



**PERTH & KINROSS COUNCIL**

**ABSTRACT OF ACCOUNTS**

**2006/2007**

**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 2006/07 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 15 to 59 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.

#### Statement on the System of Internal Control for 2006/07

This statement explains the effectiveness of the Council's internal control systems and the Council's compliance with its code of practice on corporate governance.

#### 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 the generally accepted accounting principles 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.

#### 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 and its long-term indebtedness, and the fixed and net current assets employed in its operations.

#### Statement of Total Recognised Gains and Losses

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

#### Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties.

#### Housing Revenue Account

This account shows the major elements of housing revenue 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, Reconciliation of the Single Entity surplus or deficit for the year to the group surplus or deficit, Balance Sheet, Cash Flow Statement and Statement of Total Recognised Gains and Losses.

## 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 2006: A Statement of Recommended Practice (SORP). The Code is updated regularly to take account of any changes in accounting practice.

The 2006 Statement of Recommended Practice contains significant changes to both the format and content of the Statement of Accounts in 2006/07, including the following three significant changes in accounting policy that affect the new Income and Expenditure Account:

- the removal of the notional interest element from capital charges.
- the posting of credits for government grants / capital contribution write downs to the Income and Expenditure Account.
- the inclusion of gains and losses on the disposal of fixed assets.

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

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

- the replacement of the Consolidated Revenue Account with a new UKGAAP compliant Income and Expenditure Account incorporating the three new accounting policies set out above (see page 15).
- a new statement of Movement on the General Fund Balance, together with a new supporting note analysing the reconciling items (see page 16 and 29).
- a new statement of Total Recognised Gains and Losses (see page 17).
- a new note detailing the Movements on Reserves (see page 39).
- amendments to the format of the Housing Revenue Account on a similar basis to the General Fund.

## Preparation of Group Accounts

The Council has fully implemented the requirements of the SORP in respect of Group Accounts for 2006/07. This includes accounting for the Police, Fire and Valuation Joint Boards & Perth and Kinross Leisure Ltd as associates of the Council. All associates have prepared their accounts on a going concern basis. The Statements also include the Charities 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 the 2006/07 financial year is detailed in the Income and Expenditure Account set out on page 15. 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.

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. During the course of financial year 2006/07, the Council made payments totalling £2,233,000 in settlement of equal pay claims of which £227,000 related to payments in respect of its own employees and £2,006,000 to its share of the equal pay liabilities of Tayside Contracts Joint Committee. The Council had, however, previously provided for £2,047,000 of this total within its accounts for 2005/06. In 2006/07 the Council accounted for a further £524,000 in respect of its share of the equal pay liabilities of Tayside Contracts Joint Committee.

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 £3,168,000 from both 2006/07 (£1,997,000) and prior years (£1,171,000) into future years under the budget flexibility scheme has previously been reported to and approved by the Council and this position is reflected within the results from 2006/07 set out below. The Council's financial planning for 2007/08 and beyond has been greatly facilitated by this management of resources over the longer term.

A summary of the main variances from budget is set out in the table below which also identifies the value of managed budget under-spending previously approved for carrying forward into 2007/08 and future years under the flexibility scheme. The budget figures included in the following analysis are based on the 2006/07 Revenue Management Budget approved by the Council's Strategic Policy & Resources Committee on 21 March 2007, as adjusted for differences in the classification of income and expenditure between the accounting statements and the Council's approved Revenue Budget.

| Main (Under-spends) / Over-spends                | 2006/07                               | 2006/07                                 | Variance<br>Against<br>Budget<br>£'000 |
|--|---------------------------------------|---|--|
|  | Actual<br>Net<br>Expenditure<br>£'000 | Budgeted<br>Net<br>Expenditure<br>£'000 |  |
| <b>Income &amp; Expenditure Account</b>          |                                       |   |  |
| Education Services                               | 129,834                               | 131,023                                 | (1,189)                                |
| Social Work Services                             | 55,320                                | 56,026                                  | (706)                                  |
| Roads & Transport Services                       | 15,889                                | 18,711                                  | (2,822)                                |
| Planning & Development Services                  | 3,877                                 | 4,317                                   | (440)                                  |
| Central Services                                 | 2,789                                 | 3,298                                   | (509)                                  |
| Other Operating Expenditure                      | 21,553                                | 22,071                                  | (518)                                  |
| Housing Revenue Account                          | (4,589)                               | (4,536)                                 | (53)                                   |
| Net Deficit / (Surplus) on Trading Operations    | (236)                                 | 19                                      | (255)                                  |
| Revenue Support Grant                            | (138,661)                             | (139,165)                               | 504                                    |
| Council Tax / Community Charge Income            | (67,288)                              | (65,228)                                | (2,060)                                |
| Other Items Net                                  | (20,149)                              | (13,576)                                | (6,573)                                |
| Net Variance on the Income & Expenditure Account | <u>(1,661)</u>                        | <u>12,960</u>                           | <u>(14,621)</u>                        |
| Other  | (7,104)                               | (15,802)                                | 8,698                                  |
| Under-spend on Single Status                     | 0                                     | 2,074                                   | (2,074)                                |
| Movement on the General Fund Balance             | <u><u>(8,765)</u></u>                 | <u><u>(768)</u></u>                     | <u><u>(7,997)</u></u>                  |

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

**Education Services (Under-spend £1,189,000):** Expenditure on administrative and support staff was £1,150,000 less than budget due to staff turnover and delays in filling vacancies as a result of service re-structuring. A further underspend of £406,000 arose in respect of Property costs as a result of lower than anticipated expenditure on energy of £250,000 and on metered water charges for school buildings of £136,000 together with other net property cost savings of £20,000.

A number of variances are reflected in a net overspend on third party payments for Education Services of £702,000. Increased numbers of pupil placements resulted in an overspend on Residential School fees of £173,000 whilst expenditure on Scottish Qualification Agency Fees was £258,000 in excess of budget. Further overspends of £271,000 were incurred on consultancy costs in respect of the development of the Council's Public Private Partnership project to create six new school campuses within Perth & Kinross. Expenditure of £552,000 was also incurred in respect of the Council's equal pay liabilities with £28,000 of this relating to Education Services employees and the remaining £524,000 relating to the Council's share of Tayside Contracts Joint Committee liabilities. Although this amount was not budgeted for within Education Services, provision has been made within the Council's approved Reserves Strategy to meet these costs. This expenditure was, in part, offset by a budget under-spend of £179,000 on payments to Tayside Contracts Joint Committee due to lower than anticipated contract inflation and further under-spending totalling £205,000 across a number of sectors including borrowing costs on the Council's new Additional Support Needs school which is currently under construction and on payments to partner providers within the Nursery Sector.

Expenditure on computer replacement and IT infrastructure within schools was £109,000 less than budget whilst there was a £167,000 under-spend on expenditure targeted at raising educational attainment during the initial development of the improvement programme. In both instances, it is proposed to carry the resources forward to fund projects in these areas in 2007/08. Education Services income was a net £201,000 in excess of budget reflecting additional income generated through the recharge of staff time to external projects and other local authorities and slippage on grant funded activities. A range of compensating variances across the Service resulted in a further net under-spend of £158,000.

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

The net overspend on the Council's Devolved School Management (DSM) Budget was £18,000. The DSM budget is part of the overall budget for Education Services and represents those funds directly managed by school head teachers and totalled approximately £66,500,000 in 2006/07.

The net under-spend on the DSM staff cost budget was £126,000 as a result of the following variances. The net under-spend on school teaching staff costs was £40,000 reflecting an under-spend of £1,266,000 due to teaching vacancies and sickness absence throughout the year partly offset by £1,226,000 of additional expenditure on supply teaching support. The remaining £86,000 under-spend on the DSM staffing budget reflects a reduction of £159,000 in anticipated expenditure on school based clerical and administrative staff partly offset by £73,000 of additional staff training and retirement costs.

Included within the net expenditure for Education Services is an impairment charge of £23,344,000 in respect of the write-down of the Net Book Value of those existing school properties which are to be disposed of as part of the Council's

Investment in Learning project to create six new school campuses. The service budget shown within the Income & Expenditure account has been adjusted by the same amount.

**Social Work Services (Under-spend of £706,000):** Expenditure on providing Social Work Services to Adults was a net £1,115,000 less than budget. The implementation of revised Scottish Executive guidance on charging for meal preparation under the Free Personal Care scheme together with a reduction in the proportion of service delivery not covered by the scheme resulted in a shortfall in income of £327,000. Expenditure on Home Care was £223,000 in excess of budget due to the requirement to provide additional contact hours to clients who are highly dependent upon this service. Increased levels of demand resulted in a £70,000 overspend on direct payments to clients who chose to source their own provision whilst expenditure on the operation of assessment teams and the community alarm service was £144,000 in excess of budget due to the employment of additional agency staff to support the client assessment process and the purchase of additional community alarm equipment. Expenditure of £110,000 in respect of the equal pay compensation payments to Social Work Services employees was also incurred. Although not included in the Revenue Budget for Social Work Services, this amount was allowed for in the Council's reserves strategy.

Set against this, the provision of residential care to older clients was under-spent by £355,000 due to an unusually high level of turnover in residential client numbers with a further under-spend of £115,000 on the budget for providing short-breaks for carers. Staffing vacancies as a result of recruitment difficulties within the Council's Mental Health Teams resulted in an under-spend of £260,000 whilst staffing vacancies within the Social Inclusion and Supporting Living Teams combined with the receipt of additional income resulted in an under-spend on Learning Disability services of £157,000. A further under-spend of £345,000 arose in respect of management and business support costs with posts being held vacant during a review of these functions. Internal recharges for support costs; property maintenance and energy costs were £115,000 less than budget whilst the operating costs of the occupation therapy equipment store were £76,000 less than anticipated. Income from the operation of the Council's own Residential Homes was £186,000 in excess of budget due to an increase in the number of self-funding clients resident in these homes whilst an additional £255,000 of funding was received from NHS Tayside which will be carried forward into 2007/08 to address shared priorities in the care of older people. Minor net under-spends across a range of budget headings comprised the £125,000 balance of the under-spend on Social Work Services to Adults.

Expenditure on providing Social Work Services to Children was a net £415,000 in excess of budget. An over-spend of £407,000 arose on Foster Care services due to an increase in demand for this service and the requirement to engage external agencies to provide care in the current absence of sufficient numbers of Council Foster Carers. Increases in the number of young people being placed by the Children's Panel outwith the Council's mainstream school provision resulted in an over-spend of £282,000 on residential placements. This was partially offset by a £186,000 under-spend on staff costs, due to staffing vacancies and £88,000 of a net under-spend on internal support costs.

Combining the under-spend on Adult Services with the over-spend on Children's Services results in the reported net under-spend on Social Work Services of £690,000.

**Roads & Transport Services (Underspend £2,822,000):** Expenditure on Winter Maintenance was £706,000 less than budget due to relatively mild winter conditions reducing the number of occasions on which winter maintenance services required to be mobilised and subsequently the cost of operating the Council's Winter Maintenance contract with Tayside Contracts Joint Committee.

With respect to local roads, additional costs of £100,000 were incurred in providing Street Lighting due to an increase in energy prices. However, this was more than offset by a £108,000 under-spend on borrowing costs due to delays in the completion of the Craighall Gorge reinstatement works and a further £137,000 realised through deleting a prior year provision for VAT liabilities which is no longer required. The remaining net under-spend in respect of local roads of £74,000 reflects a number of minor variances in income and works programmes.

Increased income from bus service providers in respect of the Broxden Park and Ride facility combined with the generation of a surplus from the operation of Perth Bus Station helped contribute towards a £260,000 under-spend on Public Transport Services. Across the range of Roads & Transport activities, staff turnover and delays in filling posts generated an under-spend of £135,000 whilst savings on overtime payments and staff travel expenses combined with additional fee income arising from the recharge of staff time spent on capital projects generated a further under-spend of £220,000.

Income from commercial developer contributions towards the provision of play areas and open spaces and the provision of affordable housing of £1,038,000 has been recognised within the accounts although this was not recognised in the Revenue Budget. £415,000 of this relates to the previous financial year and was previously accounted for as a liability.

The net under-spend on Car Parking Services was £276,000. Whilst car parking income was a net £43,000 less than anticipated, this was offset by savings totalling £319,000 on the operation of the Kinnoull Street Car Park in Perth; on the operation of the Perth Park & Ride service; from staff turnover and delays in filling parking attendant posts and from delays in the planned extension of car-parking facilities amongst other measures. Net minor over-spends of £42,000 represent the balance of the £2,822,000 total under-spend on Roads & Transport Services.

**Planning & Development Services (Under-spend £440,000):** Fee income generated from building warrants was £310,000 in excess of budget reflecting particular demand for this service. Further under-spending totalling a net £299,000 was generated through staff turnover and delays in filling vacant posts; delays in the implementation of Sustainable Development initiatives (with these funds being carried forward into 2007/08) and savings on system, support and other operating costs. Additional expenditure incurred in meeting early retirement costs combined with the inclusion of costs in relation to wind farm enquiries reduced the under-spend on Planning & Development Services by £169,000 to a net £440,000.

**Central Services (Under-spend £509,000):** This variance reflects under-spends on local tax collection of £205,000; on the operation of the Council's Financial Assistance scheme to voluntary and charitable organisations of £ 118,000 and minor cumulative under-spends of a further £186,000.

**Other Operating Expenditure (Under-spend £518,000):** The major component of this variance was a £274,000 under-spend in respect of the letting and operation of the Council's commercial property portfolio. The £244,000 balance of the under-spend within this expenditure heading relates to a number of over and under-spends on support costs.

**Net Deficit / (Surplus) on Trading Operations (Additional Surplus of £255,000):** This variance relates to the operation of the Council's Building Services DLO and reflected additional income of £402,000 from maintenance works, including the renovation of HRA properties to assist in housing homeless clients, offset by a £147,000 net increase in operating costs including payments to sub-contractors and additional expenditure on materials and plant hire.

**Revenue Support Grant (Reduction in Income £504,000):** This variance was mainly due to the carry forward of £581,000 of Revenue Support Grant from 2006/07 into 2007/08 to meet the cost of projects funded by the Scottish Executive in 2006/07 and previous years where expenditure will be incurred in 2007/08, including initiatives aimed at tackling anti-social behaviour and investment in improved information systems.

**Council Tax Income / Community Charge Income (Additional Income £2,060,000):** The Council approved reduction in Council Tax discounts on second homes and long term vacant dwellings generated £922,000 of additional income in 2006/07. Although this was not budgeted for within the Revenue Budget, it was anticipated within the Council's Reserves Strategy and forms part of the ear-marked reserve for the provision of affordable housing in partnership with Registered Social Landlords. Improvements in collection rates both in respect of the current and previous financial year brought in £800,000 of additional net income. Movements in the Council Tax base as a result of new properties coming onto the valuation roll generated a further £338,000 of additional net income. The additional income from improved collection and movements in the tax base has previously been reported to the Council and incorporated in setting the 2007/08 Revenue Budget.

**Single Status (Under-spend £2,074,000):** The Council had originally intended to implement the Single Status agreement on staff terms and conditions in 2006/07. The implementation has subsequently been delayed until 1 August 2007 and this resulted in an under-spend on the corporate budget for Single Status of £2,074,000. The budget was not allocated to individual Council Services as the cost to each Service was not known at the time.

As detailed in the Statement of Movement on the General Fund Balance on page 16, the increase in the Council's General Fund Balance for the year was £8,765,000. This represents a movement of £7,997,000 from the budgeted contribution from Reserves of £768,000 assumed within the 2006/07 Revenue Budget. This movement includes £1,997,000 of Service under-spends previously reported to Council and approved as a carry-forward into financial year 2007/08 under the Council's Revenue Budget Flexibility Scheme.

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

In accordance with the SORP, FRS 17 is fully adopted in preparing the Council's statements for financial year 2006/07. The standard prescribes how employing organisations are to account for pension benefits earned by employees in year and the associated pension assets and liabilities. The application of FRS 17 is dependent upon the nature of the pension scheme concerned. 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 Executive. 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 the Council's estimated net pension's liability. The Fund Actuary has estimated that Perth & Kinross Council has a net pension liability as at 31 March 2007 of £45,099,000 (2005/06 £72,541,000) based upon the actuarial valuation of the Council's share of the net assets & liabilities of the Tayside Superannuation Fund. The movement in the net pension liability reflects the annual review by the Fund Actuary of the assumptions used at the time of the last formal triennial valuation of the Tayside Superannuation Fund (31 March 2005) and a positive assessment of recent changes in pension benefits on future pension liabilities. The liability is reflected within the Council's Balance Sheet and is treated as a movement on the Council's Pension reserve.

#### **Group Accounts**

In accordance with the SORP, the 2006/07 accounts Group Account statements are included on pages 52 to 56 incorporating those entities in which the Council holds an interest. The notes to the Group Accounts statements on pages 57 to 59 set out the basis for consolidation.

The effect of consolidation is to reduce the Council's net assets by £188,669,000, resulting in the Group balance sheet showing a net worth for the Council of £23,212,000 at 31 March 2007 as set out on page 55. This position reflects the

Council's share of the pension liabilities of the Joint Boards which are estimated, in accordance with Financial Reporting Standard (FRS) 17 "Retirement Benefits", to be £201,233,000 at 31 March 2007.

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 pension schemes.

### Results for the Year: Housing Revenue Account (HRA)

Income and expenditure on the Council's Housing Revenue Account is detailed on page 42 and the movement in the HRA balance analysed on page 43. As set out on page 43, the actual contribution from the HRA balance in 2006/07 toward the costs of operating the Service was £1,700,000. The budgeted contribution on an equivalent basis was £5,872,000 giving a net under-spend of £4,172,000.

The major component of this variance was an under-spend on Capital Financed from Current Revenue (CFCR) of £4,139,000 as a result of slippage on major property improvement contracts. There were further net under-spends of £406,000 on staff costs due to delays in filling vacancies within the administration and improvement sections. Expenditure on supplies & services and transport costs were a further £300,000 less than budget reflecting under-spending on consultancy costs in relation to the review of the repairs service and under-spending on computer maintenance and office supplies and travel costs in light of the levels of staff vacancies experienced. Further under-spends of £121,000 arose as a result of savings on equipment leasing costs and on payments to external contractors.

This was partially offset by increased expenditure on Property Costs of £983,000, including work carried out on empty (void) properties to assist in providing accommodation for homeless clients. Other net over-spends totalling £62,000 make up the balance of the variance.

The balance on the Housing Revenue Account at 31 March 2007 was £5,117,000.

### General Fund Balance at 31 March 2007

The General Fund Balance at 31 March 2007 is shown within the Balance Sheet on page 18 as £33,845,000 (this figure includes £5,117,000 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 2007 which are summarised below:

#### General Fund Balance at 31 March 2007

|   | Commitments | General Fund<br>Balance at<br>31.03.07 |
|---|-------------|--|
|   | £'000       | £'000                                  |
| General Fund Balance Per Accounts                 |             | 33,845                                 |
| <u>Commitments Against Balances</u>               |             |  |
| Devolved School Management (DSM) Balances         | (1,196)     |  |
| School Board Surpluses                            | (36)        |  |
| Car Parking                                       | (1,420)     |  |
| Tayside Fire & Rescue Board                       | (304)       |  |
| Budget Flexibility (approved in 2006/07)          | (1,997)     |  |
| Budget Flexibility (prior year approvals)         | (1,171)     |  |
| Single Status Provision                           | (4,624)     |  |
| Equal Pay Strategy                                | (2,233)     |  |
| Future Early Retirement Costs                     | (750)       |  |
| Free Personal Care: Meal Preparation Charges      | (500)       |  |
| Budgeted Contribution from Reserves               | (800)       |  |
| Investment in Improvement Fund                    | (447)       |  |
| Council Tax Income on Second Homes                | (1,876)     |  |
| Developer Contributions: Commuted Sums            | (558)       |  |
| Developer Contributions: Affordable Housing       | (480)       |  |
| Housing Revenue Account (committed balances)      | (4,367)     |  |
| Energy Efficiency Fund                            | (119)       |  |
| Financial Assistance                              | (20)        | (22,898)                               |
| Uncommitted General Fund Balance at 31 March 2007 |             | <u>10,947</u>                          |

Comprising:

|  |               |
|--|---------------|
| Uncommitted Balance on General Fund (exc. HRA)               | 10,197        |
| Uncommitted Balance (ear-marked for Housing Revenue Account) | 750           |
|  | <u>10,947</u> |

In terms of commitments against the General Fund Balance, £1,196,000 is earmarked for schools participating in the Council's Devolved School Management Scheme and £36,000 is earmarked for School Boards. A further £1,420,000 of the balance is earmarked for Car Parking and £304,000 is earmarked for future payments to Tayside Fire & Rescue Board, the funding for these payments having previously been received from the Scottish Executive.

In setting the Revenue Budgets for 2007/08 the Council also approved the carry-forward of resources derived from Service under-spending in 2006/07 to meet expenditure commitments in future years under the terms of the Council's budget flexibility scheme. The resources approved to be carried forward from 2006/07 amount to £1,997,000 with a further £1,171,000 of budget flexibility commitments arising from prior-year approvals.

The Council's current Reserves Strategy, as approved in February 2007, authorised the following commitments against General Fund Balances. £4,624,000 of balances are set aside to assist in meeting the cost in future years of implementing the Single Status agreement on Council staff terms and conditions which will be introduced on 1 August 2007. In recognition of the possibility of a remaining equal pay liability on the part of the Council and Tayside Contracts Joint Committee, a further £2,233,000 is earmarked for settling any potential future claims. Whilst the cost of early retirements are currently met in full by Services over a five year period through the identification of associated savings, £750,000 has been ear-marked to assist in meeting the up-front costs of General Fund Early Retirements. A further £500,000 has been earmarked from balances to meet any potential liability on the part of the Council in respect of fees previously charged to individuals under the Free Personal Care legislation. This liability has arisen due to the conflicting advice received from the Scottish Executive as to whether meal preparation is included within Free Personal Care and also the possibility that the Council may be required to reimburse costs incurred by individuals who met their own personal care costs after having been assessed as eligible for Free Personal Care, but while on "waiting lists." £800,000 of General Fund balances are earmarked for application in determining the Revenue Budget over the next two financial years as part of the Council's existing financial strategy together with a further £447,000 earmarked for the Council's Investment in Improvement Fund which supports the modernisation and improvement of Council Services.

Under new legislative powers, from 1 April 2005 the Council reduced 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. £1,876,000 of the General Fund Balance at 31 March 2007 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. This income, totalling £558,000, is shown as a commitment against the General Fund Balance. Further developer contributions of £480,000 toward the provision of affordable housing are also shown as a commitment against General Fund balances and £119,000 is earmarked for the Energy Efficiency Fund.

Of the total surplus on the Housing Revenue Account of £5,117,000 at 31 March 2007, the Council has previously agreed to retain an uncommitted balance of £750,000 on the HRA. The remaining balance of £4,367,000 will be applied to support the delivery of the Housing Investment Plan.

After recognising commitments totalling £22,898,000, the un-committed General Fund Reserve at 31 March 2007, excluding the HRA, is £10,197,000. This represents approximately 3.9% of the Council's budgeted Net Revenue expenditure in 2007/08 and is toward the upper end of 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 32 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, potential liabilities arising from current planning appeals 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 2007 was Renewal & Repair Fund £1,065,000; Insurance Fund £1,772,000 and Capital Fund £3,328,000 respectively with the movements on these funds being summarised in Note 34 to the Core Financial Statements.

### **Capital Expenditure**

A summary of the Council's capital expenditure is reflected within Note 17 to the Core Financial Statements shown on page 31. Gross capital expenditure, including Capital Financed from Current Revenue (CFCR), was £34,706,000, on an accruals basis. This total comprises £10,021,000 on the Council's Housing Revenue Account (HRA) and £24,685,000 on the Council's Composite (General Fund) Programme.

Expenditure on the Composite Programme includes £5,897,000 on Education projects, including £2,034,000 on the new Additional Support Needs school currently under construction on the Perth Academy campus; £558,000 on the new grandstand at Perth Grammar School and £623,000 to start the School Upgrade Programme. A total of £11,735,000 was spent on Roads & Transport projects, including £3,236,000 on Structural Maintenance and £836,000 on Improvement Schemes, including the A93 Craighall Gorge Re-alignment; A93 Safety Fencing and new rural footways. There was also expenditure of £807,000 on Road Safety measures, mostly related to school routes, and a further £840,000 on Rural Flood Prevention schemes. The remaining £7,053,000 of General Fund expenditure includes expenditure on acquiring vehicles for

the Council's fleet (£1,423,000); on wheeled bins (£774,000); on a new depot at Inveralmond Industrial Estate (£3,403,000) and on upgrading the Council's property fabric including energy efficiency schemes and double glazing (£1,255,000). 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 £5,502,000 being incurred on kitchen and bathroom replacements and improvements and a further £3,542,000 being spent on replacement double glazing and energy efficiency measures. £422,000 was spent on external refurbishment and improvement works with the balance of £555,000 being spent on regeneration projects, computer systems and on a range of small schemes.

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 2007, the Council had long-term liabilities relating to the funding of capital expenditure of £148,189,000.

## **Future Expenditure**

### Revenue

The Council approved the 2007/08 General Fund Net Revenue Budget and set the 2007/08 Council Tax at a special meeting on 8 February 2007. The 2007/08 General Fund Net Revenue Budget amounts to £268,718,000 net of specific grants. As in previous years, it is anticipated that the Revenue Budget ultimately reflected within the 2007/08 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 Executive. The Council agreed not to announce guideline figures for the Revenue Budget in future financial years in accordance with the recommendation of the Convention of Scottish Local Authorities (COSLA.)

The Council approved the 2007/08 Housing Revenue Account (HRA) Budget and Rent Levels at the meeting of the Housing & Health Committee on 24 January 2007. The Gross HRA Budget for 2007/08 amounts to £21,539,777 and is predicated on meeting the operating costs of managing the Council's housing stock and in contributing to the delivery of the Council's Housing Standard as submitted to the Scottish Executive and agreed with the Perth & Kinross Tenant's Federation.

### Capital

The Council approved the Composite Capital Budget 2007/08 – 2009/10 (excluding the HRA) at the special meeting of the Council on 8 February 2007. The approved Gross Capital Budget for 2007/08 is £52,622,000; for 2008/09 is £24,610,000 and for 2009/10 is £15,224,000.

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. Energy efficiency and conservation measures feature strongly in the Council's planned expenditure on its property portfolio as does the development and expansion of its rural business unit infrastructure. Ongoing expenditure on road safety measures; street lighting; waste recycling and Council vehicle fleet operations are also planned to continue. These expenditure plans are funded through a combination of grants, receipts and new borrowing and are considered , prudent, affordable and sustainable in the long-term.

The Revised Housing Revenue Account Investment Plan 2007/08 -2009/10 was approved by the Council's Housing and Health Committee on 28 February 2007. The Approved Gross HRA Capital Budget for 2007/08 is £21,446,000; for 2008/09 is £20,195,000 and for 2009/10 is £20,735,000. Capital expenditure on the Housing Revenue Account in 2007/08 and beyond will remain focused upon the modernisation and maintenance of the Council's existing housing stock to ensure the delivery of the Council's Housing Standard. The budget also includes provision for the purchase of approximately 10 domestic properties during 2007/08 to assist in addressing the problem of homelessness in Perth & Kinross.

The Council is currently progressing the development of a Public Private Partnership agreement which will deliver a major improvement in the Council's school building's estate through the development of six new school campuses.

## **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 2006/07 financial year.

J A Symon ACA  
Head of Finance  
28 September 2007

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

J A Symon ACA  
Head of Finance  
Perth & Kinross Council  
28 September 2007

## STATEMENT ON THE SYSTEM OF INTERNAL CONTROL FOR 2006/07

Perth & Kinross Council recognises the importance of conducting its business in accordance with the law and with proper standards, and of ensuring that public money is properly accounted for and is used economically, efficiently and effectively. Members and senior officers acknowledge their responsibility for ensuring that Perth & Kinross Council achieves its goals by putting in place proper arrangements for its governance and for the stewardship of the resources at its disposal.

In order to meet these objectives, Perth & Kinross Council has approved and adopted a 'Local Code of Corporate Governance', which sets out a number of guiding principles. The Code follows the recommendations contained in the Guidance Note "Corporate Governance: A Keystone for Community Governance" produced by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). The Code can be found on the Council's website at [www.pkc.gov.uk](http://www.pkc.gov.uk) or a copy can be obtained from the Executive Director (Corporate Services) at Perth & Kinross Council, 2 High Street, Perth, PH1 5PH.

It is the responsibility of senior officers to put in place and maintain the appropriate systems of internal control to ensure that the Council's policies and procedures, including the Code of Corporate Governance, are adhered to. These systems of internal control are designed to manage, rather than eliminate, the risk of failure to achieve the Council's goals. They can, therefore, provide reasonable though not absolute assurance as to the proper functioning of the Council's operations.

During the year, Perth & Kinross Council has maintained the appropriate management and reporting arrangements to enable it to assure itself that its approach to corporate governance is adequate and effective in practice. The Council's transactions are governed by written policies and procedures, which are reviewed regularly.

Due to the changes made to the 2006 Financial Reporting Statement of Recommended Practice the Council has to report within its own Statement on the System of Internal Control on the organisations that form the Council's Group Accounts.

We have reviewed the individual Statements on the System of Internal Control of the following organisations and we are placing reliance on these statements as each declares that no material weaknesses have been identified within their internal financial control systems;

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

In respect of Perth & Kinross Leisure Ltd, reliance has been placed upon the Board of Directors report and the audited financial statements of the company.

In 2006/2007, the Council has invested in strengthening its corporate governance arrangements in a number of ways. A number of major reviews were carried out during the year including the Corporate Core and Housing & Community Care Reviews. A new Policy and Governance Group has been formed to oversee and facilitate the development of these arrangements and to consider specific challenges faced in a changing environment. In addition, the Council has put in place a revised Human Resources Strategy and Corporate Plan. The Council's Internal Audit function has also been strengthened, particularly through the appointment of two qualified Senior Auditors to support the Chief Internal Auditor in the leadership and management of the internal audit team. The work begun in 2005/06 to address issues raised locally and nationally by a review of guidance on "Following the Public Pound" has now been completed. These, and other issues concerning procurement and the approval of Policies and Procedures, will form a significant dimension of the Council's work in the coming year.

The Executive Director (Corporate Services) is responsible for:

- overseeing the implementation of the Code of Corporate Governance and monitoring its operation;
- reviewing the operation of the Code in practice;
- reporting annually to the Council on compliance with the Code and any changes that may be necessary to ensure its effectiveness in practice.

In carrying out these duties, the Executive Director (Corporate Services) has required that senior officers conduct an annual review of their Services' own compliance with the principles of good corporate governance. These reviews were facilitated by, and have been verified by the Council's Chief Internal Auditor. In monitoring compliance, the Executive Director (Corporate Services) has taken into account the results of the reviews and cross referenced the most strongly recurring themes with the local Code of Corporate Governance and the Good Governance Standard for Public Services (Langlands Commission 2004). He has, in addition, considered the assurance provided by:

- the Council's internal and external auditors
- the output of the Council's corporate risk management process
- the findings of Scottish Government external inspection agencies

On the basis of the reports of the Executive Director (Corporate Services) and the Chief Internal Auditor, we are satisfied that:

- the Council's corporate governance arrangements are adequate and operating effectively;
- the Council's systems of internal financial control are sufficient to provide reasonable assurance of detecting material error or fraud.

We will continue to strengthen the Council's corporate governance arrangements in the following ways:

- by ensuring that processes and procedures relating to information systems are properly documented and comply with Data Protection requirements.
- by further developing the Leadership programme to enhance the capacity for change and improvement.
- by ensuring that written procedures are in place detailing staff roles and responsibilities.
- by continuing to develop effective Asset Management Planning.
- by embedding an enabling corporate governance framework and systematic review process including undertaking a review of the Council's Committee structure and developing the use of self-assessment tools.
- by ensuring that there is in place effective Health & Safety procedures in respect of employees, contractors and the public.
- by continuing work to ensure that Best Value is achieved in all procurement project work.
- by continuing to develop processes and procedures relating to project management.
- by strengthening provisions for employee training and development.
- by enhancing control and quality assurance procedures within the Council's internal audit function.
- by actioning significant areas for improvement identified through the work of the Council's internal audit function.
- by seeking to strengthen the Council's performance monitoring arrangements in respect of its statutory trading organisation.

We are satisfied that these steps will address the need for improvements which were identified in our 2006/2007 review and will review their implementation and operation as part of our next annual review.

Signed:

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I Miller  
 Leader of the Administration,  
 Perth & Kinross Council

Date: 28 September 2007

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J Irons  
 Depute Chief Executive,  
 Perth & Kinross Council

Date: 28 September 2007

## 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 2006 (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 fairly 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.

### 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.

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. Other impairments are recognised in the Fixed Asset Restatement Account.

### 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             | 30 years             |
| Other infrastructure assets   | 10-15 years          |
| Vehicles, plant and equipment | 3-15 years           |
| Council Buildings             | up to 50 years       |
| Council Dwellings             | 30 years             |

### **Receipts from the Sale of Capital Assets**

Capital receipts arising from the sale of assets are credited to the Usable 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 Financing 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 held 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.

### **Pensions**

In accordance with ACOP, Financial Reporting Standard (FRS) 17 "Retirement Benefits" has been implemented in full in preparing the accounts for 2006/07.

FRS 17 requires that the financial statements reflect at fair value the assets and 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 2007. 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 pensions 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 pensions liability.

ACOP specifically exempts the Scottish Teachers' Superannuation Scheme from the accounting requirements of FRS17 as the assets and liabilities of this national scheme administered by the Scottish Executive 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 FRS17.

In the Council's Group Accounts the Tayside Fire and Rescue Board and Tayside Joint Police Board have recognised the impact of FRS17 for their unfunded schemes for uniformed members.

#### **Investments**

Investments are shown at the lower of cost or market value.

#### **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 the repurchase of borrowing is taken with a refinancing or restructuring option, gains or losses are recognised over the life of the replacement borrowing.

#### **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.

## INCOME AND EXPENDITURE ACCOUNT

| <u>2005/06</u>                      |   | <u>2006/07</u> |   |                           |                                       |   |
|-------------------------------------|---|----------------|---|---------------------------|---------------------------------------|---|
| <i>Restated</i>                     |   | Note           | Actual<br>Gross<br>Expenditure<br>£'000 | Actual<br>Income<br>£'000 | Actual<br>Net<br>Expenditure<br>£'000 | Budgeted<br>Net<br>Expenditure<br>£'000 |
| <i>Actual</i>                       |   |                |   |                           |                                       |   |
| <i>Net</i>                          |   |                |   |                           |                                       |   |
| <i>Expenditure</i>                  |   |                |   |                           |                                       |   |
| <i>£'000</i>                        |   |                |   |                           |                                       |   |
| <b>COUNCIL SERVICES</b>             |   |                |   |                           |                                       |   |
| 105,226                             | Education Services  |                | 154,574                                 | 24,740                    | 129,834                               | 131,023                                 |
| 52,021                              | Social Work Services  |                | 73,772                                  | 18,452                    | 55,320                                | 56,026                                  |
| 15,979                              | Roads and Transport Services                                |                | 25,998                                  | 10,109                    | 15,889                                | 18,711                                  |
| 3,282                               | Planning and Development Services                           |                | 8,451                                   | 4,574                     | 3,877                                 | 4,317                                   |
| 3,463                               | Housing Services (General Fund)                             |                | 34,154                                  | 30,380                    | 3,774                                 | 3,869                                   |
| 14,773                              | Cultural & Related Services                                 |                | 17,054                                  | 2,173                     | 14,881                                | 14,854                                  |
| 14,679                              | Environmental Services                                      |                | 31,585                                  | 16,751                    | 14,834                                | 14,791                                  |
| 2,563                               | Central Services  | 1              | 3,505                                   | 716                       | 2,789                                 | 3,298                                   |
| 20,391                              | Other Operating Expenditure                                 | 2              | 23,361                                  | 1,808                     | 21,553                                | 22,071                                  |
| 2,830                               | Corporate and Democratic Core                               |                | 3,303                                   | 0                         | 3,303                                 | 3,347                                   |
| 1,320                               | Non Distributed Costs                                       |                | (4,078)                                 | 0                         | (4,078)                               | (4,069)                                 |
| (5,394)                             | Housing Revenue Account                                     |                | 15,880                                  | 20,469                    | (4,589)                               | (4,536)                                 |
| <u>231,133</u>                      | <b>NET COST OF SERVICES</b>                                 |                | <u>387,559</u>                          | <u>130,172</u>            | <u>257,387</u>                        | <u>263,702</u>                          |
| (8,882)                             | Gain on the Disposal of Fixed Assets                        |                |   |                           | (6,441)                               | 0                                       |
| (185)                               | Net Deficit/(Surplus) on Trading Operations                 |                |   |                           | (236)                                 | 19                                      |
| (270)                               | Share of Tayside Contracts' Surplus                         |                |   |                           | (177)                                 | (212)                                   |
| 564                                 | Losses on the Repurchase or Early Settlement of Borrowing   | 3              |   |                           | 432                                   | 432                                     |
| (2,044)                             | Interest and Investment Income                              |                |   |                           | (2,563)                               | (2,528)                                 |
| 8,380                               | Interest payable and similar charges                        |                |   |                           | 8,281                                 | 8,310                                   |
| 742                                 | Pensions Interest Cost & Expected Return on Pensions Assets |                |   |                           | (1,509)                               | (1,509)                                 |
| <u>229,438</u>                      | <b>NET OPERATING EXPENDITURE</b>                            |                |   |                           | <u>255,174</u>                        | <u>268,214</u>                          |
| <b>PRINCIPAL SOURCES OF FINANCE</b> |   |                |   |                           |                                       |   |
| (131,000)                           | Revenue Support Grant                                       |                |   |                           | (138,661)                             | (139,165)                               |
| (63,967)                            | Council Tax / Community Charge Income                       |                |   |                           | (67,288)                              | (65,228)                                |
| (50,876)                            | Distribution from Non Domestic Rates Pool                   |                |   |                           | (50,886)                              | (50,861)                                |
| <u>(245,843)</u>                    | <b>TOTAL FINANCING</b>                                      |                |   |                           | <u>(256,835)</u>                      | <u>(255,254)</u>                        |
| <u>(16,405)</u>                     | <b>(SURPLUS)/DEFICIT FOR THE YEAR</b>                       |                |   |                           | <u>(1,661)</u>                        | <u>12,960</u>                           |

## 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.

The reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance excluding Housing Revenue Account transactions. The Statement of Movement on the HRA Balance on page 43 of the Notes to the Core Financial Statements details equivalent information for the Housing Revenue Account.

| <i>2005/06</i>  | Note  | <i>2006/07</i>  |
|-----------------|---|-----------------|
| <i>£'000</i>    |   | <i>£'000</i>    |
| <i>(16,405)</i> | (Surplus)/Deficit for the year on the Income and Expenditure Account  | <i>(1,661)</i>  |
| <i>13,039</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>(7,104)</i>  |
| <i>(3,366)</i>  | Increase in General Fund Balance for the Year   | <i>(8,765)</i>  |
| <i>(16,597)</i> | General Fund Balance brought forward  | <i>(19,963)</i> |
| <i>(19,963)</i> | General Fund Balance carried forward  | <i>(28,728)</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><br><u>2005/06</u><br>£'000 |  | <u>2006/07</u><br>£'000 |
|--|--|-------------------------|
| (16,405)                                   | (Surplus)/Deficit for the year on the Income and Expenditure Account | (1,661)                 |
| 1,782                                      | Surplus arising on revaluation of fixed assets                       | (47,878)                |
| (23,350)                                   | Actuarial gains on pension fund assets and liabilities               | (22,130)                |
| <u>(37,973)</u>                            | Total recognised gains for the year                                  | <u>(71,669)</u>         |

## BALANCE SHEET

| <i>Restated</i><br><u>31 March 2006</u><br>£'000               | Notes   | 31 March 2007 |           |
|--|---|---------------|-----------|
|  |   | £'000         | £'000     |
| <b>TANGIBLE FIXED ASSETS</b>                                   |   |               |           |
|  | 17-19   |               |           |
| <u>Operational Assets</u>                                      |   |               |           |
| 15,167   | - Council Dwellings                               | 14,506        |           |
| 219,950  | - Other Land and Buildings                        | 254,832       |           |
| 6,812  | - Vehicles, Plant and Equipment                   | 8,589         |           |
| 77,144   | - Infrastructure Assets                           | 80,074        |           |
| 3,984  | - Community Assets                                | 4,509         |           |
| <u>Non - operational Assets</u>                                |   |               |           |
| 23,478   | - Investment Properties                           | 23,514        |           |
| 4,468  | - Assets under construction                       | 10,370        |           |
| 10,504   | - Surplus assets, held for disposal               | 9,774         |           |
| 361,507  | <b>Total Fixed Assets</b>                         |               | 406,168   |
| 6,097  | LONG TERM DEBTORS                                 |               | 2,220     |
| 13,025   | DEFERRED PREMIUMS ON THE EARLY REPAYMENT OF DEBT  |               | 15,863    |
| 380,629  | <b>Total Long-Term Assets</b>                     |               | 424,251   |
| <br>CURRENT ASSETS   |   |               |           |
| 457  | Stocks and Work in Progress                       | 453           |           |
| 39,996   | Debtors   | 41,013        |           |
| (12,030)   | Provision for Bad and Doubtful Debts              | (14,354)      |           |
| 38,550   | Investments                                       | 38,050        |           |
| 2,106  | Cash and Bank                                     | 1,061         |           |
| 449,708  | <b>Total Assets</b>                               |               | 490,474   |
| <br>CURRENT LIABILITIES  |   |               |           |
| (14,905)   | Borrowing repayable on demand or within 12 months | (10,258)      |           |
| (38,979)   | Creditors   | (42,712)      |           |
| (768)  | Bank overdraft                                    | 0             |           |
| (54,652)   |   |               | (52,970)  |
| 395,056  | <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>      |               | 437,504   |
| <br>BORROWING REPAYABLE WITHIN A PERIOD IN EXCESS OF 12 MONTHS |   |               |           |
| (153,245)  |   | (148,189)     |           |
| (25,082)   | GOVERNMENT GRANTS DEFERRED                        | (30,329)      |           |
| (463)  | DEFERRED CREDITS                                  | (380)         |           |
| (3,231)  | PROVISIONS  | (1,391)       |           |
| (72,541)   | LIABILITY RELATED TO DEFINED BENEFIT SCHEME       | (45,099)      |           |
| (282)  | DEFERRED DISCOUNTS ON EARLY REPAYMENT OF DEBT     | (235)         |           |
| (254,844)  | <b>LONG TERM LIABILITIES</b>                      |               | (225,623) |
| 140,212  | <b>TOTAL ASSETS LESS LIABILITIES</b>              |               | 211,881   |
| <br>Fixed Asset Restatement Account                            |   |               |           |
| 71,301   |   |               | 117,479   |
| 106,854  | Capital Financing Account                         |               | 96,381    |
| 3,484  | Usable Capital Receipts Reserve                   |               | 3,110     |
| (72,541)   | Pensions Reserve                                  |               | (45,099)  |
| 19,963   | General Fund                                      | 28,728        |           |
| 6,817  | General Fund: Housing Revenue Account             | 5,117         | 33,845    |
| 1,208  | Renewal and Repair Fund                           |               | 1,065     |
| 1,549  | Insurance Fund                                    |               | 1,772     |
| 1,577  | Capital Fund                                      |               | 3,328     |
| 140,212  | <b>TOTAL NET WORTH</b>                            |               | 211,881   |

J A SYMON ACA  
HEAD OF FINANCE  
28 September 2007

## CASH FLOW STATEMENT

| <i>Restated<br/>2005/06</i> |  | <u>Notes</u> | <u>2006/07</u>   |               |
|-----------------------------|--|--------------|------------------|---------------|
| <i>£'000</i>                |  |              | £'000            | £'000         |
|                             | <b>REVENUE ACTIVITIES</b>                              |              |                  |               |
|                             | <b>Cash outflows</b>                                   |              |                  |               |
| (148,600)                   | Cash paid to and on behalf of employees                |              | (155,488)        |               |
| (157,470)                   | Other operating cash payments                          |              | (159,850)        |               |
| (20,097)                    | Payments to Joint Boards                               |              | (20,771)         |               |
| (18,422)                    | Housing Benefit paid out                               |              | (19,150)         |               |
| (43,594)                    | National non-domestic rate payments to national pool   |              | (45,122)         |               |
| <u>(388,183)</u>            |  |              | <u>(400,381)</u> |               |
|                             | <b>Cash inflows</b>                                    |              |                  |               |
| 8,374                       | Rents (after rebates)                                  |              | 8,806            |               |
| 57,269                      | Council Tax receipts                                   |              | 62,033           |               |
| 51,011                      | National non-domestic rate receipts from national pool |              | 51,011           |               |
| 44,451                      | Non-domestic rate receipts                             |              | 45,819           |               |
| 131,770                     | Revenue Support Grant                                  |              | 138,367          |               |
| 30,268                      | DWP grants for benefits                                |              | 34,476           |               |
| 15,786                      | Other government grants                                | 39           | 26,741           |               |
| 73,552                      | Cash received for goods and services                   |              | 70,025           |               |
| <u>412,481</u>              |  |              | <u>437,278</u>   |               |
| 24,298                      | <b>Net Cash Inflow from Revenue Activities</b>         | 35           |                  | 36,897        |
|                             | <b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>  |              |                  |               |
|                             | <b>Cash outflows</b>                                   |              |                  |               |
| (8,120)                     | Interest paid  |              | (8,281)          |               |
|                             | <b>Cash inflows</b>                                    |              |                  |               |
| 2,044                       | Interest received                                      |              | <u>2,563</u>     |               |
|                             | <b>Net Cash (out)flow from Servicing of Finance</b>    |              |                  | (5,718)       |
|                             | <b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>    |              |                  |               |
|                             | <b>Cash outflows</b>                                   |              |                  |               |
| (29,757)                    | Purchase of fixed assets                               |              | (34,706)         |               |
|                             | <b>Cash inflows</b>                                    |              |                  |               |
| 12,686                      | Sale of fixed assets                                   |              | 8,142            |               |
| 6,695                       | Capital Grants & other capital cash receipts           |              | <u>7,628</u>     |               |
|                             | <b>Net Cash (out)flow from Capital Activities</b>      |              |                  | (18,936)      |
| <u>7,846</u>                | <b>NET CASH INFLOW BEFORE FINANCING</b>                |              |                  | <u>12,243</u> |
|                             | <b>MANAGEMENT OF LIQUID RESOURCES</b>                  |              |                  |               |
| (16,850)                    | Net (increase)/decrease in Short Term deposits         | 37           |                  | 500           |
|                             | <b>FINANCING</b>                                       |              |                  |               |
|                             | <b>Cash outflows</b>                                   |              |                  |               |
| (101,936)                   | Repayments of amounts borrowed                         | 38           | (197,558)        |               |
| (274)                       | Premiums paid on debt rescheduling                     | 3            | (4,074)          |               |
|                             |  |              | <u>(201,632)</u> |               |
|                             | <b>Cash inflows</b>                                    |              |                  |               |
| 114,272                     | New loans raised                                       | 38           | 187,855          |               |
| 282                         | Discounts received on debt rescheduling                | 3            | 757              |               |
|                             | <b>Net Cash Outflow from Financing</b>                 |              |                  | (13,020)      |
| <u>3,340</u>                | <b>NET INCREASE/(DECREASE) IN CASH</b>                 | 36           |                  | <u>(277)</u>  |

## 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.

|  | 2006/07      | 2005/06      |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Local Tax Collection                         | 894          | 1,212        |
| Registration of Births, Deaths and Marriages | 265          | 80           |
| District Court                               | 127          | 127          |
| Electoral Registration / Elections           | 730          | 338          |
| Licensing                                    | 76           | 45           |
| Emergency Planning                           | 132          | 194          |
| General Grants, Bequests and Donations       | 565          | 567          |
|  | <u>2,789</u> | <u>2,563</u> |

### 2. Other Operating Expenditure

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

|  | 2006/07       | <i>Restated</i><br>2005/06 |
|--|---------------|----------------------------|
|  | £'000         | £'000                      |
| Fire   | 7,768         | 7,473                      |
| Police   | 11,947        | 11,510                     |
| Valuation  | 1,149         | 951                        |
| Commercial Property                              | 213           | (609)                      |
| Irrecoverable Costs of Support to Outside Bodies | 373           | 873                        |
| Harbour  | 103           | 193                        |
|  | <u>21,553</u> | <u>20,391</u>              |

The harbour at Perth is a commercial port. Income from harbour dues during the year amounted to £168,000 (2005/06 £167,000), and the net deficit was £103,000 (2005/06 deficit £193,000).

### 3. Gains and Losses on the Repurchase or Early Settlement of Borrowing

ACOP allows any premiums and discounts arising from debt rescheduling to be written-off up to the period of the replacement debt. During the year, £71,216,000 of fixed rate debt was rescheduled and replaced with new fixed rate debt, with a premium of £4,074,121 being incurred and a discount of £757,392 received, giving a net premium of £3,316,729 for these transactions. The net amount of premium including the annual allocation of previous year premiums and discounts, debited to the Income and Expenditure Account in 2006/07 amounted to £432,000 (2005/06 £564,000).

#### 4. Agency Arrangements

Within the Council work is undertaken on the Council's behalf by other public bodies including other local authorities and government departments. These bodies are reimbursed by the Council and similarly the Council itself is reimbursed when undertaking work for other bodies.

The main items of agency expenditure and income were as follows:

|                            |  | 2006/07 |       | 2005/06 |
|----------------------------|--|---------|-------|---------|
|                            |  | £'000   | £'000 | £'000   |
| <b>Agency Expenditure</b>  |  |         |       |         |
| Education Services         | Payment to other local authorities for the education of children resident in Perth & Kinross   | 199     |       | 245     |
|                            | Fees to residential special schools for children from Perth & Kinross  | 1,382   |       | 876     |
|                            | Provision of Speech Therapy Services   | 328     |       | 328     |
|                            | National Childrens' Homes  | 186     |       | 263     |
|                            | Tayside Primary Health Care Dietetic Service   | 40      |       | 38      |
|                            |  |         | 2,135 | 1,750   |
| Social Work Services       | Fees to residential special schools for children from Perth & Kinross  | 783     |       | 1,260   |
|                            | Tayside Health Board   | 189     |       | 194     |
|                            | Mackinnon Centre - Dundee City Council   | 125     |       | 122     |
|                            | White Top Centre - Dundee City Council   | 0       |       | 50      |
|                            |  |         | 1,097 |         |
| Roads & Transport Services | Payments to other Local Authorities for cross boundary bus services  |         | 39    | 30      |
| Environmental Services     | Public Analyst Service   |         | 132   | 103     |
| Central Services           | Tayside Valuation Joint Board - Provision of Electoral Registration service  |         | 138   | 133     |
|                            | Total Agency Expenditure   |         | 3,541 | 3,642   |
| <b>Agency Income</b>       |  |         |       |         |
| Roads & Transport Services | Receipts from central government in respect of new construction and improvements of motorways and trunk roads (including administration) | 121     |       | 180     |
|                            | Receipts from other local authorities for cross boundary bus services  | 39      |       | 37      |
|                            |  |         | 160   |         |
| Corporate Services         | Income from Scottish Water   |         | 331   | 315     |
|                            | Total Agency Income  |         | 491   | 532     |

## 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 39 - Analysis of Other Government Grants.

## 6. Leases

Operating lease rental payments for vehicles, wheeled bins and heating systems of £968,000 (2005/06 £1,317,000) were made during the year, with an undischarged liability at 31 March 2007 of £1,306,000 (31 March 2006 £2,559,000).

The authority is committed to making payments of £1,044,000 under these leases in 2007/08 comprising the following elements:

|                                    | Vehicles<br>Plant &<br>Equipment<br>2007/08<br>£'000 | <i>Vehicles<br/>Plant &amp;<br/>Equipment<br/>2006/07<br/>£'000</i> |
|------------------------------------|--|---|
| Leases expiring in Year 1          | 199  | 22  |
| Leases expiring in Years 2 to 5    | 845  | 1,220   |
| Leases expiring in Year 6 or after | 0  | 22  |
|                                    | <u>1,044</u>   | <u>1,264</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:

|                         | 2006/07<br>£'000 | <i>2005/06<br/>£'000</i> |
|-------------------------|------------------|--------------------------|
| Recruitment advertising | 509              | 479                      |
| Other publicity         | 204              | 182                      |
| Other advertising       | 472              | 490                      |
|                         | <u>1,185</u>     | <u>1,151</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 2006/07:

|                                 | Expenditure<br>2006/07<br>£'000 | Income<br>2006/07<br>£'000 | <i>Expenditure<br/>2005/06<br/>£'000</i> | <i>Income<br/>2005/06<br/>£'000</i> |
|---------------------------------|---------------------------------|----------------------------|--|-------------------------------------|
| Tayside Joint Police Board      | 122                             | 83                         | 16                                       | 23                                  |
| Tayside Fire & Rescue Board     | 96                              | 63                         | 81                                       | 71                                  |
| Tayside Valuation Joint Board   | 16                              | 0                          | 1  | 0                                   |
| Tayside Contracts               | 34                              | 0                          | 5  | 0                                   |
| Perth & Kinross Leisure Limited | 147                             | 205                        | 195                                      | 202                                 |
| Tactran                         | 66                              | 35                         | 0  | 0                                   |
| Perthshire Housing Association  | 206                             | 233                        | 202                                      | 226                                 |
|                                 | <u>687</u>                      | <u>619</u>                 | <u>500</u>                               | <u>522</u>                          |

## 9. Pension Costs

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, which meet the needs of employees. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows:

### Teachers

The Scottish Teachers' Superannuation Scheme is an unfunded scheme administered by the Scottish Executive.

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 Executive for 2006/07 was 12.5% which resulted in payments of £5,851,000 (2005/06 £5,715,000) from the Council to the Scottish Executive. Additional payments relating to added years' benefits, which the Council has inherited from predecessor authorities or awarded itself, together with related increases, amounted to £268,000 (2005/06 £268,000).

### Other Employees

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (LGPS.) The LGPS is operated through local Pension Funds with Perth & Kinross Council and its employees contributing to the Tayside Superannuation Fund administered by Dundee City Council.

The Tayside Superannuation Fund is subject to a triennial re-valuation with the last full review being at 31 March 2005. Under Pension Regulations, employers' contribution rates are set to meet 100% of the overall liabilities of the Fund. The contributions paid by the Council into the Tayside Superannuation Fund in 2006/07 represent 16.3% of total pensionable pay (2005/06 16.3%.)

In accordance with ACOP guidance on the application of FRS 17, the Income and Expenditure Account recognises the true economic cost of retirement benefits earned by employees in 2006/07 irrespective of when benefits are due to be paid. These costs are based upon an assessment by the Fund's Actuary of the share of fund assets and liabilities attributable to Perth & Kinross Council at 31 March 2007.

The Fund's Actuary is unable to provide an analysis of FRS 17 pension costs by individual Service. The charge applied against each Service under Net Cost of Services therefore reflects an apportionment of costs in line with the actual cash payments made by Council Services to the Fund in 2006/07, restated for the requirements of BVACOP.

The cost of pension benefits as assessed by the Fund's Actuary and reflected within the Net Cost of Services differs from the cash payment to the Fund charged in determining Council Tax. This has been adjusted for within the Statement of Movement on the General Fund Balance. The table below summarises the entries reflected within the Income and Expenditure Account in respect of accounting for pension costs under FRS 17.

| <b>Local Government Pension Scheme</b>         | 2006/07         | 2006/07      | 2005/06         | 2005/06       |
|--|-----------------|--------------|-----------------|---------------|
|  | £'000           | £'000        | £'000           | £'000         |
| <b>FRS 17 Charges</b>                          |                 |              |                 |               |
| Current Service Costs                          | 13,838          |              | 10,459          |               |
| Past Service Costs                             | (5,226)         |              | 897             |               |
| Settlements & Curtailments                     | 1,328           |              | 706             |               |
| Interest Cost                                  | 19,572          |              | 17,683          |               |
| Expected Return on Assets                      | <u>(21,081)</u> |              | <u>(16,941)</u> |               |
|  |                 | 8,431        |                 | 12,804        |
| Net Charge to the Income & Expenditure Account |                 | <u>8,431</u> |                 | <u>12,804</u> |

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 Financial Reporting Standard 17 (FRS17) "Retirement Benefits." The Fund actuary has used the following financial assumptions to value Perth & Kinross Council's share of the assets and liabilities of Tayside Superannuation Fund as at 31 March 2007:

| Actuaries' Assumptions:                                       | 2006/07<br>% per annum | 2005/06<br>% per annum |
|---|------------------------|------------------------|
| Rate of Inflation   | 3.3%                   | 3.0%                   |
| Rate of increase in Salaries                                  | 4.8%                   | 4.5%                   |
| Rate of increase in Pensions (in payment & deferred pensions) | 3.3%                   | 3.0%                   |
| Rate used to discount scheme liabilities                      | 5.4%                   | 4.9%                   |

The actuaries' assessment of the share of Tayside Superannuation Fund assets and liabilities attributable to Perth & Kinross Council at 31 March 2007 is set out below. The estimates have been prepared in accordance with guidance on accounting for retirement benefits under FRS 17 issued by the Institute and Faculty of Actuaries:

**Tayside Superannuation Fund Assets / (Liabilities) attributable to Perth & Kinross Council at 31 March 2007**

|                                       | 2006/07<br>Asset<br>Value | 2006/07<br>Expected<br>Return<br>% per<br>annum | 2005/06<br>Asset<br>Value | 2005/06<br>Expected<br>Return<br>% per<br>annum |
|---------------------------------------|---------------------------|---|---------------------------|---|
| <b>Assets</b>                         | £'000                     |   | £'000                     |   |
| Equities                              | 258,302                   | 7.2%  | 233,647                   | 7.0%  |
| Gilts                                 | 38,382                    | 4.4%  | 38,484                    | 4.2%  |
| Bonds                                 | 14,765                    | 5.4%  | 15,420                    | 4.9%  |
| Property                              | 39,059                    | 6.7%  | 27,753                    | 6.4%  |
| Cash                                  | 8,145                     | 5.0%  | 7,108                     | 4.0%  |
| Estimated Employer Assets             | <u>358,653</u>            | 6.7%  | <u>322,412</u>            | 6.5%  |
| Present Value of Scheme Liabilities   | (383,260)                 |   | (373,738)                 |   |
| Present Value of Unfunded Liabilities | (20,492)                  |   | (21,215)                  |   |
| Net Pension (Liability)               | <u>(45,099)</u>           |   | <u>(72,541)</u>           |   |

The 2006/07 accounts of the Joint Boards for Police, Fire and Valuation and the Tayside Contracts Joint Committee all show net pension liabilities as at 31 March 2007, as measured under FRS17. Further information regarding these liabilities can be found in the 2006/07 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.

The movement in the Tayside Superannuation Fund during 2006/07 attributable to Perth & Kinross Council is analysed below in accordance with CIPFA/LASAAC guidelines:

|   | 2006/07<br>£'000 | 2005/06<br>£'000 |
|---|------------------|------------------|
| Net Pensions Liability at 1 April   | (72,541)         | (95,783)         |
| Movements in the year:  |                  |                  |
| Current service cost  | (13,838)         | (10,459)         |
| Employers' contributions payable to scheme  | 13,743           | 12,696           |
| Past service costs  | 5,226            | (897)            |
| Impact of settlements and curtailments  | (1,328)          | (706)            |
| Expected net return on assets in the scheme   | 1,509            | (742)            |
| Difference between the expected and actual return on assets<br>(representing 1.9% of the value of attributable scheme assets at 31 March 2007)                              | 6,807            | 54,174           |
| Experience gains/ (losses) arising on the scheme liabilities<br>(representing 0% of the value of attributable scheme liabilities at 31 March 2007)                          | 0                | 14,920           |
| Changes in financial assumptions underlying the present value of scheme liabilities<br>(representing 3.9% of the value of attributable scheme liabilities at 31 March 2007) | 15,323           | (45,744)         |
| Net Pensions Liability at 31 March  | <u>(45,099)</u>  | <u>(72,541)</u>  |

The actuarial gains and losses on Perth & Kinross Council's share of the Tayside Superannuation Fund's assets and liabilities are reflected as a movement in the Council's Pensions Reserve. To assist in putting the movement in the Council's Pensions Reserve in 2006/07 into context, movements in the Pensions Reserve in both the current and preceding four financial years are analysed below in accordance with CIPFA / LASAAC guidelines.

| <b>Pensions Reserve</b>  | 2006/07<br>Pensions<br>Reserve<br>£'000 | 2005/06<br>Pensions<br>Reserve<br>£'000 | 2004/05<br>Pensions<br>Reserve<br>£'000 | 2003/04<br>Pensions<br>Reserve<br>£'000 | 2002/03<br>Pensions<br>Reserve<br>£'000 |
|--|---|---|---|---|---|
| Balance brought forward at 1 April   | (72,541)                                | (95,783)                                | (41,392)                                | (62,690)                                | 11,680                                  |
| <u>Movements in revenue resources</u>  |   |   |   |   |   |
| Appropriations to / (from) Revenue   | 5,312                                   | (108)                                   | (861)                                   | (699)                                   | 4,171                                   |
| Difference between Expected and Actual Return on Pensions Assets<br>( representing 1.9% of the value of attributable scheme assets<br>at 31 March 2007)                            | 6,807                                   | 54,174                                  | 11,664                                  | 24,326                                  | (49,522)                                |
| Experience gains arising on the scheme liabilities<br>( representing 0% of the value of attributable scheme liabilities<br>at 31 March 2007)                                       | 0                                       | 14,920                                  | 0                                       | (2,329)                                 | (28,703)                                |
| Changes in financial assumptions underlying the present value<br>of scheme liabilities<br>( representing 3.9% of the value of attributable scheme liabilities<br>at 31 March 2007) | 15,323                                  | (45,744)                                | (65,194)                                | 0                                       | (316)                                   |
| Balance as at 31st March : Net Pensions Liability  | <u>(45,099)</u>                         | <u>(72,541)</u>                         | <u>(95,783)</u>                         | <u>(41,392)</u>                         | <u>(62,690)</u>                         |

## 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 2006/07 a total of £10,254,000 (2005/06 £9,235,000) 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 £3,126,000 (2005/06 £2,650,000). Details of grants are shown below.

|   | 2006/07 | 2006/07       | 2005/06 | 2005/06      |
|---|---------|---------------|---------|--------------|
|   | £'000   | £'000         | £'000   | £'000        |
| <b>Education</b>  |         |               |         |              |
| - Service Level Agreements with Voluntary Organisations |         | 317           |         | 321          |
| <b>Social Work</b>                                      |         |               |         |              |
| - Service Level Agreements with Voluntary Organisations |         | 3,137         |         | 2,944        |
| <b>Housing (General Fund)</b>                           |         |               |         |              |
| - Churches Action for the Homeless                      | 627     |               | 552     |              |
| - Launchpad (formerly Tayside Furniture Project)        | 55      |               | 55      |              |
| - Perth and Kinross Community Mediation                 | 137     |               | 0       |              |
| - Perth and District YMCA                               | 20      |               | 0       |              |
| <i>Sub Total Housing (General Fund)</i>                 |         | 839           |         | 607          |
| <b>Planning &amp; Development</b>                       |         |               |         |              |
| - Perth & Kinross Heritage Trust                        | 98      |               | 90      |              |
| - Perth & Kinross Countryside Trust                     | 109     |               | 75      |              |
| <i>Sub Total Planning &amp; Development</i>             |         | 207           |         | 165          |
| <b>Cultural &amp; Related</b>                           |         |               |         |              |
| - Perth & Kinross Leisure Ltd                           | 3,126   |               | 2,650   |              |
| - Perth Concert Hall                                    | 940     |               | 940     |              |
| - Perth Repertory Theatre                               | 386     |               | 386     |              |
| - Pitlochry Festival Theatre                            | 201     |               | 160     |              |
| - Perth & Kinross Sports Council                        | 18      |               | 18      |              |
| <i>Sub Total Cultural &amp; Related</i>                 |         | 4,671         |         | 4,154        |
| <b>Central Services</b>                                 |         |               |         |              |
| - VisitScotland   | 360     |               | 347     |              |
| - Perthshire Business Shop                              | 115     |               | 115     |              |
| - Citizens Advice Bureau                                | 131     |               | 119     |              |
| - Perth Womens Aid                                      | 41      |               | 41      |              |
| - Perth Festival of the Arts                            | 24      |               | 24      |              |
| - Other   | 412     |               | 398     |              |
| <i>Sub Total Central Services</i>                       |         | 1,083         |         | 1,044        |
|   |         | <u>10,254</u> |         | <u>9,235</u> |

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

£530,000 was paid as members' allowances during the financial year 2006/07 (2005/06 £529,000).

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

| Remuneration Band   | 2006/07<br>Number of<br>Employees | 2005/06<br>Number of<br>Employees |
|---------------------|-----------------------------------|-----------------------------------|
| £50,000 - £59,999   | 29                                | 26                                |
| £60,000 - £69,999   | 19                                | 8                                 |
| £70,000 - £79,999   | 4                                 | 3                                 |
| £80,000 - £89,999   | 1                                 | 3                                 |
| £90,000 - £99,999   | 3                                 | 1                                 |
| £100,000 - £109,999 | 1                                 | 0                                 |
|                     | <u>57</u>                         | <u>41</u>                         |

The 2005/06 figures excluded officers pension contributions.

**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 2006/07 for the office accommodation is £2,416,000 (2005/06 £2,402,000).

The unitary charge for 2006/07 for the car park is £394,000 (2005/06 £402,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2007/08 for the office accommodation will be £2,475,000 and for the car park will be £413,000.

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 2006/2007 was £65,000 and was offset with an equivalent amount in the Statement of Movement on General Fund Balance. (2005/06 £65,000).

**13. Audit Costs**

In 2006/07 Perth and Kinross Council incurred the following fees relating to external audit services provided in accordance with the Code of Audit Practice:

|                                | 2006/07<br>£000 | 2005/06<br>£000 |
|--------------------------------|-----------------|-----------------|
| Fees payable to Audit Scotland | 308             | 296             |
| Refund from Audit Scotland     | (27)            | 0               |
| Net payment for Audit Services | <u>281</u>      | <u>296</u>      |

The fixed charge element of the audit fee is £101,000 in 2006/07 (2005/06 £106,700).

## 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 achieve a break-even position with income at least matching expenditure over a rolling 3 year period. The legislation on significant trading operations came into effect from 1 April 2003. Local authorities are required to demonstrate that each of their significant trading operations has achieved at least a break even position over a rolling three 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 has determined that only the Building Services organisation represents a significant trading operation in terms of the legislation.

The Council's Building Services is a multi-trade operation involved, primarily, in the maintenance and refurbishment of the Council's Housing stock.

The financial performance of the Council's trading operation in 2006/07 is summarised below:

| Trading Operation                  | 2006/07                       | <i>Restated</i><br>2005/06             | 2004/05                                |
|------------------------------------|-------------------------------|--|--|
|                                    | Building<br>Services<br>£'000 | <i>Building<br/>Services<br/>£'000</i> | <i>Building<br/>Services<br/>£'000</i> |
| Turnover                           | (3,930)                       | (3,604)                                | (3,287)                                |
| Expenditure                        | 3,694                         | 3,419                                  | 3,241                                  |
| Deficit/(Surplus)                  | <u>(236)</u>                  | <u>(185)</u>                           | <u>(46)</u>                            |
| Cumulative Surplus carried forward | <u>(508)</u>                  | <u>(272)</u>                           | <u>(87)</u>                            |

Building Services has incurred a surplus in 2006/07 and has met the requirement to break-even on a three year rolling basis. The trading operation for 2006/07 was no longer charged with notional interest as part of the Capital Charge. In order to reflect a charge to the trading operation for a cost of capital, a disclosure in respect of an element of loans fund interest is required in order that the prescribed financial objective to break even over a rolling three year period is achieved. The cost to the trading operation in 2006/07 for loans fund interest in respect of outstanding debt is £4,384. This would have no impact on the trading operations break-even position.

The surplus from the Trading Operation for 2005-06 has been restated for a material error of £203,000 as explained in Note 16 to the Core Financial Statements. The restatement has had no impact on the three year break-even position of the trading operation.

## 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>2005/06</i>  |   | <i>2006/07</i>        | <i>2006/07</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>(65)</i>   | Amortisation of Properties under Public Private Partnership   | <i>(65)</i>           |                              |
| <i>(12,051)</i>   | Depreciation and impairment of fixed assets   | <i>(36,223)</i>       |                              |
| <i>4,361</i>  | Government Grants Deferred amortisation   | <i>2,382</i>          |                              |
| <i>8,882</i>  | Gain on disposal of fixed assets  | <i>6,441</i>          |                              |
| <i>(12,804)</i>   | Net charges made for retirement benefits in accordance with FRS 17  | <u><i>(8,431)</i></u> |                              |
| <u><i>(11,677)</i></u>  |   |                       | <i>(35,896)</i>              |
| <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>8,776</i>  | Loans fund principal repayments   | <i>10,409</i>         |                              |
| <i>1,778</i>  | Net Capital Expenditure charged in year to the General Fund Balance                                       | <i>4,509</i>          |                              |
| <i>12,696</i>   | Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners | <i>13,743</i>         |                              |
| <u><i>11,573</i></u>  |   |                       | <i>28,661</i>                |
| <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>(171)</i>  | Transfer to/(from) Renewal and Repair Fund  | <i>(143)</i>          |                              |
| <i>(354)</i>  | Transfer to/(from) the Capital Fund   | <i>1,751</i>          |                              |
| <i>406</i>  | Transfer to/(from) the Insurance Fund   | <i>223</i>            |                              |
| <i>1,585</i>  | Housing Revenue Account balance   | <u><i>(1,700)</i></u> |                              |
| <u><i>1,466</i></u>   |   |                       | <i>131</i>                   |
| <u><u><i>13,039</i></u></u>   | <b>Net additional amount required to be debited/(credited) to the General Fund balance for the year</b>   |                       | <u><u><i>(7,104)</i></u></u> |

## 16. Explanation of Prior Period Adjustments

In the 2006/07 Statement of accounts, in accordance with ACOP the Council has adopted significant new accounting policies that impact on the comparative figure for 2005/06 in the Income and Expenditure Account:

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts;
- Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item;
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.
- The Housing Revenue Account is no longer charged with loan charges in the income and expenditure account and has been replaced with depreciation.
- Interest on revenue balances is no longer recognised in the income and expenditure account and has been replaced with the actual external interest received.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts.:

|   | Consolidated<br>Revenue<br>Account in<br>2005/06<br>Accounts<br>£'000 | Removal<br>of capital<br>financing<br>charges<br>£'000 | Relocation<br>of<br>government<br>grants<br>deferred<br>£'000 | Recognition<br>of gains and<br>losses on<br>disposal of<br>fixed assets<br>£'000 | Recognition<br>External<br>Interest &<br>other<br>adjustments<br>£'000 | 2005/06<br>Comparatives<br>in Income &<br>Expenditure<br>Account<br>£'000 |
|---|---|--|---|--|--|---|
| Education Services  | 113,748   | (6,010)  | (2,512)   |  |  | 105,226   |
| Social Work Services  | 52,620  | (552)  | (47)  |  |  | 52,021  |
| Roads and Transport Services                                  | 21,020  | (4,286)  | (755)   |  |  | 15,979  |
| Planning and Development Services                             | 3,360   | (77)   | (1)   |  |  | 3,282   |
| Housing Services (General Fund)                               | 3,517   | (46)   | (8)   |  |  | 3,463   |
| Cultural & Related Services                                   | 16,152  | (1,150)  | (229)   |  |  | 14,773  |
| Environmental Services  | 15,918  | (430)  | (809)   |  |  | 14,679  |
| Central Services  | 2,563   |  |   |  |  | 2,563   |
| Other Operating Expenditure                                   | 21,242  | (851)  |   |  |  | 20,391  |
| Corporate and Democratic Core                                 | 2,830   |  |   |  |  | 2,830   |
| Non Distributed Costs   | 1,320   |  |   |  |  | 1,320   |
| Housing Revenue Account                                       | (2,334)   |  |   |  | (3,060)  | (5,394)   |
| <b>Impact on Net Cost of Services</b>                         | <b>251,956</b>  | <b>(13,402)</b>  | <b>(4,361)</b>  | <b>0</b>   | <b>(3,060)</b>   | <b>231,133</b>  |
| Gain on the disposal of fixed assets                          |   |  |   | (8,882)  |  | (8,882)   |
| Net deficit/(surplus) on Trading Operations                   | 18  |  |   |  | (203)  | (185)   |
| Share of Tayside Contracts Surplus                            | (270)   |  |   |  |  | (270)   |
| Losses on the Repurchase or Early<br>Settlement of Borrowing  | 564   |  |   |  |  | 564   |
| Interest and Investment Income                                | (1,529)   |  |   |  | (515)  | (2,044)   |
| AMRA (Interest payable and similar<br>charges in 2006/07)     | (12,999)  | 13,402   | 4,361   |  | 3,616  | 8,380   |
| Pension Interest Cost & Expected Return<br>on Pensions Assets | 742   |  |   |  |  | 742   |
| <b>Impact on Net Operating Expenditure</b>                    | <b>238,482</b>  | <b>0</b>   | <b>0</b>  | <b>(8,882)</b>   | <b>(162)</b>   | <b>229,438</b>  |

The General Fund balances have also been restated for a significant error in respect of the trading operation which did not recognise income due in 2005-06 of £251,000 and therefore did not pay profit share to employees of £48,000. This has resulted in an increase in the General Fund Balances for 2005-06 of £203,000. The amount due from the HRA to the DLO in respect of the £251,000 has also been recognised reducing the HRA Balances for 2005-06 by £251,000.

## 17. Tangible Fixed Asset Transactions

Movements in fixed assets during the year were:

|                                  | Council<br>Dwellings | Other<br>Land &<br>Buildings | Vehicles,<br>Plant &<br>Equipment | Infrastructure<br>Assets | Community<br>Assets | Non-<br>operational<br>Assets | Total    |
|----------------------------------|----------------------|------------------------------|-----------------------------------|--------------------------|---------------------|-------------------------------|----------|
|                                  | £'000                | £'000                        | £'000                             | £'000                    | £'000               | £'000                         | £'000    |
| Gross Book Value 31.3.06         | 16,904               | 233,397                      | 15,889                            | 105,589                  | 4,962               | 38,627                        | 415,368  |
| Accumulated Depreciation 31.3.06 | (1,737)              | (13,447)                     | (9,077)                           | (28,445)                 | (978)               | (177)                         | (53,861) |
| Net Book Value 31.3.06           | 15,167               | 219,950                      | 6,812                             | 77,144                   | 3,984               | 38,450                        | 361,507  |
| Movements in 2006/07:            |                      |                              |                                   |                          |                     |                               |          |
| Expenditure                      | 10,021               | 4,820                        | 5,186                             | 7,436                    | 814                 | 6,429                         | 34,706   |
| Disposals                        | (473)                | (45)                         | 0                                 | 0                        | 0                   | (1,183)                       | (1,701)  |
| Depreciation In Year             | (188)                | (4,530)                      | (3,405)                           | (4,436)                  | (250)               | (70)                          | (12,879) |
| Depreciation Adjustments         | 0                    | 10,543                       | 0                                 | 0                        | 0                   |                               | 10,543   |
| Impairment                       | 0                    | (23,344)                     | 0                                 | 0                        | 0                   | 0                             | (23,344) |
| Revaluations & Other Adjustments | (10,021)             | 47,438                       | (4)                               | (70)                     | (39)                | 32                            | 37,336   |
| Net Book Value at 31.3.07        | 14,506               | 254,832                      | 8,589                             | 80,074                   | 4,509               | 43,658                        | 406,168  |

Revaluations and other adjustments include the net reclassification of £3,605,000 of non operational assets to operational assets during the financial year.

## 18. Information on Tangible Fixed Assets Held

Operational Tangible Fixed assets held by the Council include:

|                              | 31.03.07<br>Number | 31.03.06<br>Number |
|------------------------------|--------------------|--------------------|
| Council dwellings            | 7,819              | 8,061              |
| Office buildings             | 20                 | 18                 |
| Public & community halls     | 21                 | 22                 |
| Secondary schools            | 10                 | 10                 |
| Primary schools              | 74                 | 74                 |
| Nursery schools              | 2                  | 2                  |
| Special schools              | 2                  | 2                  |
| Residential homes            | 3                  | 3                  |
| Day Care Centres             | 8                  | 10                 |
| Outdoor Centres              | 2                  | 2                  |
| Childrens Homes              | 5                  | 5                  |
| Hostels                      | 1                  | 1                  |
| Libraries                    | 12                 | 12                 |
| Museums & Art Galleries      | 3                  | 3                  |
| Depots and workshops         | 21                 | 20                 |
| Cemeteries                   | 68                 | 68                 |
| Crematorium                  | 1                  | 1                  |
| Off street car parks         | 55                 | 54                 |
| Caravan Parks                | 1                  | 1                  |
| Site for travelling people   | 1                  | 1                  |
| Public parks and open spaces | 204                | 204                |
| Harbours                     | 1                  | 1                  |

## 19. 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 Secondary, Primary, Nursery and Special Schools, Outdoor Centres and Tips were valued as at 31 March 2007. This increased the value of the Council's properties by £55,229,856. There have been other minor changes in offices and miscellaneous property values which decreased the value by £2,229,200.

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 2007 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.

|                             | Council<br>Dwellings | Other<br>Land &<br>Buildings | Vehicles,<br>Plant &<br>Equipment | Infrastructure<br>Assets | Community<br>Assets | Non-<br>operational<br>Assets | Total          |
|-----------------------------|----------------------|------------------------------|-----------------------------------|--------------------------|---------------------|-------------------------------|----------------|
|                             | £'000                | £'000                        | £'000                             | £'000                    | £'000               | £'000                         | £'000          |
| Valued at historical cost   | 0                    | 0                            | 8,589                             | 80,074                   | 4,509               | 9,774                         | 102,946        |
| Valued at current value in: |                      |                              |                                   |                          |                     |                               |                |
| 2006/07                     | 0                    | 197,440                      | 0                                 | 0                        | 0                   | 8,010                         | 205,450        |
| 2005/06                     | 0                    | 46,522                       | 0                                 | 0                        | 0                   | 11,359                        | 57,881         |
| 2004/05                     | 14,506               | 10,870                       | 0                                 | 0                        | 0                   | 5,060                         | 30,436         |
| 2003/04                     | 0                    | 0                            | 0                                 | 0                        | 0                   | 9,455                         | 9,455          |
| 2002/03                     | 0                    | 0                            | 0                                 | 0                        | 0                   | 0                             | 0              |
| <b>Total</b>                | <b>14,506</b>        | <b>254,832</b>               | <b>8,589</b>                      | <b>80,074</b>            | <b>4,509</b>        | <b>43,658</b>                 | <b>406,168</b> |

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

|                           | 2006/07<br>£'000 | 2005/06<br>£'000 |
|---------------------------|------------------|------------------|
| <b>Capital Investment</b> |                  |                  |
| Operational assets        | 28,277           | 24,923           |
| Non-operational assets    | 6,429            | 4,834            |
|                           | <u>34,706</u>    | <u>29,757</u>    |
| <b>Sources of Finance</b> |                  |                  |
| Loans                     | 13,587           | 11,239           |
| Capital Receipts          | 9,427            | 11,631           |
| Government Grants         | 6,495            | 4,764            |
| Revenue                   | 5,197            | 2,123            |
|                           | <u>34,706</u>    | <u>29,757</u>    |

## 21. Analysis of Net Assets Employed

|                         | 2006/07<br>£000 | <i>Restated</i><br>2005/06<br>£000 |
|-------------------------|-----------------|------------------------------------|
| General Fund            | 188,819         | 116,411                            |
| Housing Revenue Account | 22,836          | 23,467                             |
| Trading Operations      | 226             | 334                                |
|                         | <u>211,881</u>  | <u>140,212</u>                     |

## 22. Commitments Under Capital Contracts

The Council has made contractual commitments under capital contracts at 31 March 2007 of £23,443,000 (31 March 2006 £7,024,000) based on the Council's Capital plan for the next 3 financial years. The commitments are summarised as follows:

|   | 2006/07<br>£000 | 2005/06<br>£000 |
|---|-----------------|-----------------|
| Education Projects                        | 4,922           | 1,445           |
| Roads & Bridges Improvement Schemes       | 8,470           | 0               |
| Flood Prevention                          | 100             | 612             |
| Dalcrue Landfill site                     | 721             | 473             |
| Other Environmental Improvements          | 1,373           | 1,327           |
| Perth City Hall                           | 853             | 0               |
| Fleet Vehicles                            | 461             | 835             |
| Provision and Upgrade of Commercial Sites | 2,828           | 850             |
| Regeneration of Travellers' Sites         | 937             | 0               |
| Other Capital Projects                    | 2,778           | 1,482           |
|   | <u>23,443</u>   | <u>7,024</u>    |

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

|   | 2006/07      | 2005/06      |
|---|--------------|--------------|
|   | £'000        | £'000        |
| <b>Long Term</b> (due after 1 year)       |              |              |
| External Bodies Debt                      | 546          | 4,228        |
| Other Local Authority Debt -Tayside House | 295          | 380          |
| Housing Advances                          | 234          | 279          |
| Prepayments                               | 1,145        | 1,210        |
|   | <u>2,220</u> | <u>6,097</u> |

|                                      | 2006/07       | 2005/06       |
|--------------------------------------|---------------|---------------|
|                                      | £'000         | £'000         |
| <b>Current</b> (due within 1 year)   |               |               |
| Customs and Excise                   | 2,284         | 1,405         |
| Government Grants                    | 5,046         | 8,165         |
| Council Tax & Community Charge       | 11,184        | 11,198        |
| Non-Domestic Rates                   | 1,506         | 2,315         |
| Outside Bodies                       | 3,252         | 202           |
| Sales Ledger                         | 6,417         | 6,417         |
| Housing Rent Arrears                 | 901           | 768           |
| Tayside Contracts                    | 424           | 247           |
| Other                                | 9,999         | 9,279         |
|                                      | <u>41,013</u> | <u>39,996</u> |
| Provision for Bad and Doubtful Debts | (14,354)      | (12,030)      |
|                                      | <u>26,659</u> | <u>27,966</u> |

24. **Investments**

|                                       | 2006/07       | 2005/06       |
|---------------------------------------|---------------|---------------|
|                                       | £'000         | £'000         |
| Lending to Banks & Building Societies | 38,050        | 38,550        |
| Total Short Term                      | <u>38,050</u> | <u>38,550</u> |

25. **Creditors**

|  | 2006/07       | 2005/06       |
|--|---------------|---------------|
|  | £000          | £000          |
| Payroll Deductions                             | 5,155         | 4,963         |
| Accrued Interest                               | 1,876         | 1,989         |
| Government Grants paid in advance or repayable | 4,446         | 2,983         |
| Purchase Ledger                                | 15,640        | 11,025        |
| Statutory Additions                            | 0             | 2,428         |
| Prepaid Trade Waste Permits                    | 928           | 850           |
| Common Good & Charities                        | 1,801         | 1,644         |
| Scottish Water                                 | 144           | 140           |
| Other  | 12,722        | 12,957        |
|  | <u>42,712</u> | <u>38,979</u> |

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

|                                      | £'000          | £'000          |
|--------------------------------------|----------------|----------------|
|                                      | 31.3.07        | 31.3.06        |
| <b>Analysis of Loans by Type</b>     |                |                |
| Public Works Loan Board              | 104,724        | 114,780        |
| Market Loans                         | 43,200         | 38,200         |
| Local Bonds / Other Loans            | 265            | 265            |
| Total Outstanding                    | <u>148,189</u> | <u>153,245</u> |
| <b>Analysis of Loans by maturity</b> |                |                |
| Between 1 and 2 years                | 0              | 0              |
| Between 2 and 5 years                | 0              | 5,000          |
| Between 5 and 10 years               | 935            | 8,935          |
| Between 10 and 15 years              | 6,308          | 747            |
| Between 15 and 20 years              | 6,085          | 12,086         |
| Between 20 and 25 years              | 3,169          | 22,515         |
| More than 25 years                   | 131,692        | 103,962        |
|                                      | <u>148,189</u> | <u>153,245</u> |

27. **Deferred Credits**

The Deferred Credit of £380,000 (2005/06 £463,000) 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 £295,000 (2005/06 £380,000) and a debtor of £85,000 (2005/06 £85,000) are also shown within the Council's Abstract of Accounts.

28. **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 2007.

**Equal Pay Claims**

The Council has made provision in respect of its share of Equal Pay Claims for Tayside Contract employees of £535,000.

|                                    | Balance<br>as at<br>01.04.06<br>£'000 | Movement<br>During<br>year<br>£'000 | Balance<br>as at<br>31.03.07<br>£'000 |
|------------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|
| Self Insured/Uninsured Losses      | 924                                   | (68)                                | 856                                   |
| Tayside Contracts Equal Pay Claims | 2,262                                 | (1,727)                             | 535                                   |
| Council Equal Pay Claims           | 45                                    | (45)                                | 0                                     |
|                                    | <u>3,231</u>                          | <u>(1,840)</u>                      | <u>1,391</u>                          |

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

The accumulated balance on the General Fund at 31 March 2007 includes net surplus funds of £1,196,000 (31 March 2006 £1,214,000) in respect of schools participating in Devolved School Management. There are a number of schools with surpluses totalling £1,255,000 and a number of schools carrying forward deficits amounting to £59,000. These surpluses and deficits are earmarked in 2007/08 for the individual schools concerned.

The accumulated balance on the General Fund also includes surplus funds of £36,000 (2005/06 £38,000) in respect of School Boards. These surplus funds are earmarked in 2007/08 for the individual school boards which achieved underspends in 2006/07 and previous years.

## 30. 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 2007 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.

## 31. 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 49.

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.

|  | 31.3.07      | 31.3.06      |
|--|--------------|--------------|
|  | £000         | £000         |
| Education Trust - Financial assistance |              |              |
| Net assets                             | 973          | 915          |
| Surplus                                | 6            | 7            |
| Education Trust - Endowments           |              |              |
| Net assets                             | 38           | 34           |
| Surplus                                | 4            | 4            |
| Other Charitable Trusts                |              |              |
| Net assets                             | 1,623        | 1,551        |
| (Deficit)/Surplus                      | 41           | (31)         |
| <b>TOTAL Net Assets</b>                | <b>2,634</b> | <b>2,500</b> |
| <b>TOTAL Surplus/(Deficit)</b>         | <b>51</b>    | <b>(20)</b>  |

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

## 32. Contingent Liabilities

The Council has made compensation payments to 220 employees who it identified as having legitimate equal pay claims against the Council under the Equal Pay Act 1970. The Act provides for equal pay between women and men in the same employment by giving employees the right to equality in the terms of their contract of employment where they are employed on like work, or work rated as equivalent or work of equal value. These compensation payments recognised the unequal treatment of mainly female manual workers in comparison to their male equivalents, the majority of who have had access to bonus, attendance and profit share payments since the Council was established in 1996.

The Council has identified further contingent liabilities in relation to existing equal pay grievances that are currently being pursued on behalf of other groups of staff and the potential risk of new equal pay claims that may be pursued during the implementation of the Single Status pay and grading structure. The exact extent of any liability cannot be quantified at present until the full implementation of the Single Status job evaluation exercise.

The Council also 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 Scottish Executive regarding whether meal preparation is included within free personal care. There is also a possibility that the Council may be required to reimburse costs incurred by individuals who met their own personal care costs after having been assessed as eligible for Free Personal Care, but while on "waiting lists". Legal advice is being sought. There is considerable uncertainty regarding these issues and the potential cost of any liability. Note 33 below states that the Council has earmarked reserves to the value of £500,000 in respect of these issues.

The Council also has a contingent liability in relation to a number of planning applications. It is currently involved in seven public inquiries which may result in it being liable for a financial cost depending on their outcome.

The Council refused planning applications for wind farm developments at Drumderg and at four sites in the Ochil Hills. In these cases, developers exercised their right to appeal against the Council's decision. For Drumderg, the appeal was sustained and the Council is required to pay a proportion of the appellants' costs. However, they have yet to submit a claim and it is not possible to determine the potential cost of this liability. The Ochil inquiries have ended and only one of the appellants has claimed costs. The decision of the Reporter is awaited, therefore, it is not possible to determine the potential cost of any liability.

A further two wind farm developments were submitted to the Scottish Executive for Calliacher and Griffin and a replacement overhead electricity line from Beaully to Denny. For these applications, the Council is a statutory consultee and decided to object the applications. Therefore, the Scottish Executive has held a joint public inquiry for Calliacher and Griffin and is currently holding an inquiry for Beaully-Denny. In each case, the Council is awaiting a decision as to whether consent will be given and whether costs should be awarded against the Council. Until this is known, it is not possible to determine the extent of any liability or the potential cost of any liability.

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.

### 33. General Fund Balances

The General Fund Balance of £33,845,000 at 31 March 2007 includes sums set aside for a range of measures including:

|  | 2006/07<br>£'000 | 2005/06<br>£'000 |
|--|------------------|------------------|
| General Fund Balance per Abstract            | 33,845           | 27,031           |
| Devolved School Management Balances          | (1,196)          | (1,214)          |
| School Board Surpluses                       | (36)             | (38)             |
| Car Parking                                  | (1,420)          | (979)            |
| Developers Contributions: Commuted Sums      | (558)            | 0                |
| Developers Contributions: Affordable Housing | (480)            | 0                |
| Tayside Fire & Rescue Board                  | (304)            | (339)            |
| Budget Flexibility (prior year approvals)    | (1,171)          | (801)            |
| Budget Flexibility (approved in 2006/07)     | (1,997)          | (1,823)          |
| Single Status Provision                      | (4,624)          | (2,550)          |
| Free Personal Care                           | (500)            | (750)            |
| Investment in Improvement Fund               | (447)            | (408)            |
| Equal Pay Strategy                           | (2,233)          | (2,939)          |
| Budgeted contribution from reserves          | (800)            | (1,615)          |
| Housing Revenue Account                      | (4,367)          | (5,872)          |
| Council Tax Income on Second Homes           | (1,876)          | (902)            |
| Financial Assistance                         | (20)             | (80)             |
| Energy Efficiency Fund                       | (119)            | 0                |
| Future Early Retirement Costs                | (750)            | 0                |
| Uncommitted Balance at 31 March 2007         | <u>10,947</u>    | <u>6,721</u>     |

### 34. 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 voluntarily to earmark resources for future spending plans.

| <b>Reserve</b>                                      | Balance<br>1 April<br>2006<br>£'000 | Net<br>Movement<br>in Year<br>£'000 | Balance<br>31 March<br>2007<br>£'000 | Purpose of Reserve  | Further Detail of<br>Movements                                    |
|---|-------------------------------------|-------------------------------------|--------------------------------------|---|---|
| Fixed Asset<br>Restatement Account                  | 71,301                              | 46,178                              | 117,479                              | Revaluation of fixed assets   |   |
| Capital Financing<br>Account                        | 106,854                             | (10,473)                            | 96,381                               | Capital resources set aside<br>to meet past expenditure                     |   |
| Usable Capital Receipts<br>Reserve                  | 3,484                               | (374)                               | 3,110                                | Proceeds of fixed assets<br>sales to meet future capital<br>investment      |   |
| Pensions Reserve                                    | (72,541)                            | 27,442                              | (45,099)                             | Reserve to allow inclusion of<br>pensions liability in the<br>balance sheet | Note 9 to Core Financial<br>Statements - Page 23-25               |
| General Fund  | 19,963                              | 8,765                               | 28,728                               | Resources required to meet<br>future running costs of<br>Council services   | Statement of Movement on<br>the General Fund Balance -<br>Page 16 |
| General Fund: Housing<br>Revenue Account<br>Balance | 6,817                               | (1,700)                             | 5,117                                | Resources required to meet<br>future running costs of<br>Council houses     | Statement of Movement on<br>the HRA Balance - Page 42             |
| Renewal & Repair Fund                               | 1,208                               | (143)                               | 1,065                                | Reserve to fund the renewal<br>and repair of Council Assets                 |   |
| Insurance Fund                                      | 1,549                               | 223                                 | 1,772                                | Fund to meet potential self<br>insured liabilities                          |   |
| Capital Fund  | 1,577                               | 1,751                               | 3,328                                | Fund to support future<br>capital programme<br>expenditure                  |   |
| <b>Total</b>  | <b>140,212</b>                      | <b>71,669</b>                       | <b>211,881</b>                       |   |   |

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

|  | <u>2006/07</u> | <u>Restated</u><br><u>2005/06</u> |
|--|----------------|-----------------------------------|
|  | £'000          | £'000                             |
| Surplus per Income & Expenditure Account             | 1,661          | 16,405                            |
| add back: Net Interest                               | 5,718          | 6,385                             |
| <b>Non-Cash Transactions</b>                         |                |                                   |
| Depreciation of fixed assets and deferred grants     | 10,497         | 7,660                             |
| Impairment of fixed assets                           | 23,344         | 30                                |
| Premiums/Discounts on Debt Rescheduling written down | 432            | 564                               |
| Contributions (from)/to Provisions                   | (1,840)        | 2,185                             |
| Pensions - FRS17 adjustments                         | (5,312)        | (108)                             |
| Gain on disposal fixed assets                        | (6,441)        | (8,882)                           |
| <b>Items on an accruals basis</b>                    |                |                                   |
| Movement in Stock and Work-in-Progress               | 4              | (45)                              |
| Movement in Debtors and Deferred Credits             | 5,101          | 565                               |
| Movement in Creditors                                | 3,733          | (461)                             |
| Net Cash Inflow from Revenue Activities              | <u>36,897</u>  | <u>24,298</u>                     |

### 36. Movements in Cash

|                   | As at<br>31 March 2007<br>£'000 | As at<br>31 March 2006<br>£'000 | 2006/07<br>Movement<br>£'000 | 2005/06<br>Movement<br>£'000 |
|-------------------|---------------------------------|---------------------------------|------------------------------|------------------------------|
| Net Cash and Bank | 1,061                           | 2,106                           | (1,045)                      | 2,056                        |
| Bank Overdraft    | 0                               | (768)                           | 768                          | 1,284                        |
|                   | <u>1,061</u>                    | <u>1,338</u>                    | <u>(277)</u>                 | <u>3,340</u>                 |

### 37. Management of Liquid Resources

|             | As at<br>31 March 2007<br>£'000 | As at<br>31 March 2006<br>£'000 | 2006/07<br>Movement<br>£'000 | 2005/06<br>Movement<br>£'000 |
|-------------|---------------------------------|---------------------------------|------------------------------|------------------------------|
| Investments | 38,050                          | 38,550                          | (500)                        | 16,850                       |
|             | <u>38,050</u>                   | <u>38,550</u>                   | <u>(500)</u>                 | <u>16,850</u>                |

### 38. Movements in Borrowings

|  | Long Term<br>£'000 | Short Term<br>£'000 | Total<br>£'000   | 2005/06<br>£'000 |
|--|--------------------|---------------------|------------------|------------------|
| Amounts repaid - original term > 12 months | (80,667)           | 0                   | (80,667)         | (35,021)         |
| Other amounts repaid                       | 0                  | (116,891)           | (116,891)        | (66,915)         |
| Sub-total                                  | <u>(80,667)</u>    | <u>(116,891)</u>    | <u>(197,558)</u> | <u>(101,936)</u> |
| Amounts borrowed                           | 66,160             | 121,695             | 187,855          | 114,272          |
| Reclassification of term                   | <u>9,451</u>       | <u>(9,451)</u>      | <u>0</u>         | <u>0</u>         |
| Net Movement in Year                       | (5,056)            | (4,647)             | (9,703)          | 12,336           |
| Balance at 1 April                         | 153,245            | 14,905              | 168,150          | 155,814          |
| Balance at 31 March                        | <u>148,189</u>     | <u>10,258</u>       | <u>158,447</u>   | <u>168,150</u>   |

### 39. Analysis of Other Government Grants

|                                   | <u>2006/07</u> | <u>2005/06</u> |
|-----------------------------------|----------------|----------------|
|                                   | £'000          | £'000          |
| Criminal Justice                  | 1,213          | 1,240          |
| Modern Languages                  | 145            | 118            |
| Mental Illness                    | 272            | 272            |
| National Priorities Action Fund   | 9,196          | 1,698          |
| Changing Children's Services Fund | 1,265          | 1,572          |
| Additional Resources for Schools  | 2,962          | 1,457          |
| Supporting People                 | 6,395          | 6,679          |
| Other                             | 5,293          | 2,750          |
|                                   | <u>26,741</u>  | <u>15,786</u>  |

### 40. Post Balance Sheet Event: Investment In Learning Programme

Perth & Kinross Council is in the process of entering into a Public Private Partnership (PPP) contract with Axiom Education Ltd to deliver in excess of £130 million of investment in its schools estate. Under the Investment in Learning Programme, 6 new community school campuses will be developed at Blairgowrie; Aberfeldy; Kinross; Crieff and at two sites in Perth. Under the contract, the Council will require to make an annual unitary charge payment to the consortium covering both the cost of delivering the assets and associated facilities management. At the end of the 30 year contract period (which commences after the construction phase), the assets will transfer to the Council's ownership at no additional cost. The assets created through the contract are viewed as being off-balance sheet for accounting purposes whilst the contract satisfies the Scottish Government's Value for Money assessment for PPP schemes and is hence eligible for Scottish Government Revenue Support Grant funding totalling approximately £214 million over the lifetime of the contract. All remaining costs arising from the project will require to be met by Perth & Kinross Council and a funding strategy was presented to the Council meeting on 23 August 2007.

### 41. Authorisation of Accounts

The Statement of Accounts has been authorised for issue by John Symon, Head of Finance on 28 September 2007.

## HOUSING REVENUE ACCOUNT

| <u>2005/06</u><br>£'000 |  | <u>2006/07</u><br>£'000      £'000 |
|-------------------------|--|------------------------------------|
|                         | <b>Income</b>  |                                    |
| (17,183)                | Dwelling Rents   | (17,400)                           |
| (658)                   | Non-Dwelling Rents   | (601)                              |
| (246)                   | Housing Support Grant  | (231)                              |
| (2,190)                 | Other Income   | (2,236)                            |
| <u>(20,277)</u>         | <b>Total Income</b>  | <u>(20,468)</u>                    |
|                         | <b>Expenditure</b>   |                                    |
| 7,909                   | Repairs & Maintenance  | 8,021                              |
| 5,096                   | Supervision & Management   | 6,195                              |
| 248                     | Depreciation and impairment of fixed assets                        | 241                                |
| 918                     | Other Expenditure  | 904                                |
| 407                     | Increase in bad debt provision                                     | 272                                |
| <u>14,578</u>           | <b>Total Expenditure</b>   | <u>15,633</u>                      |
| <u>(5,699)</u>          | <b>Net Cost of HRA Services per Income and Expenditure Account</b> | <u>(4,835)</u>                     |
|                         |  |                                    |
| 249                     | HRA services share of Corporate and Democratic Core                | 287                                |
|                         | HRA share of other amounts included in the whole authority         |                                    |
| 102                     | Net Cost of services but not allocated to specific services        | (238)                              |
| <u>(5,348)</u>          | <b>Net Cost of HRA Services</b>                                    | <u>(4,786)</u>                     |
|                         |  |                                    |
| (5,918)                 | Gain on sale of HRA fixed assets                                   | (6,283)                            |
| 1,104                   | Interest payable and similar charges                               | 929                                |
| 80                      | Amortisation of premiums and discounts                             | 52                                 |
| (490)                   | Interest and investment income                                     | (575)                              |
| 48                      | Pensions interest cost and expected return on pensions assets      | (92)                               |
| <u>(10,524)</u>         | <b>Surplus for the year on HRA services</b>                        | <u>(10,755)</u>                    |

## STATEMENT OF MOVEMENT ON THE HRA BALANCE

| <i>2005/06</i>        |   | <i>2006/07</i>        |
|-----------------------|---|-----------------------|
| <i>£'000</i>          |   | <i>£'000</i>          |
| <i>(10,524)</i>       | Surplus for the year on the HRA Income and Expenditure Account                          | <i>(10,755)</i>       |
| <i>8,939</i>          | Net additional amount required by statute to be debited to the HRA Balance for the year | <i>12,455</i>         |
| <hr/>                 |   |                       |
| <i>(1,585)</i>        | (Increase) or decrease in the Housing Revenue Account Balance                           | <i>1,700</i>          |
| <i>(5,232)</i>        | Housing Revenue Account surplus brought forward   | <i>(6,817)</i>        |
| <hr/>                 |   |                       |
| <u><i>(6,817)</i></u> | Housing Revenue Account surplus carried forward   | <u><i>(5,117)</i></u> |

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

| <i>2005/06</i>   |   | <i>2006/07</i> | <i>2006/07</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>5,918</i>   | Gain on sale of HRA fixed assets  | <i>6,283</i>   |                      |
| <i>(248)</i>   | Depreciation and impairment of fixed assets   | <i>(241)</i>   |                      |
| <i>(821)</i>   | Net charges made for retirement benefits in accordance with FRS 17  | <i>(508)</i>   |                      |
| <hr/>  |   |                | <i>5,534</i>         |
| <i>4,849</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>898</i>   | Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners | <i>840</i>     |                      |
| <i>2,329</i>   | Loans fund principal  | <i>2,816</i>   |                      |
| <i>863</i>   | Capital expenditure funded by the HRA   | <i>3,265</i>   |                      |
| <hr/>  |   |                | <i>6,921</i>         |
| <i>4,090</i>   |   |                |                      |
| <hr/>  |   |                |                      |
| <u><i>8,939</i></u>  | <b>Net additional amount required by statute to be debited to the HRA Balance for the year</b>            |                | <u><i>12,455</i></u> |

## HOUSING REVENUE ACCOUNT

### NOTES:

|  |                             |   |
|--|-----------------------------|---|
| 1. <b>Housing Stock</b> at 31 March 2007 | No. of Dwellings<br>2006/07 | <i>No. of Dwellings</i><br><i>2005/06</i> |
| Sheltered accommodation                  | 498                         | 496                                       |
| Detached/Semi-Detached/Terraced          | 3,663                       | 3,790                                     |
| High Rise Flats                          | 143                         | 149                                       |
| Tenement Flats/Other Flats/Maisonettes   | 3,515                       | 3,626                                     |
| Total                                    | 7,819                       | 8,061                                     |

|   |                           |      |   |      |
|---|---------------------------|------|---|------|
| 2. <b>Rent Arrears</b> at 31 March 2007 | Gross Arrears<br>31.03.07 |      | <i>Gross Arrears</i><br><i>31.03.06</i> |      |
|   | £'000                     | %    | £'000                                   | %    |
| Houses                                  | 711                       | 4.1  | 579                                     | 3.4  |
| Other Subjects                          | 78                        | 13.0 | 93                                      | 14.1 |
| Hostels                                 | 112                       | 50.2 | 96                                      | 45.5 |
| Totals                                  | 901                       | 5.0  | 768                                     | 4.3  |

There is a provision for bad debts for Rent Arrears in 2006/07 of £728,000 (2005/06 £540,000).

## COUNCIL TAX INCOME ACCOUNT

| 2005/06 |  |                          | 2006/07          |
|---------|--|--------------------------|------------------|
| £'000   |  |                          | £'000      £'000 |
| 72,796  | <b>Gross Charge</b>  |                          | 77,084           |
| (2,036) | Deduct -   | Exemptions               | (2,291)          |
| (75)    |  | Disabled Relief          | (86)             |
| (5,839) |  | Discounts and Reductions | (6,141)          |
| 64,846  | <b>Net Council Tax</b>   |                          | 68,566           |
|         | Deduct -   |                          |                  |
| (6,324) |  | Benefits                 | (6,545)          |
| 6,528   |  | less Government Grants   | 6,592            |
|         |  |                          | 47               |
| (22)    |  | MOD Properties           | (23)             |
| 22      |  | Contribution Received    | 23               |
|         |  |                          | 0                |
| (1,199) | Provision for Bad and Doubtful Debts   |                          | (1,193)          |
| 63,851  | <b>Total Council Tax Income</b>  |                          | 67,420           |
| 116     | Adjustments for prior years for Council Tax and Community Charge                     |                          | (132)            |
| 63,967  | <b>Total Council Tax / Community Charge Income to Income and Expenditure Account</b> |                          | 67,288           |

## NOTES TO THE COUNCIL TAX INCOME ACCOUNT

### 1. CALCULATION OF THE COUNCIL TAX BASE

|  | A       | B       | C       | D     | E      | F     | G     | H     | 2006/07<br>TOTAL | 2005/06<br>TOTAL |
|--|---------|---------|---------|-------|--------|-------|-------|-------|------------------|------------------|
| No. of Properties                                | 9,209   | 14,598  | 10,804  | 9,101 | 10,584 | 6,306 | 4,560 | 589   | 65,751           | 65,366           |
| Exemptions                                       | (639)   | (604)   | (319)   | (227) | (175)  | (95)  | (57)  | (21)  | (2,137)          | (2,086)          |
| Disabled Relief                                  | 70      | (10)    | 11      | 29    | (36)   | (24)  | (33)  | (7)   | 0                | (3)              |
| Discounts  | (1,456) | (1,819) | (1,159) | (904) | (803)  | (368) | (223) | (60)  | (6,792)          | (6,927)          |
| Effective No. of Properties                      | 7,184   | 12,165  | 9,337   | 7,999 | 9,570  | 5,819 | 4,247 | 501   | 56,822           | 56,350           |
| Ratio  | 6/9     | 7/9     | 8/9     | 9/9   | 11/9   | 13/9  | 15/9  | 18/9  |                  |                  |
| Band D Equivalents                               | 4,789   | 9,462   | 8,300   | 7,999 | 11,697 | 8,405 | 7,078 | 1,002 | 58,732           | 58,186           |
| Contributions in lieu                            |         |         |         |       |        |       |       |       | 18               | 18               |
| TOTAL  |         |         |         |       |        |       |       |       | 58,750           | 58,204           |
| Provision for non-payment at 2.5% (2005/06 2.5%) |         |         |         |       |        |       |       |       | (1,469)          | (1,455)          |
| COUNCIL TAX BASE                                 |         |         |         |       |        |       |       |       | 57,281           | 56,749           |

### 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 2006/07 are set out below:

| Valuation Band | Property Valuation Range | Fraction of band D | 2006/07 Actual Charge | 2005/06 Actual Charge |
|----------------|--------------------------|--------------------|-----------------------|-----------------------|
| A              | £0 - £27,000             | 6/9                | £757.33               | £725.33               |
| B              | £27,001 - £35,000        | 7/9                | £883.56               | £846.22               |
| C              | £35,001 - £45,000        | 8/9                | £1,009.78             | £967.11               |
| D              | £45,001 - £58,000        | 9/9                | £1,136.00             | £1,088.00             |
| E              | £58,001 - £80,000        | 11/9               | £1,388.44             | £1,329.78             |
| F              | £80,001 - £106,000       | 13/9               | £1,640.89             | £1,571.56             |
| G              | £106,001 - £212,000      | 15/9               | £1,893.33             | £1,813.33             |
| H              | Over £212,000            | 18/9               | £2,272.00             | £2,176.00             |

## NON-DOMESTIC RATE INCOME ACCOUNT

| 2005/06  |   | 2006/07  |         |
|----------|---|----------|---------|
| £'000    |   | £'000    | £'000   |
| 50,590   | <b>Gross Rate Levied</b>                              |          | 51,444  |
| 595      | Transitional Surcharge                                |          | 431     |
| (1,390)  | Transitional Relief                                   |          | (1,291) |
| 49,795   |   |          | 50,584  |
|          | Deduct:   |          |         |
| (1,067)  | Rate Rebates  | (1,036)  |         |
| (21)     | Interest on Overpaid Rates                            | (9)      |         |
| (4,866)  | Reliefs, Charities etc.                               | (5,004)  |         |
| (582)    | Provision for Bad and Doubtful Debts                  | (261)    |         |
|          |   |          | (6,310) |
|          | Adjustments to Previous Years:                        |          |         |
| 254      | Gross Rate Levied                                     | 1,195    |         |
| 6        | Transitional Surcharge/Relief                         | (524)    |         |
| 7        | Rate Rebates  | (12)     |         |
| (34)     | Reliefs, Charities etc.                               | (243)    |         |
| (145)    | Provisions for Bad and Doubtful Debts and Abatements  | 620      |         |
|          |   |          | 1,036   |
| 43,347   | <b>Net Non-Domestic Rate Income</b>                   |          | 45,310  |
| (43,482) | Contribution to National Non-Domestic Rate Pool       | (45,435) |         |
| 51,011   | Contribution from National Non-Domestic Rate Pool     | 51,011   |         |
| 7,529    | Net contribution from National Non-Domestic Rate Pool |          | 5,576   |
| 50,876   | <b>Total Non-Domestic Rate Income</b>                 |          | 50,886  |

### 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 Executive for 2006/07 was 44.9p (2005/06 46.1p). Properties with rateable values of £11,500 or less, are eligible for the Small Business Rates Relief Scheme, which provides for discounts of between 5%-50% on the rate poundage. A supplement of 0.4p (2005/06 0.45p) is charged on properties with a rateable value of over £29,000 to pay for the additional cost of the scheme.

#### 2. RATEABLE SUBJECTS AND VALUES

| No. of<br>Subjects<br>at 1/4/05 | Rateable<br>Value<br>£'000<br>at 1/4/05 |                                | No. of<br>Subjects<br>at 1/4/06 | Rateable<br>Value<br>£'000<br>at 1/4/06 |
|---------------------------------|---|--------------------------------|---------------------------------|---|
| 1,669                           | 28,636                                  | Shops, Restaurants             | 1,671                           | 29,588                                  |
| 849                             | 16,045                                  | Offices                        | 859                             | 16,053                                  |
| 682                             | 11,343                                  | Hotels, Boarding Houses        | 769                             | 11,373                                  |
| 2,122                           | 26,681                                  | Industrial & Freight Transport | 2,116                           | 26,605                                  |
| 1                               | 1,241                                   | Public Utilities               | 3                               | 1,322                                   |
| 1,192                           | 22,034                                  | Other                          | 1,250                           | 22,578                                  |
| 917                             | 7,125                                   | Miscellaneous                  | 912                             | 7,592                                   |
| 7,432                           | 113,105                                 | Total                          | 7,580                           | 115,111                                 |

## 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 co-ordination 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 2006/07 the average interest rate was 5.04% (2005/06 5.23%).

The Statement of Accounting Policies on pages 12 to 14 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 2007

|  | 2006/07<br>£'000 | 2005/06<br>£'000 |
|--|------------------|------------------|
| <b>EXPENDITURE</b>                         |                  |                  |
| Interest Paid on Loans:                    |                  |                  |
| Public Works Loans Board                   | 5,901            | 6,479            |
| Mortgages and Bonds                        | 1,609            | 1,298            |
| Other Loans                                | 522              | 343              |
| Interest Paid on Revenue Balances          | 2,371            | 1,853            |
| Expenses of Borrowing                      | 173              | 152              |
| Debt Rescheduling Premium Amortised        | 1,236            | 715              |
| <b>TOTAL EXPENDITURE</b>                   | <u>11,812</u>    | <u>10,840</u>    |
| <b>INCOME</b>                              |                  |                  |
| Interest Earned on Investments             | 2,563            | 2,044            |
| Fees Earned on Services to Joint Board     | 6                | 6                |
| Debt Rescheduling Discount Amortised       | 804              | 151              |
| Interest Recovered from Borrowing Accounts | 8,271            | 8,493            |
| Expenses Recovered from Borrowing Accounts | 168              | 146              |
| <b>TOTAL INCOME</b>                        | <u>11,812</u>    | <u>10,840</u>    |

### BALANCE SHEET AS AT 31 MARCH 2007

|                                       | 31.03.07<br>£'000 | 31.03.06<br>£'000 |
|---------------------------------------|-------------------|-------------------|
| <b>ASSETS</b>                         |                   |                   |
| Cash Investments                      | 807               | 2,050             |
| Short Term Investments                | 38,050            | 38,550            |
| Premiums on Debt Rescheduling         | 15,863            | 13,025            |
| Sundry Debtors                        | 750               | 407               |
| Long Term Debtors                     | 546               | 4,228             |
| Short Term Debtors                    | 3,315             | 0                 |
| Internal Revenue and Capital Advances | 101,266           | 113,018           |
| <b>TOTAL ASSETS</b>                   | <u>160,597</u>    | <u>171,278</u>    |
| <b>LIABILITIES</b>                    |                   |                   |
| Public Works Loans Board              | 104,724           | 124,230           |
| Mortgages and Bonds                   | 43,200            | 38,200            |
| Bank Overdraft                        | 0                 | 768               |
| Other Loans                           | 10,522            | 5,720             |
| Discounts on Debt Rescheduling        | 235               | 282               |
| Sundry Creditors                      | 1,916             | 2,078             |
| <b>TOTAL LIABILITIES</b>              | <u>160,597</u>    | <u>171,278</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 2007.

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2007

|   | 2006/07<br>£'000 | 2006/07<br>£'000 | 2005/06<br>£'000 |
|---|------------------|------------------|------------------|
| <b>INCOMING RESOURCES</b>                   |                  |                  |                  |
| Activities for generating funds:            |                  |                  |                  |
| Investment Income                           | 124              |                  | 108              |
| Fund raising events                         | 13               |                  | 13               |
| <b>TOTAL INCOMING RESOURCES</b>             | <u>137</u>       | 137              | <u>121</u>       |
| <b>RESOURCES EXPENDED</b>                   |                  |                  |                  |
| Cost of generating funds:                   |                  |                  |                  |
| Investment management fees                  | 9                |                  | 11               |
| Grants Paid                                 | 66               |                  | 55               |
| Management and Administration               | 11               |                  | 10               |
| Loss on Property Revaluation                | 0                |                  | 65               |
| <b>TOTAL RESOURCES EXPENDED</b>             | <u>86</u>        | 86               | <u>141</u>       |
| <b>NET INCOMING / (OUTGOING) RESOURCES</b>  | <u>51</u>        | <u>51</u>        | <u>(20)</u>      |
| Expenditure on Additional (new) Investments |                  | 0                | (16)             |
| Gain on Investments                         |                  | 83               | 245              |
| Net Movement in Funds for the Year          |                  | <u>134</u>       | <u>209</u>       |
| Total Funds at 1 April 2006                 |                  | 2,500            | 2,291            |
| <b>TOTAL FUNDS AT 31 MARCH 2007</b>         | <u>2,634</u>     | <u>2,634</u>     | <u>2,500</u>     |

### BALANCE SHEET AS AT 31 MARCH 2007

|   | 31.03.07<br>£'000 | 31.03.07<br>£'000 | 31.03.06<br>£'000 |
|---|-------------------|-------------------|-------------------|
| <b>CURRENT ASSETS</b>                             |                   |                   |                   |
| Investments                                       | 2,405             |                   | 2,318             |
| Debtors   | 13                |                   | 13                |
| Amounts due by Perth & Kinross Council Loans Fund | 307               |                   | 254               |
|   | <u>2,725</u>      |                   | <u>2,585</u>      |
| <b>CREDITORS: due within one year</b>             |                   |                   |                   |
| Accruals  | (91)              |                   | (85)              |
| <b>NET CURRENT ASSETS</b>                         | <u>2,634</u>      | <u>2,634</u>      | <u>2,500</u>      |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>      | <u>2,634</u>      | <u>2,634</u>      | <u>2,500</u>      |
| <b>TOTAL FUNDS</b>                                | <u>2,634</u>      | <u>2,634</u>      | <u>2,500</u>      |

#### Notes to Charitable Trusts

- The market value of Investments at 31 March 2007 was £2,405,000 (31 March 2006 £2,318,000).

J A SYMON ACA  
HEAD OF FINANCE  
28 SEPTEMBER 2007

## 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 2007.

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2007

|                                   | 2006/07<br>£'000 | 2006/07<br>£'000 | 2005/06<br>£'000 |
|-----------------------------------|------------------|------------------|------------------|
| <b>EXPENDITURE</b>                |                  |                  |                  |
| Property Costs                    | 37               |                  | 10               |
| Supplies & Services               | 3                |                  | 8                |
| Grants to Voluntary Organisations | 97               |                  | 80               |
| Christmas Lighting                | 58               |                  | 58               |
| Shoppers Crèche                   | 9                |                  | 5                |
| Conference Support                | 13               |                  | 8                |
| Other                             | 21               |                  | 1                |
|                                   | 238              |                  | 170              |
| <b>INCOME</b>                     |                  |                  |                  |
| Rents, Fees, Charges etc.         | 227              |                  | 245              |
| Interest on Loans                 | 60               |                  | 55               |
| Other                             | 2                |                  | 1                |
|                                   | 289              |                  | 301              |
| <b>SURPLUS FOR THE YEAR</b>       |                  |                  |                  |
|                                   |                  | 51               | 131              |
| Balance Brought Forward           |                  | 1,585            | 1,454            |
| Balance Carried Forward           |                  | 1,636            | 1,585            |

### BALANCE SHEET AS AT 31 MARCH 2007

|   | 31.03.07<br>£'000 | 31.03.07<br>£'000 | 31.03.06<br>£'000 |
|---|-------------------|-------------------|-------------------|
| <b>FIXED ASSETS</b>                         |                   |                   |                   |
|   |                   | 3,526             | 241               |
| <b>CURRENT ASSETS</b>                       |                   |                   |                   |
| Debtors                                     | 26                |                   | 52                |
| Investments                                 | 297               |                   | 297               |
| Revenue Advances to Perth & Kinross Council |                   |                   |                   |
| Loans Fund                                  | 1,494             |                   | 1,390             |
|   | 1,817             |                   | 1,739             |
| <b>CURRENT LIABILITIES</b>                  |                   |                   |                   |
| Creditors and Accruals                      | (23)              |                   | (9)               |
| <b>NET CURRENT ASSETS</b>                   |                   |                   |                   |
|   |                   | 1,794             | 1,730             |
| <b>TOTAL NET ASSETS</b>                     |                   |                   |                   |
|   |                   | 5,320             | 1,971             |
| <b>RESERVES</b>                             |                   |                   |                   |
| Revenue                                     |                   | 1,636             | 1,585             |
| Capital                                     |                   | 386               | 386               |
| Revaluation Reserve                         |                   | 3,298             | 0                 |
|   |                   | 5,320             | 1,971             |

J A SYMON ACA  
HEAD OF FINANCE  
28 SEPTEMBER 2007

## 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<br>01.04.06 | Income<br>2006/07 | Expenditure<br>2006/07 | Balance at<br>31.03.07 |
|--------------|------------------------|-------------------|------------------------|------------------------|
|              | £'000                  | £'000             | £'000                  | £'000                  |
| Perth City   | 1,134                  | 245               | 196                    | 1,183                  |
| Aberfeldy    | 123                    | 9                 | 19                     | 113                    |
| Alyth        | 21                     | 1                 | 0                      | 22                     |
| Auchterarder | 278                    | 33                | 20                     | 291                    |
| Blairgowrie  | 21                     | 1                 | 0                      | 22                     |
| Kinross      | 1                      | 0                 | 3                      | (2)                    |
| Pitlochry    | 7                      | 0                 | 0                      | 7                      |
| <b>TOTAL</b> | <b>1,585</b>           | <b>289</b>        | <b>238</b>             | <b>1,636</b>           |

## GROUP INCOME AND EXPENDITURE ACCOUNT

| <u>2005/06</u><br><i>Restated</i><br><i>Net</i><br><i>Expenditure</i><br><i>£'000</i> |   | 2006/07 | Actual<br>Gross<br>Expenditure<br>£'000 | Actual<br>Income<br>£'000 | Actual<br>Net<br>Expenditure<br>£'000 |
|---|---|---------|---|---------------------------|---------------------------------------|
|   | <b>SERVICES</b>   |         |   |                           |                                       |
| 105,226   | Education Services  |         | 154,574                                 | 24,740                    | 129,834                               |
| 52,021  | Social Work Services  |         | 73,772                                  | 18,452                    | 55,320                                |
| 15,979  | Roads and Transport Services  |         | 25,998                                  | 10,109                    | 15,889                                |
| 3,282   | Planning and Development Services   |         | 8,451                                   | 4,574                     | 3,877                                 |
| 3,463   | Housing Services (General Fund)   |         | 34,154                                  | 30,380                    | 3,774                                 |
| 14,773  | Cultural & Related Services   |         | 17,054                                  | 2,173                     | 14,881                                |
| 14,679  | Environmental Services  |         | 31,585                                  | 16,751                    | 14,834                                |
| 2,563   | Central Services  |         | 3,505                                   | 716                       | 2,789                                 |
| 20,391  | Other Operating Expenditure   |         | 23,361                                  | 1,808                     | 21,553                                |
| 2,830   | Corporate and Democratic Core   |         | 3,303                                   | 0                         | 3,303                                 |
| 1,320   | Non Distributed Costs   |         | (4,078)                                 | 0                         | (4,078)                               |
| (5,394)   | Housing Revenue Account   |         | 15,880                                  | 20,469                    | (4,589)                               |
| 63  | Charitable Trusts   |         | 86                                      | 13                        | 73                                    |
| 1,717   | Share of Operating Result of Associates and Joint Ventures                        |         | 34,984                                  | 33,380                    | 1,604                                 |
| 232,913   | <b>NET COST OF SERVICES</b>   |         | 422,629                                 | 163,565                   | 259,064                               |
| (8,874)   | Gain on Disposal of Fixed Assets  |         |   |                           | (6,459)                               |
| (185)   | Net Deficit/(Surplus) on Trading Operations                                       |         |   |                           | (236)                                 |
| (270)   | Share of Tayside Contracts' Surplus   |         |   |                           | (177)                                 |
| 8,380   | Interest Payable and Similar Charges  |         |   |                           | 8,281                                 |
| 427   | Share of Interest Payable and Similar Charges of Associates                       |         |   |                           | 356                                   |
| 564   | Losses on the Repurchase or Early Settlement of Borrowing                         |         |   |                           | 432                                   |
| (2,316)   | Interest and Investment Income  |         |   |                           | (2,770)                               |
| (241)   | Share of Interest and Investment Income of Associates and Joint Ventures          |         |   |                           | (227)                                 |
| 742   | Pensions Interest Cost & Expected Return on Pensions Assets                       |         |   |                           | (1,509)                               |
| 9,480   | Share of Pension Interest Cost & Expected Return on Pensions Assets of Associates |         |   |                           | 9,421                                 |
| 240,620   | <b>NET OPERATING EXPENDITURE</b>  |         |   |                           | 266,176                               |
|   | <b>PRINCIPAL SOURCES OF FINANCE</b>   |         |   |                           |                                       |
| 131,000   | Revenue Support Grant   |         |   |                           | 138,661                               |
| 63,967  | Council Tax / Community Charge Income   |         |   |                           | 67,288                                |
| 50,876  | Distribution from Non Domestic Rates Pool   |         |   |                           | 50,886                                |
| 245,843   |   |         |   |                           | 256,835                               |
| (5,223)   | <b>(SURPLUS)/DEFICIT FOR THE YEAR</b>   |         |   |                           | 9,341                                 |

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

| <i>Restated</i> |  | <u>2006/07</u> |
|-----------------|--|----------------|
| <u>2005/06</u>  |  | <u>£'000</u>   |
| <i>£'000</i>    |  | <i>£'000</i>   |
| (16,405)        | (Surplus)/Deficit on the single entity Income and Expenditure Account for the year | (1,661)        |
|                 | Add:   |                |
| (209)           | ● Managed Funds - Charitable Trusts  | (134)          |
| 11,391          | ● Associates   | 11,136         |
| <u>(5,223)</u>  | Deficit for the year on the Group Income and Expenditure Account                   | <u>9,341</u>   |

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

| <i>Restated</i> |  | <i>2006/07</i>  |
|-----------------|--|-----------------|
| <u>2005/06</u>  |  | <u>£'000</u>    |
| £'000           |  | £'000           |
| (5,223)         | (Surplus)/Deficit for the year on the Group Income & Expenditure Account | 9,341           |
| 6,654           | Surplus arising on revaluation of fixed assets                           | (47,800)        |
| (13,796)        | Actuarial gains on pension fund assets and liabilities                   | (30,938)        |
| (6,735)         | Other Gains  | (583)           |
| <u>(19,100)</u> | Total recognised gains for the year                                      | <u>(69,980)</u> |



## GROUP CASH FLOW STATEMENT

| <u>2005/06</u> |   | <u>Notes</u> | 2006/07   |          |
|----------------|---|--------------|-----------|----------|
| £'000          |   |              | £'000     | £'000    |
| 24,726         | <b>NET CASH INFLOW FROM REVENUE ACTIVITIES</b>        | 8            |           | 37,665   |
|                | <b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b> |              |           |          |
|                | <b>Cash outflows</b>                                  |              |           |          |
| (8,158)        | Interest paid   |              | (8,393)   |          |
|                | <b>Cash inflows</b>                                   |              |           |          |
| 2,044          | Interest received                                     |              | 2,563     |          |
|                | <b>Net Cash (out)flow from Servicing of Finance</b>   |              |           | (5,830)  |
|                | <b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>   |              |           |          |
|                | <b>Cash outflows</b>                                  |              |           |          |
| (29,951)       | Purchase of fixed assets                              |              | (35,236)  |          |
|                | <b>Cash inflows</b>                                   |              |           |          |
| 12,703         | Sale of fixed assets                                  |              | 8,183     |          |
| 6,695          | Capital Grants & other capital cash receipts          |              | 7,628     |          |
|                | <b>Net Cash (out)flow from Capital Activities</b>     |              |           | (19,425) |
| 8,059          | <b>NET CASH INFLOW BEFORE FINANCING</b>               |              |           | 12,410   |
|                | <b>MANAGEMENT OF LIQUID RESOURCES</b>                 |              |           |          |
| (16,850)       | Net (increase)/decrease in Short Term deposits        |              |           | 500      |
|                | <b>FINANCING</b>                                      |              |           |          |
|                | <b>Cash outflows</b>                                  |              |           |          |
| (102,952)      | Repayments of amounts borrowed                        |              | (197,698) |          |
| (274)          | Premiums paid on debt rescheduling                    |              | (4,074)   |          |
|                |   |              | (201,772) |          |
|                | <b>Cash inflows</b>                                   |              |           |          |
| 114,272        | New loans raised                                      |              | 187,855   |          |
| 282            | Discounts received on debt rescheduling               |              | 757       |          |
|                | <b>Net Cash Outflow from Financing</b>                |              |           | (13,160) |
| 2,537          | <b>NET INCREASE/(DECREASE) IN CASH</b>                |              |           | (251)    |

## NOTES TO THE GROUP ACCOUNTS

### 1. Combining Entities

The results of Tayside Valuation, Tayside Fire and 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 and the ability to exercise significant influence over the Joint Boards. 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 | 38.10% (2005/06 38.10%) |
| Tayside Fire and Rescue Board | 29.00% (2005/06 29.00%) |
| Tayside Joint Police Board    | 30.17% (2005/06 30.17%) |

The accounting period for all entities is the year to 31 March 2007 and each of the Boards' Statements of Accounts presents fairly their individual financial position.

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

|                               |  |
|-------------------------------|--|
| Tayside Valuation Joint Board | Depute Chief Executive (Finance), Dundee City Council, Floor 4, 28 Crichton Street, Dundee, DD1 3RF. |
| Tayside Fire and 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.    |

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 49 of the Abstract of Accounts.

Perth and Kinross Council's 38% (2005/06 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. A copy 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.

The Council has included Perth and Kinross Leisure Ltd. within its group accounts. The Council does not have an 'interest' in the organisation as defined in ACOP. However, there is emerging custom and practice in Scotland that Leisure Trusts should be 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 organisation equates to the proportion of Board members who are also members of Perth & Kinross Council, which is 30% (2005/06; 30%). A copy of Perth and Kinross Leisure Ltd's accounts are published separately, and can be obtained from Perth and Kinross Leisure Ltd, Caledonia House, Hay Street, Perth, PH1 5HS.

### 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 Joint Boards as Associates on the Group Balance Sheet is to decrease both reserves and net assets by £188,669,000 (2005/06 £145,937,000) 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 Executive 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)

|   | 2006/07       | 2005/06       |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Net Debtors Balances - Note 23 to the Core Financial Statements | 26,659        | 27,966        |
| Charitable Trusts Debtors                                       | 13            | 13            |
| Tayside Contracts Joint Committee Debtors                       | 3,993         | 5,577         |
| Total Group Debtors   | <u>30,665</u> | <u>33,566</u> |

#### 5. Investments

|  | 2006/07       | 2005/06       |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Investments - Note 24 to the Core Financial Statements | 38,050        | 38,550        |
| Charitable Trusts Investments                          | 2,405         | 2,318         |
| Total Group Investments                                | <u>40,455</u> | <u>40,868</u> |

#### 6. Creditors

|  | 2006/07       | 2005/06       |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Net Creditors Balance - Note 25 to the Core Financial Statements | 42,712        | 38,979        |
| Charitable Trust Creditors                                       | (216)         | (169)         |
| Tayside Contracts Joint Committee Creditors                      | 625           | 116           |
| Total Group Investments  | <u>43,121</u> | <u>38,926</u> |

#### 7. Retirement Benefits

|  | 2006/07         | 2005/06         |
|--|-----------------|-----------------|
|  | £'000           | £'000           |
| Net Pensions Liability at 31 March - Note 9 to the Core Financial Statements | (45,099)        | (72,541)        |
| Tayside Contracts Joint Committee - Pensions Liability at 31 March           | (3,957)         | (5,912)         |
| Group Pension Liability at 31 March  | <u>(49,056)</u> | <u>(78,453)</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 £26,000 (2005/06 £803,000). This represents the Council's 38% (2005/06 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:

|  | 2006/07 |               | 2005/06 |               |
|--|---------|---------------|---------|---------------|
|  | £'000   | £'000         | £'000   | £'000         |
| Deficit/(Surplus) per Group Income and Expenditure Account |         | (9,341)       |         | 5,223         |
| Add Back: Net Interest                                     |         | 5,843         |         | 6,477         |
| Items on an Accruals Basis:                                |         |               |         |               |
| Movements in Stocks  | (60)    |               | (17)    |               |
| Movements in Debtors                                       | 5,112   |               | (208)   |               |
| Movements in Creditors                                     | 4,047   |               | (518)   |               |
| Movement in Provisions                                     | (211)   |               | 0       |               |
|  |         | 8,888         |         | (743)         |
| Movements in Non Cash Transactions                         |         | 32,275        |         | 13,769        |
| Net Cash Inflow from Revenue Activities                    |         | <u>37,665</u> |         | <u>24,726</u> |

## 9. Additional Disclosure

The aggregate of the Valuation, Fire and Rescue and Police Boards gross liabilities exceed 15% of the Group. In addition the Police Board gross liabilities exceed 25% of the group.

|  | Combined Boards |           | Police Board |           |
|--|-----------------|-----------|--------------|-----------|
|  | 2006/07         | 2005/06   | 2006/07      | 2005/06   |
|  | £'000           | £'000     | £'000        | £'000     |
| Grants and Contributions Received      | (37,421)        | (49,947)  | (28,452)     | (43,890)  |
| Surplus / (Deficit) For the Year       | n/a             | n/a       | 148          | 328       |
| Fixed Assets                           | 18,861          | 19,266    | 12,241       | 12,793    |
| Current Assets                         | 6,061           | 6,797     | 4,786        | 5,886     |
| Liabilities Due Within One Year        | (4,666)         | (5,101)   | (2,848)      | (4,121)   |
| Liabilities Due After One Year or more | (206,093)       | (206,921) | (155,382)    | (156,598) |

The main liability due after more than one year is in relation to each of the Boards' 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 £201,233,000 (2005/06 £197,295,000).

## 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 |         | Balance Due |         |
|-------------------------------|-------------|---------|-------------|---------|
|                               | From        | To      | From        | To      |
|                               | 31.3.07     | 31.3.07 | 31.3.06     | 31.3.06 |
|                               | £'000       | £'000   | £'000       | £'000   |
| Tayside Valuation Board       | 97          | (25)    | 52          | (74)    |
| Tayside Fire and Rescue Board | 0           | 0       | 34          | 0       |
| Tayside Police Board          | 585         | (125)   | 425         | (19)    |

## 11. 2005/06 Comparative Figures

The Group Accounts have been restated to reflect the new Accounting Statements required under ACOP.

## **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 2007 under Part VII of the Local Government (Scotland) Act 1973. These comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and Notes to the Core Financial Statements, Housing Revenue Account, Council Tax Income Account, Non Domestic Rate Income Account, Loans Fund, Charitable Trusts and Common Good and related notes, and the Group Accounts and the 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 Chief Finance Officer and Auditors**

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

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 present fairly the financial position of the Council and its group in accordance with applicable laws and regulations and the 2006 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. We also report if, in our opinion, the Foreword is not consistent with the financial statements, if 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 Statement on the System of Internal Control for 2006/07 reflects the Council and its group's compliance with the SORP. We report if, in our opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement covers all risk and controls. Neither are we required to form an opinion on the effectiveness of the Council and its group's corporate governance procedures or its risk and control procedures.

#### **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. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Chief Finance Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council 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 present fairly, in accordance with applicable laws and regulations and the 2006 SORP, the financial position of Perth & Kinross Council and its group as at 31 March 2007 and its income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

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

*28 September 2007*

## **PERFORMANCE INDICATORS**

The Council's Statutory Performance Indicators for 2006/07 are included within the 2006/07 Annual Report & Performance Digest. This document can be obtained from Strategic Management & Improvement, 2 High Street, Perth, PH1 5PH.