	35	35
Comprising:				
Gross carrying amounts	57	57	57	57
Accumulated amortisation	(33)	(33)	(22)	(22)
	24	24	35	35

Other Assets represents the development of software for Resourcelink, the Council's integrated Human Resources Payroll system. The council is custodian of Resourcelink software and data and therefore maintains control over the system; future economic benefits will flow to the council. Resourcelink expenditure will be written off in full over five financial years, which commenced 2008/09.

There is no comparable market evidence to suggest that the Resourcelink value stated within the balance sheet is not a fair reflection of the asset's carrying value at 31 March 2011.

31. Impairment Losses

During 2010/11, the Council has recognised an impairment loss of £2m in relation to the office building at 2 High Street, Perth. The loss recognises the reduced life expectancy of several components within the building, including heating and electrical services, windows and sections of the roof. Works are programmed for the upgrade and replacement of these components in the years 2012 to 2016.

An impairment loss of £0.5m was also recognised in 2010/11 in respect of Aberfeldy Town Hall, which became surplus to Council operational requirements with effect from 31 March 2011. The £0.5m loss reflects that the service potential arising from the property has been fully exhausted by the Council.

32. Property, Plant and Equipment

Movements on Fixed Assets 2010/11 in respect of Property, Plant & Equipment, Investment Property and Non Current Assets held for sale.

Movements in 2010/11	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Sub Total c/fwd £'000
<u>Gross Book Value</u>						
As at 1 April 2010	50,476	452,824	28,387	144,530	8,849	685,066
Additions	7,056	38,492	4,421	11,216	2,261	63,446
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	6,366	0	0	0	6,366
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(8,567)	0	0	0	(8,567)
Derecognition - disposals	(494)	(288)	(2,088)	0	0	(2,870)
Asset reclassifications	0	3,035	0	0	0	3,035
As at 31 March 2011	<u>57,038</u>	<u>491,862</u>	<u>30,720</u>	<u>155,746</u>	<u>11,110</u>	<u>746,476</u>
<u>Depreciation</u>						
As at 1 April 2010	(2,838)	(22,525)	(17,942)	(48,545)	(2,411)	(94,261)
Depreciation charge for 2010/11	(3,133)	(9,549)	(4,383)	(5,930)	(608)	(23,603)
Depreciation written out to the Revaluation Reserve	0	1,795	0	0	0	1,795
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	672	0	0	0	672
Derecognition - disposals	32	33	2,083	0	0	2,148
Asset reclassifications	0	59	0	0	0	59
As at 31 March 2011	<u>(5,939)</u>	<u>(29,515)</u>	<u>(20,242)</u>	<u>(54,475)</u>	<u>(3,019)</u>	<u>(113,190)</u>
Net Book Value at 31 March 2011	<u>51,099</u>	<u>462,347</u>	<u>10,478</u>	<u>101,271</u>	<u>8,091</u>	<u>633,286</u>

Movements in 2010/11

	Sub total b/fwd £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	PFI Assets Included in PPE £'000
<u>Gross Book Value</u>					
As at 1 April 2010	685,066	885	3,239	689,190	97,501
Additions	63,446	17	523	63,986	29,795
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,366	0	0	6,366	(265)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,567)	(1,200)	(533)	(10,300)	(4,877)
Derecognition - disposals	(2,870)	0	(215)	(3,085)	0
Asset reclassifications	3,035	1,800	(2,024)	2,811	1,010
As at 31 March 2011	<u>746,476</u>	<u>1,502</u>	<u>990</u>	<u>748,968</u>	<u>123,164</u>
Depreciation					
As at 1 April 2010	(94,261)	(70)	(8)	(94,339)	(2,619)
Depreciation charge for 2010/11	(23,603)	0	0	(23,603)	(2,846)
Depreciation written out to the Revaluation Reserve	1,795	0	0	1,795	854
Depreciation written out to the Surplus/Deficit on the Provision of Services	672	0	8	680	0
Derecognition - disposals	2,148	0	0	2,148	0
Asset reclassifications	59	0	0	59	0
As at 31 March 2011	<u>(113,190)</u>	<u>(70)</u>	<u>0</u>	<u>(113,260)</u>	<u>(4,611)</u>
Net Book Value at 31 March 2011	<u>633,286</u>	<u>1,432</u>	<u>990</u>	<u>635,708</u>	<u>118,553</u>

Comparative Movements in 2009/10

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Sub Total c/fwd £'000
<u>Gross Book Value</u>						
As at 1 April 2009	52,697	356,770	26,182	136,580	8,094	580,323
Additions	18,463	100,334	4,907	7,950	755	132,409
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	1,960	0	0	0	1,960
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(16,730)	(15,682)	0	0	0	(32,412)
Derecognition - disposals	(3,954)	(126)	(2,702)	0	0	(6,782)
Derecognition - other	0	0	0	0	0	0
Asset reclassifications	0	9,568	0	0	0	9,568
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0
As at 31 March 2010	50,476	452,824	28,387	144,530	8,849	685,066
<u>Depreciation</u>						
As at 1 April 2009	(5,641)	(14,103)	(15,833)	(42,984)	(1,953)	(80,514)
Depreciation charge for 2009/10	(3,158)	(8,611)	(4,802)	(5,561)	(458)	(22,590)
Depreciation written out to the Revaluation Reserve	0	2	0	0	0	2
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,642	162	0	0	0	5,804
Derecognition - disposals	319	1	2,693	0	0	3,013
Asset reclassifications	0	8	0	0	0	8
Other movements in depreciation and impairment	0	16	0	0	0	16
As at 1 April 2009	(2,838)	(22,525)	(17,942)	(48,545)	(2,411)	(94,261)
Revised Net Book Value at 31 March 2010	47,638	430,299	10,445	95,985	6,438	590,805

Comparative Movements in 2009/10

	Sub total b/fwd £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	PFI Assets Included in PPE £'000
<u>Gross Book Value</u>					
As at 1 April 2009	580,323	1,231	12,821	594,375	9,900
Additions	132,409	5	1,179	133,593	88,803
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,960	0	0	1,960	(610)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(32,412)	0	(268)	(32,680)	(6,725)
Derecognition - disposals	(6,782)	(351)	0	(7,133)	0
Derecognition - other	0	0	0	0	0
Asset reclassifications	9,568	0	(10,493)	(925)	6,133
Assets reclassified (to)/from Held for Sale	0	0	0	0	0
As at 31 March 2010	<u>685,066</u>	<u>885</u>	<u>3,239</u>	<u>689,190</u>	<u>97,501</u>
<u>Depreciation</u>					
As at 1 April 2009	(80,514)	(70)	0	(80,584)	(484)
Depreciation charge for 2009/10	(22,590)	0	(11)	(22,601)	(2,135)
Depreciation written out to the Revaluation Reserve	2	0	0	2	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,804	0	0	5,804	61
Derecognition - disposals	3,013	0	0	3,013	0
Asset reclassifications	8	0	(8)	0	(61)
Other movements in depreciation and impairment	16	0	11	27	0
As at 1 April 2009	<u>(94,261)</u>	<u>(70)</u>	<u>(8)</u>	<u>(94,339)</u>	<u>(2,619)</u>
Revised Net Book Value at 31 March 2010	<u>590,805</u>	<u>815</u>	<u>3,231</u>	<u>594,851</u>	<u>94,882</u>

Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £8.120m. Similar commitments at 31 March 2010 were £12.984m. The total commitment is made up of the following:

	2010/11 £'000	2009/10 £'000
Education Projects	2,146	3,869
Roads & Bridges Improvement Schemes	2,291	2,654
Flood Prevention	198	398
Dalcruie Landfill site	273	488
Other Environmental Improvements	1,098	3,345
Fleet Vehicles	23	328
Provision and Upgrade of Commercial Sites	45	187
Regeneration of Travellers' Sites	0	66
Other Capital Projects	2,046	1,649
	<u>8,120</u>	<u>12,984</u>

Valuation of Assets

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on market prices at date of acquisition.

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	25,519	17,591	8,232	393	51,735
Values at fair value as at:					
31 March 2011	0	82,739	4,368	1,590	88,697
31 March 2010	31,519	103,499	4,902	0	139,920
31 March 2009	0	98,742	5,761	20	104,523
31 March 2008	0	36,650	3,789	0	40,439
31 March 2007	0	173,090	3,668	1,529	178,287
Total Cost or Valuation	<u>57,038</u>	<u>512,311</u>	<u>30,720</u>	<u>3,532</u>	<u>603,601</u>

Changes Estimates

The Council made no material changes to accounting estimates for Property, Plant and Equipment in 2010/11.

33. Capital Expenditure and Capital Financing

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

	2010/11 £'000	2009/10 £'000
Capital Financing Requirements b/fwd	324,248	221,129
<u>Capital Expenditure</u>		
Property, Plant and Equipment	63,987	134,147
Investment Properties	22	0
	<u>64,009</u>	<u>134,147</u>
	<u>388,257</u>	<u>355,276</u>
<u>Sources of Finance</u>		
Capital Receipts	3,781	3,320
Government Grants and Contributions	8,519	11,149
Revenue Contributions	7,638	4,017
Loans Fund Principal Repayments	14,271	12,542
	<u>34,209</u>	<u>31,028</u>
Closing Capital Financing Requirement c/fwd	<u>354,048</u>	<u>324,248</u>
Movement	29,800	103,119
<u>Analysed as:</u>		
Increase in need to borrow	2,798	15,087
Net assets acquired under PPP contract	27,002	88,032
	<u>29,800</u>	<u>103,119</u>

34. Public Finance Initiatives and Similar Contracts

The Council has an obligation for 25 years commencing September 2000 in respect of a unitary charge payment to be made for office accommodation and a car park.

The unitary charge for 2010/11 for the office accommodation was £2,620,000 (2009/10 £2,483,000).

The unitary charge for 2010/11 for the car park was £395,000 (2009/10 £392,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2011/12 for the office accommodation will be £2,585,000 and for the car park £396,000.

The project agreement for provision of the facilities included the transfer of four Council properties to the operator in exchange for reduced annual payments over the life of the agreement. At the end of this project these assets do not revert back to the Council.

The Council has an obligation for six school campuses in a Public Private Partnership with Axiom Education (Perth and Kinross) Ltd. Aberfeldy was completed in 2010/11 with the campuses at Blairgowrie, Perth South, Kinross, Crieff and the Roman Catholic Secondary School brought into operation during 2009/10. The Roman Catholic Primary School is due to be completed in 2011/12. The Council will make unitary charge payments until the contract ends in 2042, at which time the campuses will be handed back to the Council at no cost. The estimated capital value of the scheme is £127,687,000.

The unitary charge for 2010/11 for the campuses operating in the year was £10,321,000 (2009/10 £3,882,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2011/12 for the schools completed by the end of 2011/12 will be £13,196,000.

Movements in Fixed Assets under Public Private Partnerships during the year were:

	2010/11 £'000	2009/10 £'000
Net Book Value at 1 April 2010	94,882	9,416
Additions	29,795	88,803
Reclassifications	1,010	6,133
Revaluations	(4,288)	(7,335)
Depreciation	(2,846)	(2,135)
Net Book Value at 31 March 2011	<u>118,553</u>	<u>94,882</u>

Movements in Public Private Partnership Liabilities during the year were:

	2010/11 £'000	2009/10 £'000
Liabilities at 1 April 2010	102,999	14,967
Additional liabilities	29,389	88,722
Amounts repaid in year	(2,386)	(690)
Liabilities at 31 March 2011	<u>130,002</u>	<u>102,999</u>
Disclosed in the Balance Sheet as:		
Long Term Liabilities	126,943	100,612
Creditors	3,059	2,387
Liabilities at 31 March 2011	<u>130,002</u>	<u>102,999</u>

Future Public Private Partnership liabilities due to be met:

	Repayment of liability £'000	Interest & Contingent Rents £'000	Service Charges £'000	Lifecycle Maintenance £'000	TOTAL £'000
Due within one year	3,059	7,156	5,066	555	15,836
Due in 2 to 5 years	14,829	29,821	21,700	2,702	69,052
Due in 6 to 10 years	20,949	36,770	30,738	6,982	95,439
Due in 11 to 15 years	23,534	34,321	34,697	12,243	104,795
Due in 16 to 20 years	16,872	32,509	35,127	17,272	101,780
Due in 21 to 25 years	24,589	36,863	40,081	13,621	115,154
Due in 26 to 30 years	31,313	38,976	45,743	14,255	130,287
Due in 31 to 35 years	4,432	5,085	5,201	0	14,718
Total	<u>139,577</u>	<u>221,501</u>	<u>218,353</u>	<u>67,630</u>	<u>647,061</u>

These figures are based on the actual cash amount estimated to be payable and not on prices at 31 March 2011.

35. Assets Held for Sale

	Current		Non Current	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Balance outstanding at start of year	904	305	975	929
Assets newly classified as held for sale:				
- Property, Plant and Equipment	0	0	1,639	925
Revaluation Losses	0	0	(570)	(107)
Revaluation Gains	0	0	20	132
Impairment Losses	0	0	0	0
Assets declassified as held for sale				
- Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	(904)	(305)	(35)	0
Transfers from non current to current	0	904	0	(904)
Other Movements	0	0	0	0
Balance outstanding at year end	<u>0</u>	<u>904</u>	<u>2,029</u>	<u>975</u>

36. Inventories

	Consumables		Maintenance Materials		Total	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Balance outstanding at start of year	502	484	71	63	573	547
Purchases	2,087	42	474	16	2,561	58
Recognised as an expense in the year	(2,085)	0	(464)	0	(2,549)	0
Written off balances	0	(24)	(9)	(8)	(9)	(32)
Balance outstanding at end of year	<u>504</u>	<u>502</u>	<u>72</u>	<u>71</u>	<u>576</u>	<u>573</u>

37. Debtors

	2010/11	2010/11	2009/10	2009/10
	£'000	£'000	£'000	£'000
	Gross	Net	Gross	Net
Scottish Government		5,073		1,818
Central Government		4,954		1,803
Other Local Authorities		418		606
NHS Bodies		166		1,442
Public Corporations & Trading Funds		8		0
Other Entities & Individuals	11,080		10,474	
less Impairment	<u>(6,151)</u>		<u>(1,870)</u>	
		4,929		8,604
Trade	7,215		8,538	
less Impairment	<u>(905)</u>		<u>(518)</u>	
		6,310		8,020
Council Tax & Community Charge	15,925		14,846	
less Impairment	<u>(12,805)</u>		<u>(13,634)</u>	
		3,120		1,212
Total		<u>24,978</u>		<u>23,505</u>

38. Long Term Debtors

	2010/11	2009/10
	£'000	£'000
Other Local Authorities	0	25
Other Entities & Individuals	715	1,706
Total	<u>715</u>	<u>1,731</u>

39. Creditors

	2010/11	2009/10
	£'000	£'000
Scottish Government	(217)	(3,120)
Central Government	(5,426)	(4,366)
Other Local Authorities	(2,410)	(233)
NHS Bodies	(28)	(654)
Public Corporations and Trading Funds	(349)	(272)
Other Entities and Individuals	(17,770)	(28,991)
Trade Creditors	(24,858)	(11,326)
Total	<u>(51,058)</u>	<u>(48,962)</u>

40. Provisions Other than Bad and Doubtful Debts

Self Insured/Uninsured Losses

The Insurance Fund makes provision for losses arising from Property, Employers' Liability, Public Liability, Motor, Fidelity Guarantee, Computer, Engineering and Travel/Personal Accident claims.

The provision provides for an estimate of all liabilities likely to be incurred by the Council in respect of self-insured and uninsured losses in respect of incidents that have arisen prior to 1 April 2011.

Equal Pay Claims

The Council has made provision for Equal Pay Claims as at 31 March 2011. The Council also has a contingent liability at 31 March 2011.

Department of Works and Pensions (DWP)

The Council has made provision for an estimated liability in respect of prior years Housing Benefit and Council Tax Benefit claims which the External Auditors have deemed to be over-stated.

	Self Insured/ Uninsured Losses £'000	Equal Pay Claims £'000	DWP £'000	Total £'000
Balance as at 1 April 2010	1,070	763	0	1,833
Additional provisions made in 2010/11	560	0	700	1,260
Amounts used in 2010/11	(297)	0	0	(297)
Balance as at 31 March 2011	<u>1,333</u>	<u>763</u>	<u>700</u>	<u>2,796</u>
Balance Sheet Disclosure:				
Less than 12 months	394	0	700	1,094
Over 12 months	939	763	0	1,702
	<u>1,333</u>	<u>763</u>	<u>700</u>	<u>2,796</u>

41. Contingent Liabilities

The Council has identified a contingent liability in respect of claims under the Equal Pay Act 1970 which may potentially be lodged against the Council at a future date by current and former employees. The Equal Pay Act provides for equal pay between women and men in the same employment by giving employees the right to equality in terms of their contract of employment where they are employed on like work, or work rated as equivalent or of equal value. Whilst it is not currently possible to quantify this liability, the pursuit of claims on a group basis by employees undertaking a similar role creates the potential for further claims being lodged with the Employment Tribunal should the initial claims prove founded.

The Council has sought to address issues of pay equality through the implementation of a local Single Status agreement from 1 August 2007 and has previously made payments totalling £981,000 where it has acknowledged liabilities in respect of its employees. Based upon legal advice, the Council has provided for £763,000 within the 2010/11 financial statements for outstanding claims actively being pursued at this time through an Employment Tribunal.

The Council has identified a contingent liability in relation to landfill fines. The Council has a duty to reduce the amount of municipal waste that is disposed to landfill under the legal framework of the Landfill Allowances Scheme (Scotland) Regulations. Under the scheme, allowances in terms of the volume of waste which may be disposed to landfill are allocated to the Council which, if breached, may result in a financial penalty. In financial year 2007/08 the Council breached its target, but was well within its target in subsequent financial years. The scheme was suspended in 2008/09 and The Cabinet Secretary for Rural Affairs and the Environment has confirmed that it will continue to be suspended until 2011. Whilst a final decision has yet to be made by Scottish Ministers, it is likely that the scheme will be revoked once the new legislative measures to regulate waste to landfill are implemented. The Council has sought clarification that any previously accrued penalties arising under the scheme are written off through the revocation process.

The Council has identified a contingent liability with regard to the administration of Housing Benefit claims. The Council largely recovers the cost of Housing Benefit payments through the submission of a subsidy claim to the Department of Work and Pensions which is subject to annual audit by the Council's statutory auditors. During the course of audit testing, a number of issues have been identified which will require to be clarified with the Department of Work and Pensions. During 2010/11, the Council sought the opinion of Counsel who has in principal endorsed our Housing Benefit administration procedures. However, in the event that the Council is determined to have reclaimed subsidy in error, there is the potential for the Department of Work and Pensions to adjust future claims to recover any previous over-payment of subsidy.

The Council has made provision for insurance claims where appropriate and has an Insurance Fund to manage insurable risks. There is also a contingent liability in respect of potential insurance claims incurred but not reported which cannot be forecast with any certainty.

The Council previously identified a potential issue in terms of fixed assets included in the Council Balance Sheet which should, potentially, be included in the Balance Sheet of the Common Good Funds instead. The Council has since drafted a policy for the accounting treatment of heritable Common Good properties which codifies existing accounting practice and will ensure that accounting treatments are compliant with the requirements of International Financial Reporting Standards. However, until the Council Common Good Review is fully complete there remains the possibility that some assets may require to be transferred between the Council and Common Good Balance sheets.

The Council has identified a contingent liability in relation to the Council Houses Bathroom Replacement Programme. Prior to completion of the works, the contractor went into administration. The Administrator believes that there may still be some payments outstanding from the Council. The Council is well placed to defend its position in any subsequent adjudication.

42. Grants

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11.

	2010/11 £'000	2009/10 £'000
Credited to Taxation and Non Specific Grant Income		
Scottish Government	7,120	10,980
Scottish Government Directorates (Historic Scotland, NHS)	0	140
Other Scottish Government Bodies	154	109
Developer Contributions	87	154
Other Third Party Contributions	1,158	144
	<u>8,519</u>	<u>11,527</u>
Credited to Services		
Scottish Government	5,835	2,217
Scottish Government Directorates (Historic Scotland, NHS)	131	1,003
Sport Scotland	449	360
Other Scottish Government Bodies	481	2,152
Other Third Party Contributions	844	562
	<u>7,740</u>	<u>6,294</u>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

	2010/11 £'000
Capital Grants Received in Advance	
Third Party Contributions - Developer	250
	<u>250</u>

43. Financial Instruments

Accounting regulations require the 'financial instruments' (investment, lending and borrowing of the Council) shown on the balance sheet to be further analysed into various defined categories. The investments, lending & borrowing disclosed in the balance sheet are made up of the following categories of 'financial instruments'.

	Long-Term		Current		Total	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
Borrowings						
Financial liabilities at amortised cost	189,558	167,493	10,827	29,816	200,385	197,309
Total borrowings	<u>189,558</u>	<u>167,493</u>	<u>10,827</u>	<u>29,816</u>	<u>200,385</u>	<u>197,309</u>
Investments						
Loans and receivables	823	1,664	23,433	17,253	24,256	18,917
Total investments	<u>823</u>	<u>1,664</u>	<u>23,433</u>	<u>17,253</u>	<u>24,256</u>	<u>18,917</u>

Lender Option Borrower Option (LOBO) borrowings of £39.5m have been included in long term borrowing as at 31 March 2011 but have a call date in the next 12 months.

The above long term figures are based on the Code 2010 which states that in undertaking Effective Interest Rate (EIR) calculations the maturity period for a LOBO should be taken as being the contractual period to maturity.

Financial Instruments Gains / Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows:

2010/11	Financial Liabilities		Financial Assets			Total 2010/11	Total 2009/10
	Liabilities measured at amortised cost	Loans and receivables	Available-for-sale assets	Fair value through Comprehensive Income & Expenditure Statement	Total		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	8,468	0	0	0	8,468	7,806	
Losses on derecognition	113	0	0	0	113	934	
Impairment losses	0	0	0	0	0	111	
Interest payable and similar charges	8,581	0	0	0	8,581	8,851	
Interest income	0	(510)	0	0	(510)	(511)	
Gains on derecognition	(111)	0	0	0	(111)	0	
Interest and investment income	(111)	(510)	0	0	(621)	(511)	
Amounts debited/credited to the Comprehensive Income & Expenditure Statement after impairment							
Gains on revaluation	0	(35)	0	0	(35)	0	
Surplus arising on revaluation of financial assets	0	(35)	0	0	(35)	0	
Net (gain)/loss for the year	8,470	(545)	0	0	7,925	8,340	

Fair Value of Assets and Liabilities Carried at Amortised Cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet as at 31 March 2011 at amortised cost is disclosed below.

Methods and Assumptions in valuation technique:

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March 2011, using bid prices where applicable.

The calculations are made with the following assumptions:

- For Public Works Loans Board (PWL) debt, the discount rates used are the rates for new borrowing as per rate sheet number 126/11.
- For other market debt and investments the discount rates used are the rates available for an instrument with the same terms from a comparable lender.
- Interpolation techniques have been used between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values have been calculated for all instruments in the portfolio, but only those which are materially different from the carrying value have been disclosed.

The fair values are calculated as follows:

	31 March 2011		31 March 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Public Works Loans Board (PWLB)	151,716	149,949	144,194	151,267
Lender Option Borrower Option (LOBO)	44,542	50,348	44,554	51,864
Bank overdraft	1,949	1,949	1,261	1,261
Short term borrowing	2,300	2,300	6,747	6,743
Other (Special Loans)	290	289	553	935
Financial Liabilities	200,797	204,835	197,309	212,070

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The difference between the carrying amount and the fair value therefore represents the premium the Council would need to pay to the lender in the event these loans were to be repaid at that date.

Fair Value of Assets Carried at Amortised Cost

	31 March 2011		31 March 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Cash (including petty cash)	9,322	9,325	4,216	4,216
Deposits with Banks and Building Societies	13,092	13,131	13,037	13,059
Icelandic Deposit	1,019	1,019	928	928
Interim Funders	823	823	668	668
Financial Assets	24,256	24,298	18,849	18,871

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

Nature and Extent of Risks Arising from Financial Instruments

The Council's management of treasury risks is intended to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

(i) Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating, together with other market information, is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions.

	Amounts at 31 March 2011	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2011	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with banks and other financial institutions	23,395	0	0	0
Loans to Others	823	0	0	0
Bonds and other securities	0	0	0	0
Customers	18,200	3%	0	546
Total	42,418	-	-	546

The Council's overall exposure to credit risk in relation to its deposits in banks and other financial institutions of £23,395k above cannot be assessed generally, as the risk of non-payment of the principle sums or interest is specific to each individual institution. Experience indicates that any such non-payment is rare, and there is no evidence that any risk of default existed at 31 March 2011. The repayment profile of these deposits is shown below:

31 March 2011	
£000	
Less than three months	11,376
Three to six months	4,000
Six months to one year	8,019
More than one year	823
Total	<u><u>24,218</u></u>

Loans to Others

The Council initiates a legal charge on property where, for example, clients require assistance with payment of care fees, but cannot pay immediately until such time as their property is sold. The total amount outstanding as at 31 March 2011 in this category is £823k, and experience of default is negligible.

Debtors

The council does not generally allow credit for customers, such that £13.2m of the £18.2m balance is past its due date for payment.

The past due amount can be analysed by age as follows:

31 March 2011	
£000	
Less than three months	8,668
Three to six months	162
Six months to one year	251
More than one year	4,123
Total	<u><u>13,204</u></u>

(ii) Liquidity Risk

The Council has access to borrowings from the money markets to cover day to day cashflow needs, as well as borrowing from the Public Works Loans Board or money markets for longer term funding requirements. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council manages its portfolio in conjunction with interest rate forecasts to reduce the risk of a large proportion of its borrowing maturing at a time of higher interest rates, and so reduce the financial impact of re-financing at an unfavourable time. In addition, the monitoring of interest rate movements for the identification of debt rescheduling opportunities to amend the maturity profile, as well as achieving savings in interest charges, is undertaken on a continuous basis to further mitigate any refinancing risks.

The maturity structure of financial liabilities is as follows (at nominal value):

On 31 March 2011	Loans outstanding	On 31 March 2010
£'000		£'000
150,177	Public Works Loans Board	142,838
43,200	Market debt	43,200
2,300	Temporary borrowing	6,743
290	Local bonds	553
1,537	Bank Overdraft	1,261
<u>197,504</u>	Total	<u>194,595</u>
9,288	Less than 1 year	28,456
13,161	Between 1 and 2 years	5,162
41,984	Between 2 and 5 years	31,489
25,307	Between 5 and 10 years	30,317
10,483	Between 10 and 15 years	10,503
97,281	Over 15 years	88,668
<u>197,504</u>	Total	<u>194,595</u>

In the over 15 years category there are £38.2m of LOBO's which have a call date in the next 12 months.

(iii) Market Risk

Interest rate risk

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the council is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, and reduces income credited to the Comprehensive Income and Expenditure Statement. There would only be a small reduction in the interest payable on variable rate borrowing.
- Increases in interest rates will affect interest paid on variable rate borrowings, and increases interest expense charged to the Income and Expenditure Account, but offset by increased investment returns.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Comprehensive Income & Expenditure Statement.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. The policy is to keep a maximum of 35% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses, whilst fixed deposits may be undertaken for longer periods (within policy and counterparty limits).

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

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	423
Increase in interest receivable on variable rate investments	(611)
Impact on Comprehensive Income and Expenditure Statement	<u>(188)</u>
Share of overall impact credited to the HRA	(40)

The impact of a 1% fall in interest rates would have been an estimated cost of £153,000 to the Council as a result of a reduction in investment income, whilst it would be unlikely that the lenders of the market loans borrowed would pass on the reduction in rates payable. However, there would be a small reduction of £9,000 payable on other small loan balances.

Foreign Exchange Risk

With the exception of the deposit held in an Icelandic bank (see below), the Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Price Risk

The Council does not invest in equities or other tradable instruments, therefore it is not exposed to gains or losses on movements in their price.

Icelandic Banks Disclosure Note

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks Heritable and Kaupthing Singer & Friedlander went into administration. At that time, Perth & Kinross Council had £1M deposited with Glitnir as follows:

Bank	Date Deposited	Original Maturity date	Amount Deposited	Interest Rate	Carrying Amount at 31 March 2011	Impairment 2010/11
Glitnir	19 March 2008	19 December 2008	£1,000,000	6.0%	£1,018,815	£0

The monies deposited with Glitnir are subject to the receivership process. The management of the affairs of Glitnir are being undertaken by the Winding-Up Board and its affairs are being administered under Icelandic law. Glitnir's latest information indicates that 100% of local authority claims will be repaid if priority status is confirmed by the Icelandic Courts. This recovery is subject to further uncertainties and risks, such as the impact of exchange rate fluctuations on the value of assets recovered by the Winding-Up Board and on the settlement of the Council's claim, which is likely to be denominated in Icelandic Krona.

The decision made by the Bank's Winding-Up Board that local authority deposits do not have priority status, and therefore are not entitled to receive 100% of the deposit, has been over-ruled by the Icelandic District Court. However, this is currently subject to an appeal lodged to the Supreme Court in Iceland. Therefore, the amount and timing of payments to depositors still remains subject to uncertainty. The earliest that this court action will conclude, and payment of claims made, is estimated to be December 2011.

The District Court also determined that interest up to the bank reference date of 22 April 2009 can be claimed under priority status. The Council has therefore re-valued the deposit on the basis that priority status will be confirmed, and that the deposit, together with all amounts of interest, will be recovered by December 2011. The carrying amount therefore reflects the Net Present Value (NPV) of the future repayment based on this assumption. As a result of including interest in the recoverable amount, the carrying value has increased from that assumed at 31 March 2010, and so no impairment charge is reflected in the Comprehensive Income & Expenditure Statement in 2010/11.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to around 29% of its liabilities. Therefore, if preferential creditor status is not confirmed following the appeal in the Supreme Court, the recoverable amount may only be 29p in the £, and such recovery may take up to 5 years.

44. Explanation of Prior Period Adjustments – First Time Adoption of IFRS

In the 2010/11 Statement of Accounts, the Council has adopted International Financial Reporting Standards that require significant amendments to the Council's accounting policies and the disclosure of balance sheets at 1 April 2009 and 31 March 2010 as well as the current year of 31 March 2011.

Short Term Accumulating Compensated Absences

Short term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays is required to be recognised when employees provide services that increase their entitlement to future compensated absences. As a result the Council is required to accrue for any annual leave earned but not taken at 31 March each year which under the previous accounting arrangements was not required.

The Scottish government has issued regulations that mean that the charge to the General Fund for this item will be unchanged through use of the Accumulated Absences Account.

Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance of the Government Grants deferred account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance sheet.
- Elements of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- If a grant was received in 2009/10 but not applied previously no income was recognised in respect of this grant, which was shown in the Grants unapplied account within the liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in the Comprehensive Income and Expenditure Statement where grant terms and conditions were met in 2009/10 and within the capital receipts in advance where conditions have yet to be met.
- There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

Revenue

Under the Code, revenue grants and contributions are recognised as the conditions of the grant are met. If the grant is received in advance and conditions have not been met and there is not equivalent expenditure, either the full amount or balance will be held in the Balance Sheet in the Capital grants received in Advance. If the conditions have been met but there is not equivalent expenditure the balance will be held in general fund reserves.

Fixed Assets

Under the Code there are several other disclosures in respect of assets including revised definitions of investment properties and assets held for sale. Any necessary revaluations arising from these reclassifications have also been accounted for.

Other

There are other minor amendments to disclosure including the revised definition of cash and cash equivalents to include bank overdraft and elements previously disclosed under investments.

There have also been adjustments to the Comprehensive Income and Expenditure Statement in terms of disclosure of revised accounting policies but there has been no impact on the overall general fund balance.

Impact of Adoption of IFRS

Reconciliation of Movements reported under previous GAAP to IFRS at date of transition 1 April 2009

	Previous GAAP £'000	Employee Accrual £'000	Grants £'000	PPE realigned £'000	Other £'000	TOTAL £'000
Fixed Assets	540,028			(540,028)		0
Property, Plant & Equipment				513,791		513,791
Investment Property				24,375		24,375
Assets Held for Sale				929		929
Cash and Cash Equivalents	1,987				(1,477)	510
Bank Overdraft	(2,477)				2,477	0
Current Asset - Held for sale				305		305
Investments	19,881				(1,000)	18,881
Creditors	(37,914)	(7,396)				(45,310)
Government Grants Deferred	(44,223)		44,223			0
Capital Grants Receipts in Advance			(122)			(122)
Represented by:						
Usable Reserves	40,874					40,874
Unusable Reserves	149,218	(7,396)	44,101	(628)	0	185,295

Reconciliation of Movements reported under GAAP to IFRS as reported at 31 March 2010

	Previous GAAP £'000	Employee Accrual £'000	Grants £'000	PPE realigned £'000	Other £'000	TOTAL £'000
Fixed Assets	624,092			(624,092)		0
Property, Plant & Equipment				594,851		594,851
Investment Property				24,168		24,168
Assets Held for Sale				975		975
Cash and Cash Equivalents	4,216				1,739	5,955
Bank Overdraft	(1,261)				1,261	0
Current Asset - held for sale				904		904
Investments	13,037				(3,001)	10,036
Creditors	(41,701)	(7,261)				(48,962)
Government Grants Deferred	(52,032)		52,032			0
Capital Grants Receipts in Advance			(83)			(83)
Represented by:						
Usable Reserves	41,796					41,796
Unusable Reserves	(2,556)	(7,261)	51,949	(3,194)	(1)	38,937

Impact on Comprehensive Income and Expenditure Statement

	<i>2009/10</i>
	<i>£'000</i>
Deficit at 31 March 2010 (SORP basis)	34,537
Property, Plant and Equipment adjustments	(1,781)
IAS 19 Employee Adjustment	(134)
IAS 20 Capital grants net impact	(7,849)
Revised IFRS restated Deficit at 31 March 2010 (Code basis)	<u>24,773</u>

45. Devolved School Management (DSM) Schools & School Boards

The accumulated balance on the General Fund at 31 March 2011 includes net surplus funds of £1,227,000 (31 March 2010 £945,000) in respect of schools participating in the Devolved School Management scheme. There are a number of schools with surpluses totalling £1,248,000 and a number of schools carrying forward deficits amounting to £21,000. These surpluses and deficits are earmarked in 2011/12 for the individual schools concerned.

46. Trust Funds

Perth & Kinross Council administers a number of Charitable Funds of varying sizes. The Income and Expenditure Account and Balance Sheet are detailed on page 70.

These are split between Educational Trusts and other trusts which are primarily for the residents of Perth & Kinross. An exercise is currently being undertaken to amalgamate many of the non-educational trusts in order for the funds to be more readily accessible.

The Perth & Kinross Educational Trust gives financial assistance towards scholarships, second or subsequent degrees, mature students and further education. Assistance is also provided to schools for sports facilities and special equipment, promoting visual arts, and education in music and drama. There are also preferences for certain beneficiaries usually named schools for prizes etc. Also within the Perth & Kinross Educational Trust there are eight individual endowments for maintaining, furnishing and equipping school buildings.

The other charitable trusts purposes include giving financial assistance to the poor in different areas of Perth & Kinross, assistance for libraries and art galleries and the maintenance of memorials.

	31.3.11	31.3.10
	£'000	£'000
Education Trust - Financial Assistance		
Net assets	814	788
Net (Outgoing)/incoming Resources before other recognised gains and losses	(4)	(3)
Education Trust - Endowments		
Net assets	64	58
Net Incoming Resources before other recognised gains and losses	4	2
Other Charitable Trusts		
Net assets	1,701	1,624
Net Incoming Resources before other recognised gains and losses	6	(1)
TOTAL Net Assets	2,579	2,470
TOTAL Net Incoming Resources before other recognised gains and losses	6	(2)

Detailed Accounts for the Charities are available from the Acting Head of Finance, 2 High St, Perth, PH1 5PH.

HOUSING REVENUE ACCOUNT

<i>Restated</i> <u>2009/10</u>		<u>2010/11</u>	
<i>£'000</i>		<i>£'000</i>	<i>£'000</i>
	Income		
<i>(19,513)</i>	Dwelling Rents	<i>(19,808)</i>	
<i>(751)</i>	Non-Dwelling Rents	<i>(713)</i>	
<i>(2,166)</i>	Other Income	<i>(2,532)</i>	
<u><i>(22,430)</i></u>	Total Income		<u><i>(23,053)</i></u>
	Expenditure		
<i>7,824</i>	Repairs & Maintenance	<i>8,318</i>	
<i>7,484</i>	Supervision & Management	<i>7,382</i>	
<i>14,703</i>	Depreciation and impairment on non current assets	<i>3,919</i>	
<i>198</i>	Movement in the Impairment of Debtors	<i>178</i>	
<i>1,120</i>	Other expenditure	<i>874</i>	
<u><i>31,329</i></u>	Total Expenditure		<u><i>20,671</i></u>
<u><i>8,899</i></u>	Net Cost of HRA Services		<u><i>(2,382)</i></u>
<i>223</i>	HRA services' share of Corporate and Democratic Core		<i>233</i>
<i>15</i>	HRA share of other amounts included in the whole authority Net Cost of services (but not allocated to specific services)		<i>(3,280)</i>
<u><i>9,137</i></u>	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		<u><i>(5,429)</i></u>
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
<i>2,025</i>	(Gain)/Loss on sale of HRA Non-Current Assets		<i>(1,447)</i>
<i>1,646</i>	Interest payable and similar charges		<i>1,698</i>
<i>(16)</i>	Interest and investment income		<i>(9)</i>
<i>412</i>	Pensions interest cost and expected return on pensions assets		<i>378</i>
<i>(337)</i>	Capital Grants and Contributions Receivable		<i>(365)</i>
<u><i>12,867</i></u>	(Surplus)/Deficit for the year on HRA services		<u><i>(5,174)</i></u>

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

<i>Restated</i> <u>2009/10</u> £'000		<u>2010/11</u> £'000
(1,030)	Balance on the HRA at the end of the Previous Year	(779)
12,867	(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	(5,174)
<u>(12,400)</u>	Adjustments between Accounting Basis and Funding Basis Under Statute	<u>7,331</u>
<u>467</u>	Net (Increase)/Decrease before Transfers to or from Reserves	2,157
(216)	Transfer to or (from) Reserves	<u>(2,181)</u>
251	(Increase) or Decrease in Year on the HRA	(24)
<u>(779)</u>	Balance on the HRA at the end of the Current Year	<u>(803)</u>

Note to the Statement of Movement on the HRA Balance

<u>2009/10</u> £'000		<u>2010/11</u> £'000	<u>2010/11</u> £'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
(2,025)	Gain/(Loss) on sale of HRA fixed assets	1,447	
(3,202)	Depreciation and impairment of fixed assets	(3,818)	
(11,501)	Revaluation Losses on PPE	(101)	
337	Capital Grants and Contributions Receivable	365	
16	Employee Holiday accrual	4	
(1,185)	Net charges made for retirement benefits in accordance with IAS 19	1,434	
<u>(17,560)</u>		<u></u>	(669)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
1,054	Employer's contributions payable to the Pension Fund and retirement benefits payable	981	
126	Financing costs - variance between Code and Statutory guidance	127	
2,190	Loans fund principal	2,494	
1,790	Capital expenditure funded by the HRA	4,398	
<u>5,160</u>		<u></u>	8,000
<u>(12,400)</u>	Net additional amount required by statute to be debited/(credited) to the HRA Balance for the year		<u>7,331</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock at 31 March 2011	No. of Dwellings 31.03.11	<i>No. of Dwellings</i> <i>31.03.10</i>
Sheltered accommodation	502	501
Detached/Semi-Detached/Terraced	3,481	3,504
High Rise Flats	138	140
Tenement Flats/Other Flats/Maisonettes	3,212	3,255
Total	7,333	7,400

2. Rent Arrears at 31 March 2011	Gross Arrears 31.03.11		<i>Gross Arrears</i> <i>31.03.10</i>	
	£'000	% of Income	£'000	% of Income
Houses	1,009	5.2	867	4.6
Other Subjects	156	21.9	138	18.4
Totals	1,165	5.7	1,005	5.0

3. **Impairment of Debtors**

In 2010/11 an impairment of £786,181 has been provided in the Balance Sheet for irrecoverable rents, an increase of £234,000 from the provision in 2009/10.

4. **Prior Year Adjustments**

The prior year has been restated for the implications of implementing the International Accounting Standards in respect of the HRA.

COUNCIL TAX INCOME ACCOUNT

2009/10			2010/11	
£'000			£'000	£'000
81,569	Gross Charge			82,266
(2,431)	Deduct -	Exemptions		(2,522)
(105)		Disabled Relief		(110)
(6,590)		Discounts and Reductions		(6,784)
72,443	Net Council Tax			72,850
	Deduct -			
(6,744)		Benefits	(7,061)	
6,763		less Government Grants	7,079	
				18
(7)		MOD Properties	(7)	
7		Contribution Received	7	
				0
(1,679)	Impairment of Bad and Doubtful Debts			(1,612)
70,783	Total Council Tax Income			71,256
(58)	Adjustments for prior years for Council Tax and Community Charge			(1,678)
70,725	Total Council Tax / Community Charge Income to Comprehensive I&E Statement			69,578

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

1. CALCULATION OF THE COUNCIL TAX BASE

	A	B	C	D	E	F	G	H	2010/11 TOTAL	2009/10 TOTAL
No. of Properties	9,029	14,663	11,274	9,967	11,043	6,829	5,282	642	68,729	68,232
Exemptions	(677)	(673)	(397)	(277)	(220)	(113)	(80)	(26)	(2,463)	(2,261)
Disabled Relief	72	6	1	57	(52)	(19)	(58)	(7)	0	0
Discounts	(1,472)	(1,883)	(1,259)	(1,030)	(862)	(405)	(265)	(65)	(7,241)	(7,057)
Effective No. of Properties	6,952	12,113	9,619	8,717	9,909	6,292	4,879	544	59,025	58,914
Ratio	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9		
Band D Equivalents	4,635	9,421	8,550	8,717	12,111	9,088	8,132	1,088	61,742	61,493
Contributions in lieu									7	7
TOTAL									61,749	61,500
Provision for non-payment at 2.5% (2009/10 2.5%)									(1,544)	(1,538)
COUNCIL TAX BASE									60,205	59,962

2. THE COUNCIL TAX CHARGE

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

Each property is placed in one of eight valuation bands (A-H) in accordance with their value as at 1 April 1991. The Council Tax charge levied for each property is calculated in proportion to the Council Tax charge for a band D property by applying fractions. A discount of 25% is given where there are fewer than two residents of a property. Discounts of 10% are awarded for second homes and long term empty dwellings. Some unoccupied dwellings may receive discount of 50%. Persons in detention, students, mentally handicapped people and certain others are disregarded for Council Tax purposes. Reductions in Council Tax are also granted for disabled people.

The valuation bands, the fractions used in calculating the Council Tax payable for each valuation band and the actual charges determined for 2010/11 are set out below:

Valuation Band	Property Valuation Range	Fraction of band D	2010/11 Actual Charge	2009/10 Actual Charge
A	£0 - £27,000	6/9	£772.00	£772.00
B	£27,001 - £35,000	7/9	£900.67	£900.67
C	£35,001 - £45,000	8/9	£1,029.33	£1,029.33
D	£45,001 - £58,000	9/9	£1,158.00	£1,158.00
E	£58,001 - £80,000	11/9	£1,415.33	£1,415.33
F	£80,001 - £106,000	13/9	£1,672.67	£1,672.67
G	£106,001 - £212,000	15/9	£1,930.00	£1,930.00
H	Over £212,000	18/9	£2,316.00	£2,316.00

NON DOMESTIC RATE INCOME ACCOUNT

2009/10		2010/11	
£'000		£'000	£'000
55,497	Gross Rate Levied		56,453
	Deduct:		
(1,608)	Rate Rebates	(1,779)	
(37)	Interest on Overpaid Rate:	(2)	
(8,718)	Reliefs, Charities etc	(9,472)	
(253)	Impairment for Bad and Doubtful Debt:	(311)	
			(11,564)
	Adjustments to Previous Years		
(453)	Gross Rate Levied	(446)	
46	Transitional Surcharge/Relief	2	
127	Rate Rebates	10	
(161)	Reliefs, Charities etc	(101)	
(18)	Impairment for Bad and Doubtful Debts and Abatement	(150)	
			(685)
44,422	Net Non Domestic Rate Income		44,204
(44,559)	Contribution to National Non Domestic Rate Pool	(44,343)	
59,824	Contribution from National Non Domestic Rate Pool	57,694	
15,265	Net contribution from National Non Domestic Rate Pool		13,351
59,687	Total Non Domestic Rate Income to Comprehensive I & E Statement		57,555

NOTES TO THE NON DOMESTIC RATE INCOME ACCOUNT

1. NON DOMESTIC RATES

All non domestic rate income collected by Scottish local authorities is paid into a national pool. It is redistributed to authorities in proportion to the resident population in each authority's area and therefore bears no direct relationship to the amount collected by those authorities. The rate poundage set by the Scottish Government for 2010/11 was 40.7p (2009/10 48.1p). The Small Business Bonus Scheme, introduced from 1 April 2008, provides relief to businesses based on their combined rateable value. From 1 April 2010 the combined rateable value threshold has been set at £25,000 with relief available on all individual properties with a rateable value of £18,000 or less. Subject to eligibility, this provides relief of between 25% and 100%. This scheme replaced the Small Business Rates Relief Scheme. A supplement of 0.7p (2009/10 0.4p) was charged on properties with a rateable value of over £35,000 (£29,000 for 2009/10) to contribute towards the additional cost of the scheme.

2. RATEABLE SUBJECTS AND VALUES

<i>No. of Subjects at 1/4/09</i>	<i>Rateable Value £'000 at 1/4/09</i>		<i>No. of Subjects at 1/4/10</i>	<i>Rateable Value £'000 at 1/4/10</i>
1,675	34,602	Shops	1,672	39,006
102	1,592	Public Houses	100	1,755
852	14,634	Offices (including banks)	866	15,846
242	8,729	Hotels etc	239	10,635
1,424	17,263	Industrial Subjects etc	1,440	10,871
1,270	7,347	Leisure, Entertainment, Caravans etc	1,306	8,777
169	2,833	Garages and Petrol Stations	174	3,582
53	660	Cultural	55	924
429	1,146	Sporting Subjects	429	1,423
133	8,023	Education and Training	137	13,292
408	5,132	Public Service Subjects	409	6,852
5	166	Communications	4	0
29	517	Quarries, Mines etc	29	706
3	3,378	Petrochemical	3	4,119
249	1,241	Religious	248	1,667
116	4,957	Health, Medical	119	6,029
747	1,459	Other	740	1,661
80	2,069	Care Facilities	73	2,699
23	76	Advertising	23	91
27	4,242	Undertaking	12	3,650
<u>8,036</u>	<u>120,066</u>	Total	<u>8,078</u>	<u>133,585</u>

LOANS FUND

The Consolidated Loans Fund is established in terms of the Local Government (Scotland) Act 1975 (Schedule 3). A Loans Fund is an accounting arrangement which simplifies the coordination of, on the one hand, expenditure on the many capital projects undertaken by the Council through its various Service accounts and, on the other hand, the borrowing of the money necessary to finance such projects. Effectively, the Service accounts borrow from the Loans Fund to finance their capital expenditure and the Loans Fund in turn borrows from the Government through the Public Works Loans Board or direct from the money markets. At the end of each financial year the capital expenditure incurred during the year on each account is added to any capital expenditure in previous years to reflect the outstanding debt owed by each account to the Loans Fund. Since the Fund also adjusts for the uneven flow of revenue income and revenue expenditure, the total funds of the Council are used to the maximum advantage and external borrowing is kept to a minimum.

Each year every account of the Council which has previously had money advanced from the Loans Fund, repays a suitable proportion of the sums previously advanced, based on the lives of the various assets supported by the loans made, and also meets the appropriate share of interest paid on loans taken and the expenses of managing the Fund. All interest and management expenses are paid initially by the Loans Fund and recharged each year to the borrowing accounts at an average rate sufficient to recover each year's expenditure in full. For 2010/11 the average interest rate was 3.40% (2009/10 3.95%).

The Statement of Accounting Policies on pages 14 to 21 summarises the relationship between the Consolidated Loans Fund and the Council's Income & Expenditure Statement and Balance Sheet.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2011

	2010/11 £'000	2009/10 £'000
EXPENDITURE		
Interest Paid on Loans:		
Public Works Loans Board	6,114	5,534
Mortgages and Bonds	1,969	1,970
Other Loans	45	58
Interest Paid on Revenue Balances	165	243
Impairment charges	0	111
Expenses of Borrowing	182	203
Premiums incurred on early repurchase of debt	113	934
TOTAL EXPENDITURE	<u>8,588</u>	<u>9,053</u>
INCOME		
Interest Earned on Investments	545	511
Fees Earned on Services to Joint Board	6	6
Discounts received on early repurchase of debt	111	0
Interest Recovered from Borrowing Accounts	7,750	8,340
Expenses Recovered from Borrowing Accounts	176	196
TOTAL INCOME	<u>8,588</u>	<u>9,053</u>

BALANCE SHEET AS AT 31 MARCH 2011

	31.03.11 £'000	31.03.10 £'000
ASSETS		
Cash Investments	9,284	4,178
Short Term Investments	13,092	13,037
Sundry Debtors	1,024	2
Long Term Debtors	14	928
Financial Instruments Adjustment Account	14,556	15,145
Internal Revenue and Capital Advances	163,325	164,624
TOTAL ASSETS	<u>201,295</u>	<u>197,914</u>
LIABILITIES		
Public Works Loans Board	151,716	144,194
Mortgages and Bonds	44,542	44,554
Bank Overdraft	1,949	1,261
Other Loans	2,590	7,300
Sundry Creditors	498	605
TOTAL LIABILITIES	<u>201,295</u>	<u>197,914</u>

CHARITABLE TRUSTS

The Council administers Perth & Kinross Educational Trust and various other Charitable Trusts and Endowments. The figures below summarise the aggregate income and expenditure for the year and the assets and liabilities at 31 March 2011.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2011

	2010/11 £'000	2010/11 £'000	2009/10 £'000
INCOMING RESOURCES			
Incoming resources from generated funds:			
Investment Income	93		98
Incoming resources from charitable activities:	1		0
Other Incoming Resources	1		1
Total Incoming Resources		95	99
RESOURCES EXPENDED			
Costs of generating funds:			
Costs of generating voluntary income	5		0
Investment management costs	8		14
Charitable activities	74		82
Governance costs	2		5
Total Resources Expended		89	101
Net Incoming Resources Before Other Recognised Gains & Losses		6	(2)
OTHER RECOGNISED GAINS			
Gains on Investment assets		103	439
Net Movement in Funds for the Year		109	437
RECONCILIATION OF FUNDS			
Total Funds Brought Forward at 1 April 2010		2,470	2,033
TOTAL FUNDS CARRIED FORWARD AT 31 MARCH 2011		<u>2,579</u>	<u>2,470</u>

BALANCE SHEET AS AT 31 MARCH 2011

	31.3.11 £'000	31.3.11 £'000	31.3.10 £'000
FIXED ASSETS			
Investments		2,283	2,177
CURRENT ASSETS			
Debtors	12		15
Investments - Amounts due by Perth & Kinross Council Loans Fund	365		356
LIABILITIES			
Creditors: amounts falling due within one year	(80)		(78)
Accruals	(1)		0
NET CURRENT ASSETS		296	293
NET ASSETS		<u>2,579</u>	<u>2,470</u>
TOTAL FUNDS		<u>2,579</u>	<u>2,470</u>

Notes to Charitable Trusts

1. The market value of Investments at 31 March 2011 was £2,283,000 (31 March 2010 £2,177,000).
2. The unaudited accounts were issued on 29 June 2011 and the audited accounts were authorised for issue on 21 September 2011.

S MacKenzie CPFA
Acting Head of Finance
21 September 2011

COMMON GOOD

The Council administers the Common Good Accounts for ten former burghs within Perth & Kinross. The figures below summarise the aggregate income and expenditure for the year and detail the Assets and Liabilities at 31 March 2011.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2011

	31.03.11	31.03.11	<i>Restated</i>
	£'000	£'000	<i>31.03.10</i>
			£'000
EXPENDITURE			
Grants to Voluntary Organisations	164		164
Christmas Lighting	66		69
Property Costs	29		61
Supplies & Services	15		7
	15		7
		274	301
INCOME			
Rents, Fees, Charges etc.	283		275
Interest on Loans	5		6
Other	1		1
	1		1
		289	282
SURPLUS/(DEFICIT) FOR THE YEAR		15	(19)
Balance Brought Forward		1,795	1,814
Balance Carried Forward		1,810	1,795

BALANCE SHEET AS AT 31 MARCH 2011

	31.03.11	31.03.11	<i>Restated</i>
	£'000	£'000	<i>31.03.10</i>
			£'000
FIXED ASSETS			
		5,474	5,277
CURRENT ASSETS			
Debtors	22		8
Investments	297		297
Revenue Advances to Perth & Kinross Council			
Loans Fund	1,717		2,094
	2,036		2,399
CURRENT LIABILITIES			
Creditors and Accruals	(23)		(57)
NET CURRENT ASSETS		2,013	2,342
TOTAL NET ASSETS		7,487	7,619
RESERVES			
Revenue		1,810	1,795
Capital		386	748
Capital Adjustment Account		15	8
Revaluation Reserve		5,276	5,068
		7,487	7,619

The unaudited accounts were issued on 29 June 2011 and the audited accounts were authorised for issue on 21 September 2011.

S MacKenzie CPFA
Acting Head of Finance
21 September 2011

NOTES TO THE COMMON GOOD ACCOUNTS

1. Depreciation on Common Good Funds is charged on buildings, based on current value less residual value over the remaining useful life of the property. The buildings have a life expectancy of over 50 years and depreciation has been charged on a straight line basis over that period.

2. Common Good Reserve Funds

The movements in the individual Common Good Funds Revenue Reserves are summarised below:

FUND	Restated	Income	Expenditure	Balance at
	Balance at 1 April 10			
	£'000	£'000	£'000	£'000
Perth City	1,411	265	250	1,426
Aberfeldy	89	5	9	85
Alyth	21	0	0	21
Auchterarder	261	18	13	266
Blairgowrie	21	1	1	21
Coupar Angus	1	0	0	1
Crieff	1	0	1	0
Kinross	(17)	0	0	(17)
Pitlochry	7	0	0	7
TOTAL	<u>1,795</u>	<u>289</u>	<u>274</u>	<u>1,810</u>

3. Common Good Fixed Assets

Within the 2009/10 Notes to the Common Good Accounts it was stated that some fixed assets included in the Council Balance Sheet should potentially be included in the Balance Sheet of the Common Good Funds instead.

The Council review of title deeds has progressed considerably during 2010/11 and findings for Council parks and properties within Blairgowrie and Aberfeldy burghs have been approved by the Council Common Good Project Board. The review has recently considered Coupar Angus and Kinross properties and findings for these burghs await approval.

A draft policy which codifies Council accounting treatment for properties having Common Good characteristics has been produced and following approval by Committee later in 2011, will remove uncertainty surrounding where a property should sit in terms of balance sheet reporting. However, until the Common Good Review is fully complete there remains the possibility that some assets may transfer between Council and Common Good accounts.

4. Restatement of 2009/10

Due to an historic error in respect of the Kinross Common Good Fund Revenue Reserve a prior year restatement in 2009/10 has been undertaken between the revenue reserve of £18,000 with an equivalent adjustment to the capital reserve. The future sale of Kinross Town Hall will eliminate the deficit balance on the Kinross Common Good Fund Revenue Reserve.

5. Aberfeldy Town Hall became surplus to Council operational needs on 31 March 2011 and was revalued to £0.215million. Aberfeldy Town Hall was transferred to Aberfeldy Common Good Balance Sheet at a value of £0.215million at 31 March 2011.

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Housing Revenue Account	Capital Fund	Renewal & Repair Fund	Insurance Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	TOTAL Authority Reserves	Authority's share of associates & joint ventures	TOTAL Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2009	(28,979)	(1,030)	(5,122)	(1,196)	(1,553)	(2,994)	0	(40,874)	(185,295)	(226,169)	155,224	(70,945)
<u>Movement in reserves during 2009/10</u>												
(Surplus) or deficit on the provision of services	11,906	12,867	0	0	0	0	0	24,773	0	24,773	10,711	35,484
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	120,663	120,663	91,052	211,715
Total Comprehensive Income and Expenditure	11,906	12,867	0	0	0	0	0	24,773	120,663	145,436	101,763	247,199
Adjustments between accounting basis & funding basis under regulations	(13,584)	(12,400)	0	0	0	289	0	(25,695)	25,695	0	0	0
Net (increase)/decrease before transfers to earmarked reserves	(1,678)	467	0	0	0	289	0	(922)	146,358	145,436	101,763	247,199
Transfers to/(from) Earmarked Reserves	436	(216)	(644)	347	77	0	0	0	0	0	0	0
(Increase)/decrease in 2009/10	(1,242)	251	(644)	347	77	289	0	(922)	146,358	145,436	101,763	247,199
Balance at 31 March 2010	(30,221)	(779)	(5,766)	(849)	(1,476)	(2,705)	0	(41,796)	(38,937)	(80,733)	256,987	176,254
<u>Movement in reserves during 2010/11</u>												
(Surplus) or deficit on the provision of services	(34,581)	(5,174)	0	0	0	0	0	(39,755)	0	(39,755)	(7,679)	(47,434)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(73,712)	(73,712)	(33,039)	(106,751)
Total Comprehensive Income and Expenditure	(34,581)	(5,174)	0	0	0	0	0	(39,755)	(73,712)	(113,467)	(40,718)	(154,185)
Adjustments between accounting basis & funding basis under regulations	29,686	7,331	0	0	0	25	(171)	36,871	(36,871)	0	0	0
Net (increase)/decrease before transfers to earmarked reserves	(4,895)	2,157	0	0	0	25	(171)	(2,884)	(110,583)	(113,467)	(40,718)	(154,185)
Transfers to/(from) Earmarked Reserves	3,823	(2,181)	(2,491)	306	543	0	0	0	0	0	0	0
(Increase)/decrease in 2010/11	(1,072)	(24)	(2,491)	306	543	25	(171)	(2,884)	(110,583)	(113,467)	(40,718)	(154,185)
Balance at 31 March 2011 carried forward	(31,293)	(803)	(8,257)	(543)	(933)	(2,680)	(171)	(44,680)	(149,520)	(194,200)	216,269	22,069

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

<i>Restated 2009/10 Actual Net Expenditure £'000</i>		Notes	2010/11 Actual Gross Expenditure £'000	2010/11 Actual Income £'000	Actual Net Expenditure £'000
	SERVICES				
146,336	Education Services		158,341	(13,206)	145,135
70,054	Social Work Services		95,254	(20,795)	74,459
19,540	Roads and Transport Services		28,883	(8,415)	20,468
5,703	Planning and Development Services		11,030	(4,859)	6,171
14,939	Housing Services (General Fund)		50,197	(35,982)	14,215
18,464	Cultural & Related Services		21,773	(1,944)	19,829
21,140	Environmental Services		38,696	(16,311)	22,385
2,340	Central Services		4,165	(1,363)	2,802
24,977	Other Operating Expenditure		23,322	(1,156)	22,166
2,829	Corporate and Democratic Core		3,722	0	3,722
238	Non Distributed Costs		(47,522)	0	(47,522)
9,137	Housing Revenue Account		17,587	(23,016)	(5,429)
100	Charitable Trusts		89	(2)	87
25	Common Good		274	(285)	(11)
(2,410)	Associates and Joint Ventures accounted for on an equity basis		18,813	(41,258)	(22,445)
333,412	COST OF SERVICES		424,624	(168,592)	256,032
2,048	Other Operating Expenditure				(2,066)
30,327	Financing and Investment Income and Expenditure	4			33,200
(330,303)	Taxation and Non-Specific Grant Income				(334,600)
35,484	(Surplus) or Deficit on Provision of Services				(47,434)
(2,298)	(Surplus) or deficit on revaluation of non current assets				(8,139)
220,668	Actuarial (gains)/losses on pension assets/liabilities				(100,296)
(6,655)	Other (gains) and losses				1,684
211,715	Other Comprehensive Income and Expenditure				(106,751)
247,199	Total Comprehensive Income and Expenditure				(154,185)

GROUP BALANCE SHEET

<i>Restated</i> 31 March 2009	<i>Restated</i> 31 March 2010		Notes	31 March 2011
£'000	£'000			£'000
516,865	603,570	Property, Plant & Equipment		644,665
24,375	24,168	Investment Property		19,447
46	35	Intangible Assets		24
929	975	Assets Held for Sale		2,029
6,277	5,371	Investments in associates and joint ventures		6,395
1,164	1,731	Long Term Debtors		715
<u>549,656</u>	<u>635,850</u>	Long Term Assets		<u>673,275</u>
20,618	12,510	Short Term Investments	6	15,672
305	904	Assets Held for Sale		0
1,182	1,200	Inventories		1,270
25,366	26,132	Short Term Debtors	5	28,804
511	5,956	Cash and Cash Equivalents		7,376
<u>47,982</u>	<u>46,702</u>	Current Assets		<u>53,122</u>
(878)	(264)	Cash and Cash Equivalents		(1,194)
(55,928)	(28,746)	Short Term Borrowing		(9,556)
(45,633)	(47,633)	Short Term Creditors	7	(53,615)
(1,358)	(189)	Provisions		(1,523)
<u>(103,797)</u>	<u>(76,832)</u>	Current Liabilities		<u>(65,888)</u>
(950)	(678)	Long Term Creditors		(456)
(594)	(1,953)	Provisions		(1,824)
(130,865)	(169,018)	Long Term Borrowing		(191,440)
(159,878)	(259,358)	Liabilities in associates and joint ventures		(223,204)
(130,487)	(350,883)	Other Long Term Liabilities		(265,654)
(122)	(84)	Capital Grants Receipts in Advance		0
<u>(422,896)</u>	<u>(781,974)</u>	Long Term Liabilities		<u>(682,578)</u>
<u>70,945</u>	<u>(176,254)</u>	NET ASSETS		<u>(22,069)</u>
43,486	44,151	Usable Reserves	8	43,391
179,027	23,494	Unusable Reserves	9	141,281
(153,601)	(253,987)	Group Reserves		(216,807)
2,033	10,088	Charitable and Common Good Reserves		10,066
<u>70,945</u>	<u>(176,254)</u>	TOTAL RESERVES		<u>(22,069)</u>

The unaudited accounts were issued on 29 June 2011 and the audited accounts were authorised for issue on 21 September 2011.

S Mackenzie CPFA
Acting Head of Finance
21 September 2011

GROUP CASH FLOW STATEMENT

<u>2009/10</u>		<u>Notes</u>	<u>2010/11</u>
£'000			£'000
(35,484)	Net surplus/(deficit) on the provision of services		47,434
66,937	Adjustments to net surplus or deficit on the provision of services for non cash movements		(12,465)
(11,419)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(8,389)
<u>20,034</u>	Net cash flows from Operating Activities		<u>26,580</u>
(23,415)	Investing Activities	12	(26,055)
9,441	Financing Activities	13	(35)
<u><u>6,060</u></u>	Net increase or (decrease) in cash and cash equivalents		<u><u>490</u></u>
(367)	Cash and cash equivalents at the beginning of the reporting period		5,692
<u><u>5,693</u></u>	Cash and cash equivalents at the end of the reporting period		<u><u>6,182</u></u>

**RECONCILIATION OF THE SINGLE ENTITY (SURPLUS)/DEFICIT FOR THE YEAR TO THE GROUP
(SURPLUS)/DEFICIT**

<i>Restated</i> <u>2009/10</u> £'000		<u>2010/11</u> £'000
24,773	(Surplus)/Deficit on the single entity Comprehensive I & E Statement for the year	(39,755)
	Add:	
(417)	• Managed Funds - Charitable Trusts	(124)
11,128	• Associates	(7,555)
<u>35,484</u>	(Surplus)/Deficit for the year on the Group Comprehensive I & E Statement	<u>(47,434)</u>

NOTES TO THE GROUP ACCOUNTS

1. Combining Entities

The results of Tayside Valuation, Tayside Fire & Rescue and Tayside Joint Police Boards which are jointly administered with Dundee and Angus City Councils have been included in the Group Accounts. The Council is exempt from including the Boards as subsidiaries under the "rebuttable presumption" which recognises that Central Government exercises a dominant influence on the Boards evidenced particularly by its ability to reconstitute or abolish statutory bodies or otherwise influence their operating and financial policies.

The Council does however have voting rights; an obligation to contribute to the Joint Boards losses or deficits and the ability to exercise significant influence over them. The Joint Boards have therefore been incorporated in the Group Accounts under the equity method of Accounting for Associates.

For the purpose of consolidation and incorporation within the Group Accounts recognition has been made of the Council's interest which is based on its share of the contributions made to the Joint Boards as detailed below:

Tayside Valuation Joint Board	39.80% (2009/10 39.80%)
Tayside Fire & Rescue Board	29.00% (2009/10 29.00%)
Tayside Joint Police Board	30.20% (2009/10 30.20%)

The accounting period for all entities is the year to 31 March 2011 and each of the Boards' Statements of Accounts presents fairly their individual financial position.

The individual accounts relating to these Boards are published separately, and can be obtained from the following addresses:-

Tayside Valuation Joint Board Head of Finance, Dundee City Council, Floor 4, 28 Crichton Street, Dundee, DD1 3RF.

Tayside Fire & Rescue Board Head of Corporate Services, Fire & Rescue Headquarters, Blackness Road, Dundee, DD1 5PA.

Tayside Joint Police Board Director of Corporate Services, Force Headquarters, PO Box 59, West Bell Street, Dundee, DD1 9JU.

On 25 August 2011 Audit Scotland advised that fund actuaries have now standardised the method used to estimate for injury benefits for Fire & Rescue Boards and Joint Police Boards. Prior to 2010/11, calculation of the liability was based on benefits currently in payment. In 2010/11 the calculation was changed to include an estimate of active members who may be paid injury benefits in the future. A change in measurement basis is a change in accounting policy, which must be applied retrospectively. There was no impact on their respective General Reserve balances at 31 March 2011.

In addition, the Council has also included Live Active Leisure Limited (formerly Perth & Kinross Leisure Ltd.) and Horsecross Arts Ltd. as Associates within its group accounts. The Council does not have an 'interest' in these organisations as defined in the Code. However, there is custom and practice in Scotland that Leisure and Cultural Trusts are included in local authorities' group accounts because of their importance in the delivery of social, cultural and recreational provision. Both organisations operate independently of Perth and Kinross Council, are governed by company and charitable trust regulation, and are not the property of Perth and Kinross Council. For the purpose of consolidation and incorporation within the Group Accounts it has been assumed that the Council's interest in the organisations equate to the proportion of Board members who are also members of Perth & Kinross Council. For Live Active Leisure Limited this is 33.33% (2009/10; 33.33%) and for Horsecross Arts Ltd. this is 27.27% (2009/10; 27.27%). During 2011-12 the Council is to undertake a review of the management control arrangements for Live Active Leisure Limited and Horsecross Arts Ltd.

The individual accounts relating to these organisations are published separately, and can be obtained from the following addresses:-

Live Active Leisure Limited Caledonia House, Hay Street, Perth, PH1 5HS.

Horsecross Arts Ltd 185 High Street, Perth, PH1 5UW.

The income, expenditure, assets and liabilities of the Charitable Trusts which are administered and controlled by the Council have also been included as a managed fund. The nature of the assets of the managed fund is investments and debtors. The assets are not the property of Perth and Kinross Council and are subject to charitable trust regulations. The Income and Expenditure Account of the Charitable Trusts is detailed on page 70 of the Statement of Accounts.

The income, expenditure, assets and liabilities of the Common Good Accounts which are administered and controlled by the Council have also been included as a managed fund. The nature of the assets of the managed fund is heritable property, investments and debtors. The assets are the property of Perth and Kinross Council and are subject to the Accounting Code of Practice. The Income and Expenditure Account of the Common Good is detailed on page 71 of the Statement of Accounts.

Perth & Kinross Council's 38% (2009/10 38%) share of the assets and liabilities of Tayside Contracts Joint Committee which is jointly administered and controlled with Dundee City Council and Angus Council has also been included. There has been no impact on the Group Income and Expenditure Statement as the net surplus for the year is already included in the Council's Income and Expenditure Statement. Copies of Tayside Contracts Joint Committee's individual accounts are published separately, and can be obtained from Head of Financial Services, Tayside Contracts, 1 Soutar Street, Dundee, DD3 8SS.

Tayside Central Scotland Transport Partnership (TACTRAN) is a statutory body established under the Transport (Scotland) Act 2005. The partnership covers Angus, Dundee City, Perth & Kinross and Stirling Council areas. The results of TACTRAN have been excluded from Perth & Kinross Councils Group accounts on the grounds of materiality.

2. Nature of Combination

The Council inherited its interest in the Joint Boards following the reorganisation of local government in 1996. It is considered that the Council's interest in these entities was obtained on an acquisition basis. However, as no consideration was given, no goodwill requires to be accounted for.

3. Financial Impact of Consolidation and Going Concern

The effect of inclusion of the Associates listed above in the Group Balance Sheet is to decrease both reserves and net assets by £216,269,000 (2009/10 £256,987,000) largely because of the combined pension liability of the Joint Boards. This is mainly as a direct result of the requirement to fully account for IAS19 Employee Benefits.

All Associates have prepared their accounts on a 'going concern' basis. Statutory arrangements in place with the Scottish Government and constituent authorities for the funding of the deficit on Police and Fire pensions means that the financial position of the Boards remains assured. In common with these public bodies, the Council's Group Accounts have been prepared on a 'going concern' basis as there is no reason to suggest that future funding will not continue. Apart from the disclosures made in the Notes to the Group Accounts there were no material amounts or details in relation to associates or managed funds.

4. Group CI&E Statement – Financing and Investment Income & Expenditure

	2010/11 £'000	2009/10 £'000
Council Financing and Investment Income & Expenditure	18,498	17,327
Charitable Trusts	(93)	(97)
Common Good	(4)	(6)
Associates	14,799	13,103
	<u>33,200</u>	<u>30,327</u>

5. Group Balance Sheet - Debtors (net of provisions)

	2010/11 £'000	2009/10 £'000
Net Debtors Balances - Note 37 to the Core Financial Statements	24,978	23,505
Charitable Trusts Debtors	12	15
Common Good Debtors	22	8
Tayside Contracts Joint Committee Debtors	3,792	2,604
Total Group Debtors	<u>28,804</u>	<u>26,132</u>

6. Group Balance Sheet - Investments

	2010/11 £'000	2009/10 £'000
Council Investments	13,092	10,036
Charitable Trusts Investments	2,283	2,177
Common Good Investments	297	297
Total Group Investments	<u>15,672</u>	<u>12,510</u>

7. Group Balance Sheet - Creditors

	2010/11 £'000	2009/10 £'000
Net Creditors Balance - Note 39 to the Core Financial Statements	(51,058)	(48,962)
Charitable Trust Creditors	284	278
Common Good Creditors	1,694	2,037
Tayside Contracts Joint Committee Creditors	(4,535)	(986)
Total Group Creditors	<u>(53,615)</u>	<u>(47,633)</u>

8. Group Balance Sheet - Usable Reserves

	2010/11 £'000	2009/10 £'000
Usable Reserves - Council Balance Sheet	44,680	41,796
Tayside Contracts	(1,289)	2,355
Total Usable Reserves	<u>43,391</u>	<u>44,151</u>

9. Group Balance Sheet - Unusable Reserves

	2010/11 £'000	2009/10 £'000
Unusable Reserves - Council Balance Sheet	149,520	38,937
Tayside Contracts	(8,239)	(15,443)
Total Unusable Reserves	<u>141,281</u>	<u>23,494</u>

10. Pension Costs

	2010/11 £'000	2009/10 £'000
Net Pensions Liability at 31 March - Note 25 to the Core Financial Statements	(130,073)	(234,344)
Tayside Contracts Joint Committee	(8,613)	(15,808)
Group Pension Liability at 31 March	<u>(138,686)</u>	<u>(250,152)</u>

11. Group Cash Flow Statement

There has been no impact on the Group Cash Flow Statement from the inclusion of the Joint Boards, Live Active Leisure Limited or Charitable Trusts. Cash transactions between the Joint Boards, Live Active Leisure Limited and the Charitable Trusts and the Council are already included within the Council's Cash Flow Statement and there were no dividend transactions.

The impact of the inclusion of Tayside Contracts Joint Committee within the Group Cash Flow Statement is to reduce the movement in the net cash position by £1,193,000 (2009/10, reduction of £263,000). This represents the Council's 38% (2009/10 38%) share of the cash increases in the year.

12. Group Cash Flow – Investing Activities

	2010/11 £'000	2009/10 £'000
Council Investing Activities	(25,469)	(22,504)
Tayside Contracts	(586)	(911)
	<u>(26,055)</u>	<u>(23,415)</u>

13. Group Cash Flow – Financing Activities

	2010/11 £'000	2009/10 £'000
Council Financing Activities	192	9,675
Tayside Contracts	(227)	(234)
	<u>(35)</u>	<u>9,441</u>

14. Additional Disclosure

The aggregate of the Associates gross liabilities exceed 15% of the Group. In addition the Police Board gross liabilities exceed 25% of the group.

	Combined Associates		Police Board	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Grants and Contributions Received	(41,258)	(37,741)	(24,329)	(27,329)
Surplus for the Year	n/a	n/a	536	132
Fixed Assets	34,169	34,673	19,141	19,633
Current Assets	7,859	8,819	4,563	5,602
Liabilities Due Within One Year	(5,886)	(5,603)	(3,720)	(3,575)
Liabilities Due After One Year or more	(252,950)	(291,877)	(192,338)	(220,277)

The main liability due after more than one year is in relation to each of the Associates' obligations in respect of defined benefit pension schemes. These have been accounted for under IAS19 "Employee Benefits" in accordance with The Code of Practice. The Council share of the pension liabilities included above is £249,168,000 (2009/10 £285,429,000).

As detailed in note 1 of the Group Accounts the results of Live Active Leisure Limited and Horsecross Arts Ltd are included as Associates and detailed in the Combined Associates disclosure above. As Live Active Leisure Limited and Horsecross Arts Ltd also have charitable status, their combined impact on the Group Accounts is also detailed below in line with the Code disclosure.

	Live Active Leisure Ltd & Horsecross Arts Ltd	
	2010/11 £'000	2009/10 £'000
Grants and Contributions Received	(2,928)	(2,910)
Expenditure	2,559	2,959
Fixed Assets	4,938	5,270
Current Assets	2,606	2,277
Liabilities Due Within One Year	(757)	(747)
Liabilities Due After One Year or more	(392)	(1,428)

The nature of the assets of the above two entities which are included in the group accounts are mainly land and buildings; debtors; and cash at bank, however the assets are not the property of Perth and Kinross Council and the basis for their incorporation in the group accounts is detailed in note 1.

15. Related Party Transactions

The under noted balances which all relate to the supply of goods and services existed between the Joint Boards and the Council at the year end:-

	Balance Due		Balance Due	
	From 31.3.11 £'000	To 31.3.11 £'000	From 31.3.10 £'000	To 31.3.10 £'000
Tayside Valuation Joint Board	35	(3)	33	(4)
Tayside Joint Police Board	41	36	55	0

ANNUAL GOVERNANCE STATEMENT 2010/11

1. Scope of Responsibility

- 1.1 Perth & Kinross Council has to ensure that it conducts its business in accordance with the law and proper standards. It must ensure that public money is safeguarded, properly accounted for, and used appropriately. The Council has a legal duty to keep accounts and to follow proper accounting practices.
- 1.2 To fulfil these duties, the Council has to put in place arrangements for the governance of its affairs, including arrangements for the management of risk.
- 1.3 This statement explains the way Perth & Kinross Council complies with national standards for good corporate governance and meets the requirements of relevant legislation and current good practice.
- 1.4 Perth & Kinross Council's Local Code of Corporate Governance can be found on the Council's website at <http://www.pkc.gov.uk/Council+and+government/Council+information+performance+and+statistics/> or a copy can be obtained from the Head of Legal Services at Perth & Kinross Council, 2 High Street, Perth, PH1 5PH.
- 1.5 This statement must also cover the six organisations that are included in the Council's Group Accounts.

For Live Active Leisure Ltd and Horsecross Ltd, reliance has been placed upon the audited financial statements of the companies.

For Tayside Joint Police Board, reliance has been placed upon the organisation's Annual Governance Statement.

For the other organisations, namely Tayside Contracts Joint Committee; Tayside Fire & Rescue Board; and Tayside Valuation Joint Board, the individual Statements of Internal Financial Control have been reviewed. These, together with written assurances, provide comfort that no material weaknesses have been identified within their internal financial control systems.

2. The Purpose of the Governance Framework

- 2.1 The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 It is made up of the systems and processes, cultures and values by which the Council is directed and controlled. It also includes the way in which the Council accounts to, engages with and leads the community.
- 2.3 The governance framework is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable assurance of effectiveness. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised, and to manage them efficiently, effectively and economically.

3. Perth & Kinross Council's Structure

- 3.1 Perth & Kinross Council is made up of 41 councillors who are elected by the residents they represent. The Council has 15 committees, each with specific remits. The Council and its committees meet to consider business regularly according to a published schedule.
- 3.2 The Chief Executive is the Head of Paid Service for the Council. The Council's officers are formed into four Services, led by the Chief Executive and three Executive Directors. One of the Executive Directors also acts as Depute Chief Executive. Each Service is split into functional areas led by Heads of Service.

4. Perth & Kinross Council's Governance Framework

- 4.1 The role of committees in decision-making is set out within the Council's Scheme of Administration, which also sets out the delegated decision-making powers of individual officers. If the urgency of a situation demands, the Chief Executive or any Executive Director is able to make a non-delegated decision provided all such decisions are reported to the next available meeting of the Council or relevant Committee.
- 4.2 The Chief Executive, Depute Chief Executive and Executive Directors meet regularly as the Executive Officer Team. Individual Services have their own Service Management Teams. Depute Directors and Heads of Service also meet as the Corporate Management Group which has a key role in the development and implementation of Council strategy and policy.
- 4.3 The Council's objectives and priorities are set out in its Corporate Plan for 2009-12 which was approved by Council on 6 May 2009. It sets out a vision and describes how the Council will achieve the outcomes contained in the Single Outcome Agreement with the Scottish Government. Outcomes and performance indicators within the Single Outcome Agreement are monitored every month by exception by the Executive Officer Team.

- 4.4 The Council works to deliver services with other public sector organisations in the area in the Perth and Kinross Community Planning Partnership. Its objectives are set out in the Community Plan which relates to the Community Planning Partnership's Single Outcome Agreement. The Council's performance monitoring arrangements are linked to those of the Community Planning Partnership.
- 4.5 The Council has set out areas of corporate improvement activity around people, process and culture in its Corporate Improvement Plan for 2009–12 which was approved by the Council on 6 May 2009. Corporate improvement actions are led and monitored by the Corporate Management Group and its sub-groups.
- 4.6 Individual Service Plans (Business Management & Improvement Plans) set out detailed actions and outcomes for each Service and include performance indicators.
- 4.7 Monthly training sessions, by means of delayed opening, are held to update staff and members about Council policies and procedures and key legislation. All new employees undergo a compulsory induction programme that covers key roles and procedures. There is an annual employee review and development process. Regular Team briefings are held and on-line training courses are available. This ensures that policies and procedures are communicated throughout the Council.
- 4.8 The Council maintains a register of Corporate Business Risks. Action Plans have been developed to ensure that these corporate risks are managed and these are agreed and monitored by the Executive Officer Team on a quarterly basis. Similarly, Service risks are identified and managed within each Service. The risks associated with each major project undertaken by the Council are identified and managed through appropriate project management arrangements and reports are produced for each project deemed to be of high risk or of a value greater than £500,000 and submitted on a monthly basis to a sub-group of the Corporate Management Group.
- 4.9 The Council has a programme of Best Value Reviews, which are designed to ensure continuous improvement in the economy, efficiency and effectiveness of services. The annual service planning process ensures that Services meet the needs of customers, and that targets for quality improvements are set and monitored.
- 4.10 Annual budgets are set by the Council, and each budget is allocated to a named budget holder. The responsibilities of budget holders in financial management are included in the Council's Financial Regulations and training has been provided to budget holders. Budgets are monitored regularly. The Council's financial performance is monitored regularly by the Executive Officer Team and the Strategic Policy & Resources Committee.
- 4.11 The Council publishes an Annual Report on its performance against the objectives set out within the Corporate Plan. The Council has an 'at-a-glance' scorecard on its website, called PKC Performs, showing the Council's performance against targets. Service Plans, which include performance indicators, flow from the Corporate Plan priorities, and feed into the targets contained within Team Plans. Service Management Teams regularly review the performance of their Service and the Executive Officer Team monitors performance each month on an exception basis. Service performance is reported to the Executive Officer Team and then to relevant committees, including the Scrutiny committee, on a six monthly and annual basis.
- 4.12 Performance is also discussed on a regular basis between the Chief Executive and each Executive Director as part of the annual appraisal process. This process is replicated at Service level.
- 4.13 The Council has a published process for dealing with complaints from members of the public. There are also appropriate arrangements for employees to report concerns about possible wrong-doing in the Council, and particular arrangements for them to report concerns about fraud or corruption.
- 4.14 The Council has a strategy for engaging with communities and has agreed a Statement of Intent with its Community Planning Partners to support a co-ordinated approach to community engagement. It is also in the process of establishing a new approach to locality planning.
- 4.15 The Council's Internal Audit team reports directly to senior management on the adequacy of system controls and, where necessary, makes recommendations for improvement. A report is produced following each completed audit and is discussed with the appropriate level of management within the Council. Each report contains a Management Implementation Plan that details the action agreed for each audit finding, the priority, accountable manager and agreed implementation date. Audit reports are considered by the Audit-Sub Committee.
- 4.16 A risk-based internal audit plan is prepared annually in a process which reviews all the significant activities and systems that contribute to the achievement of the Council's objectives. Audits are prioritised based on the resources available and a combination of the significance of the activity or system in relation to the Council's objectives; the likely consequences of a failure of control; the degree of change in the activity or system; the assessed strength of the internal controls in place.
- 4.17 The Council has arrangements in place for the management of information risk including an information security policy and standards.

5. Review of Effectiveness

- 5.1 The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. This review is informed by the work of the Executive Officer Team, senior managers and the internal auditors who have a responsibility for the development and maintenance of the governance environment. Comments made by external auditors and other agencies and inspectorates are also taken into account.

- 5.2 The Council is responsible for ensuring that its financial management is adequate and effective and that there is a sound system of internal control that is regularly reviewed. As such, it agrees the Financial Regulations, which form an integral part of the Corporate Rules. It also approves and sets the Annual Budget, which provides the framework for budget setting and good budgetary control.
- 5.3 The Strategic Policy & Resources Committee receives regular financial monitoring information as part of the budgetary control framework.
- 5.4 The Scrutiny Committee and the Strategic Policy & Resources Committee perform the overview and scrutiny role in relation to all matters pertaining to the governance of the Council, including review of the Corporate Rules, its political arrangements and rules of procedure. The Audit Sub-Committee approves the annual audit plan and receives the annual audit report.
- 5.5 Internal Audit completed and issued 23 planned audits during the period covered by this statement. (As at 8 June 2011)
- 5.6 Significant improvements have been made in Internal Audit however these were not in place for the whole of 2010/11. These improvements are continuing to be embedded throughout the organisation.
- 5.7 The Council's Corporate Governance arrangements include clearly defined roles and responsibilities for all Chief Officers and statutory officers, including the Chief Executive, the Chief Social Worker, the Monitoring Officer and the Section 95 Officer (Chief Financial Officer).
- 5.8 The Council's corporate rules include Standing Orders and Financial Regulations. All proposals of a significant nature are assessed for legality and financial impact prior to a decision being made. Mechanisms are in place to ensure that the Council implements new legislation.
- 5.9 The Council has designated the Depute Chief Executive as the Senior Information Risk Officer and an information security management forum meets on a regular basis.

6. Significant Governance Issues

- 6.1 The Annual Internal Audit report for 2010/11, notes that reasonable reliance can be placed on the Council's systems of internal control for 2010/11 subject to Internal Audit's previously reported findings relating to the 'areas for significant improvement in controls' noted within section 3 of the report.
- 6.2 The exceptions and reservations highlighted have been, or will be, addressed through the actions set out below. However, the areas highlighted are not considered to affect the acceptable level of assurance.

Issue No	Issue Identified	Source of Evidence	Action
1	Continue to develop the links between workforce planning, asset management and medium term financial planning	Self Assessment Exercise / How Good is Your Council Business Management and Improvement Plans	Continue to develop the links between workforce planning, asset management and medium term financial planning
2	The Local Code of Corporate Governance has still to be updated	Solace/Cipfa Self Assessment Forms	Agree on a revised Local Code
3	Internal Sales Ledger procedures and controls	Current Internal Audit Assignment	Review of Sales Ledger procedures and controls

- 6.3 The Governance Framework has been in place for the financial year ended 31 March 2011 and up to the date of approval of the Annual Report and Statement of Accounts. Procedures are in place to ensure that there is continuous improvement.
- 6.4 It is our view that as far as possible the Council has established an acceptable level of internal control, risk management and corporate governance framework on which it will develop and improve.

Signed:

Bernadette Malone
Chief Executive

Perth & Kinross Council

Date: 21 September 2011

Ian Miller
Leader of the Council

Perth & Kinross Council

Date: 21 September 2011

REMUNERATION REPORT FOR FINANCIAL YEAR 2010/11

1. Introduction

The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No. 2011/64) require local authorities in Scotland to prepare a Remuneration Report as part of their annual statutory accounts. The disclosures within this report have been prepared in accordance with guidance issued by the Scottish Government on 13 May 2011 in Local Government Finance Circular No 8/2011 (revised). This guidance prescribes the content and format of the information presented within the Remuneration Report and specifies that remuneration disclosures are to be based upon taxable expenses and benefits. The disclosures are set out in accordance with proper accounting practice as prescribed by the Code of Practice on Local Authority Accounting in the UK and include prior year comparative figures.

2. Audit of Remuneration Report

The Remuneration Report is a statement in its own right rather than a note to the accounts and certain disclosures within the report are subject to audit.

All information disclosed in tables 1 to 6 in this Remuneration Report has been audited by the Council's appointed auditor Henderson Loggie. The other sections of the Remuneration Report were reviewed by Henderson Loggie to ensure that they are consistent with the financial statements.

3. Remuneration of Senior Councillors

- 3.1 The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (Provost), Senior Councillors or Councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure.
- 3.2 When determining the level of remuneration for Councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.
- 3.3 The Regulations set out the salary that is to be paid to the Leader of the Council in accordance with bandings also set out in the Regulations. The Regulations also permit the Council to remunerate one Civic Head, which in the case of Perth & Kinross Council is the Provost, and set out the maximum salary that may be paid to that Civic Head. For 2010/11 the salary for the Leader of Perth & Kinross Council is £32,470 and the Council has agreed that the Civic Head be paid 75% of the salary of the Leader, which for 2010/11 is £24,353.
- 3.4 In addition to the Leader of the Council and Civic Head, Regulations also set out the maximum number of Senior Councillors the Council may have; the maximum yearly amount that may be paid to a Senior Councillor (75% of the total yearly amount payable to the Leader of the Council) and the maximum yearly amount payable by the Council for all Senior Councillors. Perth & Kinross Council may have a maximum of 14 Senior Councillors with a maximum salary of £24,353 and a maximum yearly amount payable for all Senior Councillors of £284,116 in 2010/11 (excluding the Council Leader, Civic Head and Convenors and Vice Convenors of Joint Boards). The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. Perth & Kinross Council's policy is to pay Senior Councillors 70% of the salary of the Leader of the Council with the exception of the Leader of the Minority Opposition who is paid 65% of the salary of the Leader of the Council.
- 3.5 The Regulations also set out the remuneration payable to Councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board such as a Fire Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convener or Vice-Convener (as the case may be) is a member. Joint Board Convenors and Vice-Convenors are considered to be Senior Councillors for remuneration disclosure purposes. In financial year 2010/11, Councillors from Perth & Kinross Council served as Convener of the Tayside Fire & Rescue Joint Board and Vice-Convener of the Tayside Valuation Joint Board. The remuneration paid by the Council to these Councillors in their role as Convener and Vice-Convener of the Joint Boards was not recharged by the Council to the Joint Boards.
- 3.6 In 2010/11 Perth & Kinross Council had 12 Senior Councillors and 2 Councillors serving as Convenors and Vice-Convenors of Joint Boards who are treated as Senior Councillors for the purposes of the Remuneration Report. Together with the Leader of the Council and the Provost, the total remuneration including taxable expenses paid to these Councillors was £372,751. The individual amounts payable to the Leader of the Council, the Provost, Senior Councillors of Perth & Kinross Council and Convenors and Vice-Convenors of Joint Boards in 2010/11 is set out in table 1 below. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become Councillor members of the pension scheme.

Table 1: Remuneration of Senior Councillors, Convenors and Vice-Convenors of Joint Boards for Financial Year 2010/11

Name and Post Title	Salary, fees And allowances	Taxable Expenses (Note:1)	Total Remuneration 2010/11	Total Remuneration 2009/10
	£	£	£	£
Ian Miller Council Leader & Convener Strategic Policy & Resources	32,470	172	32,642	<i>32,619</i>
John Hulbert Provost (Civic Head)	24,353	0	24,353	<i>24,359</i>
Ken Lyall Convener Tayside Fire & Rescue Joint Board	24,353	39	24,392	<i>24,414</i>
Kathleen Baird Convener Scrutiny	22,729	92	22,821	<i>22,839</i>
Robert Band Convener Licensing Board	22,729	167	22,896	<i>22,883</i>
Peter Barrett Convener Housing & Health	22,729	112	22,841	<i>22,867</i>
Alan Grant Convener Environment	22,729	0	22,729	<i>22,729</i>
Elizabeth Grant Convener Lifelong Learning	22,729	53	22,782	<i>22,757</i>
George Hayton Depute Leader, Leader of Liberal Democrat Group & Vice Convener Strategic Policy & Resources	22,729	132	22,861	<i>22,861</i>
John Kellas Convener Enterprise & Infrastructure	22,729	81	22,810	<i>22,768</i>
Peter Mulheron Convener Licensing	22,729	17	22,746	<i>22,740</i>
William Robertson Convener Community Safety Committee	22,729	6	22,735	<i>22,729</i>
Alexander Stewart Leader of Major Opposition	22,729	101	22,830	<i>22,817</i>
William Wilson Convener Development Control	22,729	145	22,874	<i>22,856</i>
Archibald MacLellan Leader of Minority Opposition	21,106	53	21,159	<i>21,145</i>
Lewis Simpson Vice Convener Tayside Valuation Joint Board	19,280	0	19,280	<i>19,280</i>
TOTAL (Note: 2)	371,581	1,170	372,751	<i>372,663</i>

Notes:

- (1) Taxable Expenses relate to Meals taken on Council premises.
- (2) After adjusting for the salaries of the Leader of the Council, Civic Head (Provost) and Convenors and Vice Convenors of Joint Boards, the total salary paid to Senior Councillors in 2010/11 was £271,125 which compares with the maximum under Regulations of £284,116.

3.7 The arrangements for political decision making structures within Perth & Kinross Council, which encompasses the salaries of all Elected Members including the Council Leader, Civic Head and Senior Councillors was agreed at the meeting of the full Council on 16 May 2007 (Report 07/330 refers) and is available on the Council's website www.pkc.gov.uk. Please follow the links on the Council's website as follows: "Council and Government" / "Councillors, Elections and Democracy" / minutes agenda and reports.

3.8 The Council paid the following salaries and expenses to all Councillors (including the Senior Councillors listed above) in financial year 2010/11:

Table 2: Remuneration Paid to Councillors

Type of Remuneration	2010/11 £	2009/10 £
Salaries	775,836	775,302
Taxable Expenses	2,752	2,539
Total	<u><u>778,588</u></u>	<u><u>777,841</u></u>

3.9 The annual return of Councillors' salaries and expenses for 2010/11 is available for any member of the public to view at the Council Headquarters Building at 2 High Street, Perth; Council libraries and Council local area offices during normal working hours and is also available on the Council's website at www.pkc.gov.uk. Please follow the links on the Council's website as follows: "Council and Government" / "Councillors, Elections and Democracy" / "Councillors" / "Councillors' Allowances".

The information in the annual return of Councillors' salaries and expenses for 2010/11 differs from the information presented within the Remuneration Report as the Remuneration report excludes the reclaim of expenses which are not subject to taxation such as car mileage expenses; expenditure on public transport and subsistence expenses.

4. Remuneration of Senior Employees

4.1 The Council is required to publish the remuneration of Senior Employees as defined by the disclosure regulations. Senior Employees are defined with reference to their management authority; to the political restriction placed upon their post under section 2(1) (a), (b) or (c) of the Local Government Housing Act 1989 and with reference to their reporting relationship to the Council's 'Head of Paid Service' or Chief Executive. The disclosure requirements also include any employee whose annual remuneration is £150,000 or more. No employee of Perth & Kinross Council was remunerated at this level in 2010/11.

4.2 The application of the disclosure regulations in relation to the management structure of Perth & Kinross Council defines the following post-holders as Senior Employees in 2010/11:

- The Chief Executive as Head of Paid Service.
- The Depute Chief Executive and Executive Directors as officers responsible for the management of the authority to the extent that they may direct or control the major activities of the authority either solely or collectively.
- The Head of Legal Services as the Council's statutory monitoring officer; the Head of Finance as the Council's proper officer for financial administration and the Head of Children & Family as the Council's statutory Chief Social Work officer.
- The Head of Democratic Services and the Head of Business Transformation & Improvement who both report directly to the Council's Chief Executive.

4.3 The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. Circular CO/144 sets the amount of salary for the Chief Executive of Perth & Kinross Council for the period 2008 to 2011. The salaries of the Depute Chief Executive and Executive Directors are set with reference to the salary of the Chief Executive.

4.4 The remuneration of Senior Employees of Perth & Kinross Council for 2010/11 is detailed in table 3 below:

Table 3: Remuneration of Senior Employees of the Council for Financial Year 2010/11

Name and Post Title	Salary, fees and Allowances	Total Remuneration 2010/11	Total Remuneration 2009/10
	£	£	£
Bernadette Malone Chief Executive (Note 1)	125,331	125,331	<i>128,155</i>
James Irons Depute Chief Executive & Executive Director The Environment Service	111,525	111,525	<i>105,458</i>
David Burke Executive Director Housing & Community Care	106,380	106,380	<i>103,785</i>
John Fyffe Executive Director Education & Children's Services	106,380	106,380	<i>103,785</i>
William Atkinson Head of Children & Family	84,045	84,045	<i>81,996</i>
Ian Innes Head of Legal Services	84,045	84,045	<i>86,274</i>
John Symon Head of Finance	84,045	84,045	<i>86,274</i>
Tina Yule Head of Business Transformation & Improvement	77,166	77,166	<i>75,285</i>
Gillian Taylor Head of Democratic Services (Note 2)	77,166	77,166	<i>64,433</i>
TOTAL	856,083	856,083	<i>835,445</i>

Notes:

(1) The Chief Executive's remuneration in 2010/11 includes a fee of £3,651 for acting as Returning Officer for the UK Parliamentary Election on 6 May 2010 and the Perth & Kinross Local Government By-Election for the Strathallan ward on 6 May 2010. The Chief Executive's remuneration in 2009/10 included a fee of £6,475 for acting as Returning Officer for the European Election on 4 June 2009.

(2) The Head of Democratic Services returned to Full Time employment in 2010/11.

4.5 Under the terms of national pay negotiations, all Scottish local authority Chief Officials, including the above Senior Officers, received a pay award of 2.5% in 2010/11 with the exception of the Chief Executive who voluntarily declined the pay award under the terms of the agreement between the Scottish Local Authority Association of Chief Executives (SOLACE) and the Scottish Joint Negotiating Committee.

4.6 No other taxable benefits or bonuses were received by the above named Senior Employees of Perth & Kinross Council in 2010/11.

5. General Disclosure of Remuneration by Pay Band

5.1 In accordance with the disclosure regulations, Table 4 below details the number of Perth & Kinross Council employees whose annual remuneration in 2010/11 was £50,000 or more including Senior Employees subject to individual disclosure in section 4 of this report. The information is presented, as required, in bandings of £5,000.

Table 4: Remuneration of Employees by Pay Band for 2010/11

Remuneration Bands	Number of Employees	
	2010/11	2009/10
£50,000-£54,999	52	38
£55,000-£59,999	19	12
£60,000-£64,999	3	9
£65,000-£69,999	3	3
£70,000-£74,999	4	1
£75,000-£79,999	15	14
£80,000-£84,999	3	4
£85,000-£89,999	3	3
£90,000-£94,999	0	0
£95,000-£99,999	0	0
£100,000-£104,999	0	2
£105,000-£109,999	2	1
£110,000-£114,999	1	0
£115,000-£119,999	0	0
£120,000-£124,999	0	0
£125,000-£129,999	1	1
Total	106	88

6. Remuneration by Subsidiary Bodies of Perth & Kinross Council

6.1 Councillors and Senior Employees of Perth & Kinross Council serve as Board members; officials and technical advisors to subsidiary bodies of the Council. In 2010/11, the Head of Finance, Head of Legal Services and Head of Democratic Services served as proper officers to the Tayside and Central Scotland Transport Partnership (TACTRAN). The Head of Finance and Head of Democratic Services also served as proper officers to the Tayside Fire and Rescue Joint Board. No remuneration was paid to Councillors and Senior Employees of Perth & Kinross Council by subsidiary bodies of the Council in 2010/11.

7. Disclosure of Pension Benefits

7.1 The disclosure regulations require the separate disclosure of accrued pension benefits for Senior Councillors and Senior Employees of Perth & Kinross Council. Pension Benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). Councillors have only been eligible to join this scheme since May 2007.

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

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

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

The tiers and member contribution rates for 2010/11 remain at the 2009/10 rates, (due to the negative increase in the cost of living index for 2010/11) and are as follows:

Tiered Pension Contribution Rates for Local Government Pension Scheme Members in 2010/2011

Full Time Equivalent (FTE) Pensionable pay	Contribution Rate	Contribution Rate
	% 2010/11	% 2009/10
On earnings up to and including £18,000	5.5%	5.5%
On earnings above £18,000 and up to £22,000	7.25%	7.25%
On earnings above £22,000 and up to £30,000	8.5%	8.5%
On earnings above £30,000 and up to £40,000	9.5%	9.5%
On earnings above £40,000	12%	12%

- 7.5 Pensionable Pay includes salary, plus any contractual elements of pay such as shift payment, night working payment, standby and the money value of any accommodation or other allowances in kind appertaining to employment. If a person works part-time their contribution rate is worked out on a whole time pay rate for the job, with actual contributions paid on actual pay earned.
- 7.6 There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).
- 7.7 The value of accrued benefits have been calculated on the basis of the age at which the person will first become entitled to receive a pension on the retirement without reduction on account of its payment at that age: without exercising any option to commute pension entitlement into a lump sum: and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their local government service, and not just their current appointment.

7.7 Pension Entitlements of Senior Councillors

The pension entitlements of Senior Councillors of Perth & Kinross Council for the year to 31 March 2011 are shown in table 5 below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Table 5: Pension Entitlements of Senior Councillors for the Year to 31 March 2011

Name and Post Title	In-year pension contributions			Accrued Pension Benefits		
	For Year to 31/03/2011 £	For Year to 31/03/2010 £		For Year to 31/03/2011 £'000	For Year to 31/03/2010 £'000	Difference from March 2010 £'000
Ian Miller Council Leader	6,007	6,007	Pension Lump Sum	2 2	1 2	1 0
John Hulbert Civic Head	4,505	4,505	Pension Lump Sum	2 2	1 2	1 0
Ken Lyall Convener Tayside Fire & Rescue Board	4,505	4,505	Pension Lump Sum	1 2	1 2	0 0
Kathleen Baird Convener Scrutiny	4,205	4,205	Pension Lump Sum	1 2	1 2	0 0
Robert Band Convener Licensing Board	4,205	4,205	Pension Lump Sum	1 2	1 1	0 1
Peter Barrett Convener Housing & Health	4,205	4,205	Pension Lump Sum	1 2	1 2	0 0
Alan Grant Convener Environment	0	0	Pension Lump Sum	0 0	0 0	0 0
Elizabeth Grant Convener Lifelong Learning	0	0	Pension Lump Sum	0 0	0 0	0 0
George Hayton Vice Convener Strategic Policy & Resources	4,205	4,205	Pension Lump Sum	1 2	1 2	0 0
John Kellas Convener Enterprise & Infrastructure	4,205	4,205	Pension Lump Sum	1 2	1 2	0 0
Peter Mulheron Convener Licensing	0	0	Pension Lump Sum	0 0	0 0	0 0
William Robertson Convener Community Safety Committee	4,205	4,205	Pension Lump Sum	1 2	1 2	0 0
Alexander Stewart Leader of Major Opposition	4,205	4,205	Pension Lump Sum	5 12	4 12	1 0
William Wilson Convener Development Control	0	0	Pension Lump Sum	0 0	0 0	0 0
Archibald MacLellan Leader of Minority Opposition	3,905	3,905	Pension Lump Sum	2 2	1 2	1 0
Lewis Simpson Vice Convener Tayside Valuation Board	3,567	3,567	Pension Lump Sum	1 1	1 1	0 0
TOTAL	51,924	51,924		52	47	5

Note

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service, including any service with a Council subsidiary body, and not just their current appointment. Councillors have only been eligible to join the Local Government Pension Scheme since May 2007. Councillors Alan Grant, Elizabeth Grant, Peter Mulheron and William Wilson have elected not to become members of the Local Government Pension Scheme.

7.8 Pension Entitlements of Senior Employees

The pension entitlements of Senior Employees of Perth & Kinross Council for the year to 31 March 2011 are shown in table 6 below, together with the contribution made by the Council to each Senior Employee's pension during the year.

Table 6: Pension Entitlements of Senior Employees for the Year to 31 March 2011

Name and Post Title	In-year pension contributions			Accrued Pension Benefits		
	For Year to 31/03/2011	For Year to 31/03/2010		For Year to 31/03/2011	For Year to 31/03/2010	Difference from March 2010
	£	£		£'000	£'000	£'000
Bernadette Malone Chief Executive	23,186	23,709	Pension	36	34	2
			Lump Sum	97	97	0
James Irons Depute Chief Executive	20,632	19,510	Pension	56	51	5
			Lump Sum	156	148	8
David Burke Executive Director Housing & Community Care	19,680	19,200	Pension	50	47	3
			Lump Sum	139	136	3
John Fyffe Executive Director Education & Children's Services	19,680	19,200	Pension	48	45	3
			Lump Sum	132	129	3
William Atkinson Head of Children & Family	15,548	15,169	Pension	39	37	2
			Lump Sum	109	106	3
Ian Innes Head of Legal Services	15,548	15,961	Pension	38	38	0
			Lump Sum	107	110	-3
John Symon Head of Finance	15,548	15,961	Pension	23	20	3
			Lump Sum	57	56	1
Tina Yule Head of Business Transformation & Improvement	14,276	13,928	Pension	26	24	2
			Lump Sum	69	67	2
Gillian Taylor Head of Democratic Services	14,276	11,920	Pension	30	24	6
			Lump Sum	82	68	14
TOTAL	158,374	154,558		1,294	1,237	57

Note

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their local government service, including any service with a Council subsidiary body, and not just their current employment.

Signed:

Bernadette Malone
Chief Executive

Perth & Kinross Council

Date: 21 September 2011

Ian Miller
Leader of the Council

Perth & Kinross Council

Date: 21 September 2011

Independent Auditors' Report

Independent auditors' report to the members of Perth & Kinross Council and the Accounts Commission for Scotland

We certify that we have audited the financial statements of Perth & Kinross Council and its group for the year ended 31 March 2011 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the authority-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Accounts, and the Non-domestic Rate Account, Loans Fund, Charitable Trusts, Common Good and the related notes and Accounting Policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010/11 Code).

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

Respective responsibilities of the Acting Head of Finance and auditor

As explained more fully in the Statement of Responsibilities set out on page 13, the Acting Head of Finance is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2010/11 Code of the state of the affairs of the group and of the Council as at 31 March 2011 and of the income and expenditure of the group and the Council for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In our opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.



Henderson Loggie
Chartered Accountants
Registered Auditors
Royal Exchange
Panmure Street
Dundee
DD1 1DZ

21 September 2011

GLOSSARY

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

CAA

Capital Adjustment Account

CAPITAL EXPENDITURE

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government but they cannot be used to finance revenue expenditure.

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE & DEMOCRATIC CORE

The corporate and democratic core comprises all the activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR

Amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CRR

Capital Receipts Reserve

DEBTOR

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that period.

FAIR VALUE

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

FIAA

Financial Instruments Adjustment Account

IMPAIRMENT

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NON-DISTRIBUTED COSTS

These are overheads which cannot be directly allocated to a specific area of activity and as such are not apportioned to services.

PPE

Property, Plant & Equipment

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans from one year and above to authorities at interest rates only slightly higher than those at which the Government can borrow itself.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

STACA

Short Term Accumulating Compensated Absences