



**PERTH & KINROSS COUNCIL**

**STATEMENT OF ACCOUNTS**

**2008/2009**

**AUDITED**

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## FOREWORD BY THE HEAD OF FINANCE

### Introduction

I am pleased to report on the accounts of Perth & Kinross Council for the 2008/09 financial year. This foreword is intended to give an overview of the Council's financial position and to assist in interpreting the accounting statements.

### The Accounting Statements

The accounting statements are set out on pages 14 to 64 and the purpose of each statement is explained below:

#### Statement of Responsibilities for the Statement of Accounts

This statement explains the responsibilities of the Council and of the Head of Finance as they relate to the statement of accounts.

#### Annual Governance Statement

This statement explains how the Council has complied with the CIPFA/SOLACE standard for good corporate governance and meets the requirements of relevant legislation and current good practice.

#### Statement of Accounting Policies

This statement explains the basis of the figures which appear in the accounting statements and the concepts and conventions which have been adopted.

#### Income and Expenditure Account

This account brings together income and expenditure relating to all of the Council's functions, and demonstrates how the Council's net expenditure has been financed from government grants and income from local taxpayers in line with generally accepted accounting practice in the United Kingdom (UKGAAP).

#### Statement of Movement on the General Fund Balance

This statement provides the link between the Income and Expenditure Account (prepared under UKGAAP) and statutory/non-statutory proper accounting practice (i.e. the amounts that require to be charged or credited to the General Fund). This statement also identifies the surplus or deficit for the year and the balance carried forward to the next financial year.

#### Statement of Total Recognised Gains and Losses

This statement brings together all the recognised gains and losses of the Council during the year.

#### Balance Sheet

This statement illustrates the overall financial position of the Council at the end of the financial year. It shows the balances and reserves at the Council's disposal, its long-term indebtedness, and the fixed and net current assets employed in its operations.

#### Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties. This statement is prepared on the indirect method.

#### Housing Revenue Account

This account shows the major elements of housing revenue account expenditure and how these are met by rents, Housing Support Grant and other income.

#### Council Tax Income Account

This account shows the net income raised from local taxes.

#### Non-Domestic Rate Income Account

This account shows the income from the rate levied on non-domestic property.

#### Loans Fund

This statement explains the operation of the Consolidated Loans Fund and includes the Loans Fund Income and Expenditure Account and Balance Sheet.

#### Charitable Trusts

This statement includes the summary Income and Expenditure Account and Balance Sheet of those Charitable Trusts and Endowments administered by the Council.

#### Common Good

This statement includes the summary Income and Expenditure Account and Balance Sheet of Common Good Funds administered by the Council.

#### Group Accounts

This statement incorporates the share of the Council's Associates into the Group Income and Expenditure Account and includes the Reconciliation of the Single Entity Surplus or Deficit for the year to the Group Surplus or Deficit; Group Statement of Total Recognised Gains and Losses; Group Balance Sheet and Group Cash Flow Statement.

### **Major Changes in Accounting Practice**

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (SORP). The Code is updated regularly to take account of any changes in accounting practice.

There are no major changes arising this year, however the principal amendments include:

- The circumstances in which it would be appropriate to use the depreciated replacement cost method of valuing property have been clarified.
- The Statement on Internal Control and the Statement on the System of Internal Financial Control has been amended to reflect CIPFA's latest published guidance on the Annual Governance Statement.
- A new section entitled Revenue Expenditure Funded from Capital under Statute which clarifies the current approach to accounting for expenditure that is not capital expenditure in accordance with GAAP but which statute allows to be funded from capital resources.
- The prohibition of revaluation of fixed assets on disposal has been added.

### **Preparation of Group Accounts**

The Council has fully implemented the requirements of the SORP in respect of Group Accounts for 2008/09. This includes accounting for the Police, Fire & Rescue and Valuation Joint Boards; Horsecross Arts Ltd and Perth & Kinross Leisure Ltd. as associates of the Council. All associates have prepared their accounts on a going concern basis. The Statements also include the Charitable Funds administered by the Council and the Council's share of Tayside Contracts Joint Committee.

The Council's Group Accounts have been prepared on a going concern basis as detailed in Note 3 to the Group Accounts.

### **Results for the Year: General Fund (excluding the Housing Revenue Account)**

The Council's income and expenditure for financial year 2008/09 is detailed in the Income and Expenditure Account set out on page 14. 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. The major differences are that 'Education' excludes expenditure on Children's Services, which is reported in the accounts under 'Social Work Services'; that 'Cultural & 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.

Under the Council's Revenue Budget Flexibility Scheme Executive Directors are permitted, with the prior approval of the 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 of underspends totalling £2,471,000 from both 2008/09 (£2,371,000) and prior years (£100,000) into 2009/10 under the budget flexibility scheme has previously been approved by the Council and this position is reflected within the results for 2008/09 set out below. The Council's financial planning has been greatly facilitated by this management of resources over the longer term.

The following table summarises the movement on the Council's General Fund balance in 2008/09 including the main variances from budget reflected within the Income and Expenditure Account. The budget figures are based on the 2008/09 General Fund Revenue Management Budget approved by the Council's Strategic Policy & Resources Committee on 1 April 2009 and the 2008/09 Housing Revenue Account Budget. The General Fund Revenue Management Budget assumed a net contribution from balances of £10,478,000 whilst the Housing Revenue Account Budget assumed no contribution from balances.

Main (Under-spends) / Over-spends	2008/09	2008/09	Variance Against Budget £'000
	Actual	Budgeted	
	Net	Net	
	Expenditure £'000	Expenditure £'000	
Education Services	121,291	123,403	(2,112)
Social Work Services	66,737	66,941	(204)
Roads and Transport Services	17,429	17,213	216
Planning and Development Services	5,590	5,380	210
Cultural & Related Services	18,122	18,351	(229)
Environmental Services	20,049	21,016	(967)
Share of Tayside Contracts' Surplus	(397)	(190)	(207)
Interest payable and similar charges	8,608	9,535	(927)
Other Items Net	(251,019)	(251,171)	152
Movement on the General Fund Balance	<u>6,410</u>	<u>10,478</u>	<u>(4,068)</u>

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

### **Education Services (Under-spend £2,112,000):**

#### **Non Devolved Budget**

Expenditure on administrative and support staff was £1,208,000 less than budget due to vacancies; staff turnover and a managed saving on staff costs of £932,000 as part of the budget strategy for 2009/10.

Additional income of £222,000 was realised through charges to other local authorities for services and through activities such as Out of School clubs. The re-tendering of pupil transport contracts generated a saving of £195,000; expenditure on central support service costs was £120,000 less than budget while variances across a number of budget headings resulted in further net under-spends of £152,000.

However, these under-spends were in part offset by providing for £590,000 in respect of the Council's share of the potential equal pay liabilities of Tayside Contracts Joint Committee under the Equal Pay Act 1970, arising from Tayside Contracts employees currently pursuing claims through the Employment Tribunal.

Expenditure on residential placements for young people with Additional Support Needs was £261,000 in excess of budget due to increasing numbers of parental requests to fund specialist placements outwith the Council's mainstream Education provision whilst expenditure on property costs was £202,000 in excess of budget, largely due to additional expenditure on energy. The resultant net under-spend on the Education Services Non Devolved Budget was £844,000.

#### **Devolved School Management Budget:**

The net under-spend on the Council's Devolved School Management (DSM) Budget was £1,268,000. The DSM budget is part of the overall budget for Education Services and represents those funds directly managed by school head teachers.

Expenditure on school teaching staff was £2,866,000 less than budget primarily due to teaching vacancies and turnover throughout the year while expenditure on school based administrative and support staff was a further £556,000 less than budget due to vacancies and staff turnover. This was, in part, offset by additional expenditure of £1,638,000 on supply teachers to ensure adequate teaching provision and a budgeted staff slippage target of £937,000 giving a net under-spend on school based staffing of £847,000.

Additional income of £233,000 from the Scottish Qualifications Agency and from pupil contributions towards school activities together with various savings totalling £188,000 in respect of transport allowances; supplies & services and property costs represent the balance of under-spending on the Devolved School Management Budget.

The £844,000 net under-spend on the Non Devolved Education Budget (after allowing for provisions in respect of potential Equal Pay liabilities), together with the £1,268,000 under-spend on the Devolved School Management Budget represents the £2,112,000 overall net under-spend on Education Services reflected within the Income & Expenditure Account.

### **Social Work Services (Under-spend £204,000):**

#### **Social Work Services for Adults**

The net under-spend on the provision of Social Work Services for Adults was £148,000. This position reflects savings arising from staff vacancies and turnover of £379,000 including vacancies within the business support and commissioning teams; additional income on the operation of the Council's own residential homes of £202,000 and lower than anticipated expenditure on mental health placements of £206,000. These under-spends were partly offset by additional expenditure on residential placements of £197,000; on services for clients with learning disabilities of £154,000 and on adult resource centres of £139,000, largely as a result of increased demand for these services. Variances across a range of budgets gave rise to further net over-spends of £38,000. Provision of £111,000 was also made for the Council's potential liability under the Equal Pay Act 1970 arising from claims currently being pursued through the Employment Tribunal by Council employees.

#### **Social Work Services for Young People**

Net expenditure on the provision of Social Work Services for Young People was £56,000 less than budget. This position reflects savings arising from staff vacancies and turnover of £346,000 offset by additional expenditure on Foster Care placements of £149,000; additional expenditure of £233,000 on placements for young people requiring support to deal with anti-social behaviour and various net under-spends of £92,000.

Combining these two variances results in the net under-spend of £204,000 on Social Work Services reflected within the Income & Expenditure Account.

### **Roads & Transport Services (Over-spend £216,000):**

Expenditure on Public Transport was £222,000 less than budget mainly as a result of additional income and lower than anticipated expenditure on tendered bus services. Further under-spending of £213,000 arose on staff costs due to staff vacancies and turnover. This was, however, more than offset by an over-spend of £651,000 on Winter Maintenance due to adverse weather conditions in the early months of 2009.

### **Planning & Development Services (Over-spend £210,000):**

Expenditure on City Centre Partnership projects was £275,000 less than anticipated reflecting the current difficulty in progressing development proposals in a challenging economic climate. It is proposed to carry this resourcing forward into future years under the Council's budget flexibility scheme. Conversely, the significant recent fall in the local housing market resulted in income from planning fees and building warrants being £585,000 lower than originally budgeted. Reduced expenditure across a number of headings, including staff costs, accounts for the remaining net under-spend of £100,000.

### **Cultural and Related Services (Under-spend £229,000):**

Expenditure on Community "Greenspace" or public realm initiatives was a net £117,000 less than budget, with these initiatives being progressed in the current financial year. Expenditure on the Council's libraries, museums and archives was £112,000 below budget due mainly to staff vacancies and the receipt of additional income.

### **Environmental Services (Under-spend £967,000)**

Savings on waste management contracts of £1,419,000 and from delays in implementing waste management initiatives of £490,000 were used, in the form of Capital Financed from Current Expenditure (CFCR), to fund additional Capital investment in waste management projects of £1,333,000.

Further under-spends on Environmental Services arose in relation to staff costs of £304,000; on fleet fuel costs of £181,000 due to the stabilisation of petrol and diesel prices; on fleet maintenance of £99,000 and on property, water and central support service recharges of £107,000. These underspends were partially offset by a reduction of £280,000 in income from the collection of commercial waste with a number of more minor variances reflected in the remaining net over-spend of £20,000.

### **Share of Tayside Contracts' Surplus (Additional Income £207,000)**

The Tayside Contracts Joint Committee has exceeded its target surplus in 2008/09 largely as a result of increased winter maintenance activity and through the strong performance of its Cleaning Unit. Compared to a budgeted surplus of £500,000, the Joint Committee has agreed to return £1,000,000 to the constituent authorities in 2008/09. Perth & Kinross Council's share of this surplus is £380,000 against a budgeted surplus of £190,000. An additional £17,000 has been received from interest accrued on these resources.

### **Interest Payable and Similar Charges (Under-spend £927,000)**

The primary reason for this under-spend is that it has not been necessary to fully impair ("write-off") the £1 million deposit the Council is currently seeking to recover from the administrators to the Icelandic bank Glitnir. This was previously provided for in full in the budget as a doubtful debt. This treatment is consistent with Local Authority Accounting Panel (LAAP) Bulletin 82 "Guidance on the impairment of deposits with Icelandic Banks".

As detailed in the Statement of Movement on the General Fund Balance on page 15, the reduction in the Council's General Fund Balance for the year was £6,410,000. This represents a positive variance of £4,068,000 from the budgeted contribution from General Fund Balances of £10,478,000 in 2008/09. This movement includes £2,371,000 of Service under-spends previously reported to Council and approved as a carry-forward into financial year 2009/10 under the terms of the Council's Revenue Budget Flexibility Scheme.

### **Financial Reporting Standard (FRS) 17 "Retirement Benefits"**

FRS 17 is fully adopted in preparing the Council's financial statements. The standard prescribes how employing organisations are to account for pension benefits earned by employees in year and the associated pension assets and liabilities. Perth & Kinross Council participates in two different pension schemes. The Scottish Teachers' Superannuation Scheme is a national scheme administered by the Scottish Public Pensions Agency, an agency of the Scottish Government. The Teachers' scheme is exempt from the accounting requirements of FRS 17 as pension assets and liabilities cannot reliably be attributed to participating authorities. In respect of the Teacher's Scheme, the Income & Expenditure Account reflects only the cash payments made by the Council as an employer to the scheme as detailed in Note 9 to the Core Financial Statements.

Other Council employees are eligible to join the Local Government Pension Scheme (LGPS), administered locally through the Tayside Superannuation Fund. Based upon estimates provided by the Fund Actuary, Note 9 to the Core Financial Statements details the amounts charged to revenue under FRS 17 in respect of the Local Government Pension Scheme and the movement in year in the Council's estimated retirement benefit obligation and assets.

In accordance with the SORP, the Council has adopted the amendment to FRS 17 in preparing its financial statements for 2008/09. The amendment brings FRS 17 into accordance with the requirements of International Financial Reporting Standards. In addition to changing the retirement benefit disclosure requirements within the financial statements, the amendment to FRS 17 requires pension fund assets, in the form of quoted securities, to be valued at bid price rather than mid-market value. The effect of this change is that the value of Tayside Superannuation Fund assets attributable to Perth & Kinross Council at 31 March 2008 has been restated from £354.409 million to £350.865 million, a reduction of £3.544 million resulting in a corresponding increase in the Council's pension deficit at 31 March 2008 from £27.521 million to £31.065 million. This has been treated as a prior period adjustment within the financial statements.

The Fund Actuary has estimated that Perth & Kinross Council has a net retirement benefit obligation at 31 March 2009 of £108,921,000 (2007/08 £31,065,000 restated) based upon the actuarial estimation of the Council's share of the assets & retirement benefit obligations of the Tayside Superannuation Fund in accordance with the amendment to FRS 17. The liability is reflected within the Council's Balance Sheet and is offset by the Council's Pension Reserve.

### **Group Accounts**

In accordance with the SORP, the 2008/09 Group Account Statements are included on pages 56 to 60. The notes to the Group Accounts statements on pages 61 to 64 set out the basis for consolidation.

The effect of consolidation is to reduce the Council's net assets by £158,512,000, resulting in the Group balance sheet showing a net worth of £38,210,000 at 31 March 2009 as set out on page 59. 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 Financial Reporting Standard (FRS) 17 'Retirement Benefits', to be £187,930,000 at 31 March 2009.

Both Tayside Joint Police and Tayside Fire & Rescue Boards operate unfunded defined benefit pension schemes which have significant pension liabilities. Whilst this pension liability is unlikely to be realised in the short term, there remains a long term financial management issue for the constituent local authorities (Perth & Kinross; Angus and Dundee City Councils) in addressing the funding of the Police and Fire & Rescue pension schemes.

### **Results for the Year: Housing Revenue Account (HRA) (Under-spend: £98,000)**

Income and expenditure on the Council's Housing Revenue Account is detailed on page 46 and the movement in the HRA Balance analysed on page 47.

There was a managed reduction in expenditure on Capital Financed from Current Revenue (CFCR) of £1,130,000, primarily to offset additional expenditure on the Housing Repairs Service. This reduction was in line with the requirements of the amended Housing Investment Programme. Due to a reduction in charges from the General Fund, expenditure on support services was £468,000 less than budget while expenditure on Capital Financing Costs was £86,000 less than budget due to a reduction in the level of interest rates. Rental income was £395,000 more than budget, mainly due to the slow down in Council house sales which resulted in a higher than anticipated level of housing stock.

These under-spends were largely offset by increased expenditure on the Housing Repairs Service of £1,209,000, in part due to the increased number of properties. Due to the nature of the expenditure, £347,000 previously budgeted as part of the Housing Investment Programme required to be charged to the Housing Revenue Account. Additional expenditure on Sheltered Housing of £130,000 and Estate Management of £135,000 was incurred as a result of general increases in property costs; payments to external suppliers and staff costs. There was also a reduction to the amount of interest that the HRA received on its balances of £160,000 due to the reduction in interest rates.

The balance on the Housing Revenue Account Revenue Reserve at 31 March 2009 was £1,030,000.

## General Fund Balance at 31 March 2009

The General Fund Balance at 31 March 2009 is shown on the Balance Sheet on page 17 as £30,009,000 (this figure includes £1,030,000 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 against the General Fund Balance at 31 March 2009 which are summarised in Note 38 to the accounts and detailed below:

General Fund Balance at 31 March 2009	Commitments	General Fund Balance at 31.03.09
	£'000	£'000
General Fund Balance Per Accounts		30,009
<u>Commitments Against Balances</u>		
Devolved School Management (DSM) Balances	(1,268)	
Car Parking	(1,383)	
Budget Flexibility (approved in 2008/09)	(2,371)	
Budget Flexibility (prior year approvals)	(100)	
Equal Pay Strategy	(2,067)	
Single Status Provision	(3,572)	
Single Status Backdated cost of appeals	(1,000)	
Council Tax Income on Second Homes	(3,367)	
Developers Contributions: Commuted Sums	(584)	
Developers Contributions : Affordable Housing	(1,230)	
Energy Efficiency Fund	(259)	
Financial Assistance	(60)	
Strategic Waste Fund	(800)	
Zero Waste Fund resources	(500)	
Investment in Improvement Funds	(1,169)	
Revenue Budget commitments 2009-11	(200)	
Housing Revenue Account	(231)	
		<u>(20,161)</u>
Uncommitted General Fund Balance at 31 March 2009		<u>9,848</u>
Comprising:		
Uncommitted Balance on General Fund (exc. HRA)		9,049
Uncommitted Balance (ear-marked for Housing Revenue Account)		<u>799</u>
		<u>9,848</u>

In terms of commitments against the General Fund Balance, £1,268,000 is earmarked for schools participating in the Council's Devolved School Management Scheme and a further £1,383,000 of the balance is earmarked for Car Parking.

In setting the Revenue Budgets for 2009/10 the Council approved the carry-forward of resources derived from Service under-spending in 2008/09 to meet expenditure commitments in future years under the terms of the Council's budget flexibility scheme. The resources carried forward from 2008/09 amount to £2,371,000 with a further £100,000 of budget flexibility commitments arising from prior-year approvals.

The Council's current Reserves Strategy, as approved in February 2009, also authorised commitments against General Fund Balances in respect of the areas described below. The amounts of the commitments shown have been adjusted to take account of developments since February 2009 when necessary.

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. The Council's potential liability to equal pay claims relates both to its own employees and to its share of the potential liability of Tayside Contracts Joint Committee. The Council has accounted for £590,000 within the 2008/09 Final Accounts for its share of potential costs in relation to the settlement of equal pay claims for Tayside Contracts employees. It has also provided for £111,000 in respect of the Council's liability. A further £2,067,000 of balances have been ear-marked for settling additional potential equal pay liabilities. The report on the Reserves Strategy prepared to the Council on 12 February 2009 emphasised the "very real risk" that the cost to the Council of any successful equal pay claims could be significantly in excess of the level of the earmarked reserve available. Funding solutions will require to be developed each year as part of the Revenue Budget process if additional equal pay liabilities arise.

On 1 August 2007, the Council took steps to address issues of pay equality for its own employees through the introduction of a 'Single Status' agreement whereby the pay and grading structure for the majority of non-teaching posts is now determined following a comprehensive job evaluation exercise. Balances of £3,572,000 are set aside to assist in meeting the cost in



future years of implementing the Single Status agreement on staff pay and conditions. Balances of £1,000,000 are also set aside to deal with the backdated cost of appeals arising from single status implementation.

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. Within the General Fund Balance at 31 March 2009 the sum of £3,367,000 has been generated through reductions in Council Tax Discounts and has been ear-marked accordingly. Through the planning approval process, commercial property developers make contributions to support the adoption by the Council of roads & footways and the creation and maintenance of play areas and open spaces. Unapplied contributions totalling £584,000, are shown as a commitment against the General Fund Balance. Further developer contributions of £1,230,000 toward the provision of affordable housing are also shown as a commitment against General Fund Balances; £259,000 is earmarked for investment in Energy Efficiency measures and £60,000 is earmarked for financial assistance in respect of the Mod. The balances also include £1,300,000 to assist with implementing new waste initiatives in 2009-10 and future years.

The balance of £1,169,000 earmarked for the Investment in Improvement Fund is for specific projects which have been approved by the Council for effectively managing change across the Council. A further £200,000 for financial years 2009-10 and 2010-11 is to support the celebration in 2010 of the 800<sup>th</sup> anniversary of the founding of Perth as a Royal Burgh.

Of the total surplus on the Housing Revenue Account of £1,030,000 at 31 March 2009, the Council has previously agreed to retain an uncommitted balance of £750,000 on the HRA. There are also resources of £231,000 representing the Housing Revenue Account's element of the 'Investment in Improvement Fund'. The remaining balance of £49,000 is not committed at the end of the financial year and therefore the uncommitted balances are £799,000.

After recognising commitments totalling £20,161,000, the un-committed General Fund Reserve at 31 March 2009, excluding the HRA, is £9,049,000. This represents approximately 3.5% of the Council's budgeted Net Revenue expenditure in 2009/10 which is within the approved range of uncommitted balances which is 2% to 4%. The Council holds balances to help cushion the impact of uneven cash flows; as a contingency to assist in meeting the cost of unexpected events and as a method of funding known or anticipated liabilities.

### **Contingent Liabilities**

As set out in Note 37 to the Core Financial Statements, the Council has identified contingent liabilities in respect of existing and potential new claims under the Equal Pay Act 1970; the potential reimbursement of fees charged under the Free Personal Care legislation; from potential exposure to financial penalties under the Landfill Allowances Scheme (Scotland) Regulations; from action currently being taken in the Court of Session in pursuit of a judicial review of a Council decision on a planning matter and from incurred but not reported insurance claims. In each case, the Council cannot presently ascertain the value of its potential liability.

**Results for the Year: Other Funds & Reserves:** The balance on each of the following funds and reserves at 31 March 2009 was Renewal & Repair Fund £1,196,000; Insurance Fund £1,553,000 and Capital Fund £5,122,000 respectively with the movements on these funds being summarised in Note 39 to the Core Financial Statements.

### **Capital Expenditure**

A summary of the Council's capital expenditure is reflected within Note 16 to the Core Financial Statements shown on page 29. Gross capital expenditure, including Capital Financed from Current Revenue (CFCR), was £62,158,000. This total comprises £19,463,000 on the Council's Housing Revenue Account (HRA) and £42,695,000 on the Council's Composite (General Fund) Programme.

Expenditure on the Composite Programme includes £19,600,000 on Education projects, including £7,928,000 on the purchase of modular units as part of the Investment in Learning programme; and £7,446,000 on upgrading various primary schools. A total of £12,004,000 was spent on Roads & Transport projects, including £5,600,000 on Structural Maintenance, and £3,767,000 on Improvement Schemes, of which £3,215,000 was on the completion of the A93 Craighall Gorge Re-alignment. There was also expenditure of £615,000 on Road Safety measures, mostly related to school routes, and a further £628,000 on various bridge improvement schemes. The remaining £11,091,000 of General Fund expenditure includes expenditure on various parks improvements (£1,362,000); acquiring vehicles for the Council's fleet (£2,451,000); wheeled bins (£832,000); Waste Reduction Strategy initiatives (£1,529,000); new Homelessness initiatives (£979,000), and on upgrading the Council's property fabric including energy efficiency schemes and double glazing (£1,643,000). Other capital expenditure relates to various Environmental, Economic Development, Community Care and Information Technology projects.

Expenditure on the Housing Revenue Account Investment Plan was primarily focused upon the delivery of the Council's Housing Standard with £18,645,000 being incurred on kitchen and bathroom replacements and improvements. The remaining £818,000 was spent on various programmes including replacement double glazing, energy efficiency measures, and other external refurbishments.

The 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 borrows from various sources, the most significant being the Public Works Loan Board (PWLB). As at 31 March 2009, the Council had long-term liabilities relating to the funding of capital expenditure of £170,279,000 (measured at par value).

## **Future Expenditure**

### Revenue

The Council approved the 2009/10 General Fund Net Revenue Budget and set the 2009/10 Council Tax at a special meeting on 12 February 2009. The 2009/10 General Fund Net Revenue Budget amounts to £330,781,000. As in previous years, it is anticipated that the Revenue Budget ultimately reflected within the 2009/10 Final 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 Council has identified a number of significant financial risks in preparing the Revenue Budget for 2009/10. The most significant of these include the Council's potential exposure to further costs in relation to equal pay claims and the backdated costs of Single Status appeals. These risks have been managed, as far as they can be foreseen, through the Council's Reserves Strategy for 2009/10 as approved by Council on 12 February 2009.

The Council approved the 2009/10 Housing Revenue Account (HRA) Budget and Rent Levels at the meeting of the Housing & Health Committee on 4 February 2009. The Gross HRA Budget for 2009/10 amounts to £22,261,537 and is predicated on meeting the operating costs of managing the Council's housing stock and contributing to the delivery of the Council's Housing Standard as submitted to the Scottish Government and agreed with the Perth & Kinross Tenant's Federation.

### Capital

The Council approved the Composite Capital Budget 2009/10 – 2013/14 (excluding the HRA) at a special meeting on 12 February 2009. The approved Gross Capital Budget for 2009/10 is £49,446,000; for 2010/11 is £28,056,000; for 2011/12 is £26,872,000; for 2012/13 is £35,310,000 and for 2013/14 is £20,926,000.

The Council's capital expenditure plans, as reflected within the above budgets, include 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 the redevelopment of Perth Theatre. Homelessness projects have also been included, mainly for families and young people. Landfill Waste Reduction also 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 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 Revised Housing Revenue Account Investment Plan 2009/10 - 2013/14 was approved by the Council's Housing and Health Committee on 4 February 2009. The Approved Gross HRA Capital Budget for 2009/10 is £19,696,000; for 2010/11 £6,781,000; for 2011/12 £4,237,000; for 2012/13 £7,547,000 and for 2013/14 £9,018,000. Capital expenditure on the Housing Revenue Account in 2009/10 and future years mainly focuses upon the completion of modernisation of the Council's existing housing stock to ensure the delivery of the Council's Housing Standard. The budget also includes provision for the construction of new dwellings, and other initiatives to assist in addressing the problem of homelessness in Perth & Kinross.

Construction work has started at various new school campus sites, towards delivering a major improvement in the Council's school building's estate through the development of six new school campuses under a Public Private Partnership (PPP) agreement.

## **Acknowledgements**

I would like to thank all of my colleagues and my own staff for their active support and co-operation in the effective management of the Council's finances during the 2008/09 financial year.

J A Symon ACA  
Head of Finance  
24 September 2009

# 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 Statement of Recommended 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 2009.

J A Symon ACA  
Head of Finance  
Perth & Kinross Council  
24 September 2009

## STATEMENT OF ACCOUNTING POLICIES

### General

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 (ACOP), a Statement of Recommended Practice (SORP) issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). The Statement of Accounts 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 Statement of Accounts is based on the historic cost convention as modified by the revaluation of certain categories of assets in accordance with the Code of Practice on Local Authority Accounting.

### Recognition of Income and Expenditure

The accounts have been prepared on an accruals basis, that is income and expenditure are recognised as they are earned or incurred, not as money is received or paid. All material sums payable to or due by the Council as at the end of the financial year are brought into account with the exception of an estimation for holiday pay and flexi-time.

### Fixed Assets

The Council has fully implemented the capital accounting requirements of ACOP. The purpose of these requirements is to improve asset management and give better information about the value of capital assets owned by the Council and about the real cost of using these assets in providing services, regardless of the method of finance used in acquiring the assets.

The principal effects on the Council's balance sheet are the inclusion and valuation of fixed assets and the operation of certain capital reserves.

Intangible fixed assets represent expenditure incurred on software licences and are included in the balance sheet on a historic cost basis.

Operational land and properties and other operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use. Infrastructure and community assets are included on a historic cost basis. Non-operational assets are included at the lower of net current replacement cost or net realisable value. Council dwellings are valued on a discounted cash flow method which assumes that the Council's housing stock will remain as Social Housing.

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. Assets acquired under finance leases are capitalised and included in the balance sheet together with the liability to make future rental payments. Assets financed by covenant schemes are similarly treated.

An impairment review of assets is carried out at the balance sheet date. Should there be a significant change in value caused by a clear consumption of economic benefits this is accounted for in the Income and Expenditure Account and the Statement of Movement on the General Fund Balance.

Where impairment is caused by a general fall in prices and not deemed to be permanent, the decrease in value is recognised in the Revaluation Reserve and the Statement of Total Recognised Gains and Losses until the asset's carrying amount reaches its depreciated historic cost, thereafter in the Income and Expenditure Account and the Statement of Movement in General Fund Balance.

### Basis of Funding and Charging for Capital

The Council's borrowing is managed through the Consolidated Loans Fund (CLF) which makes advances to Service capital accounts to finance capital expenditure. Loan repayments to the CLF are made on a sinking fund basis i.e. repayments are increased each year at an annuity rate of 6.25% for each asset. These repayments are at a level sufficient for the loan to be fully repaid over the estimated useful life of the asset, with repayments commencing in the year following that in which the expenditure is incurred. The CLF makes charges to the Income and Expenditure Account in respect of interest and debt management expenses.

The annual provision for depreciation is charged to the Income and Expenditure Account, and a further charge is made within the Statement of Movement on the General Fund Balance for the difference between the amount of this depreciation and the amount of the loan principal repayments. The net effect is that the General Fund is charged with loan principal repayments, interest and debt management expenses in accordance with statute.

Capital charges to the Housing Revenue Account are required by statute to be based on the repayments to the CLF plus a charge for interest and debt management expenses.

## Depreciation

Depreciation is provided on all assets with a finite useful life which can be determined at the time of acquisition or revaluation. Provision is made on a straight-line basis at rates calculated to write off the cost or valuation less estimated residual value of each asset over their estimated useful lives, as follows:

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

## Receipts from the Sale of Capital Assets

Capital receipts arising from the sale of assets are credited to the Capital Receipts Reserve. The amount, if any, required to be used to redeem external debt or used to finance new expenditure is then calculated. This amount is then transferred to the Capital Adjustment Account.

## Contingent Liabilities

Where the Council has a possible, rather than certain obligation, or has a present obligation, but the outflow of economic benefits is not probable or has a present obligation where the probable outflow cannot be reliably measured, these liabilities are disclosed in the Notes to the Accounts. Where such liabilities are reduced through contributions or recoveries from other parties the net liability is shown. No provision is made in the accounts for contingent liabilities.

## Operating Leases

In the case of assets used under an operating lease, leasing costs are charged evenly to revenue over the period of the lease.

## Central Support Services

Costs of support services are treated in accordance with the CIPFA Best Value Accounting Code of Practice for Local Authorities. All costs of central support services are fully recharged to user services, with the exception of the costs of the corporate and democratic core, central services to the public including the collection of local taxes and non distributed costs. Each of these categories is disclosed separately in the Income and Expenditure Account.

## Government and EC Grants

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate income and expenditure account or, in the case of capital grants, to a Government Grants Deferred Account.

## Stocks and Work in Progress

Stocks are valued at the lower of cost or 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.

## Provisions

The Council is required to provide for all known liabilities where the authority has a present obligation as a result of a past event, where an outflow of economic benefits is probable and where a reasonable estimate can be made of the amount that will be paid.

Provision has been made for bad and doubtful debts in respect of Council Tax, Community Charge, Non-Domestic Rates, 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 other than bad and doubtful debts are explained in the Notes to the Core Financial Statements.

## Retirement Benefits

As required by ACOP, the Council has introduced a change in accounting policy in preparing the financial statements for 2008/09 through adopting in full the amendment to Financial Reporting Standard (FRS) 17 "Retirement Benefits" in accounting for and disclosing its retirement benefit obligations and assets.

FRS 17 requires that the financial statements reflect at fair value the assets and at present value the liabilities underlying the employer's obligations relating to retirement benefits, and that the true cost of these obligations is recognised.

The Actuary to the Tayside Superannuation Fund was commissioned by Perth & Kinross Council to undertake an assessment of the cost, income, assets and liabilities of the Fund attributable to the Council at 31 March 2009. The Actuary's assessment of the true cost of retirement benefits earned by employees during the year has been charged against Services in the Income and Expenditure Account whilst the pension assets and liabilities attributable to the Council are reflected within the Balance Sheet. Under the Local Government Pension Reserve Fund (Scotland) Regulations 2003, the Council has established a Pensions Reserve to account for its long term net pension's liability.

The amendment to FRS 17 requires that the quoted securities held as assets in the Tayside Superannuation Fund are now valued at bid price rather than mid-market value. As detailed in Note 9 to the core financial statements, this change in policy has resulted in a material downward revaluation of the fund assets attributable to the Council at 31 March 2009 and a corresponding increase in the Council's net retirement benefit obligations. The Council has treated this movement as a prior period adjustment in preparing the financial statements for 2008/09.

ACOP specifically exempts the Scottish Teachers' Superannuation Scheme from the accounting requirements of FRS 17 as the assets and liabilities of this national scheme administered by the Scottish Government cannot reliably be attributed to participating authorities. The Income and Expenditure Account therefore reflects only the cash payments made by the Council as an employer to the Teachers' scheme during the year. Exceptions to this are payments in relation to unfunded pension enhancements for members of the Teachers' scheme which, as they are administered through the Local Government Pension Scheme, are taken into consideration in accounting for pension costs under FRS 17.

In the Council's Group Accounts the Tayside Fire & Rescue Board and Tayside Joint Police Board have recognised the impact of FRS 17 for their unfunded schemes for uniformed members.

#### **Repurchase of Borrowing**

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Income and Expenditure Account in the periods during which the repurchase or early settlement is made. Where repurchase of borrowing is undertaken which results in a 'modification' of the debt, then under statutory guidance any premium incurred or discount received may be recognised over the period of the replacement borrowing. There were no such debt modifications in 2008/09.

#### **Prior Period Adjustments**

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period and adjusting the opening balance of reserves.

#### **Public Private Partnership**

The accounting treatment of Public Private Partnerships is in accordance with FRS5 – Reporting the Substance of Transactions and Treasury Guidance.

#### **Value Added Tax**

Value Added Tax is included in the Statement of Accounts only to the extent that it is irrecoverable.

#### **Reserves**

These are amounts set aside for purposes falling outwith the definition of provisions, including earmarked reserves set aside for specific policy purposes and resources set aside for purposes such as general contingencies and cash flow management. The Council maintains a number of reserve funds and details of these are given in the Balance Sheet and in the Notes to the Core Financial Statements.

#### **Deferred Credits**

The Council recognises deferred credits in the balance sheet where capital income is still to be received over a number of years.

#### **Group Accounts**

The Council prepares Group Accounts in compliance with the Accounting Code of Practice which incorporate the results and assets & liabilities in respect of subsidiaries, associates or joint ventures in which it has a material interest. An interest arises where the Council has ownership of share capital; has rights to benefit from the capital of the entity; has the right to either benefit from surpluses or a liability to contribute to losses or an obligation to contribute to debts or expenses in a winding up of the entity. In assessing whether the interest is material or not an assessment will be made as to the influence and control which the Council exerts over the entity, not solely the financial interest or ownership.

**Basis of Consolidation**

The Income and Expenditure Account, Balance Sheet, Cash Flow Statement and Statement of Total Recognised Gains and Losses reflect all the functions and activities of the Council. They include the General Fund and the Housing Revenue Account, but do not include the Common Good Funds or the various Charitable Trusts administered by the Council.

**Financial Instruments**

Financial Instruments are shown on an amortised cost basis using the effective interest rate method. Financial instruments are also shown in note 29 at Fair Value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

## INCOME AND EXPENDITURE ACCOUNT

2007/08	2008/09				
<i>Actual Net Expenditure £'000</i>	Notes	Actual Gross Expenditure £'000	Actual Income £'000	Actual Net Expenditure £'000	Budgeted Net Expenditure £'000
<b>COUNCIL SERVICES</b>					
112,868		146,505	25,174	121,331	123,443
62,242		87,735	20,998	66,737	66,941
16,447		24,926	7,497	17,429	17,213
3,246		10,054	4,464	5,590	5,380
4,662		43,578	28,979	14,599	14,537
17,030		20,264	2,142	18,122	18,351
19,080		35,596	15,547	20,049	21,016
2,847	1	3,897	1,674	2,223	2,405
22,366	2	25,501	2,292	23,209	23,261
2,962		2,810	0	2,810	2,754
784		89	0	89	89
(1,688)		20,407	20,916	(509)	(411)
<b>262,846</b>		<b>421,362</b>	<b>129,683</b>	<b>291,679</b>	<b>294,979</b>
<b>NET COST OF SERVICES</b>					
(5,489)				(900)	(900)
132	14			0	0
(191)				(397)	(190)
(1,598)				74	74
(2,661)				(2,828)	(2,838)
8,090				8,608	9,535
(2,461)	9			2,361	2,361
<b>258,668</b>				<b>298,597</b>	<b>303,021</b>
<b>NET OPERATING EXPENDITURE</b>					
<b>PRINCIPAL SOURCES OF FINANCE</b>					
(149,145)				(176,504)	(176,516)
(69,707)				(70,088)	(70,192)
(50,402)				(53,655)	(53,626)
<b>(269,254)</b>				<b>(300,247)</b>	<b>(300,334)</b>
<b>TOTAL FINANCING</b>					
<b>(10,586)</b>				<b>(1,650)</b>	<b>2,687</b>
<b>(SURPLUS)/DEFICIT FOR THE YEAR</b>					



## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being:

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

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to funds and reserves.

This statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance. The Statement of Movement on the HRA Balance on page 47 of the Notes to the Core Financial Statements details equivalent information for the Housing Revenue Account.

<i>2007/08</i>	Note	<i>2008/09</i>
<i>£'000</i>		<i>£'000</i>
<i>(10,586)</i>	Surplus for the year on the Income and Expenditure Account	<i>(1,650)</i>
<i>8,012</i>	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	<i>8,060</i>
<i>(2,574)</i>	Decrease/(Increase) in General Fund Balance for the Year	<i>6,410</i>
<i>(33,845)</i>	General Fund Balance brought forward	<i>(36,419)</i>
<i>(36,419)</i>	General Fund Balance carried forward	<i>(30,009)</i>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the costs of retirement benefits.

<i>Restated</i> <u>2007/08</u> £'000		<u>2008/09</u> £'000
(10,586)	Surplus on the Income and Expenditure Account for the year	(1,650)
(28,442)	Surplus arising on revaluation of fixed assets	(29,863)
(14,017)	Actuarial losses/(gains) on pension fund assets and liabilities (Note 9)	79,300
16,807	Other gains and losses required to be included within the SORP	66
<u>(36,238)</u>	Total recognised gains and losses for the year	<u>47,853</u>
(3,544)	Prior Period Adjustment	
<u>(39,782)</u>		

## BALANCE SHEET

<i>Restated</i> 31 March 2008	Notes	31 March 2009	
£'000		£'000	£'000
<b>FIXED ASSETS</b>			
0	Intangible Fixed Assets	19	46
	Tangible Fixed Assets	16-18	
	<u>Operational Assets</u>		
30,839	- Council Dwellings		47,057
290,372	- Other Land and Buildings		329,365
9,552	- Vehicles, Plant and Equipment		10,349
86,775	- Infrastructure Assets		93,596
5,199	- Community Assets		6,141
	<u>Non - operational Assets</u>		
20,144	- Investment Properties		20,764
9,116	- Assets under construction		11,580
11,674	- Surplus assets, held for disposal		11,760
463,671	<b>Total Fixed Assets</b>		530,658
1,867	LONG TERM DEBTORS	23	2,178
465,538	<b>Total Long-Term Assets</b>		532,836
<b>CURRENT ASSETS</b>			
459	Stocks and Work in Progress		547
44,706	Debtors	23	38,521
(14,753)	Provision for Bad and Doubtful Debts	23	(16,252)
40,473	Investments	24	19,881
3,037	Cash and Bank		1,987
539,460	<b>Total Assets</b>		44,684
	<b>CURRENT LIABILITIES</b>		577,520
(15,883)	Borrowing repayable on demand or within 12 months		(55,798)
(40,828)	Creditors	25	(37,807)
(6,375)	Bank overdraft		(2,477)
476,374	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(96,082)
	<b>BORROWING REPAYABLE WITHIN A PERIOD IN EXCESS OF 12 MONTHS</b>		481,438
(159,551)	12 MONTHS	26	(129,748)
(39,892)	GOVERNMENT GRANTS DEFERRED		(44,223)
(295)	DEFERRED CREDITS	32	(208)
(996)	PROVISIONS	33	(1,616)
(31,065)	LIABILITY RELATED TO DEFINED BENEFIT SCHEME	9	(108,921)
244,575	<b>LONG TERM LIABILITIES</b>		(284,716)
244,575	<b>TOTAL ASSETS LESS LIABILITIES</b>		196,722
217,719	Capital Adjustment Account		223,857
(16,321)	Financial Instruments Adjustment Account		(15,810)
27,991	Revaluation Reserve		56,722
3,162	Capital Receipts Reserve		2,994
(31,065)	Pensions Reserve		(108,921)
35,438	General Fund	28,979	
981	General Fund: Housing Revenue Account	1,030	30,009
1,171	Renewal and Repair Fund		1,196
1,863	Insurance Fund		1,553
3,636	Capital Fund		5,122
244,575	<b>TOTAL NET WORTH</b>	39	196,722

The unaudited accounts were issued on 30 June 2009 and the audited accounts were authorised for issue on 24 September 2009.

J A SYMON ACA  
HEAD OF FINANCE  
24 September 2009

## CASH FLOW STATEMENT

2007/08	Notes	2008/09	
£'000		£'000	£'000
<b>REVENUE ACTIVITIES</b>			
<b>Cash outflows</b>			
(165,424)		(172,153)	
(176,417)		(191,718)	
(22,026)		(21,916)	
(19,840)		(21,587)	
(45,435)		(43,312)	
<u>(429,142)</u>			<u>(450,686)</u>
<b>Cash inflows</b>			
9,082		9,523	
61,395		68,910	
50,519		53,776	
44,318		42,885	
148,711		176,369	
33,624		26,643	
22,321	44	3,933	
80,396		97,088	
<u>450,366</u>			<u>479,127</u>
21,224	40		<u>28,441</u>
<b>NET Cash Inflow from Revenue Activities</b>			
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
<b>Cash outflows</b>			
(8,090)		(8,608)	
<b>Cash inflows</b>			
2,661		<u>2,828</u>	
<b>Net Cash outflow from Servicing of Finance</b>			
			(5,780)
<b>CAPITAL ACTIVITIES</b>			
<b>Cash outflows</b>			
(53,491)		(62,158)	
<b>Cash inflows</b>			
7,221		2,671	
11,512		<u>8,970</u>	
<b>Net Cash outflow from Capital Activities</b>			
			(50,517)
<u>(18,963)</u>			<u>(27,856)</u>
<b>NET CASH OUTFLOW BEFORE FINANCING</b>			
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
(2,423)	42		20,592
<b>FINANCING</b>			
<b>Cash outflows</b>			
(268,836)	43	(324,096)	
<b>Cash inflows</b>			
285,823	43	<u>334,208</u>	
<b>Net Cash Inflow from Financing</b>			
			10,112
<u>(4,399)</u>	41		<u>2,848</u>
<b>NET INCREASE/(DECREASE) IN CASH</b>			

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Central Services

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

	2008/09	2007/08
	£'000	£'000
Local Tax Collection	1,009	1,052
Registration of Births, Deaths and Marriages	108	121
District Court	169	129
Electoral Registration / Elections	367	582
Licensing	(153)	84
Emergency Planning	68	215
General Grants, Bequests and Donations	655	664
	<u>2,223</u>	<u>2,847</u>

### 2. Other Operating Expenditure

Other Operating 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.

	2008/09	2007/08
	£'000	£'000
Fire & Rescue	8,596	7,966
Police	12,383	12,091
Valuation	1,155	1,087
Commercial Property	488	203
Irrecoverable Costs of Support to Outside Bodies	393	940
Harbour	194	79
	<u>23,209</u>	<u>22,366</u>

The harbour at Perth is a commercial port. Income from harbour dues during the year amounted to £156,000 (2007/08 £173,000), and the net deficit was £194,000 (2007/08 deficit £79,000).

### 3. Premiums and Discounts On Debt Rescheduling Written Down

The SORP 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 2008/09, there were no such debt modifications, therefore all premiums incurred and discounts received were charged or credited in full to the Income and Expenditure Account as extinguishments of debt. In 2008/09, £39,747,000 of debt with the Public Works Loans Board (PWLB) was repaid. This incurred total premiums of £495,027 and generated total discounts of £421,229. These have been charged to the Income and Expenditure Account in 2008/09 in full.

The net amount of premium and discount debited to the General Fund and HRA for transactions prior to 1 April 2008 (as permitted by statutory guidance) from the Financial Instruments Adjustment Account (FIAA) was £621,244 (2007/08 £637,538).

#### 4. Agency Arrangements

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.

	2008/09 Income £'000	2008/09 Expenditure £'000	2007/08 Income £'000	2007/08 Expenditure £'000
<u>Education Services</u>				
Provision of Support for Learning Assistants to other local authorities	60	60	64	64
<u>Roads and Transport Services</u>				
Receipts from central government in respect of new construction and improvements of motorways and trunk roads (including administration)	9	9	13	13
Receipts from other local authorities for cross boundary bus services	29	29	39	39
<u>Housing &amp; Community Care</u>				
Income from Water Authorities	358	358	341	341
Totals	<u>456</u>	<u>456</u>	<u>457</u>	<u>457</u>

#### 5. Related Party Transactions

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. The Council has related party transactions with Central Government and other related parties which are disclosed in the Notes to the Core Financial Statements. Transactions with related parties are disclosed in Note 2 – Other Operating Expenditure; Note 8 - Local Authority (Goods and Services) Act 1970; Note 10 - General Grants, Bequests and Donations and Note 44 - Analysis of Other Government Grants.

## 6. Leases

Operating lease rental payments for vehicles of £196,000 (2007/08 £681,000) were made during the year, with an undischarged liability at 31 March 2009 of £145,000 (31 March 2008 £390,000).

The authority is committed to making payments of £109,000 under these leases in 2009/10 comprising the following elements:

	Vehicles Plant & Equipment 2009/10 £'000	Vehicles Plant & Equipment 2008/09 £'000
Leases expiring in Year 1	1	22
Leases expiring in Years 2 to 5	108	265
	<u>109</u>	<u>287</u>

## 7. Publicity Expenditure

Section 5 of the Local Government Act 1986 requires local authorities to maintain an account of expenditure on publicity. During the financial year, the Council's expenditure on publicity was as follows:

	2008/09 £'000	2007/08 £'000
Recruitment advertising	289	478
Other publicity	222	234
Other advertising	76	97
	<u>587</u>	<u>809</u>

## 8. Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. The Council provided services with the following costs and received income arising from these works during 2008/09:

	Expenditure 2008/09 £'000	Income 2008/09 £'000	Expenditure 2007/08 £'000	Income 2007/08 £'000
Tayside Joint Police Board	31	30	23	0
Tayside Fire & Rescue Board	142	76	148	77
Tayside Valuation Joint Board	7	0	6	0
Tayside Contracts	90	0	80	0
Perth & Kinross Leisure Limited	175	148	174	141
Tactran	76	25	110	24
Perthshire Housing Association	0	0	81	81
	<u>521</u>	<u>279</u>	<u>622</u>	<u>323</u>

## 9. Retirement Benefits

Financial Reporting Standard 17 "Retirement Benefits" (FRS 17) prescribes how pension costs and liabilities are to be disclosed in the financial statements. The standard requires employing organisations to account for retirement 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 ACOP guidance on disclosure requirements in respect of FRS 17.

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

### **Teachers**

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 pension benefits are prescribed under the Teachers' Superannuation (Scotland) Regulations 2005 with the Scottish Government being responsible for meeting the scheme's liabilities.

The Scottish Teachers' Superannuation Scheme is excluded from the accounting requirements of FRS 17 as it is a national scheme which does not allow for the identification of pension liabilities consistently and reliably between participant authorities. The accounts, therefore, include only the payments made by the authority to the Teachers' Scheme in year and do not reflect the estimated pension assets or liabilities of the scheme. The exception to this are payments in relation to unfunded pension enhancements for members of the Teachers' scheme which, as they are administered through the Local Government Pension Scheme, are taken into consideration in accounting for pension costs under FRS 17.

The employer's contribution rate set by the Scottish Government for 2008/09 was 13.5% which resulted in payments of £6,698,000 from the Council to the Scottish Teachers' Pension Scheme (2007/08 £6,527,000, contribution rate 13.5%). Additional payments relating to added years' benefits, which the Council has inherited from predecessor authorities or awarded itself, together with related increases, amounted to £273,000 (2007/08 £272,000).

### **Other Employees**

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.

### **Change in Accounting Policy**

In accordance with the 2008 SORP, the Council has adopted the amendment to FRS 17 in accounting for and disclosing its pension assets and obligations. The amended standard requires pension fund assets, in the form of quoted securities, to be valued at bid price rather than mid market value. The effect of this change is that the value of the Tayside Superannuation Fund assets attributable to Perth & Kinross Council at 31 March 2008 has been restated from £354.409 million to £350.865 million, a reduction of £3.544 million resulting in an increase in the Council's pension deficit at 31 March 2008 from £27.521 million to £31.065 million.

### **Transactions Relating to Retirement Benefits**

Under FRS 17, the Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. These costs are based upon an assessment by the Fund actuary of the share of assets and liabilities attributable to Perth & Kinross Council at 31 March 2009. As the Fund actuary is unable to provide an analysis of the FRS 17 charge for retirement benefits by individual Service, costs have been apportioned in the Net Cost of Services based upon each Service's share of total pensionable pay, restated for the requirements of BVACOP.

However, as the charge the Council is required to make against Council Tax is based upon cash contributions to the Pension Fund in the year, the FRS 17 charge for retirement benefits is reversed out in the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:



<b>Local Government Pension Scheme</b>	2008/09	2007/08
	£'000	£'000
<b>FRS 17 Charges</b>		
Current Service Costs	12,148	12,211
Past Service Costs	175	723
Settlements & Curtailments	86	276
Interest Cost	27,245	22,093
Expected Return on Assets	<u>(24,884)</u>	<u>(24,554)</u>
Net Charge to the Income & Expenditure Account	<u>14,770</u>	<u>10,749</u>

<b>Local Government Pension Scheme</b>	2008/09	2007/08
	£'000	£'000
<b>Statement of Movement in the General Fund Balance</b>		
Reversal of Net Charges made for Retirement Benefits in accordance with FRS 17	(14,770)	(10,749)
Employer's contributions to the Scheme	16,215	14,310
Net additional amount to be debited to the General Fund balance for the year	<u>1,445</u>	<u>3,561</u>

#### **Assets and Liabilities in Relation to Retirement Benefits**

ACOP 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 FRS17. The actuarial assessment of the share of Tayside Superannuation Fund assets and liabilities attributable to Perth & Kinross Council at 31 March 2009 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 retirement benefits under FRS 17 issued by the Institute and the Faculty of Actuaries.

#### **Reconciliation of the opening and closing balances of the present value of Tayside Superannuation Fund obligations attributable to Perth & Kinross Council at 31 March 2009**

	2008/09	2007/08
	£'000	£'000
Opening Present Value of Defined Benefit Obligation at 1 April	(381,930)	(403,753)
Movements in the year:		
Current service cost	(12,148)	(12,211)
Interest Cost	(27,245)	(22,093)
Actuarial Gains	31,430	55,708
Losses on curtailments	(86)	(276)
Estimated benefits paid including un-funded pension payments (net of transfers in)	11,564	5,430
Past service cost	(175)	(723)
Contributions by scheme participants	(4,656)	(4,012)
Closing Present Value of Defined Benefit Obligation at 31 March	<u>(383,246)</u>	<u>(381,930)</u>
Present Value of Funded Obligation	(364,999)	(362,575)
Present Value of Un-Funded Obligation	(18,247)	(19,355)
	<u>(383,246)</u>	<u>(381,930)</u>

**Reconciliation of the opening and closing balances of the fair value of Tayside Superannuation Fund assets attributable to Perth & Kinross Council at 31 March 2009.**

	2008/09 £'000	2007/08 £'000 <i>Restated</i>
Opening Fair Value of Scheme Assets at 1 April	350,865	355,067
Movements in the year:		
Expected rate of return on scheme assets	24,884	24,596
Actuarial losses	(110,731)	(41,690)
Contributions by employer including un-funded pensions	16,215	14,310
Contributions by scheme participants	4,656	4,012
Estimated benefits paid net of transfers in including un-funded pensions	(11,564)	(5,430)
Closing Fair Value of Scheme Assets at 31 March	<u>274,325</u>	<u>350,865</u>

**Scheme History**

To assist in putting the Council's net pension liability in 2008/09 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 2009.

<b>Local Government Pension Scheme</b>	2008/09 £'000	2007/08 £'000 <i>Restated</i>	2006/07 £'000 <i>Restated</i>	2005/06 £'000 <i>Restated</i>	2004/05 £'000 <i>Restated</i>
Present Value of Scheme Liabilities	(383,246)	(381,930)	(403,753)	(394,952)	(334,343)
Fair Value of Scheme Assets	274,325	350,865	355,067	319,187	236,175
Net Pension Deficit at 31 March	<u>(108,921)</u>	<u>(31,065)</u>	<u>(48,686)</u>	<u>(75,765)</u>	<u>(98,168)</u>
	£'000	£'000	£'000	£'000	£'000
Experience adjustments on scheme liabilities	(28,279)	0	0	14,920	0
As a percentage of the scheme liabilities at the Balance Sheet date	7.4%	0.0%	0.0%	(3.8%)	0.0%
Experience adjustments on scheme assets	(110,354)	(42,298)	6,807	54,174	11,663
As a percentage of the scheme assets at the Balance Sheet date	(40.2%)	(12.1%)	1.9%	17.0%	4.9%

The liabilities show the underlying commitment that Perth & Kinross Council has in the long run to pay retirement benefits. The net pension liability of £108.9 million at 31 March 2009 has a significant impact upon the net worth of the Council as recorded in the Balance Sheet. This has increased since the previous financial year as a result of the impact on the value of scheme assets of uncertainty within the financial markets over the past 12 months and the adoption, under ACOP, of the FRS 17 amendment which has resulted in a further downward revaluation of the Council's attributable pension assets.

In addition, the 2008/09 accounts of the Joint Boards for Police, Fire & Rescue and Valuation and the Tayside Contracts Joint Committee all show net pension liabilities as at 31 March 2009, as measured under FRS 17. Further information regarding these liabilities can be found in the 2008/09 accounts of these bodies. As a constituent member, Perth and Kinross Council funds a proportion of the annual pension costs of the three Joint Boards, which are determined in accordance with the relevant regulations, and the Council reflects a share of the net pension liabilities of these bodies within the Group Balance Sheet.

The statutory arrangements for funding the deficit, however, mean that the Council's financial position remains healthy as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the Fund actuary. Contributions by Perth & Kinross Council into the Tayside Superannuation Fund are estimated at £15.233 million in financial year 2009/10 (excluding the capitalised cost of any early retirements or augmentations which may occur after 31 March 2009).

In respect of the un-funded statutory defined benefit schemes for uniformed Police and Fire officers, funding is only required to cover pension liabilities when the pensions are actually paid.

## Actuarial Assumptions

The Fund actuary has used the following assumptions to value Perth & Kinross Council's share of the assets and liabilities of the Tayside Superannuation Fund as at 31 March 2009. Liabilities have been assessed on an actual basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, inflation etc.

### Tayside Superannuation Fund

<b>Estimated Asset Allocation of the Whole Fund at 31 March 2009</b>	2008/09	2007/08
	%	%
Equities	64.4%	68.7%
Gilts	11.5%	12.7%
Other Bonds	8.5%	4.9%
Property	10.1%	10.9%
Cash	5.5%	2.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### Actuarial Assumptions

	2008/09	2007/08
<b>Long term expected rate of return on scheme assets:</b>		
Equities	7.8%	7.6%
Gilts	4.0%	4.3%
Other Bonds	6.5%	6.6%
Property	7.3%	7.1%
Cash	3.0%	5.0%

### Mortality assumptions (in years):

Life expectancy from age 65 for current pensioners:

Male	21.37	-
Female	24.44	-

Life expectancy from age 65 for employees retiring in 20 years:

Male	22.30	-
Female	25.34	-

### Financial assumptions

Rate of inflation	3.0%	3.7%
Rate of increase in salaries	4.5%	5.2%
Rate of increase in pensions	3.0%	3.7%
Rate for discounting scheme liabilities	6.7%	6.6%
Take-up of option to convert annual pension into pension lump sum under the terms of the scheme.	50.0%	50.0%

The expected return on assets is based upon the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2008 for the year to 31 March 2009). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

The actual loss on scheme assets in the year to 31 March 2009 was £70.752 million (£17.702 million in 2007/08).

### Statement of Total Recognised Gains and Losses

<b>Local Government Pension Scheme</b>	2008/09	2007/08
	£'000	£'000
Actual Return less expected return on pension scheme assets	(95,636)	(42,298)
Experience gains and losses	(42,997)	0
Changes in assumptions underlying the present value of the scheme liabilities	59,333	56,315
<b>Actuarial (loss)/gain in pension scheme</b>	<b>(79,300)</b>	<b>14,017</b>
Increase / (decrease) in irrecoverable surplus from membership fall and other factors	0	0
<b>Actuarial (loss)/gain recognised in the Statement of Total Recognised Gains and Losses</b>	<b>(79,300)</b>	<b>14,017</b>

## 10. 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 2008/09 a total of £11,217,000 (2007/08 £10,611,000) 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 Perth and Kinross Leisure Ltd. of £3,510,000 (2007/08 £3,293,000). Details of grants are shown below.

	2008/09 £'000	2008/09 £'000	2007/08 £'000	2007/08 £'000
<b>Education</b>				
- Service Level Agreements with Voluntary Organisations		536		386
<b>Social Work</b>				
- Service Level Agreements with Voluntary Organisations		3,527		3,279
<b>Housing (General Fund)</b>				
- Churches Action for the Homeless	658		602	
- Perth and Kinross Community Mediation	136		133	
- Launchpad (formerly Tayside Furniture Project)	0		55	
<i>Sub Total Housing (General Fund)</i>		794		790
<b>Planning &amp; Development</b>				
- Perthshire Investment Fund Limited	207		0	
- Visit Scotland	180		280	
- Perth & Kinross Countryside Trust	109		109	
- Perth & Kinross Heritage Trust	98		98	
- Perthshire Business Shop	0		58	
- Perth Festival of the Arts	24		24	
<i>Sub Total Planning &amp; Development</i>		618		569
<b>Cultural &amp; Related</b>				
- Perth & Kinross Leisure Ltd	3,510		3,293	
- Perth Concert Hall	1,026		1,026	
- Perth Repertory Theatre	397		386	
- Pitlochry Festival Theatre	201		201	
- Perth & Kinross Sports Council	18		18	
<i>Sub Total Cultural &amp; Related</i>		5,152		4,924
<b>Central Services</b>				
- Citizens Advice Bureau	139		133	
- Perthshire Womens Aid	53		42	
- Other	398		488	
<i>Sub Total Central Services</i>		590		663
		<u>11,217</u>		<u>10,611</u>

**11. Members' allowances and officers' remuneration**

£839,241 was paid as members' remuneration (including salaries, allowances and expenses) during the financial year 2008/09 (2007/08 £781,687).

The number of officers whose remuneration, including pension contributions, in the year was £50,000 or more is as follows:

Remuneration Band	2008/09 Number of Employees	2007/08 Number of Employees
£50,000 - £59,999	38	28
£60,000 - £69,999	6	5
£70,000 - £79,999	18	20
£80,000 - £89,999	4	3
£90,000 - £99,999	1	2
£100,000 - £109,999	3	0
£110,000 - £119,999	1	0
£120,000 - £129,999	0	1
	<u>71</u>	<u>59</u>

**12. Public Private Partnership**

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 2008/09 for the office accommodation was £2,514,000 (2007/08 £2,458,000).

The unitary charge for 2008/09 for the car park was £398,000 (2007/08 £387,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2009/10 for the office accommodation will be £2,531,000 and for the car park is £404,000.

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. The value of these properties is included in the Council's Balance Sheet as a debtor and written off to revenue over 25 years. The charge to the Net cost of Services within the Income and Expenditure Account for 2008/09 was £65,000 (2007/08 £65,000) and was offset with an equivalent amount in the Statement of Movement on General Fund Balance. At the end of this project these assets do not revert back to the Council.

During 2007/08 the Council entered into a Public Private Partnership with Axiom Education (Perth and Kinross) Ltd., for the provision and maintenance of 6 new school campus sites at Aberfeldy, Blairgowrie, Crieff, Kinross and Perth (2). The campuses will be opened on a phased basis from 2009/10 until 2011/12. As each campus is opened the Council will start to pay a unitary charge and will continue to make monthly 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.

**13. Audit Costs**

In 2008/09 Perth and Kinross Council incurred the following fees relating to external audit services provided in accordance with the Code of Audit Practice:

	2008/09 £'000	2007/08 £'000
Fees payable to Audit Scotland	<u>307</u>	<u>308</u>

#### 14. Trading Operations

Section 10 of the Local Government in Scotland Act 2003 requires local authorities to maintain trading accounts where they undertake significant trading operations. The Act further requires that each significant trading operation achieves a break-even position with income at least matching expenditure over a rolling 3 year period.

Local authorities have discretion in determining which activities they wish to account for as significant trading operations. Having reviewed each of its trading activities in accordance with the CIPFA / LASAAC guidance note "A Best Value Approach to Trading Accounts", the Council determined it has no significant trading operations.

On 12 March 2008 the Housing and Health Committee approved the establishment of a single repairs service. The Housing Repairs Service Management Board subsequently approved the recommendation that from 1 April 2008 Building Services ceased to be a trading operation.

The Council's Building Services has now been restructured into the new single Housing Repairs Organisation and the Service is now organised around direct Council provision supplemented with complimentary partnership arrangements with the private sector.

#### 15. Note of reconciling items for the Statement of Movement on the General Fund Balance

The following reconciliation provides an analysis of the additional items required by statute and non-statutory accounting practices to be debited or credited to the General Fund in determining the movement for the year.

<i>2007/08</i>		<i>2008/09</i>	<i>2008/09</i>
<i>£'000</i>		<i>£'000</i>	<i>£'000</i>
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>			
<i>0</i>	Amortisation of Intangible Fixed Assets	(11)	
<i>(65)</i>	Amortisation of Properties under Public Private Partnership	(65)	
<i>(24,564)</i>	Depreciation and impairment of fixed assets	(23,149)	
<i>2,162</i>	Government Grants Deferred amortisation	4,165	
<i>5,489</i>	Gain on disposal of fixed assets	900	
<i>486</i>	Financing costs - variance between SORP and statutory guidance	511	
<i>(10,749)</i>	Net charges made for retirement benefits in accordance with FRS 17	(14,770)	
<i>(27,241)</i>			(32,419)
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>			
<i>11,011</i>	Loans fund principal repayments	11,196	
<i>9,427</i>	Net Capital Expenditure charged in year to the General Fund Balance	11,867	
<i>14,310</i>	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	16,215	
<i>7,507</i>			39,278
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>			
<i>106</i>	Transfer to Renewal and Repair Fund	25	
<i>308</i>	Transfer to the Capital Fund	1,486	
<i>91</i>	Transfer (from)/to the Insurance Fund	(310)	
<i>505</i>			1,201
<i>8,012</i>	<b>Net additional amount required to be debited to the General Fund balance for the year</b>		<b>8,060</b>

## 16. Tangible Fixed Asset Transactions

Movements in fixed assets during the year were:

<b>Operational Assets</b>	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total £'000
<u>Gross Book Value</u>						
As at 1 April 2008	34,034	302,075	21,819	124,488	6,746	489,162
Additions	19,463	17,121	5,787	12,092	1,349	55,812
Disposals	(800)	(430)	(1,424)	0	0	(2,654)
Reclassifications	0	547	0	0	0	547
Revaluations	0	23,676	0	0	0	23,676
As at 31 March 2009	52,697	342,989	26,182	136,580	8,095	566,543
<u>Depreciation</u>						
As at 1 April 2008	(3,197)	(11,703)	(12,267)	(37,713)	(1,546)	(66,426)
Charge for 2008/09	(2,580)	(6,029)	(4,979)	(5,271)	(408)	(19,267)
Disposals	137	26	1,413	0	0	1,576
Reclassifications	0	124	0	0	0	124
Revaluations	0	3,958	0	0	0	3,958
As at 31 March 2009	(5,640)	(13,624)	(15,833)	(42,984)	(1,954)	(80,035)
Net Book Value at 31 March 2009	47,057	329,365	10,349	93,596	6,141	486,508
Net Book Value at 1 April 2008	30,839	290,372	9,552	86,775	5,199	422,737
Council owned assets	47,057	329,365	10,349	93,596	6,141	486,508

<b>Non Operational Assets</b>	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets held for Disposal £'000	Total £'000
<u>Gross Book Value</u>				
As at 1 April 2008	20,144	9,116	11,766	41,026
Additions	151	5,643	495	6,289
Disposals	(64)	(155)	(473)	(692)
Reclassifications	553	(3,009)	1,909	(547)
Revaluations	(20)	(15)	(1,837)	(1,872)
As at 31 March 2009	20,764	11,580	11,860	44,204
<u>Depreciation</u>				
As at 1 April 2008	0	0	(92)	(92)
Charge for 2008/09	0	0	(8)	(8)
Reclassifications	0	0	(124)	(124)
Revaluations	0	0	124	124
As at 31 March 2009	0	0	(100)	(100)
Net Book Value at 31 March 2009	20,764	11,580	11,760	44,104
Net Book Value at 1 April 2008	20,144	9,116	11,674	40,934
Council owned asset	20,764	11,580	11,760	44,104

## 17. Information on Tangible Fixed Assets Held

Operational Tangible Fixed assets held by the Council include:

	31/03/2009	31/03/2008
	Number	Number
Council dwellings	7,485	7,573
Office buildings	21	20
Public & community halls	20	21
Secondary schools	10	10
Primary schools	72	71
Nursery schools	2	2
Special schools	2	3
Residential homes	3	3
Day Care Centres	7	7
Outdoor Centres	2	2
Childrens Homes	2	3
Hostels	1	1
Libraries	12	12
Museums & Art Galleries	3	3
Depots and workshops	20	21
Cemeteries	68	68
Crematorium	1	1
Off street car parks	53	53
Caravan Parks	1	1
Site for travelling people	1	1
Public parks and open spaces	213	204
Harbours	1	1

## 18. Valuation of the Council's Tangible Fixed Assets

Council dwellings are valued on a discounted cash flow method which assumes that the Council's housing stock will remain as Social Housing with rents continuing below the level for private residential accommodation and takes account of Right to Buy legislation, future maintenance and rental voids. This basis of valuation recognises that council dwellings are held by the Council for the purpose of providing social housing and not for resale. Council Dwellings were valued as at 1 April 2004.

All of the authority's properties with the exception of council dwellings were valued as at 1 April 1998 and have been updated on a rolling programme since that date. Operational properties of a specialised nature were valued on the basis of what it would cost to reinstate the asset or to acquire a modern equivalent, adjusted to reflect the age, wear and tear and obsolescence of the existing asset. Operational properties of a non-specialised nature were valued by reference to the open market value of equivalent assets of a similar type and condition, as evidenced by recent market transactions, and on the assumption that they would continue in their existing use. Non-operational properties were valued by reference to their open market value at 1 April 2006.

In line with the Council's rolling programme of re-valuations every 5 years, all the Council's libraries, children's homes, residential homes, day care centres, hostels, toilets, town halls, community centres and other miscellaneous operational properties were revalued as at 1 April 2008. This increased the value of the Council's properties by £23,675,562. There have been additional changes in values for industrial units, shops and other non operational properties which resulted in a reduction in value of £1,872,496.

All valuations except Council Houses were undertaken by Council employees who are Associates of the Royal Institution of Chartered Surveyors and were issued in the names of the Council's Senior Estates Surveyors. Council House valuations were undertaken by Chartered Surveyors of DTZ Peda Consulting.

Vehicles, plant and equipment have been included in the balance sheet at historic cost less depreciation.

In line with the requirements of Financial Reporting Standard (FRS) 15, all of the Council's buildings have been depreciated on the basis of the current value less residual value, over the remaining useful life of the property. The objective of the depreciation charge is to fully recognise in the accounts the economic benefits of the assets over their useful lives. Properties held for investment purposes are not currently included within the scope of FRS15.

Further valuation adjustments were made at 31 March 2009 to correctly reflect these valuation bases in respect of transactions during the year.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The basis of valuation is set out in the statement of accounting policies.



<b>Operational Assets</b>	Council	Other	Vehicles,	Infrastructure	Community	Total
	Dwellings	Land & Buildings	Plant & Equipment	Assets	Assets	
	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historical cost	0	336	26,182	136,580	8,095	171,193
Enhancements to assets not yet valued	21,858	7,189	0	0	0	29,047
New Certified Valuation included in Balance Sheet						
2008/09	0	108,265	0	0	0	108,265
2007/08	0	43,921	0	0	0	43,921
2006/07	0	176,570	0	0	0	176,570
2005/06	0	6,708	0	0	0	6,708
2004/05	30,839	0	0	0	0	30,839
<b>Total</b>	<b>52,697</b>	<b>342,989</b>	<b>26,182</b>	<b>136,580</b>	<b>8,095</b>	<b>566,543</b>

<b>Non Operational Assets</b>	Investment	Assets	Surplus	Total
	Properties	Under Construction	Assets held for Disposal	
	£'000	£'000	£'000	£'000
Valued at historical cost	0	0	647	647
Enhancements to assets not yet valued	179	9,398	383	9,960
New Certified Valuation included in Balance Sheet				
2008/09	6,163	71	6,292	12,526
2007/08	1,634	1,514	1,822	4,970
2006/07	510	597	1,950	3,057
2005/06	11,428	0	251	11,679
2004/05	850	0	515	1,365
<b>Total</b>	<b>20,764</b>	<b>11,580</b>	<b>11,860</b>	<b>44,204</b>

## 19. Intangible Fixed Assets

<b>Movement in Intangible Assets</b>	2008/09 Purchased Software Licences £'000
Original cost	0
Amortisations to 1 April 2008	0
Balance at 1 April 2008	0
Expenditure in year	57
Written off to revenue in year	(11)
Balance at 31 March 2009	46

Expenditure during 2008/09 to the value of £57,446 was incurred on the development of software for Resourcelink, the council's new integrated Human Resources and Payroll system. The council is custodian of Resourcelink software and data and therefore maintains control over the system and future economic benefits will flow to the council. The expenditure will be written off over five financial years, commencing in 2008/09.

## 20. Sources of Finance for Fixed Asset Additions in Year

	2008/09 £'000	2007/08 £'000
<b>Capital Investment</b>		
Operational assets	55,869	49,552
Non-operational assets	6,289	5,963
	<u>62,158</u>	<u>55,515</u>
<b>Sources of Finance</b>		
Loans	38,862	27,138
Capital Receipts	3,217	7,475
Government Grants	8,317	10,472
Revenue	11,762	10,430
	<u>62,158</u>	<u>55,515</u>

## 21. Analysis of Net Assets Employed

	2008/09 £'000	<i>Restated</i> 2007/08 £'000
General Fund	139,839	204,298
Housing Revenue Account	56,883	39,830
Trading Operations	0	447
	<u>196,722</u>	<u>244,575</u>

## 22. Commitments Under Capital Contracts

The Council has made contractual commitments under capital contracts at 31 March 2009 of £12,559,000 (31 March 2008 £33,418,000) based on the Council's Capital plan for the next 5 financial years. The commitments are summarised as follows:

	2008/09 £'000	2007/08 £'000
Education Projects	6,344	18,811
Roads & Bridges Improvement Schemes	648	5,844
Flood Prevention	433	197
Dalcrue Landfill site	743	732
Other Environmental Improvements	2,112	2,851
Perth City Hall	0	1,124
Fleet Vehicles	234	438
Provision and Upgrade of Commercial Sites	1,282	1,970
Regeneration of Travellers' Sites	315	215
Other Capital Projects	448	1,236
	<u>12,559</u>	<u>33,418</u>

23. **Debtors** (net of provisions)

	2008/09	2007/08
	£'000	£'000
<b>Long Term</b> (due after 1 year)		
External Bodies Debt	394	400
Other Local Authority Debt -Tayside House	118	207
Housing Advances	154	181
Interim Funders	498	0
Prepayments	1,014	1,079
	<u>2,178</u>	<u>1,867</u>

	2008/09	2007/08
	£'000	£'000
<b>Current</b> (due within 1 year)		
Her Majesty's Revenues & Customs (HMRC)	1,429	2,379
Government Grants	1,822	8,048
Council Tax & Community Charge	13,128	11,684
Non-Domestic Rates	2,307	1,160
Sales Ledger	5,243	6,269
Housing Rent Arrears	1,642	1,288
Tayside Contracts	380	380
Other	12,570	13,498
	<u>38,521</u>	<u>44,706</u>
Provision for Bad and Doubtful Debts	(16,252)	(14,753)
	<u>22,269</u>	<u>29,953</u>

24. **Investments**

	2008/09	2007/08
	£'000	£'000
Lending to Banks & Building Societies	19,881	40,473
Total Short Term	<u>19,881</u>	<u>40,473</u>

25. **Creditors**

	2008/09	2007/08
	£'000	£'000
Payroll Deductions	5,829	5,650
Accrued Interest	1,492	0
Government Grants paid in advance or repayable	1,990	3,121
Purchase Ledger	11,361	13,368
Prepaid Trade Waste Permits	0	1,069
Common Good & Charities	2,441	1,860
Scottish Water	206	170
Other	14,488	15,590
Total	<u>37,807</u>	<u>40,828</u>

## 26. Borrowing repayable within a period in excess of 12 months

	31-3-09 £'000	31-3-08 £'000
<b>Analysis of Loans by Type</b>		
Public Works Loan Board	84,919	114,412
Market Loans	44,565	44,875
Local Bonds / Other Loans	264	264
Total Outstanding	<u>129,748</u>	<u>159,551</u>
<b>Analysis of Loans by maturity</b>		
Within 1 year (interest)	0	1,430
Between 1 and 2 years	13,500	0
Between 2 and 5 years	23,000	10,000
Between 5 and 10 years	18,000	0
Between 10 and 15 years	1,676	1,120
Between 15 and 20 years	1,117	1,673
Between 20 and 25 years	3,166	3,166
More than 25 years	69,289	142,162
	<u>129,748</u>	<u>159,551</u>

## 27. Financial Instrument Balances

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	
	31st March 2009 £'000	31st March 2008 £'000	31st March 2009 £'000	31st March 2008 £'000	31st March 2009 £'000	31st March 2008 £'000
<b>Borrowings</b>						
Financial liabilities at amortised cost	129,748	159,551	58,275	22,258	188,023	181,809
Total borrowings	<u>129,748</u>	<u>159,551</u>	<u>58,275</u>	<u>22,258</u>	<u>188,023</u>	<u>181,809</u>
<b>Investments</b>						
Loans and receivables	892	400	21,868	43,591	22,760	43,991
Total investments	<u>892</u>	<u>400</u>	<u>21,868</u>	<u>43,591</u>	<u>22,760</u>	<u>43,991</u>

Lender Option Borrower Option (LOBO) borrowings of £39.6m have been included in long term borrowing as at 31 March 2009 but have a call date in the next 12 months.

The above long term figures are based on SORP 2008 which states that in undertaking Effective Interest Rate (EIR) calculations the maturity period of a LOBO should be taken as being the contractual period to maturity.

## 28. Financial Instruments Gains / Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are as follows:

2008/09	Financial Liabilities		Financial Assets		Total 2008/09 £'000	Total 2007/08 £'000
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for- sale assets £'000	Fair value through Income & Expenditure Account £'000		
Interest expense	10,224	0	0	0	10,224	11,338
Losses on derecognition	495	0	0	0	495	3,896
Impairment losses	0	0	0	0	0	0
Interest payable and similar charges	10,719	0	0	0	10,719	15,234
Interest income	0	(2,828)	0	0	(2,828)	(2,661)
Gains on derecognition	(421)	0	0	0	(421)	(5,494)
Interest and investment income	(421)	(2,828)	0	0	(3,249)	(8,155)
Amounts recycled to the Income & Expenditure account after impairment	0	81	0	0	81	0
Net gain/(loss) for the year	10,298	(2,747)	0	0	7,551	7,079

## 29. 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 at 31 March 2009 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 2009, 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 072/09.
- 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 value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31st March 2009		31st March 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Public Works Loans Board (PWLB) - maturity	127,079	138,890	114,412	123,755
Lender Option Borrower Option (LOBO)	44,565	47,052	44,874	48,546
Bank overdraft	2,477	2,477	6,375	6,375
Short term borrowing	13,638	12,546	15,883	15,883
Other (Special Loans)	264	705	265	265
Financial Liabilities	188,023	201,670	181,809	194,824

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.

### 30. Fair Value of Assets Carried at Amortised Cost

	31st March 2009		31st March 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Cash	1,987	1,987	3,037	3,037
Deposits with Banks and Building Societies	19,881	19,974	40,473	40,481
Interim Funders	498	498	373	373
Other - Perth & Kinross Leisure	394	394	481	410
Financial Assets	22,760	22,853	44,364	44,301

The fair value of deposits with banks and building societies 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.

### 31. 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 2009	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2009	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with banks and other financial institutions	21,831	0	0	0
Loans to Others	892	0	0	0
Bonds and other securities	0	0	0	0
Customers	18,400	7	0	1,288
<b>Total</b>	<b>41,123</b>	<b>-</b>	<b>-</b>	<b>1,288</b>

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

The authority does not generally allow credit for customers, such that £15.7m of the £18.4m balance is past its due date for payment.

### Debtors

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

	31 March 2009 £'000
Less than three months	8,243
Three to six months	784
Six months to one year	5,891
More than one year	801
<b>Total</b>	<b>15,719</b>

### (ii) Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. 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, to reduce the financial impact of re-financing at an unfavourable time.

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

On 31 March 2009 £'000	Loans outstanding	On 31 March 2008 £'000
127,079	Public Works Loans Board	113,326
43,200	Market debt / LOBOs	43,200
13,348	Temporary borrowing	15,214
554	Local bonds	654
2,477	Bank Overdraft	6,375
<b>186,658</b>	<b>Total</b>	<b>178,769</b>
58,275	Less than 1 year	21,979
13,500	Between 1 and 2 years	0
23,000	Between 2 and 5 years	10,000
18,000	Between 5 and 10 years	0
1,120	Between 10 and 15 years	1,120
72,763	Over 15 years	145,670
<b>186,658</b>	<b>Total</b>	<b>178,769</b>

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 authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account. 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, potentially increasing 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 Statement of Total Recognised Gains & Losses.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of 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.

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 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Increase in interest payable on variable rate borrowings	£'000
Increase in interest receivable on variable rate investments	543
Increase in government grant receivable for financing costs	(683)
Impact on Income and Expenditure Account	0
	<hr/>
	(140)
	<hr/>
Share of overall impact credited to the HRA	(20)

The impact of a 1% fall in interest rates would have been an estimated cost of £520,000 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.

#### Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates. See the following note re Icelandic Banks.

#### Icelandic Banks

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 Invested	Maturity date	Amount Invested	Interest Rate	Carrying Amount	Impairment
Glitnir	19 March 2008	19 December 2008	£1,000,000	6.0%	£980,615	£81,522

The monies with Glitnir are subject to the receivership process. The amounts and timing of payments to depositors such as this Council will be determined by the receivers.



Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (New Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a Resolution Committee. Old Glitnir's affairs are being administered under Icelandic law. Old Glitnir's latest public presentation of its affairs was made to creditors on 6 February 2009 and can be viewed on its website. This indicates that full recovery of the principal and interest to 14 November 2008 is likely to be achieved, however, this recovery is subject to the following uncertainties and risks:

- Confirmation that deposits by local authorities enjoy preferential creditor status, which is likely to have to be tested through the Icelandic Courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the Resolution Committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of the "bond" which will allow creditors of Old Glitnir to enjoy rights in New Glitnir.

The Council has therefore decided to recognise an impairment based on recovering the full amount of principal and interest up to 14 November 2008 in the future. The impairment therefore reflects the loss of interest to the Council until the funds are repaid.

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 40% of its liabilities, assuming that the bond remains at its current estimated value. Therefore, if preferential creditor status is not achieved, the recoverable amount may only be 40p in the £.

No information has been provided by the Resolution Committee about the timing of any payments to depositors. Since the value of deposits is small compared to the total asset value of the bank, in calculating the impairment the Council has therefore made an assumption that the repayment of priority deposits will be made by 31 March 2010.

The impairment loss of £81,522 recognised in the Income & Expenditure Account in 2008/09 has been calculated by discounting the assumed cashflows at the effective interest rate of the original deposit in order to recognise the anticipated loss of interest to the authority until the money is recovered. Adjustments to these assumptions will be made in future accounts as more information becomes available.

The Council has taken advantage of the Statutory Guidance "Guidance on Proper Accounting Practices – Impairment of Certain Investments", issued by Scottish Ministers under section 12(2)(b) of the Local Government in Scotland Act 2003, to defer the impact of the impairment on the General Fund and Housing Revenue Account (HRA). Accordingly, a sum of £75,768 has been transferred to the Financial Instruments Adjustment Account (FIAA). The balance of £5,754 relates to interest from 14 November to 19 December 2008 (the original maturity date), and has been borne by the General Fund and HRA in the Income & Expenditure account in 2008/09. As the money is expected to be recovered by 31 March 2010, the balance held in the FIAA will be transferred to the Income & Expenditure Account in 2009/10.

## 32. Deferred Credits

The Deferred Credit of £208,000 (2007/08 £295,000) in the Balance Sheet represents capital income due to the authority as a result of an annual payment received from Dundee City Council in respect of a former Tayside Regional Council asset. A long term debtor of £118,000 (2007/08 £207,000) and a debtor of £90,000 (2007/08 £88,000) are also shown within the Council's Statement of Accounts.

## 33. 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 2009.

### Equal Pay Claims

The Council has made provision for Council and Tayside Contracts Equal Pay Claims as at 31 March 2009. The Council also has a contingent liability at 31 March 2009. At 31 March 2008 the liability was disclosed as a contingent liability.

	Balance as at 1.4.08 £'000	Movement During year £'000	Balance as at 31.3.09 £'000
Self Insured/Uninsured Losses	996	64	1,060
Council Equal Pay Claims	0	111	111
Tayside Contracts Equal Pay Claims	0	445	445
	<u>996</u>	<u>620</u>	<u>1,616</u>

#### 34. Devolved School Management (DSM) Schools & School Boards

The accumulated balance on the General Fund at 31 March 2009 includes net surplus funds of £1,268,000 (31 March 2008 £1,151,000) in respect of schools participating in the Devolved School Management scheme. There are a number of schools with surpluses totalling £1,345,000 and a number of schools carrying forward deficits amounting to £77,000. These surpluses and deficits are earmarked in 2009/10 for the individual schools concerned.

#### 35. European Single Currency

The Council is required to disclose certain information in connection with the possible entry to the European Single Currency.

As at 31 March 2009 no commitments in respect of costs associated with the Euro had been made, no exceptional expenditure had been incurred and it was not possible to forecast the total costs likely to be incurred.

#### 36. 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 53.

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.

	31.3.09 £'000	31.3.08 £'000
Education Trust - Financial Assistance		
Net assets	684	850
Net Incoming Resources before other recognised gains and losses	6	9
Education Trust - Endowments		
Net assets	46	43
Net Incoming Resources before other recognised gains and losses	3	5
Other Charitable Trusts		
Net assets	1,303	1,590
Net Incoming Resources before other recognised gains and losses	32	35
<b>TOTAL Net Assets</b>	<b>2,033</b>	<b>2,483</b>
<b>TOTAL Net Incoming Resources before other recognised gains and losses</b>	<b>41</b>	<b>49</b>

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

### 37. Contingent Liabilities

The Council has identified a contingent liability in respect of claims under the Equal Pay Act 1970 currently being pursued through an Employment Tribunal by approximately 250 Council employees together with the potential risk of new equal pay claims which may be pursued in the future.

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. 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, a further £111,000 has been provided for within the 2008/09 financial statements in respect of equal pay claims by Council employees. In respect of the claims currently being pursued by employees, the Council anticipates that a number of the claims can be defended on the basis of their being no valid comparators for the claimant's posts. As the Council is still in the process of considering appeals against the outcome of Single Status job evaluation, it is not currently possible to make a reliable estimate of the Council's potential liability as the comparator posts identified by claimants may themselves be subject to review.

The Council has also identified a contingent liability in respect of the possibility of employees seeking to raise equal pay claims in the future. 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 is similarly responsible for meeting its share of any potential equal pay liability on the part of Tayside Contracts Joint Committee. Based upon legal advice obtained by the Joint Committee, the Council has accounted for £590,000 within the 2008/09 financial statements in respect of its anticipated share of equal pay costs for Tayside Contracts. The Council also has a contingent liability in respect of its share of any potential liability arising from future equal pay claims by Tayside Contracts employees.

The Council has identified a contingent liability in respect of potential retrospective changes to employee salaries from 1 August 2007 – 31 March 2009 arising out of the Council's internal Single Status Appeals process. As part of the Single Status agreement on pay & conditions, all Council employees affected by Single Status are eligible to appeal the outcome of the job evaluation exercise for their post on the grounds of inaccuracy or the misapplication of the evaluation factors. The Council has established an Appeals Panel led by an independent chairperson to consider individual and, where appropriate, group appeals. The extent of any liability arising from the Council's Single Status appeals process cannot be quantified at present as it is probable that the panel will not conclude their consideration of appeals until the autumn of 2009.

The Council has a contingent liability in respect of fees previously charged to individuals for meal preparation under the free personal care legislation. This has arisen as a result of conflicting advice received from the former Scottish Executive at the time regarding whether meal preparation is included within free personal care. Based upon the outcome of recent legal proceedings, the Council's potential liability arising from this issue is estimated at no more than £40,000 and it is uncertain to what extent this liability will materialise.

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 which came into force on 1 April 2005. 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. Allowances are tradable between local authorities in order to assist them in managing their waste targets; however, trading is currently suspended and is under review by the Scottish Government. In financial year 2007/08 the Council breached its target, but in financial year 2008/09 was well within its target. The Council is currently awaiting the outcome of the review of landfill allowances and may face a financial penalty for 2007/08 should the Scottish Government not permit the Council to offset the level of waste it disposed to landfill in 2007/08 against the level of waste it disposed to landfill in 2008/09.

The Council has further identified a contingent liability arising from an action currently being brought through the Court of Session in pursuit of a judicial review of a decision by the Council on 17 December 2008 on a planning matter relating to Crieff. As the Court of Session may not arrive at a judgement on the case until next year, the Council cannot at present estimate the potential liability arising from this issue.

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 has also 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 set up a group to investigate this issue.

### 38. General Fund Balances

The General Fund Balance of £30,009,000 at 31 March 2009 includes sums set aside for a range of measures which are detailed below:

	2008/09 £'000	2007/08 £'000
General Fund Balance per Abstract	30,009	36,419
Devolved School Management Balances	(1,268)	(1,151)
Car Parking	(1,383)	(1,383)
Developers Contributions: Commuted Sums - Play Areas	(206)	(262)
Developers Contributions: Commuted Sums - Play Areas Slow Release	(183)	(168)
Developers Contributions: Commuted Sums - Sports Grounds	(195)	(195)
Developers Contributions: Affordable Housing	(1,230)	(1,433)
Tayside Fire & Rescue Board	0	(269)
Budget Flexibility (prior year approvals)	(100)	(100)
Budget Flexibility (approved in 2008/09)	(2,371)	(2,249)
Single Status Provision	(3,572)	(5,027)
Single Status Backdated Cost of Appeals	(1,000)	0
Free Personal Care	0	(400)
Investment in Improvement Fund 1	(104)	(179)
Investment in Improvement Fund 2	(1,065)	(1,895)
Equal Pay Strategy	(2,067)	(2,768)
Budgeted contribution from reserves	0	(400)
Housing Revenue Account Investment in Improvement Fund	(231)	(231)
Council Tax Income on Second Homes/Long term empty properties for affordable housing	(3,367)	(2,708)
Financial Assistance (Mod)	(60)	(40)
Energy Efficiency Fund	(259)	(191)
Future Early Retirement Costs	0	(750)
Investment In Learning Project	0	(2,274)
Revenue Budget 2009/2011 Commitments	(200)	(375)
Environmental Waste projects	(1,300)	0
Uncommitted Balance at 31 March 2009	<u>9,848</u>	<u>11,971</u>

### 39. Movement on Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, others have been set up to earmark resources for future spending plans.

Reserve	Balance 1 April 2008 £'000	Gains / (Losses) for Year £'000	Transfers Between Reserves £'000	Balance 31 March 2009 £'000	Purpose of Reserve	Further Detail of Movements
Capital Adjustment Account	217,719	2,053	4,085	223,857	Store of capital resources set aside to meet past expenditure	
Financial Instruments Adjustment Account	(16,321)	511	0	(15,810)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	
Revaluation Reserve	27,991	29,862	(1,131)	56,722	Store of gains on revaluation of fixed assets not yet realised through sales	
Capital Receipts Reserve (formerly Usable Capital Receipts Reserve)	3,162	2,786	(2,954)	2,994	Proceeds of fixed asset sales to meet future capital investment	
Pensions Reserve (includes liability for Local Government Pension Scheme and unfunded pension enhancements for members of the Teachers' scheme)	(31,065)	(77,856)	0	(108,921)	Reserve to allow inclusion of pensions liability in the balance sheet	Note 9 to Core Financial Statements - Pages 22-25
General Fund	35,438	(6,459)	0	28,979	Resources required to meet future running costs of Council services	Statement of Movement on General Fund Balance on page 15
General Fund: Housing Revenue Account Balance	981	49	0	1,030	Resources required to meet future running costs of Council houses	Statement of Movement on the HRA Balance - Page 47
Renewal & Repair Fund	1,171	25	0	1,196	Reserve to fund the renewal and repair of Council Assets	
Insurance Fund	1,863	(310)	0	1,553	Fund to meet potential self insured liabilities	
Capital Fund	3,636	1,486	0	5,122	Fund to support future capital programme expenditure	
<b>Total</b>	<b>244,575</b>	<b>(47,853)</b>	<b>0</b>	<b>196,722</b>		

#### 40. Reconciliation of Income & Expenditure Account to Revenue Activities Cash Flow

	<u>2008/09</u>	<u>2007/08</u>
	£'000	£'000
Surplus per Income & Expenditure Account	1,650	10,586
add back: Net Interest	5,780	5,428
<b>Non-Cash Transactions</b>		
Impairment of intangible assets	11	0
Depreciation of fixed assets and deferred grants	15,111	13,942
Impairment of fixed assets	3,874	8,459
Premiums/Discounts on Debt Rescheduling written down	74	(1,598)
Contributions (from)/to Provisions	620	(395)
Variance between SORP & Statutory Valuation of Finance Costs	(511)	(486)
Pensions - FRS17 adjustments	(1,445)	(3,561)
Gain on disposal fixed assets	(900)	(5,489)
<b>Items on an accruals basis</b>		
Movement in Stock and Work-in-Progress	(88)	(6)
Movement in Debtors and Deferred Credits	7,286	(3,772)
Movement in Creditors	(3,021)	(1,884)
Net Cash Inflow from Revenue Activities	<u><u>28,441</u></u>	<u><u>21,224</u></u>

#### 41. Movements in Cash

	As at 31 March 2009 £'000	As at 31 March 2008 £'000	2008/09 Movement £'000	2007/08 Movement £'000
Net Cash and Bank	1,987	3,037	(1,050)	1,976
Bank Overdraft	(2,477)	(6,375)	3,898	(6,375)
	<u><u>(490)</u></u>	<u><u>(3,338)</u></u>	<u><u>2,848</u></u>	<u><u>(4,399)</u></u>

#### 42. Management of Liquid Resources

	As at 31 March 2009 £'000	As at 31 March 2008 £'000	2008/09 Movement £'000	2007/08 Movement £'000
Investments	19,881	40,473	(20,592)	2,423
	<u><u>19,881</u></u>	<u><u>40,473</u></u>	<u><u>(20,592)</u></u>	<u><u>2,423</u></u>

#### 43. Movements in Borrowings

	Long Term £'000	Short Term £'000	Total £'000	2007/08 £'000
Amounts repaid - original term > 12 months	(39,748)	0	(39,748)	(62,145)
Other amounts repaid	0	(282,675)	(282,675)	(209,729)
Movements for change in measurement basis	<u>(1,395)</u>	<u>(278)</u>	<u>(1,673)</u>	<u>3,038</u>
Sub-total	(41,143)	(282,953)	(324,096)	(268,836)
Amounts borrowed	53,500	280,708	334,208	285,823
Reclassification of term	<u>(42,160)</u>	<u>42,160</u>	<u>0</u>	<u>0</u>
Net Movement in Year	(29,803)	39,915	10,112	16,987
Balance at 1 April	159,551	15,883	175,434	158,447
Balance at 31 March	<u><u>129,748</u></u>	<u><u>55,798</u></u>	<u><u>185,546</u></u>	<u><u>175,434</u></u>

#### 44. Analysis of Other Government Grants

	<u>2008/09</u>	<u>2007/08</u>
	£'000	£'000
Criminal Justice	1,209	1,044
Modern Languages	0	119
Mental Illness	0	272
National Priorities Action Fund	0	6,223
Changing Children's Services Fund	0	764
Additional Resources for Schools	209	1,811
Supporting People	0	7,086
Other	2,515	5,002
	<u>3,933</u>	<u>22,321</u>

#### 45. Authorisation of Accounts

The Statement of Accounts have been authorised for issue by John Symon, Head of Finance on 24 September 2009.

## HOUSING REVENUE ACCOUNT

<u>2007/08</u>		<u>2008/09</u>	
£'000		£'000	£'000
	<b>Income</b>		
(17,712)	Dwelling Rents	(18,240)	
(601)	Non-Dwelling Rents	(773)	
(419)	Housing Support Grant	0	
(2,171)	Other Income	(1,941)	
<u>(20,903)</u>	<b>Total Income</b>	<u></u>	(20,954)
	<b>Expenditure</b>		
9,408	Repairs & Maintenance	9,149	
6,328	Supervision & Management	6,198	
1,837	Depreciation and impairment of fixed assets	3,847	
1,224	Other Expenditure	932	
120	Increase in bad debt provision	84	
<u>18,917</u>	<b>Total Expenditure</b>	<u></u>	20,210
<u>(1,986)</u>	<b>Net Cost of HRA Services</b>		<u>(744)</u>
246	HRA services share of Corporate and Democratic Core		219
	HRA share of other amounts included in the whole authority		
52	Net Cost of services but not allocated to specific services		16
<u>(1,688)</u>	<b>Net Cost of HRA Services per Income and Expenditure Account</b>		<u>(509)</u>
(5,422)	Gain on sale of HRA fixed assets		(1,421)
849	Interest payable and similar charges		1,124
(572)	Interest and investment income		(190)
(128)	Pensions interest cost and expected return on pensions assets		144
<u>(6,961)</u>	<b>Surplus for the year on HRA services</b>		<u>(852)</u>



## STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

<i>2007/08</i>		<i>2008/09</i>
<i>£'000</i>		<i>£'000</i>
<i>(6,961)</i>	Surplus for the year on the HRA Income and Expenditure Account	<i>(852)</i>
<i>11,097</i>	Net additional amount required by statute to be debited to the HRA Balance for the year	<i>803</i>
<i>4,136</i>	(Increase)/Decrease in the Housing Revenue Account Balance	<i>(49)</i>
<i>(5,117)</i>	Housing Revenue Account surplus brought forward	<i>(981)</i>
<u><i>(981)</i></u>	Housing Revenue Account surplus carried forward	<u><i>(1,030)</i></u>

### Note to the Statement of Movement on the HRA Balance

<i>2007/08</i>		<i>2008/09</i>	<i>2008/09</i>
<i>£'000</i>		<i>£'000</i>	<i>£'000</i>
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
<i>5,422</i>	Gain on sale of HRA fixed assets	<i>1,421</i>	
<i>(1,837)</i>	Depreciation and impairment of fixed assets	<i>(3,847)</i>	
<i>(665)</i>	Net charges made for retirement benefits in accordance with FRS 17	<i>(906)</i>	
<u><i>2,920</i></u>		<u></u>	<i>(3,332)</i>
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		
<i>877</i>	Employer's contributions payable to the Pension Fund and retirement benefits payable	<i>1,046</i>	
<i>0</i>	Financing costs - variance between SORP and Statutory guidance	<i>74</i>	
<i>2,732</i>	Loans fund principal	<i>1,997</i>	
<i>4,568</i>	Capital expenditure funded by the HRA	<i>1,018</i>	
<u><i>8,177</i></u>		<u></u>	<i>4,135</i>
<u><i>11,097</i></u>	<b>Net additional amount required by statute to be debited to the HRA Balance for the year</b>		<u><i>803</i></u>

## NOTES TO THE HOUSING REVENUE ACCOUNT

1. <b>Housing Stock</b> at 31 March 2009	No. of Dwellings 2008/09	<i>No. of Dwellings</i> 2007/08
Sheltered accommodation	533	499
Detached/Semi-Detached/Terraced	3,520	3,578
High Rise Flats	141	140
Tenement Flats/Other Flats/Maisonettes	3,291	3,356
Total	<u>7,485</u>	<u>7,573</u>

2. <b>Rent Arrears</b> at 31 March 2009	Gross Arrears 31.03.09		<i>Gross Arrears</i> 31.03.08	
	£'000	% of Income	£'000	% of Income
Houses	752	4.2	640	3.7
Other Subjects	117	15.1	99	16.5
Hostels	227	76.9	205	85.4
Totals	<u>1,096</u>	<u>5.8</u>	<u>944</u>	<u>5.2</u>

There is a provision for bad debts for Rent Arrears in 2008/09 of £782,000 (2007/08 £703,000).

## COUNCIL TAX INCOME ACCOUNT

<u>2007/08</u>			<u>2008/09</u>
£'000			£'000      £'000
79,693	<b>Gross Charge</b>		80,760
(2,416)	Deduct - Exemptions		(2,482)
(95)	Disabled Relief		(99)
(6,301)	Discounts and Reductions		(6,511)
70,881	<b>Net Council Tax</b>		71,668
	Deduct -		
(6,484)	Benefits	(6,328)	
6,392	less Government Grants	6,317	(11)
(14)	MOD Properties	(9)	
14	Contribution Received	9	0
(1,293)	Provision for Bad and Doubtful Debts		(1,574)
69,496	<b>Total Council Tax Income</b>		70,083
211	Adjustments for prior years for Council Tax and Community Charge		5
69,707	<b>Total Council Tax / Community Charge Income to Income and Expenditure Account</b>		70,088

## NOTES TO THE COUNCIL TAX INCOME ACCOUNT

### 1. CALCULATION OF THE COUNCIL TAX BASE

	A	B	C	D	E	F	G	H	2008/09 TOTAL	2007/08 TOTAL
No. of Properties	9,134	14,655	11,121	9,779	10,969	6,733	5,111	628	68,130	66,881
Exemptions	(743)	(673)	(368)	(263)	(205)	(96)	(65)	(32)	(2,445)	(2,413)
Disabled Relief	66	14	(2)	44	(45)	(19)	(52)	(6)	0	0
Discounts	(1,454)	(1,852)	(1,214)	(999)	(824)	(379)	(248)	(63)	(7,033)	(6,595)
Effective No. of Properties	7,003	12,144	9,537	8,561	9,895	6,239	4,746	527	58,652	57,873
Ratio	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9		
Band D Equivalents	4,668	9,445	8,477	8,561	12,094	9,012	7,910	1,054	61,221	60,099
Contributions in lieu									9	18
TOTAL									61,230	60,117
Provision for non-payment at 2.5% (2007/08 2.5%)									(1,530)	(1,503)
COUNCIL TAX BASE									59,700	58,614

### 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 2008/09 are set out below:

Valuation Band	Property Valuation Range	Fraction of band D	2008/09 Actual Charge	2007/08 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

2007/08		2008/09	
£'000		£'000	£'000
50,836	<b>Gross Rate Levied</b>		52,693
209	Transitional Surcharge		0
(597)	Transitional Relief		0
50,448			52,693
	Deduct:		
(1,398)	Rate Rebates	(1,526)	
(23)	Interest on Overpaid Rates	(28)	
(4,756)	Reliefs, Charities etc.	(6,851)	
(224)	Provision for Bad and Doubtful Debts	(238)	
			(8,643)
	Adjustments to Previous Years:		
(873)	Gross Rate Levied	(1,168)	
171	Transitional Surcharge/Relief	359	
(1,027)	Rate Rebates	(89)	
131	Reliefs, Charities etc.	40	
(85)	Provisions for Bad and Doubtful Debts and Abatement:	(1)	
			(859)
42,364	<b>Net Non Domestic Rate Income</b>		43,191
(42,481)	Contribution to National Non Domestic Rate Pool	(43,312)	
50,519	Contribution from National Non Domestic Rate Pool	53,776	
8,038	Net contribution from National Non Domestic Rate Pool		10,464
50,402	<b>Total Non Domestic Rate Income</b>		53,655

### NOTES:

#### 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 2008/09 was 45.8p (2007/08 44.1p). The small Business Bonus Scheme was introduced from 1 April 2008 for business with properties of which the rateable value is £15,000 or less. Subject to eligibility, this provided relief of between 20% and 80% in 2008/09, rising to between 25% and 100% in 2009/10. This scheme replaced the Small Business Rates Relief Scheme. A supplement of 0.4p (2007/08 0.3p) was charged on properties with a rateable value of over £29,000 to contribute towards the additional cost of the scheme.

#### 2. RATEABLE SUBJECTS AND VALUES

No. of Subjects at 1/4/07	Rateable Value £'000 at 1/4/07		No. of Subjects at 1/4/08	Rateable Value £'000 at 1/4/08
1,569	27,939	Shops, Restaurants	1,549	27,635
949	17,213	Offices	982	17,499
1,215	12,663	Hotels, Boarding Houses	1,257	12,539
727	13,967	Industrial & Freight Transport	746	14,026
2,190	19,643	Other	2,193	28,412
989	28,035	Miscellaneous	978	19,927
7,639	119,460	<b>Total</b>	7,705	120,038

## 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 2008/09 the average interest rate was 3.89% (2007/08 4.09%).

The Statement of Accounting Policies on pages 10 to 13 summarises the relationship between the Consolidated Loans Fund and the Council's Income & Expenditure Account and Balance Sheet.

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2009

	2008/09 £'000	2007/08 £'000
<b>EXPENDITURE</b>		
Interest Paid on Loans:		
Public Works Loans Board	5,872	4,965
Mortgages and Bonds	1,966	1,968
Other Loans	453	909
Interest Paid on Revenue Balances	1,933	3,496
Impairment charges	81	0
Expenses of Borrowing	170	183
Premiums incurred on early repurchase of debt	495	3,896
<b>TOTAL EXPENDITURE</b>	<u>10,970</u>	<u>15,417</u>
<b>INCOME</b>		
Interest Earned on Investments	2,828	2,661
Fees Earned on Services to Joint Board	6	6
Discounts received on early repurchase of debt	421	5,494
Interest Recovered from Borrowing Accounts	7,551	7,079
Expenses Recovered from Borrowing Accounts	164	177
<b>TOTAL INCOME</b>	<u>10,970</u>	<u>15,417</u>

### BALANCE SHEET AS AT 31 MARCH 2009

	31.03.09 £'000	31.03.08 £'000
<b>ASSETS</b>		
Cash Investments	1,950	3,000
Short Term Investments	19,881	40,473
Sundry Debtors	893	4
Long Term Debtors	400	400
Short Term Debtors	0	81
Financial Instruments Adjustment Account	15,810	16,321
Internal Revenue and Capital Advances	150,831	121,916
<b>TOTAL ASSETS</b>	<u>189,765</u>	<u>182,195</u>
<b>LIABILITIES</b>		
Public Works Loans Board	127,079	114,412
Mortgages and Bonds	44,565	44,875
Bank Overdraft	2,477	6,666
Other Loans	13,902	16,148
Sundry Creditors	1,742	94
<b>TOTAL LIABILITIES</b>	<u>189,765</u>	<u>182,195</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 2009.

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2009

	2008/09 £'000	2008/09 £'000	2007/08 £'000
<b>INCOMING RESOURCES</b>			
Incoming resources from generated funds:			
Activities for generating funds	0		1
Investment Income	131		140
Other Incoming Resources	0		15
<b>Total Incoming Resources</b>		131	<u>156</u>
<b>RESOURCES EXPENDED</b>			
Costs of generating funds:			
Investment management costs	5		9
Charitable activities	80		78
Governance costs	5		5
Other Resources Expended	0		15
<b>Total Resources Expended</b>		90	<u>107</u>
<b>Net Incoming Resources Before Other Recognised Gains &amp; Losses</b>		41	<u>49</u>
<b>OTHER RECOGNISED GAINS/LOSSES</b>			
Losses on Investment assets		(491)	(200)
<b>Net Movement in Funds for the Year</b>		(450)	<u>(151)</u>
<b>RECONCILIATION OF FUNDS</b>			
Total Funds Brought Forward at 1 April 2008		2,483	2,634
<b>TOTAL FUNDS CARRIED FORWARD AT 31 MARCH 2009</b>		<u><u>2,033</u></u>	<u><u>2,483</u></u>

### BALANCE SHEET AS AT 31 MARCH 2009

	31.3.09 £'000	31.3.09 £'000	31.3.08 £'000
<b>FIXED ASSETS</b>			
Investments		1,737	2,205
<b>CURRENT ASSETS</b>			
Debtors	16		15
Investments - Amounts due by Perth & Kinross Council Loans Fund	366		339
	<u>382</u>		<u>354</u>
<b>LIABILITIES</b>			
Creditors: amounts falling due within one year	(85)		(76)
Accruals	(1)		0
		<u>296</u>	<u>278</u>
<b>NET CURRENT ASSETS</b>		<u>296</u>	<u>278</u>
<b>NET ASSETS</b>		<u><u>2,033</u></u>	<u><u>2,483</u></u>
<b>TOTAL FUNDS</b>		<u><u>2,033</u></u>	<u><u>2,483</u></u>

### Notes to Charitable Trusts

1. The market value of Investments at 31 March 2009 was £1,737,000 (31 March 2008 £2,205,000).

The unaudited accounts were issued on 30 June 2009 and the audited accounts were authorised for issue on 24 September 2009.

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## 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 2009.

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2009

	2008/09 £'000	2008/09 £'000	2007/08 £'000
<b>EXPENDITURE</b>			
Property Costs	22		25
Supplies & Services	13		6
Grants to Voluntary Organisations	107		93
Christmas Lighting	116		84
Shoppers Creche	12		8
Other	15		9
		285	225
<b>INCOME</b>			
Rents, Fees, Charges etc.	382		176
Interest on Loans	60		74
Other	10		4
		452	254
<b>SURPLUS FOR THE YEAR</b>		167	29
Balance Brought Forward		1,665	1,636
Balance Carried Forward		1,832	1,665

### BALANCE SHEET AS AT 31 MARCH 2009

	31.03.09 £'000	31.03.09 £'000	31.03.08 £'000
<b>FIXED ASSETS</b>			
		4,119	3,874
<b>CURRENT ASSETS</b>			
Debtors	99		27
Investments	297		297
Revenue Advances to Perth & Kinross Council			
Loans Fund	2,075		1,520
	2,471		1,844
<b>CURRENT LIABILITIES</b>			
Creditors and Accruals	(24)		(21)
<b>NET CURRENT ASSETS</b>		2,447	1,823
<b>TOTAL NET ASSETS</b>		6,566	5,697
<b>RESERVES</b>			
Revenue		1,832	1,665
Capital		824	380
Revaluation Reserve		3,910	3,652
		6,566	5,697

The unaudited accounts were issued on 30 June 2009 and the audited accounts were authorised for issue on 24 September 2009.

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## 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	Balance at 1 April 08 Restated	Income 2008/09	Expenditure 2008/09	Balance at 31 March 09
	£'000	£'000	£'000	£'000
Perth City	1,209	423	258	1,374
Aberfeldy	113	2	12	103
Alyth	21	1	1	21
Auchterarder	290	23	13	300
Blairgowrie	21	1	0	22
Coupar Angus	0	2	0	2
Crieff	2	0	0	2
Kinross	1	0	1	0
Pitlochry	8	0	0	8
<b>TOTAL</b>	<u>1,665</u>	<u>452</u>	<u>285</u>	<u>1,832</u>

### 3. Common Good Fixed Assets

There is 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 set up a group to investigate this issue and are currently reviewing all title deeds of the Council. To date the group are currently investigating all Council parks and Blairgowrie assets.

The Common Good Fund Balance Sheet now includes an asset for Marshall Place Toilets, Perth. This assets was transferred from the Council with a value of £177,264 and was revalued at 1 April 2008 and included in the Common Good Balance Sheet at a value of £257,850.

### 4. Restatement of Opening Balances

The opening balance figures have been restated to correct roundings from prior years which had resulted in Crieff Common Good Fund balances not being shown.

## GROUP INCOME AND EXPENDITURE ACCOUNT

<u>2007/08</u> Actual Net Expenditure £'000		<u>2008/09</u>	Actual Income £'000	Actual Net Expenditure £'000
	<b>SERVICES</b>			
112,868	Education Services	146,505	25,174	121,331
62,242	Social Work Services	87,735	20,998	66,737
16,447	Roads and Transport Services	24,926	7,497	17,429
3,246	Planning and Development Services	10,054	4,464	5,590
4,662	Housing Services (General Fund)	43,578	28,979	14,599
17,030	Cultural & Related Services	20,264	2,142	18,122
19,080	Environmental Services	35,596	15,547	20,049
2,847	Central Services	3,897	1,674	2,223
22,366	Other Operating Expenditure	25,501	2,292	23,209
2,962	Corporate and Democratic Core	2,810	0	2,810
784	Non Distributed Costs	89	0	89
(1,688)	Housing Revenue Account	20,407	20,916	(509)
91	Charitable Trusts	90	0	90
(364)	Share of Operating Result of Associates and Joint Ventures	34,341	36,495	(2,154)
<b>262,573</b>	<b>NET COST OF SERVICES</b>	<b>455,793</b>	<b>166,178</b>	<b>289,615</b>
(5,318)	Gain on Disposal of Fixed Assets			(916)
132	Net Deficit on Trading Operations			0
(191)	Share of Tayside Contracts' Surplus			(397)
(1,598)	(Gains)/Losses on the Repurchase or Early Settlement of Borrowing			74
(2,601)	Interest and Investment Income			(2,467)
(335)	Share of Interest and Investment Income of Associates			(277)
8,090	Interest Payable and Similar Charges			8,608
270	Share of Interest Payable and Similar Charges of Associates			324
(2,461)	Pensions Interest Cost & Expected Return on Pensions Assets			2,361
10,477	Share of Pension Interest Cost & Expected Return on Pensions Assets of Associates			13,007
<b>269,038</b>	<b>NET OPERATING EXPENDITURE</b>			<b>309,932</b>
	<b>PRINCIPAL SOURCES OF FINANCE</b>			
(149,145)	Revenue Support Grant			(176,504)
(69,707)	Council Tax / Community Charge Income			(70,088)
(50,402)	Distribution from Non Domestic Rates Pool			(53,655)
<b>(269,254)</b>	<b>TOTAL FINANCING</b>			<b>(300,247)</b>
<b>(216)</b>	<b>DEFICIT/(SURPLUS) FOR THE YEAR</b>			<b>9,685</b>

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

<u>2007/08</u> £'000		<u>2008/09</u> £'000
(10,586)	Surplus on the single entity Income and Expenditure Account for the year	(1,650)
	Add:	
151	• Managed Funds - Charitable Trusts	451
10,219	• Associates	10,884
<u>(216)</u>	Deficit/(Surplus) for the year on the Group Income and Expenditure Account	<u>9,685</u>

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Restated</i> <u>2007/08</u> £'000		<u>2008/09</u> £'000
(216)	Deficit/(Surplus) for the year on the Group Income & Expenditure Account	9,685
(28,442)	Surplus arising on revaluation of fixed assets	(42,376)
(38,844)	Actuarial losses/(gains) on pension fund assets and liabilities	71,929
15,073	Other Losses	174
<u>(52,429)</u>	Total recognised losses/(gains) for the year	<u>39,412</u>
3,544	Prior Period Adjustment	
<u>(48,885)</u>		

## GROUP BALANCE SHEET

<i>Restated</i> 31 March 2008 <hr/> £'000	Notes	31 March 2009 <hr/> £'000                      £'000	
<b>FIXED ASSETS</b>			
0		46	
	Intangible Fixed Assets		
	Tangible Fixed Assets		
<u>Operational Assets</u>			
30,839	- Council Dwellings	47,057	
290,517	- Other Land and Buildings	329,511	
11,743	- Vehicles, Plant and Equipment	12,754	
86,775	- Infrastructure Assets	93,596	
5,199	- Community Assets	6,141	
<u>Non - operational Assets</u>			
20,144	- Investment Properties	20,764	
9,116	- Assets under construction	11,580	
11,674	- Surplus assets, held for disposal	11,760	
<hr/> 466,007	<b>Total Fixed Assets</b>	<hr/>	533,209
LONG TERM INVESTMENTS			
6,828	- Investment in Associates and Joint Ventures	6,277	
1,867	- Long-Term Debtors	2,178	
		<hr/>	8,455
<hr/> 474,702	<b>Total Long-Term Assets</b>		<hr/> 541,664
CURRENT ASSETS			
1,097	Stocks and Work in Progress	1,182	
48,052	Debtors	41,928	
(14,753)	Provision for Bad and Doubtful Debts	(16,252)	
42,678	Investments	21,618	
3,037	Cash and Bank	1,988	
<hr/> 80,111		<hr/>	50,464
CURRENT LIABILITIES			
(16,035)	Borrowing repayable on demand or within 12 months	(55,928)	
(39,594)	Creditors	(37,908)	
(8,053)	Bank overdraft	(3,355)	
		<hr/>	(97,191)
<hr/> 491,131	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> 494,937
BORROWING REPAYABLE WITHIN A PERIOD IN EXCESS OF 12 MONTHS			
(160,394)		(130,865)	
(684)	DEFERRED LIABILITIES	(530)	
(39,892)	GOVERNMENT GRANTS DEFERRED	(44,223)	
(295)	DEFERRED CREDITS	(208)	
(1,262)	PROVISIONS	(1,952)	
(33,818)	LIABILITY RELATED TO DEFINED BENEFIT SCHEME	(115,665)	
(177,233)	LIABILITY IN ASSOCIATES & JOINT VENTURES	(163,353)	
		<hr/>	(456,796)
<hr/> 77,553	<b>TOTAL ASSETS LESS LIABILITIES</b>		<hr/> 38,141
<hr/> <hr/>			
218,260	Capital Adjustment Account		224,452
(16,321)	Financial Instruments Adjustment Account		(15,810)
27,991	Revaluation Reserve		56,722
3,162	Capital Receipts Reserve		2,994
(33,818)	Pensions Reserve		(115,665)
38,468	General Fund	31,505	
981	General Fund: Housing Revenue Account	<hr/> 1,030	32,535
1,253	Renewal and Repair Fund		1,281
1,863	Insurance Fund		1,553
3,636	Capital Fund		5,122
2,483	Charitable Trusts Reserve		2,033
(170,405)	Reserves of Associates & Joint Ventures		(157,076)
<hr/> 77,553	<b>GROUP BALANCES AND RESERVES</b>		<hr/> 38,141
<hr/> <hr/>			

The unaudited accounts were issued on 30 June 2009 and the audited accounts were authorised for issue on 24 September 2009.

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 HEAD OF FINANCE  
 24 September 2009

## GROUP CASH FLOW STATEMENT

<u>2007/08</u>		<u>Notes</u>	2008/09	
£'000			£'000	£'000
21,807	<b>NET CASH INFLOW FROM REVENUE ACTIVITIES</b>	8		29,970
	<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>			
	<b>Cash outflows</b>			
(8,203)	Interest paid		(8,741)	
	<b>Cash inflows</b>			
2,661	Interest received		2,828	
	<b>Net Cash outflow from Servicing of Finance</b>			(5,913)
	<b>CAPITAL ACTIVITIES</b>			
	<b>Cash outflows</b>			
(54,092)	Purchase of fixed assets		(62,765)	
	<b>Cash inflows</b>			
7,243	Sale of fixed assets		2,679	
11,512	Capital Grants & other capital cash receipts		8,970	
	<b>Net Cash outflow from Capital Activities</b>			(51,116)
(19,072)	<b>NET CASH OUTFLOW BEFORE FINANCING</b>			(27,059)
	<b>MANAGEMENT OF LIQUID RESOURCES</b>			
(2,423)	Net decrease/(increase) in Short Term deposits			20,592
	<b>FINANCING</b>			
	<b>Cash outflows</b>			
(269,440)	Repayments of amounts borrowed		(324,498)	
	<b>Cash inflows</b>			
286,276	New loans raised		334,614	
	<b>Net Cash Inflow from Financing</b>			10,116
(4,659)	<b>NET INCREASE / (DECREASE) IN CASH</b>			3,649

## 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	38.65% (2007/08 38.65%)
Tayside Fire & Rescue Board	29.00% (2007/08 29.00%)
Tayside Joint Police Board	30.17% (2007/08 30.17%)

The accounting period for all entities is the year to 31 March 2009. The Valuation Board's Statement of Accounts has an unqualified audit opinion stating that they show a true and fair view of the financial position. The Police and Fire Boards each have a qualified audit opinion, in that they show a true and fair view of the financial position with the exception of an issue in respect of FRS17 Retirement Benefits. The current statutory regulation which allows the removal of FRS17 based costs from being a charge to the general reserve so that only the actual pension payments are charged to that fund does not cover new pension schemes established from 6 April 2006. However both the Police and Fire Joint Boards have removed these costs amounting to £1.992m and £0.937m respectively for 2008/09 and £1.219m and £1.215m respectively for prior years. The Boards have not adjusted their accounts for this issue on the basis that the Scottish Government intends to amend the regulation to include the new schemes. The Council has therefore not included its share of this adjustment on the basis of materiality and on the grounds that any adjustment would not be a true reflection of the requisition payments made to the Joint Boards. Regulation by the Scottish Government should also be in place during 2009-10 to cover any future adjustments.

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.

In addition, the Council has also included 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 ACOP. 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. 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 Perth & Kinross Leisure Ltd. this is 33.33% (2007/08; 33.33%) and for Horsecross Arts Ltd. this is 27.27% (2007/08; 27.27%).

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

Perth & Kinross Leisure Ltd	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 Income and Expenditure Account of the Charitable Trusts is detailed on page 53 of the Statement of Accounts.

Perth & Kinross Council's 38% (2007/08 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 Account as the net surplus for the year is already included in the Council's Income and Expenditure Account. 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 includes Angus, Dundee City, Perth & Kinross and Stirling Council areas. Perth & Kinross Council as part of their single entity accounts will account for the assets purchased or constructed by them using TACTRAN grants which are allocated to them. Other assets constructed or purchased by grants to the other authorities will be owned by those individual Council's. The TACTRAN accounts 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 £157,076,000 (2007/08 £170,405,000) 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 FRS17 Retirement 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. Debtors (net of provisions)

	2008/09	2007/08
	£'000	£'000
Net Debtors Balances - Note 23 to the Core Financial Statements	22,269	29,953
Charitable Trusts Debtors - adjustments	16	15
Tayside Contracts Joint Committee Debtors - adjustments	3,391	3,331
Total Group Debtors	<u>25,676</u>	<u>33,299</u>

## 5. Investments

	2008/09	2007/08
	£'000	£'000
Investments - Note 24 to the Core Financial Statements	19,881	40,473
Charitable Trusts Investments -adjustments	1,737	2,205
Total Group Investments	<u>21,618</u>	<u>42,678</u>

## 6. Creditors

	2008/09	2007/08
	£'000	£'000
Net Creditors Balance - Note 25 to the Core Financial Statements	37,807	40,828
Charitable Trust Creditors - adjustments	(280)	(263)
Tayside Contracts Joint Committee Creditors - adjustments	381	(971)
Total Group Creditors	<u>37,908</u>	<u>39,594</u>



## 7. Retirement Benefits

	2008/09 £'000	<i>Restated</i> 2007/08 £'000
Net Pensions Liability at 31 March - Note 9 to the Core Financial Statements	(108,921)	(31,065)
Tayside Contracts Joint Committee - Council share of Pensions Liability at 31 March	(6,744)	(2,753)
Group Pension Liability at 31 March	<u>(115,665)</u>	<u>(33,818)</u>

## 8. Group Cash Flow Statement

There has been no impact on the Group Cash Flow Statement from the inclusion of the Joint Boards, Perth & Kinross Leisure Ltd or Charitable Trusts. Cash transactions between the Joint Boards, Perth & Kinross Leisure Ltd 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 increase the movement in the net cash position by £801,000 (2007/08, decrease of £260,000). This represents the Council's 38% (2007/08 38%) share of the cash increases in the year.

The deficit per the Group Income and Expenditure Account for the year can be reconciled to the revenue activities, net cash inflow as follows:

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Deficit/(Surplus) per Group Income and Expenditure Account		9,685		(216)
Add Back: Net Interest		5,888		5,568
Items on an Accruals Basis:				
Movements in Stocks	(85)		23	
Movements in Debtors	7,572		(4,514)	
Movements in Creditors	(2,765)		(1,515)	
Movement in Provisions	(100)		234	
		<u>4,622</u>		<u>(5,772)</u>
Movements in Non Cash Transactions		9,775		22,227
Net Cash Inflow from Revenue Activities		<u>29,970</u>		<u>21,807</u>

## 9. 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	
	2008/09 £'000	2007/08 £'000	2008/09 £'000	2007/08 £'000
Grants and Contributions Received	(36,495)	(33,661)	(26,777)	(24,498)
Surplus for the Year	n/a	n/a	(542)	(437)
Fixed Assets	35,765	24,323	20,394	11,440
Current Assets	11,143	9,448	7,259	6,345
Liabilities Due Within One Year	(7,125)	(6,325)	(4,525)	(4,266)
Liabilities Due After One Year or more	(196,860)	(197,851)	(147,609)	(148,922)

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 Financial Reporting Standard (FRS) 17 "Retirement Benefits" in accordance with ACOP. The Council share of the pension liabilities included above is £187,930,000 (2007/08 £188,875,000).

As detailed in note 1 of the Group Accounts the results of Perth and Kinross Leisure Ltd and Horsecross Arts Ltd are included as Associates and detailed in the Combined Associates disclosure above. As Perth and Kinross Leisure Ltd and Horsecross Arts Ltd also have charitable status, their combined impact on the Group Accounts is also detailed below in line with the Statement of Recommended Practice (SORP) disclosure.

	PKL Ltd & Horsecross Arts Ltd	
	2008/09 £'000	2007/08 £'000
Grants and Contributions Received	(2,746)	(2,711)
Expenditure	2,879	2,655
Fixed Assets	5,621	5,999
Current Assets	2,456	2,075
Liabilities Due Within One Year	(1,090)	(996)
Liabilities Due After One Year or more	(800)	(252)

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.

#### 10. Related Party Transactions

Details of supplies of goods and services between the Council and the Joint Boards are detailed in Note 8 in the Notes to the Core Financial Statements.

In addition 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		<i>Balance Due</i>	
	From 31.3.09 £'000	To 31.3.09 £'000	<i>From 31.3.08 £'000</i>	<i>To 31.3.08 £'000</i>
Tayside Valuation Board	22	0	69	0

## **ANNUAL GOVERNANCE STATEMENT 2008/09**

### **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 economically, efficiently and effectively. The Council has a duty under section 93 of the Local Government (Scotland) Act 1973 to keep accounts and section 12 of the Local Government in Scotland Act 2003 sets out the statutory duty for Scottish local authorities 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, which facilitate the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 The CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government*' sets out a standard for good corporate governance and this Annual Governance Statement follows the principles of that document. It explains how Perth & Kinross Council has complied with this standard 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 Executive Director (Corporate Services) at Perth & Kinross Council, 2 High Street, Perth, PH1 5PH.
- 1.5 This statement must also cover the organisations that are included in the Council's Group Accounts.

The individual Statements of Internal Financial Control of the following organisations have been reviewed:

Tayside Contracts Joint Committee  
Tayside Fire & Rescue Board  
Tayside Joint Police Board  
Tayside Valuation Joint Board

These statements together with written assurances provide comfort that no material weaknesses have been identified within their internal financial control systems have been relied upon.

In respect of Perth & Kinross Leisure Ltd and Horsecross Ltd, reliance has been placed upon the audited financial statements of the companies.

### **2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems and processes, cultures and values, by which the authority is directed and controlled. It also includes the way in which it accounts to, engages with and leads the community. It enables the authority 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 The system of internal control is a significant part of that framework and 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 and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Perth & Kinross Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

### **3. Perth & Kinross Council's Governance Framework**

- 3.1 The Council's objectives and priorities are set out in its Corporate Plan which has been approved by Council. Individual Service Plans (Business Management & Improvement Plans) set out detailed actions and outcomes and include performance indicators. These outcomes and performance indicators are monitored monthly by exception by the Executive Officer Team who also review guidance for their production on an annual basis. This process is linked to the monitoring arrangements for the Perth & Kinross Community Planning Partnership Single Outcome Agreement.
- 3.2 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 and 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.

- 3.3 The Chief Executive, Depute Chief Executive and Executive Directors meet regularly as the Executive Officer Team. Deputes and Heads of Service also meet as a Corporate Management Group. Individual Services have their own Service Management Teams. Monthly training sessions, by means of delayed opening, are held to update staff on key legislation and internal Council policies and procedures. Examples from 2008/09 include training on the new Complaints process and Information Management and Risk awareness sessions. 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.
- 3.4 A set of Corporate Business Risks has been developed and a register kept of these. 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 the Service. The risks associated with each major project undertaken by the Council are identified and managed through appropriate project management arrangements.
- 3.5 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.
- 3.6 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 regularly monitored. The Council's financial performance is regularly monitored by the Executive Officer Team and the Strategic Policy & Resources Committee.
- 3.7 The Audit of Best Value and Community Planning report published in 2008 stated that the Council's performance arrangements were effective. The Council publishes an Annual Report on its performance against the objectives set out within the Corporate Plan. The Council has also developed PKC Performs which is an "at-a-glance" scorecard showing the Council's performance against targets. Service Plans, which include information on Statutory Performance Indicators, are designed to be achievable within the budgets allocated to a Service, flow from the Corporate Plan priorities, and feed into the targets detailed 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 Scrutiny, on a six monthly and annual basis.
- 3.8 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 Review of Effectiveness**

- 4.1 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.
- 4.2 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.
- 4.3 The Strategic Policy & Resources Committee receives regular financial monitoring information, as part of the budgetary control framework.
- 4.4 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.
- 4.5 Internal Audit report directly to senior management on the adequacy of system controls and where necessary make recommendations for improvement. An audit 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.
- 4.6 Internal Audit completed 26 planned audits during the period covered by this statement.
- 4.7 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.

4.8 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. Significant Governance Issues**

5.1 The Annual Internal Audit report for 2008/09 notes that reasonable reliance can be placed on the Council's systems of internal control for 2008/09. The Council continues to address control weaknesses identified during audits and good progress is being made in the implementation of recommendations.

5.2 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.

<b>Issue No</b>	<b>Issue Identified</b>	<b>Source of Evidence</b>	<b>Action</b>
1	Further development is required so that communities and in particular equalities groups are fully engaged with the Council.	Self Assessment Exercise (How Good is Your Council) / Business Management and Improvement Plans.	The Council will continue to monitor the community engagement strategy to ensure full implementation.
2	Further development is required to ensure the Council continues to enhance and develop its performance management process efficiently.	Self Assessment Exercise / How Good is Your Council	Ensure that customer satisfaction information, articulation of milestones, outcomes and bench marking comparators are used effectively.
3	All employees do not have reviews that are up to date and have objectives set and monitored. Further work requires to be carried out in relation to workforce planning, particularly in relation to making 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 and implement Corporate and Service workforce planning.
4	The Local Code of Corporate Governance has still to be updated and the Council's governance framework is still at a developmental stage.	Solace/Cipfa Self Assessment Forms	Continue to develop an enabling corporate governance framework and systematic review process and agree on a revised Local Code.
5	Information governance has to be improved in keeping with national recommendations	Internal Audit Report 07/057 Government Data Handling and Data Loss Reports	Implementation of agreed relevant recommendations.
6	There is a need for significant improvement in the provision of internal audit services.	External Audit Report Financial Statements Audit Plan 2008/09.	Implementation of agreed recommendations.

5.3 The system of internal control has been in place for the financial year ended 31 March 2009 and procedures are in place to ensure that there is continuous improvement.

5.4 It is our view that the Council has established an acceptable level of internal control, risk management and corporate governance framework on which it will develop and improve

Signed:

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 Jim Irons  
 Depute Chief Executive  
 Perth & Kinross Council  
 Date: 24 September 2009

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 Ian Miller  
 Leader of the Council  
 Perth & Kinross Council  
 Date: 24 September 2009

## **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 2009 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Account, Statement of Movement on the Housing Revenue Account Balance, Council Tax Income Account, the Non Domestic Rate Income Account, Loans Fund, Charitable Trusts, Common Good and the related notes and the Statement of Accounting Policies together with the Group Accounts and Notes to the Group Accounts. These financial statements have been prepared under the accounting policies set out within them.

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

### **Respective responsibilities of the Head of Finance and Auditors**

The Head of Finance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 - A Statement of Recommended Practice (the 2008 SORP) are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report our opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of the Council and its group and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

We also report to you if, in our opinion, the Council has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Annual Governance Statement reflects compliance with the SORP, and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the Council's and its group's corporate governance procedures or its risk and control procedures.

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

### **Basis of audit opinion**

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

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

## Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, of the financial position of Perth & Kinross Council and its group as at 31 March 2009 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

*Henderson Loggie*

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

24 September 2009