



PERTH & KINROSS COUNCIL

STATEMENT OF ACCOUNTS

2007/2008

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 2007/08 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 17 to 66 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 Internal Control for 2007/08

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.

Statement of Total Recognised Gains and Losses

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

Balance Sheet

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

Cash Flow Statement

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

Housing Revenue Account

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

Council Tax Income Account

This account shows the net income raised from local taxes.

Non-Domestic Rate Income Account

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

Loans Fund

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

Charitable Trusts

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

Common Good

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

Group Accounts

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

Major Changes in Accounting Practice

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007: A Statement of Recommended Practice (SORP). The Code is updated regularly to take account of any changes in accounting practice.

The 2007 Statement of Recommended Practice contains two significant changes which are reflected in the Statement of Accounts in 2007/08:

- I. The replacement of the Fixed Asset Restatement Account and Capital Financing Account with a Revaluation Reserve and Capital Adjustment Account. In accordance with Financial Reporting Standard (FRS) 3 (Reporting Financial Performance), this change would normally require a prior period adjustment which would comprise determining opening balances on the Revaluation Reserve and Capital Adjustment Account. The 2007 SORP acknowledges, however, that local authorities do not have the information to enable them to determine a reliable opening balance on the Revaluation Reserve. Accordingly, the new requirements are being applied prospectively and the balance on the Revaluation Reserve at 31 March 2007 is therefore zero. The balance on the Capital Adjustment Account at 31 March 2007 is the combined total of the Fixed Asset Restatement Account and Capital Financing Account.
- II. Revised arrangements for accounting for Financial Instruments, based on Financial Reporting Standards 25, 26 and 29.

There have been major changes in the accounting treatment of financial instruments, including soft loans and guarantees, which have been designed to present higher quality information on financial instruments in line with the private sector. In addition, in order to help identify, quantify and inform on the exposure to and management of risk, new 'fair value' disclosure requirements have been introduced. The Scottish Government introduced Statutory Guidance to mitigate the impact of the restatement of accounts required under the SORP on Council Tax. The Statutory Guidance also amends some aspects of the SORP insofar as it impacts on the Income and Expenditure Account and Council Tax levels in 2007/08 and subsequent years. All adjustments required under the Statutory Guidance are made through the Financial Instruments Adjustment Account (FIAA).

Preparation of Group Accounts

The Council has fully implemented the requirements of the SORP in respect of Group Accounts for 2007/08. This includes accounting for the Police, Fire & Rescue and Valuation Joint Boards; Horsecross Arts Ltd and Perth & Kinross Leisure Ltd. as associates of the Council. All associates have prepared their accounts on a going concern basis. The Statements also include the Charitable Funds administered by the Council and the Council's share of Tayside Contracts Joint Committee.

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

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

The Council's income and expenditure for financial year 2007/08 is detailed in the Income and Expenditure Account set out on page 17. It should be noted that the classification of Services in this statement complies with that prescribed by the Best Value Accounting Code of Practice and differs from the management structure of the Council. The major differences are that 'Education' excludes expenditure on Children's Services, which is reported in the accounts under 'Social Work Services'; that 'Cultural & Related Services' includes expenditure on the Council's Arts & Heritage, Libraries & Archives, Outdoor Services and Recreation Activities and that "Environmental Services" includes expenditure on Flood Prevention.

Under the Council's Revenue Budget Flexibility Scheme Executive Directors are permitted, with the prior approval of the Council, to carry forward budget under-spends of up to 2.5% of the value of their net Service Budget into the following financial year. The scheme limits the carry forward of budget over-spends to 1% of the value of net Service budgets. The carry-forward of underspends totalling £2,349,000 from both 2007/08 (£2,249,000) and prior years (£100,000) into 2008/09 and future years under the budget flexibility scheme has previously been approved by the Council and this position is reflected within the results for 2007/08 set out below. The Council's financial planning has been greatly facilitated by this management of resources over the longer term.

The following table summarises the movement on the Council's General Fund balance in 2007/08 including the main variances from budget reflected within the Income and Expenditure Account. The budget figures are based on the 2007/08 General Fund Revenue Management Budget approved by the Council's Strategic Policy & Resources Committee on 16 April 2008 and the 2007/08 Housing Revenue Account Budget. The General Fund Revenue Management Budget assumed a net contribution from balances of £5,359,000 whilst the Housing Revenue Account Budget assumed a further net contribution from balances of £4,136,000 resulting in a total budgeted contribution from General Fund balances of £9,495,000 in 2007/08. In preparing the accounts, adjustments have been made to the budget for the receipt of £1,020,000 of developer contributions; a reduction of £2,000,000 in the planned use of General Fund Balances approved by the Council in setting the 2008/09 Revenue Budget and the transfer from balances of an additional £108,000 of funding retrospectively identified as being for election systems. This results in a revised budgeted contribution from General Fund Balances of £6,583,000 in 2007/08. The budget has also been 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	2007/08	2007/08	Variance Against Budget £'000
	Actual Net Expenditure £'000	Budgeted Net Expenditure £'000	
Education Services	112,868	116,299	(3,431)
Social Work Services	62,242	63,263	(1,021)
Roads & Transport Services	16,447	17,537	(1,090)
Planning & Development Services	3,246	4,255	(1,009)
Housing Services (General Fund)	4,662	4,113	549
Housing Revenue Account	(1,688)	(1,924)	236
(Gains) / Losses on the Repurchase or Early Settlement of borrowing	(1,598)	0	(1,598)
Interest and Investment Income	(2,661)	(1,730)	(931)
Interest payable and similar charges	8,090	7,620	470
Council Tax / Community Charge Income	(69,707)	(68,627)	(1,080)
Other Items Net	(134,475)	(134,223)	(252)
Movement on the General Fund Balance	<u>(2,574)</u>	<u>6,583</u>	<u>(9,157)</u>

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

Education Services (Under-spend £3,431,000):

Non Devolved Budget

Expenditure on administrative and support staff was £1,307,000 less than budget due to a high number of vacancies; staff turnover and a managed saving on staff costs of £350,000 as part of the budget strategy for 2008/09.

Net expenditure on Pre-School Education was £358,000 lower than anticipated due to the receipt of income from the former Scottish Executive for an increase in the level of payments to external nursery providers which had already been budgeted for by the Council. Property costs were under-spent by £243,000 due to reduced charges for property maintenance and metered water. A saving of £154,000 was generated on pupil transport through the re-tendering of transport contracts whilst expenditure on supplies & services was £153,000 less than budget.

The delay in implementing a Single Status agreement for Tayside Contracts Joint Committee resulted in lower than anticipated costs on cleaning & catering contracts of £149,000. Expenditure on Education Services has also been adjusted for the write-back to balances of a £535,000 provision for the Council's anticipated share of equal pay liabilities in respect of Tayside Contracts Joint Committee as set out in Notes 32 and 36 to the accounts. A range of minor variances across a number of budget headings resulted in further net under-spending of £80,000.

These under-spends were partly offset by additional expenditure of £422,000 on consultancy costs during the final negotiation phase of the Public Private Partnership contract to deliver six new school campuses throughout Perth & Kinross. Expenditure on services for young people with additional support needs was also overspent by £277,000 due to the number of clients being placed outwith the Council's mainstream care provision. In total, the net under-spend on Education Services budgets not devolved to schools was £2,280,000.

Devolved School Management Budget:

The net under-spend on the Council's Devolved School Management (DSM) Budget was £1,151,000. The DSM budget is part of the overall budget for Education Services and represents those funds directly managed by school head teachers.

Expenditure on school teaching staff was £2,839,000 less than budget due to sickness absence and teaching vacancies throughout the year while expenditure on school based administrative and support staff was a further £249,000 less than budget due to vacancies and staff turnover. These under-spends were partly offset by additional expenditure of £1,363,000 on supply teachers to ensure adequate teaching provision and a budgeted staff slippage target of £1,060,000.

Additional income of £250,000 from the Scottish Qualifications Agency and from pupil contributions towards school activities together with various savings totalling £236,000 in respect of transport allowances; supplies & services and property costs represent the balance of under-spending on the Devolved School Management Budget.

The £2,280,000 under-spend on the Non Devolved Education Budget together with the £1,151,000 under-spend on the Devolved School Management Budget represents the £3,431,000 overall under-spend on Education Services reflected within the Income & Expenditure Account.

Social Work Services (Under-spend £1,021,000):

Social Work Services for Adults

The net under-spend on the provision of Social Work Services for Adults was £1,478,000. Expenditure on residential & nursing care placements for clients aged over 65 was £1,283,000 less than budget due to a reduction in the number of clients being assessed as requiring this type of care. Expenditure on home care services was conversely £847,000 in excess of budget due to an increase in the number of clients being assessed as suitable for home care packages, with further growth in home care limited by difficulties experienced by both the Council and external providers in recruiting appropriately qualified staff.

A rise in the number of self-funding clients generated additional income of £213,000 in relation to the operation of the Council's own residential homes. Additional income of £331,000 from NHS Tayside is also recognised within the accounts, with the intention that part of this funding be carried forward into financial year 2008/09 to support the delivery of shared priorities. Staff vacancies resulted in further under-spends of £141,000 within the mental health team and of £120,000 within the training team. Central charges for support services and property maintenance were £106,000 less than budgeted with various minor under-spends across a range of services comprising the £131,000 balance of the under-spend on Social Work Services for Adults.

Social Work Services for Young People

Net expenditure on the provision of Social Work Services for Young People was £457,000 in excess of budget. The most significant variance was an over-spend of £895,000 on the cost of placing young people outwith mainstream school provision, including the cost of placements ordered by the Children's Panel. This expenditure was partially offset by a £427,000 under-spend on staff costs in Children's Services reflecting a high level of vacancies. The remaining £11,000 of under-spending reflects minor compensating variances across a range of expenditure headings

The £1,478,000 under-spend on Social Work Services for Adults together with the £457,000 over-spend on Social Work Services for Young People represents the £1,021,000 overall net under-spend on Social Work Services reflected within the Income & Expenditure Account.

Roads & Transport Services (Underspend £1,090,000):

Expenditure on winter maintenance was £256,000 less than budget due to a reduction in the number of occasions when maintenance units required to be mobilised in light of relatively mild winter conditions. Staff costs were £236,000 less than anticipated due to staff vacancies and delays in filling posts whilst an additional £168,000 of staff costs were charged to the Capital Budget in recognition of the time spent by engineering staff on developing and delivering the Roads & Transport Capital Programme. Within the Car Parking Account, expenditure on Capital Financed from Current Revenue (CFCR) was £137,000 less than budget due to delays in the completion of extension works to the park & ride facilities at Broxden, Perth whilst the account also reflects £158,000 of additional income from the issue of parking penalty charge notices. Of the remaining net under-spend of £135,000 on the service budget, £108,000 results from a reduction in borrowing costs in respect of the funding of roads infrastructure works at Craighall Gorge due to delays in delivering the project.

Planning & Development Services (Under-spend £1,009,000):

Difficulties in recruiting professional planning staff resulted in an under-spend on staff costs of £383,000. Fee income generated from building warrants was £364,000 in excess of budget due to a marked increase in applications in the period prior to changes in building standards legislation. Delays in progressing projects led to under-spending on city centre partnership initiatives of £387,000 and on other planning initiatives of £194,000 with the intention being to carry this money forward into financial year 2008/09. A further net under-spend of £206,000 reflects variances across a range of budget headings including economic development initiatives and central charges for accommodation and support services. The inclusion of £525,000 of costs in relation to planning enquiries and land reform legislation reduced the net under-spend on Planning & Development Services to £1,009,000.

Housing Services (General Fund) (Over-spend £549,000):

Expenditure on housing benefit payments was a net £337,000 in excess of budget due to a reduction in the level of benefit subsidy recovered from the Department of Work and Pensions and lower than anticipated recovery of benefit overpayments. The use of existing council housing stock to provide accommodation for homeless clients resulted in over-spends of £245,000 on rental payments to the Housing Revenue Account (HRA) for use of this stock and £193,000 on refurbishment and repair works on housing let to homeless clients. An over-spend of £178,000 arose on supplies & services; central charges for office accommodation and support services were £145,000 in excess of budget and further minor over-spends totalling £70,000 were incurred in relation to third party payments and transport costs. Under-spending on staff costs of £282,000 together with additional income of £337,000, including the recharge of the housing allocations team to the HRA, brought the net over-spend on Housing Services (General Fund) to £549,000.

(Gains) / Losses on the Repurchase or Early Settlement of Borrowing (£1,598,000 Gain):

The net gain reflects pro-active management of the Council's debt portfolio throughout the year with the £3,896,000 of premiums incurred on the redemption of debt being exceeded by £5,494,000 of discounts. This gain has been used to invest in Council modernisation through the Investment in Improvement Fund.

Interest and Investment Income (£931,000 of additional income):

Additional investment income of £931,000 was generated through pro-active treasury management and improved returns on short-term lending reflecting prevailing conditions within the financial markets.

Interest Payable and Similar Charges (Over-spend £470,000)

This variance mainly reflects the increased cost of short-term borrowing incurred to manage cash flows during the year following the debt repayment discussed above.

Council Tax Income / Community Charge Income (Additional Income £1,080,000):

This variance mainly reflects improved performance in collecting outstanding Council Tax from prior years.

As detailed in the Statement of Movement on the General Fund Balance on page 18, the increase in the Council's General Fund Balance for the year was £2,574,000. This represents a movement of £9,157,000 from the budgeted contribution from Reserves of £6,583,000 assumed within the 2007/08 Revenue Budget. This movement includes £2,249,000 of Service under-spends previously reported to Council and approved as a carry-forward into financial year 2008/09 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 2007/08. 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 Government. The Teachers' scheme is exempt from the accounting requirements of FRS 17 as pension assets and liabilities cannot reliably be attributed to participating authorities. In respect of the Teacher's Scheme, the Income & Expenditure Account reflects only the cash payments made by the Council as an employer to the scheme as detailed in Note 9 to the Core Financial Statements.

Other Council employees are eligible to join the Local Government Pension Scheme (LGPS), administered locally through the Tayside Superannuation Fund. Based upon estimates provided by the Fund Actuary, Note 9 to the Core Financial Statements details the amounts charged to revenue under FRS 17 in respect of the Local Government Pension Scheme and the movement in the Council's estimated net pension liability. The Fund Actuary has estimated that Perth & Kinross Council has a net pension liability as at 31 March 2008 of £27,521,000 (2006/07 £45,099,000) based upon the actuarial estimation 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). The liability is reflected within the Council's Balance Sheet and is offset by the Council's Pension Reserve.

Group Accounts

In accordance with the SORP, the 2007/08 Group Account Statements are included on pages 58 to 62. The notes to the Group Accounts statements on pages 63 to 66 set out the basis for consolidation.

The effect of consolidation is to reduce the Council's net assets by £167,022,000, resulting in the Group balance sheet showing a net worth for the Council of £81,097,000 at 31 March 2008 as set out on page 61. This position reflects the Council's share of the pension liabilities of the Associates included within the Group balance sheet which are estimated, in accordance with Financial Reporting Standard (FRS) 17 'Retirement Benefits', to be £188,875,000 at 31 March 2008.

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 and Rescue pension schemes.

Results for the Year: Housing Revenue Account (HRA) (Over-spend: £236,000)

Income and expenditure on the Council's Housing Revenue Account is detailed on page 48 and the movement in the HRA Balance analysed on page 49.

Expenditure on Capital Financed from Current Revenue (CFCR) was £1,088,000 less than budget due primarily to slippage on the kitchen and bathroom replacement programme. Savings on over-time payments of £157,000; on staff training & Single Status of £132,000 and from the recharge of £143,000 of staff time on project management to the Housing Capital Budget were partly offset by un-budgeted expenditure of £273,000 incurred in meeting the cost of the housing allocations team from the HRA as required under proper accounting practice. A net under-spend of £150,000 arose on Capital Financing Costs, primarily due to debt rescheduling.

This position was, however, offset by increased expenditure of £901,000 on responsive repairs to council houses, in part to meet the increased demand for empty properties given the growth in the number of clients presenting themselves as homeless. Additional expenditure of £151,000 was also incurred in undertaking works to Greyfriars Hostel whilst a further over-spend of £515,000 arose as a result of meeting early termination costs on leased central heating contracts. Further net over-spends of £66,000 were incurred including central charges for support services.

The balance on the Housing Revenue Account at 31 March 2008 was £981,000.

General Fund Balance at 31 March 2008

The General Fund Balance at 31 March 2008 is shown within the Balance Sheet on page 20 as £36,419,000 (this figure includes £981,000 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 2008 which are summarised in Note 37 to the accounts and detailed below:

General Fund Balance at 31 March 2008

	Commitments	General Fund Balance at 31.03.08
	£'000	£'000
General Fund Balance Per Accounts		36,419
<u>Commitments Against Balances</u>		
Devolved School Management (DSM) Balances	(1,151)	
Car Parking	(1,383)	
Tayside Fire & Rescue Board	(269)	
Budget Flexibility (approved in 2007/08)	(2,249)	
Budget Flexibility (prior year approvals)	(100)	
Single Status Provision	(5,027)	
Equal Pay Strategy	(2,768)	
Future Early Retirement Costs	(750)	
Free Personal Care	(400)	
Investment In Learning Project	(2,274)	
Budgeted Contribution from Reserves	(400)	
Revenue Budget Commitments 2008/09 to 2010/11	(375)	
Investment in Improvement Funds	(2,074)	
Council Tax Income on Second Homes	(2,708)	
Developers Contributions: Commuted Sums	(625)	
Developers Contributions : Affordable Housing	(1,433)	
Energy Efficiency Fund	(191)	
Financial Assistance	(40)	
Housing Revenue Account	(231)	
		<u>(24,448)</u>
Uncommitted General Fund Balance at 31 March 2008		<u>11,971</u>
Comprising:		
Uncommitted Balance on General Fund (exc. HRA)		11,221
Uncommitted Balance (ear-marked for Housing Revenue Account)		750
		<u>11,971</u>

In terms of commitments against the General Fund Balance, £1,151,000 is earmarked for schools participating in the Council's Devolved School Management Scheme. A further £1,383,000 of the balance is earmarked for Car Parking and £269,000 is earmarked for future payments to Tayside Fire & Rescue Board, the funding for this having previously been received from the former Scottish Executive.

In setting the Revenue Budgets for 2008/09 the Council approved the carry-forward of resources derived from Service under-spending in 2007/08 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 2007/08 amount to £2,249,000 with a further £100,000 of budget flexibility commitments arising from prior-year approvals.

The Council's current Reserves Strategy, as approved in February 2008, authorised the following commitments against General Fund Balances:

In common with many other local authorities, the Council has recognised its potential liability under the Equal Pay Act 1970 in respect of inherited national and local pay structures which, in some instances, differentiated between male and female employees undertaking work of equal value. The Council's potential liability to equal pay claims relates both to its own employees and to its share of the potential liability of Tayside Contracts Joint Committee. The Council had previously provided for £535,000 within the 2006/07 Final Accounts for its share of potential costs in relation to the settlement of equal pay claims for Tayside Contracts employees. Since the preparation of last year's accounts, the Council's potential exposure to current and future equal pay claims has become increasingly uncertain and this provision has been written back to General Fund Balances. A contingent liability in respect of equal pay claims has been identified for financial year 2007/08 as detailed in Note 36 to the accounts and £2,768,000 of balances have been ear-marked for settling potential equal pay liabilities.

On 1 August 2007, the Council took steps to address issues of pay equality for its own employees through the introduction of a 'Single Status' agreement whereby the pay and grading structure for the majority of non-teaching posts is now determined following a comprehensive job evaluation exercise. Balances of £5,027,000 are set aside to assist in meeting the cost in future years of implementing the Single Status agreement on staff pay and conditions.

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 any further General Fund Early Retirements. A further £400,000 has been earmarked from balances to meet a potential liability on the part of the Council in respect of fees previously charged to individuals under the Free Personal Care legislation. This has arisen due to the conflicting advice received from the former Scottish Executive as to whether meal preparation is included within Free Personal Care and also reflects 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 while on 'waiting lists'.

In setting the Revenue Budget for 2008/09, the Council earmarked £2,274,000 of General Fund Balances to part finance the purchase of decant accommodation at Breadalbane Academy in support of the delivery of the Investment in Learning Programme. The Council earmarked a further £400,000 of General Fund balances to fund the contingency budget in 2007/08 and a further £375,000 spread over financial years 2008/09 - 2010/11 to finance the development of proposals for a cultural campus and to support the celebration in 2010 of the 800th anniversary of the founding of Perth as a Royal Burgh. A further £2,074,000 has been earmarked for the Council's Investment in Improvement Fund which supports the modernisation and improvement of Council Services.

The Council has previously agreed to reduce the level of Council Tax Discounts on Second Homes and Long Term Unoccupied Dwellings to 10% to create funding to support the development of affordable housing within the Perth & Kinross area in partnership with Registered Social Landlords. Within the General Fund Balance at 31 March 2008 the sum of £2,708,000 has been generated through reductions in Council Tax Discounts and has been ear-marked accordingly. Through the planning approval process, commercial property developers make contributions to support the adoption by the Council of roads & footways and the creation and maintenance of play areas and open spaces. This income, totalling £625,000, is shown as a commitment against the General Fund Balance. Further developer contributions of £1,433,000 toward the provision of affordable housing are also shown as a commitment against General Fund Balances; £191,000 is earmarked for the Energy Efficiency Fund and £40,000 is ear-marked for financial assistance in respect of the Mod.

Of the total surplus on the Housing Revenue Account of £981,000 at 31 March 2008, the Council has previously agreed to retain an uncommitted balance of £750,000 on the HRA. The remaining balance of £231,000 represents the Housing Revenue Account's element of the 'Investment in Improvement Fund'.

After recognising commitments totalling £24,448,000, the un-committed General Fund Reserve at 31 March 2008, excluding the HRA, is £11,221,000. This represents approximately 3.5% of the Council's budgeted Net Revenue expenditure in 2008/09 which is within the approved range of uncommitted balances which is 2% to 4%. The Council holds balances to help cushion the impact of uneven cash flows; as a contingency to assist in meeting the cost of unexpected events and as a method of funding known or anticipated liabilities.

Contingent Liabilities

As set out in Note 36 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 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 2008 was Renewal & Repair Fund £1,171,000; Insurance Fund £1,863,000 and Capital Fund £3,636,000 respectively with the movements on these funds being summarised in Note 38 to the Core Financial Statements.

Capital Expenditure

A summary of the Council's capital expenditure is reflected within Note 16 to the Core Financial Statements shown on page 32. Gross capital expenditure, including Capital Financed from Current Revenue (CFCR), was £55,515,000. This total comprises £18,615,000 on the Council's Housing Revenue Account (HRA) and £36,900,000 on the Council's Composite (General Fund) Programme.

Expenditure on the Composite Programme includes £9,635,000 on Education projects, including £4,687,000 on the completion of the new Fairview Additional Support Needs School on the Perth Academy campus and £2,698,000 on various primary schools under the School Upgrade Programme. A total of £12,813,000 was spent on roads & transport projects, including £6,927,000 on structural maintenance, £1,130,000 on park and ride schemes, and £3,240,000 on improvement schemes, including the A93 Craighall Gorge Re-alignment; A93 safety fencing and new rural footways. There was also expenditure of £671,000 on road safety measures, mostly related to school routes, and a further £404,000 on rural flood prevention schemes. The remaining £14,452,000 of General Fund expenditure includes expenditure on acquiring vehicles for the Council's fleet (£1,886,000); on wheeled bins (£192,000); on a new depot at Inveralmond Industrial Estate (£3,174,000) and on upgrading the Council's property fabric, including energy efficiency schemes and double glazing (£1,772,000). 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 £12,167,000 being incurred on kitchen and bathroom replacements and improvements, £3,187,000 being spent on replacement double glazing and energy efficiency measures, and £1,664,000 on external refurbishments. Of the balance, £937,000 was spent on the purchase of property and £775,000 being spent on regeneration projects, computer systems and on a range of small schemes.

The capital expenditure was funded through borrowing, sale of assets, various grants, other miscellaneous capital receipts, and directly from the General Fund and Housing Revenue Account Budgets. The Council borrows from various sources, the most significant being the Public Works Loan Board (PWLB). As at 31 March 2008, the Council had long term liabilities relating to the funding of capital expenditure of £156,526,000 (measured at par value).

Future Expenditure

Revenue

The Council approved the 2008/09 General Fund Net Revenue Budget and set the 2008/09 Council Tax at a special meeting on 14 February 2008. The 2008/09 General Fund Net Revenue Budget amounts to £320,352,000 inclusive of government grants. As in previous years, it is anticipated that the Revenue Budget ultimately reflected within the 2008/09 Final Accounts will differ from this figure as a result of both adjustments to the management budget approved by the Council during the course of the financial year and additional funding announcements by the Scottish Government. The Council has also set provisional Revenue Budgets for financial years 2009/10 and 2010/11.

The Council has identified a number of significant financial risks in preparing the Revenue Budget for 2008/09 – 2010/11. The most significant of these include the Council's potential exposure to further costs in relation to equal pay claims; the development of the Investment in Learning Programme and the challenging targets set for savings from the development of shared support services and business re-design. These risks have been managed, as far as they can be foreseen, through the Council's Reserves Strategy for 2008/09 as approved by Council on 14 February 2008. Since the setting of the budget, inflation in key areas such as energy and fuel costs has risen significantly and the maintenance of appropriate un-committed General Fund Balances will be required to assist in managing the Council's finances over the medium term.

The Council approved the 2008/09 Housing Revenue Account (HRA) Budget and Rent Levels at the meeting of the Housing & Health Committee on 6 February 2008. The Gross HRA Budget for 2008/09 amounts to £21,728,403 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 Government and agreed with the Perth & Kinross Tenant's Federation.

Capital

The Council approved the Composite Capital Budget 2008/09 – 2012/13 (excluding the HRA) at the special meeting of the Council on 14 February 2008. The approved Gross Capital Budget for 2008/09 is £48,655,000; for 2009/10, £22,206,000; for 2010/11, £29,681,000; for 2011/12, £28,285,000 and for 2012/13, £35,167,000.

The Council's capital expenditure plans, as reflected within the above budgets, include the major refurbishment and expansion of various schools to address increasing school rolls and revised standards for school accommodation, as well as planned improvements to the local roads network. The Council has also made provision for the redevelopment of several parks and public spaces, as well as the redevelopment of Perth Theatre. Energy efficiency and conservation measures continue to feature 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 2008/09 - 2010/11 was approved by the Council's Housing and Health Committee on 21 May 2008. The Approved Gross HRA Capital Budget for 2008/09 is £25,563,000; for 2009/10, £27,153,000 and for 2010/11, £11,665,000. Capital expenditure on the Housing Revenue Account in 2008/09 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 continuation of the purchase of properties to assist in addressing the problem of homelessness in Perth & Kinross, as well as provision for the development of a new depot for the Housing Repairs Service.

On 4 October 2007 the Council entered into a binding contract and credit agreement with Axiom Education (Perth & Kinross) Ltd. for the construction of six new school campuses over the coming five years under the Council's Investment in Learning Programme. The building assets created under the contract are not recognised on the Council's Balance Sheet and will be owned and operated by the contractor under a public private partnership contract with the Council being liable for payment of a 'unitary charge' from financial year 2009/10 onwards.

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 2007/08 financial year.

J A Symon ACA
Head of Finance
26 September 2008

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 2008.

J A Symon ACA
Head of Finance
Perth & Kinross Council
26 September 2008

STATEMENT ON INTERNAL CONTROL FOR 2007/08

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 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.

The Council has to report within its own Statement on Internal Control for 2007/08 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 and Horsecross Arts Ltd, reliance has been placed upon the unaudited financial statements of the company.

In 2007/2008, the Council has invested in strengthening its corporate governance arrangements in a number of ways. A number of reviews were carried out during the year including the Corporate Equalities and Corporate Complaints Reviews. In addition, the Council is undertaking a review of its Local Code of Corporate Guidance to ensure that it is fit for purpose, effective and complies with the SOLACE Good Governance Framework.

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 annual reviews 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 Head of Strategic Management and Improvement and the Head of Legal Services. 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 the Executive Director (Corporate Services) and the Head of Legal Services, 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 implementing and monitoring the community engagement strategy thus enabling the council to become more systematic in involving communities and in particular equalities groups.
- by enhancing performance management processes by being more systematic in the use of customer satisfaction information, articulation of milestones and outcomes and benchmarking comparators.
- by further strengthening our approach to inclusion, equalities and fairness in terms of service provision.
- by ensuring that processes and procedures relating to information systems are properly documented and comply with Data Protection requirements.
- by continuing to develop an enabling corporate governance framework and systematic review process.
- by developing and implementing workforce planning and ensuring that all employees have reviews that are up to date and objectives set and monitored.
- by further developing long-term financial planning linked with policy led budgeting and asset management plans.
- by ensuring that there are proper and effective procedures in place for managing capital and partnership procurement projects.
- by continuing work to ensure that best value is achieved in all procurement project work.
- by actioning significant areas for improvement identified through the work of the Council's internal audit function.
- by continuing to develop effective Health & Safety procedures in respect of employees, contractors and the public.
- by completing the implementation of enhanced control and quality assurance procedures within the Council's Internal Audit function.

We are satisfied that these steps will address the need for improvements which were identified in our 2007/2008 review and will review their implementation and operation as part of our next annual review.

Signed:

I Miller
Leader of the Administration,
Perth & Kinross Council

Date: 30 June 2008

B Malone
Chief Executive,
Perth & Kinross Council

Date: 30 June 2008

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 2007 (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.

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

Basis of Funding and Charging for Capital

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

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

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

Depreciation

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

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

Receipts from the Sale of Capital Assets

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

Contingent Liabilities

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

Operating Leases

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

Central Support Services

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

Government and EC Grants

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

Stocks and Work in Progress

Stocks are valued at the lower of cost or net realisable value. Work in progress is valued at the cost of direct materials and labour plus attributable overheads based on the normal level of activity less any attributable losses.

In the Council's Group Accounts the Tayside Fire & Rescue Board values stock on an average cost basis. This departure from standard accounting practice is immaterial to the Group's overall financial position.

Provisions

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

Provision has been made for bad and doubtful debts in respect of Council Tax, Community Charge, Non-Domestic Rates, Housing Rents and other items of income, where appropriate. In all cases the level of provision is based on experience and an assessment of the prospects of recovering the related debt. Provisions other than bad and doubtful debts are explained in the Notes to the Core Financial Statements.

Pensions

In accordance with ACOP, Financial Reporting Standard (FRS) 17 "Retirement Benefits" has been implemented in full in preparing the accounts for 2007/08.

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 2008. The Actuary's assessment of the true cost of retirement benefits earned by employees during the year has been charged against Services in the Income and Expenditure Account whilst the pension assets and liabilities attributable to the Council are reflected within the Balance Sheet. Under the Local Government Pension Reserve Fund (Scotland) Regulations 2003, the Council has established a Pensions Reserve to account for its long term net pension's liability.

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

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

Repurchase of Borrowing

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Income and Expenditure Account in the periods during which the repurchase or early settlement is made. Where repurchase of borrowing is undertaken which results in a 'modification' of the debt, then under statutory guidance any premium incurred or discount received may be recognised over the period of the replacement borrowing. There were no such debt modifications in 2007/08.

Prior Period Adjustments

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

Public Private Partnership

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

Value Added Tax

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

Reserves

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

Deferred Credits

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

Group Accounts

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

Basis of Consolidation

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

Financial Instruments

The change in accounting standards has meant that most financial instruments (whether borrowing or investment) have, in 2007/08, to be valued on an amortised costs basis using the effective interest rate (EIR) method.

However, it should be noted that figures for 31 March 2007 which appear in these disclosure notes are shown unaltered from those which were published in the accounts for 2006/07 i.e. they have not been restated to amortised cost. Consequently, the figures for 31 March 2007 and 31 March 2008 are not properly comparable as they have been produced on two different bases. This will not occur in the accounts for future years when two years' figures will be properly comparable.

Financial instruments are also shown in Note 28 on pages 37 to 38 at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy or sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Guidance from CIPFA states that as fair value valuations were not calculated as at 31 March 2007, the comparator figures for fair value as at 31 March 2007 in the notes cannot be completed and therefore no figures appear.

For the same reasons, no figures appear under 'Gains and losses on financial instruments' for 2006/07.

INCOME AND EXPENDITURE ACCOUNT

<u>2006/07</u>	<u>2007/08</u>				
<i>Actual Net Expenditure £'000</i>	Note	Actual Gross Expenditure £'000	Actual Income £'000	Actual Net Expenditure £'000	Budgeted Net Expenditure £'000
COUNCIL SERVICES					
129,834		137,757	24,889	112,868	116,299
55,320		82,186	19,944	62,242	63,263
15,889		24,128	7,681	16,447	17,537
3,877		9,171	5,925	3,246	4,255
3,774		38,423	33,761	4,662	4,113
14,881		18,990	1,960	17,030	16,703
14,834		37,667	18,587	19,080	19,192
2,789	1	4,890	2,043	2,847	3,033
21,553	2	24,246	1,880	22,366	22,699
3,303		2,962	0	2,962	3,152
(4,078)		784	0	784	782
(4,589)		19,215	20,903	(1,688)	(1,924)
257,387		400,419	137,573	262,846	269,104
(6,441)				(5,489)	0
(236)	14			132	92
(177)				(191)	(190)
432	3			(1,598)	0
(2,563)				(2,661)	(1,730)
8,281				8,090	7,620
(1,509)	9			(2,461)	(2,461)
255,174				258,668	272,435
PRINCIPAL SOURCES OF FINANCE					
(138,661)				(149,145)	(149,002)
(67,288)				(69,707)	(68,627)
(50,886)				(50,402)	(50,369)
(256,835)				(269,254)	(267,998)
(1,661)				(10,586)	4,437

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

This statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance excluding Housing Revenue Account transactions. The Statement of Movement on the HRA Balance on page 49 of the Notes to the Core Financial Statements details equivalent information for the Housing Revenue Account.

<i>2006/07</i>	Note	<i>2007/08</i>
<i>£'000</i>		<i>£'000</i>
<i>(1,661)</i>	Surplus for the year on the Income and Expenditure Account	<i>(10,586)</i>
<i>(5,404)</i>	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	<i>8,012</i>
<i>(7,065)</i>	Increase in General Fund Balance for the Year	<i>(2,574)</i>
<i>(26,780)</i>	General Fund Balance brought forward	<i>(33,845)</i>
<i>(33,845)</i>	General Fund Balance carried forward	<i>(36,419)</i>

Under the transition arrangements in the 2007 SORP, the following adjustments took place to the General Fund Balance on 1 April 2007.

	<u>£'000</u>
General Fund Balance as at 31 March 2007	(33,845)
Transition adjustments in compliance with 2007 SORP	
- Deferred premiums on the early repayment of debt	(15,863)
- Deferred discounts on the early repayment of debt	235
- Borrowing repayable within a period in excess of 12 months (LOBO's)	(1,179)
Transfer to Financial Instrument Adjustment Account, per Statutory Guidance (see Statement of Total Recognised Gains & Losses, page 19)	16,807
Adjusted Opening General Fund Balance	(33,845)

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.

<u>2006/07</u>		<u>2007/08</u>
<u>£'000</u>		<u>£'000</u>
(1,661)	Surplus on the Income and Expenditure Account for the year	(10,586)
(47,878)	Surplus arising on revaluation of fixed assets	(28,442)
(22,130)	Actuarial gains on pension fund assets and liabilities	(14,017)
0	Other gains and losses required to be included within the SORP (See Statement of Movement on the General Fund Balance, page 18)	16,807
<u>(71,669)</u>	Total recognised gains for the year	<u>(36,238)</u>

BALANCE SHEET

<u>31 March 2007</u> £'000	Notes	31 March 2008	
		£'000	£'000
TANGIBLE FIXED ASSETS			
	16-18		
<u>Operational Assets</u>			
14,506	- Council Dwellings	30,839	
254,832	- Other Land and Buildings	290,372	
8,589	- Vehicles, Plant and Equipment	9,552	
80,074	- Infrastructure Assets	86,775	
4,509	- Community Assets	5,199	
<u>Non - operational Assets</u>			
23,514	- Investment Properties	20,144	
10,370	- Assets under construction	9,116	
9,774	- Surplus assets, held for disposal	11,674	
406,168	Total Fixed Assets		463,671
2,220	LONG TERM DEBTORS	22	1,867
15,863	DEFERRED PREMIUMS ON THE EARLY REPAYMENT OF DEBT		0
424,251	Total Long-Term Assets		465,538
CURRENT ASSETS			
453	Stocks and Work in Progress	459	
41,013	Debtors	22	44,706
(14,354)	Provision for Bad and Doubtful Debts	22	(14,753)
38,050	Investments	23	40,473
1,061	Cash and Bank		3,037
490,474	Total Assets		73,922
(10,258)	Borrowing repayable on demand or within 12 months		(15,883)
(42,712)	Creditors	24	(40,828)
0	Bank overdraft		(6,375)
(52,970)			(63,086)
437,504	TOTAL ASSETS LESS CURRENT LIABILITIES		476,374
(148,189)	BORROWING REPAYABLE WITHIN A PERIOD IN EXCESS OF 12 MONTHS	25	(159,551)
(30,329)	GOVERNMENT GRANTS DEFERRED		(39,892)
(380)	DEFERRED CREDITS	31	(295)
(1,391)	PROVISIONS	32	(996)
(45,099)	LIABILITY RELATED TO DEFINED BENEFIT SCHEME	9	(27,521)
(235)	DEFERRED DISCOUNTS ON EARLY REPAYMENT OF DEBT		0
(225,623)	LONG TERM LIABILITIES		(228,255)
211,881	TOTAL ASSETS LESS LIABILITIES		248,119
213,860	Capital Adjustment Account		217,719
0	Financial Instruments Adjustment Account		(16,321)
0	Revaluation Reserve		27,991
3,110	Capital Receipts Reserve		3,162
(45,099)	Pensions Reserve		(27,521)
28,728	General Fund	35,438	
5,117	General Fund: Housing Revenue Account	981	36,419
1,065	Renewal and Repair Fund		1,171
1,772	Insurance Fund		1,863
3,328	Capital Fund		3,636
211,881	TOTAL NET WORTH		248,119

The unaudited accounts were issued on 30 June 2008 and the audited accounts were authorised for issue on 26 September 2008

J A SYMON ACA
HEAD OF FINANCE
26 SEPTEMBER 2008

CASH FLOW STATEMENT

2006/07	Notes	2007/08	
£'000		£'000	£'000
REVENUE ACTIVITIES			
Cash outflows			
(155,488)	Cash paid to and on behalf of employees	(165,424)	
(163,924)	Other operating cash payments	(176,417)	
(20,771)	Payments to Joint Boards	(22,026)	
(19,150)	Housing Benefit paid out	(19,840)	
(45,122)	National non-domestic rate payments to national pool	(45,435)	
<u>(404,455)</u>		<u>(429,142)</u>	
Cash inflows			
8,806	Rents (after rebates)	9,082	
62,033	Council tax receipts	61,395	
51,011	National non-domestic rate receipts from national pool	50,519	
45,819	Non-domestic rate receipts	44,318	
138,367	Revenue Support Grant	148,711	
34,476	DWP grants for benefits	33,624	
26,741	Other government grants	22,321	
70,782	Cash received for goods and services	80,396	
<u>438,035</u>		<u>450,366</u>	
33,580	Net Cash Inflow from Revenue Activities	39	21,224
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Cash outflows			
(8,281)	Interest paid	(8,090)	
Cash inflows			
2,563	Interest received	<u>2,661</u>	
	Net Cash outflow from Servicing of Finance		(5,429)
CAPITAL ACTIVITIES			
Cash outflows			
(34,706)	Purchase of fixed assets	(53,491)	
Cash inflows			
8,142	Sale of fixed assets	7,221	
7,628	Capital Grants & other capital cash receipts	<u>11,512</u>	
	Net Cash outflow from Capital Activities		(34,758)
<u>8,926</u>	NET CASH (OUTFLOW) / INFLOW BEFORE FINANCING		<u>(18,963)</u>
MANAGEMENT OF LIQUID RESOURCES			
500	Net (increase)/decrease in short term deposits	41	(2,423)
FINANCING			
Cash outflows			
(197,558)	Repayments of amounts borrowed	42	(268,836)
Cash inflows			
187,855	New loans raised	42	<u>285,823</u>
	Net Cash Inflow from Financing		16,987
<u>(277)</u>	NET DECREASE IN CASH	40	<u>(4,399)</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.

	2007/08	2006/07
	£000	£'000
Local Tax Collection	1,052	894
Registration of Births, Deaths and Marriages	121	265
District Court	129	127
Electoral Registration / Elections	582	730
Licensing	84	76
Emergency Planning	215	132
General Grants, Bequests and Donations	664	565
	<u>2,847</u>	<u>2,789</u>

2. Other Operating Expenditure

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

	2007/08	2006/07
	£'000	£'000
Fire & Rescue	7,966	7,768
Police	12,091	11,947
Valuation	1,087	1,149
Commercial Property	203	213
Irrecoverable Costs of Support to Outside Bodies	940	373
Harbour	79	103
	<u>22,366</u>	<u>21,553</u>

The harbour at Perth is a commercial port. Income from harbour dues during the year amounted to £173,000 (2006/07 £168,000), and the net deficit was £79,000 (2006/07 deficit £103,000).

3. Premiums and Discounts On Debt Rescheduling Written Down

The SORP 2007 requires that any premiums or discounts arising from debt rescheduling should be written off in the year they were incurred, except in limited circumstances where they would qualify as a 'modification' of debt. During 2007/08, there were no such debt modifications, therefore all premiums incurred and discounts received were charged or credited in full to the Income and Expenditure Account as extinguishments of debt. In 2007/08, £62,145,000 of debt with the Public Works Loans Board (PWLB) was repaid. This incurred total premiums of £3,895,844 and generated total discounts of £5,493,821. These have been charged to the Income and Expenditure Account in 2007/08 in full.

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

4. Agency Arrangements

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

	2007/08 Income £'000	2007/08 Expenditure £'000	2006/07 Income £'000	2006/07 Expenditure £'000
<u>Education Services</u>				
Provision of Support for Learning Assistants to other local authorities	64	64	0	0
<u>Roads and Transport Services</u>				
Receipts from central government in respect of new construction and improvements of motorways and trunk roads (including administration)	13	13	121	121
Receipts from other local authorities for cross boundary bus services	39	39	39	39
<u>Financial Services</u>				
Income from Water Authorities	341	341	331	331
Totals	<u>457</u>	<u>457</u>	<u>491</u>	<u>491</u>

5. Related Party Transactions

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. The Council has related party transactions with Central Government and other related parties which are disclosed in the Notes to the Core Financial Statements. Transactions with related parties are disclosed in Note 2 – Other Operating Expenditure; Note 8 - Local Authority (Goods and Services) Act 1970; Note 10 - General Grants, Bequests and Donations and Note 43 - Analysis of Other Government Grants.

6. Leases

Operating lease rental payments for vehicles, wheeled bins and heating systems of £681,000 (2006/07 £968,000) were made during the year, with an undischarged liability at 31 March 2008 of £390,000 (31 March 2007 £1,306,000).

The authority is committed to making payments of £287,000 under these leases in 2008/09 comprising the following elements:

	Vehicles Plant & Equipment 2008/09 £'000	Vehicles Plant & Equipment 2007/08 £'000
Leases expiring in Year 1	22	199
Leases expiring in Years 2 to 5	265	845
	287	1,044

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:

	2007/08 £'000	2006/07 £'000
Recruitment advertising	478	509
Other publicity	234	204
Other advertising	97	472
	809	1,185

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 2007/08:

	Expenditure 2007/08 £'000	Income 2007/08 £'000	Expenditure 2006/07 £'000	Income 2006/07 £'000
Tayside Joint Police Board	23	0	122	83
Tayside Fire & Rescue Board	148	77	96	63
Tayside Valuation Joint Board	6	0	16	0
Tayside Contracts	80	0	34	0
Perth & Kinross Leisure Limited	174	141	147	205
Tactran	110	24	66	35
Perthshire Housing Association	81	81	206	233
	622	323	687	619

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 Government.

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 is payments in relation to unfunded pension enhancements for members of the Teachers' scheme which, as they are administered through the Local Government Pension Scheme, are taken into consideration in accounting for pension costs under FRS 17.

The employer's contribution rate set by the Scottish Government for 2007/08 increased to 13.5% which resulted in payments of £6,527,000 from the Council to the Scottish Government (2006/07 £5,851,000 based on the previous contribution rate of 12.5%). Additional payments relating to added years' benefits, which the Council has inherited from predecessor authorities or awarded itself, together with related increases, amounted to £272,000 (2006/07 £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. 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 2007/08 irrespective of when these benefits are eventually paid as pensions.

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 2008.

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 based upon each Service's share of total pensionable pay bill for the Council, restated for the requirements of BVACOP.

As assessed by the Fund Actuary, the net cost of pension benefits in 2007/08 charged to Services in the Income and Expenditure Account is £10,749,000 (2006/07 £8,431,000). This figure is different from the employer's cash and accrued payments to the Fund in 2007/08 of £14,310,000 (2006/07 £13,743,000). This difference is 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 and the Statement of Movement in the General Fund Balance in respect of accounting for pension costs under FRS 17.

Local Government Pension Scheme	2007/08	2007/08	2006/07	2006/07
	£'000	£'000	£'000	£'000
FRS 17 Charges				
Current Service Costs	12,211		13,838	
Past Service Costs	723		(5,226)	
Settlements & Curtailments	276		1,328	
Interest Cost	22,093		19,572	
Expected Return on Assets	<u>(24,554)</u>		<u>(21,081)</u>	
		10,749		8,431
Net Charge to the Income & Expenditure Account		<u>10,749</u>		<u>8,431</u>

Local Government Pension Scheme

	2007/08 £'000	2006/07 £'000
Statement of Movement in the General Fund Balance		
Reversal of Net Charges made for Retirement Benefits in accordance with FRS 17	(10,749)	(8,431)
Employer's contributions to the Scheme	14,310	13,743
Net additional amount to be debited / credited to the General Fund balance for the year	<u>3,561</u>	<u>5,312</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 FRS17. 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 2008:

Actuarial Assumptions:	2007/08 % per annum	2006/07 % per annum
Rate of Inflation	3.7%	3.3%
Rate of increase in Salaries	5.2%	4.8%
Rate of increase in Pensions (in payment & deferred pensions)	3.7%	3.3%
Rate used to discount scheme liabilities	6.6%	5.4%

The actuarial assessment of the share of Tayside Superannuation Fund assets and liabilities attributable to Perth & Kinross Council at 31 March 2008 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 2008

	2007/08 Asset Value £'000	2007/08 Expected Return % per annum	2006/07 Asset Value £'000	2006/07 Expected Return % per annum
Assets				
Equities	243,655	7.6%	258,302	7.2%
Gilts	45,098	4.3%	38,382	4.4%
Bonds	17,241	6.6%	14,765	5.4%
Property	38,536	7.1%	39,059	6.7%
Cash	9,879	5.0%	8,145	5.0%
Estimated Employer Assets	<u>354,409</u>	7.0%	<u>358,653</u>	6.7%
Present Value of Scheme Liabilities	(362,575)		(383,260)	
Present Value of Unfunded Liabilities	(19,355)		(20,492)	
Net Pension Liability	<u>(27,521)</u>		<u>(45,099)</u>	

The 2007/08 accounts of the Joint Boards for Police, Fire & Rescue and Valuation and the Tayside Contracts Joint Committee all show net pension liabilities as at 31 March 2008, as measured under FRS 17. Further information regarding these liabilities can be found in the 2007/08 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 2007/08 attributable to Perth & Kinross Council is analysed below in accordance with CIPFA/LASAAC guidelines:

	2007/08 £'000	2006/07 £'000
Net Pensions Liability at 1 April	(45,099)	(72,541)
Movements in the year:		
Current service cost	(12,211)	(13,838)
Employers' contributions payable to scheme	14,310	13,743
Past service costs	(723)	5,226
Impact of settlements and curtailments	(276)	(1,328)
Expected net return on assets in the scheme	2,461	1,509
Difference between the expected and actual return on assets (representing 11.9% of the value of attributable scheme assets at 31 March 2008)	(42,298)	6,807
Experience gains/ (losses) arising on the scheme liabilities (representing 0% of the value of attributable scheme liabilities at 31 March 2008)	0	0
Changes in financial assumptions underlying the present value of scheme liabilities (representing 14.7% of the value of attributable scheme liabilities at 31 March 2008)	56,315	15,323
Net Pensions Liability at 31 March	<u>(27,521)</u>	<u>(45,099)</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 2007/08 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.

Pensions Reserve	2007/08 Pensions Reserve £'000	2006/07 Pensions Reserve £'000	2005/06 Pensions Reserve £'000	2004/05 Pensions Reserve £'000	2003/04 Pensions Reserve £'000
Balance brought forward at 1 April	(45,099)	(72,541)	(95,783)	(41,392)	(62,690)
<u>Movements in revenue resources</u>					
Appropriations to / (from) Revenue	3,561	5,312	(108)	(861)	(699)
Difference between Expected & Actual Return on Pensions Assets (representing 11.9% of the value of attributable scheme assets at 31 March 2008)	(42,298)	6,807	54,174	11,664	24,326
Experience gains arising on the scheme liabilities (representing 0% of the value of attributable scheme liabilities at 31 March 2008)	0	0	14,920	0	(2,329)
Changes in financial assumptions underlying the present value of scheme liabilities (representing 14.7% of the value of attributable scheme liabilities at 31 March 2008)	56,315	15,323	(45,744)	(65,194)	0
Balance as at 31st March : Net Pensions Liability	<u>(27,521)</u>	<u>(45,099)</u>	<u>(72,541)</u>	<u>(95,783)</u>	<u>(41,392)</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 2007/08 a total of £10,611,000 (2006/07 £10,254,000) 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 £3,293,000 (2006/07 £3,126,000). Details of grants are shown below.

	2007/08	2007/08	2006/07	2006/07
	£'000	£'000	£'000	£'000
Education				
- Service Level Agreements with Voluntary Organisations		386		317
Social Work				
- Service Level Agreements with Voluntary Organisations		3,279		3,137
Housing (General Fund)				
- Churches Action for the Homeless	602		627	
- Perth and Kinross Community Mediation	133		137	
- Launchpad (formerly Tayside Furniture Project)	55		55	
- Perth and District YMCA	0		20	
<i>Sub Total Housing (General Fund)</i>		790		839
Planning & Development				
- Visit Scotland	280		360	
- Perth & Kinross Countryside Trust	109		109	
- Perth & Kinross Heritage Trust	98		98	
- Perthshire Business Shop	58		115	
- Perth Festival of the Arts	24		24	
<i>Sub Total Planning & Development</i>		569		706
Cultural & Related				
- Perth & Kinross Leisure Ltd	3,293		3,126	
- Perth Concert Hall	1,026		940	
- Perth Repertory Theatre	386		386	
- Pitlochry Festival Theatre	201		201	
- Perth & Kinross Sports Council	18		18	
<i>Sub Total Cultural & Related</i>		4,924		4,671
Central Services				
- Citizens Advice Bureau	133		131	
- Perth Womens Aid	42		41	
- Other	488		412	
<i>Sub Total Central Services</i>		663		584
		<u>10,611</u>		<u>10,254</u>

11. Members' allowances and officers' remuneration

£781,687 was paid as members' remuneration (including salaries, allowances and expenses) during the financial year 2007/08 (2006/07 £530,000).

Note:

With effect from 3 May 2007 the recommendations of the Scottish Local Authorities Remuneration Committee were implemented. For Perth and Kinross Council this meant that all elected members now receive annual remuneration of £15,452. In addition the Council can appoint a Leader, a Civic Head and up to 14 Senior Councillors. Additional payments for these posts are calculated in line with a formula contained within the guidance supporting the recommendations of the Remuneration Committee.

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

Remuneration Band	2007/08 Number of Employees	2006/07 Number of Employees
£50,000 - £59,999	28	29
£60,000 - £69,999	5	19
£70,000 - £79,999	20	4
£80,000 - £89,999	3	1
£90,000 - £99,999	2	3
£100,000 - £109,999	0	0
£110,000 - £119,999	0	1
£120,000 - £129,999	1	0
	<u>59</u>	<u>57</u>

12. Public Private Partnership

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

The unitary charge for 2007/08 for the office accommodation is £2,458,000 (2006/07 £2,416,000).

The unitary charge for 2007/08 for the car park is £387,000 (2006/07 £394,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2008/09 for the office accommodation will be £2,510,000 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 2007/08 was £65,000 (2006/07 £65,000) and was offset with an equivalent amount in the Statement of Movement on General Fund Balance. At the end of this project these assets do not revert back to the Council.

During 2007/08 the Council entered into a Public Private Partnership with Axiom Education (Perth and Kinross) Ltd., for the provision and maintenance of 6 new school campus sites at Aberfeldy, Blairgowrie, Crieff, Kinross and Perth (2). The campuses will be opened on a phased basis from 2009/10 until 2011/12. As each campus is opened the Council will start to pay a unitary charge and will continue to make monthly payments until the contract ends in 2042, at which time the campuses will be handed back to the Council at no cost. The estimated capital value of the scheme at August 2007 prices was £127,687,000.

13. Audit Costs

In 2007/08 Perth and Kinross Council incurred the following fees relating to external audit services provided in accordance with the Code of Audit Practice:

	2007/08 £'000	2006/07 £'000
Fees payable to Audit Scotland	308	308
Refund from Audit Scotland	0	(27)
Net payment for Audit Services	<u>308</u>	<u>281</u>

14. Trading Operations

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

Local authorities have discretion in determining which activities they wish to account for as significant trading operations. Having reviewed each of its trading activities in accordance with the CIPFA / LASAAC guidance note "A Best Value Approach to Trading Accounts", the Council 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 2007/08 is summarised below:

	2007/08	2006/07	<i>Restated</i> 2005/06
Trading Operation	Building Services £'000	<i>Building Services £'000</i>	<i>Building Services £'000</i>
Turnover	(3,847)	(3,930)	(3,604)
Expenditure	3,979	3,694	3,419
Deficit/(Surplus)	<u>132</u>	<u>(236)</u>	<u>(185)</u>
Rolling (Three Year) Surplus	<u>(289)</u>	<u>(467)</u>	<u>(272)</u>

Despite incurring a deficit in 2007/08, Building Services has met the requirement to break-even on a three year rolling basis. The trading operation for 2007/08 was not 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 2007/08 loans fund interest in respect of outstanding debt is £2,724. This would have no impact on the trading operations break-even position.

The Housing and Health Committee of 12 March 2008 approved the establishment of a single repairs service (report no. 08/147 refers). This report provides a business case for the implementation of the new single Housing Repairs Organisation to be set up restructuring and organising the service around direct Council provision supplemented with complimentary partnership arrangements with the private sector.

In light of this a review of Building Services trading status was undertaken and a report to the Housing Repairs Service Management Board in March 2008 recommended that from 1 April 2008 Building Services ceased to be a 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>2006/07</i>		<i>2007/08</i>	<i>2007/08</i>
<i>£'000</i>		<i>£'000</i>	<i>£'000</i>
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			
<i>(65)</i>	Amortisation of Properties under Public Private Partnership	<i>(65)</i>	
<i>(36,223)</i>	Depreciation and impairment of fixed assets	<i>(24,564)</i>	
<i>2,382</i>	Government Grants Deferred amortisation	<i>2,162</i>	
<i>6,441</i>	Gain on disposal of fixed assets	<i>5,489</i>	
<i>0</i>	Financing costs - variance between SORP and statutory guidance	<i>486</i>	
<u><i>(8,431)</i></u>	Net charges made for retirement benefits in accordance with FRS 17	<u><i>(10,749)</i></u>	
<i>(35,896)</i>			<i>(27,241)</i>
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			
<i>10,409</i>	Loans fund principal repayments	<i>11,011</i>	
<i>4,509</i>	Net Capital Expenditure charged in year to the General Fund Balance	<i>9,427</i>	
<i>13,743</i>	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	<i>14,310</i>	
<u><i>(7,235)</i></u>		<u></u>	<i>34,748</i>
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			
<i>(143)</i>	Transfer to/(from) Renewal and Repair Fund	<i>106</i>	
<i>1,751</i>	Transfer to the Capital Fund	<i>308</i>	
<i>223</i>	Transfer to the Insurance Fund	<i>91</i>	
<u><i>1,831</i></u>		<u></u>	<i>505</i>
<u><u><i>(5,404)</i></u></u>	Net additional amount required to be debited/(credited) to the General Fund balance for the year	<u><u></u></u>	<u><u><i>8,012</i></u></u>

16. Tangible Fixed Asset Transactions

Movements in fixed assets during the year were:

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Non- operational Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value 31.3.07	16,431	262,267	18,215	112,954	5,738	43,894	459,499
Accumulated Depreciation 31.3.07	(1,925)	(7,435)	(9,626)	(32,880)	(1,229)	(236)	(53,331)
Net Book Value 31.3.07	14,506	254,832	8,589	80,074	4,509	43,658	406,168
Movements in 2007/08:							
Expenditure	18,333	13,535	5,142	11,534	1,008	5,963	55,515
Disposals	(585)	(346)	(17)	0	0	(942)	(1,890)
Depreciation In Year	(1,415)	(5,369)	(4,162)	(4,833)	(318)	(8)	(16,105)
Impairment	0	(5,570)	0	0	0	(2,889)	(8,459)
Revaluations	0	26,410	0	0	0	2,032	28,442
Other Adjustments	0	6,880	0	0	0	(6,880)	0
Net Book Value at 31.3.08	30,839	290,372	9,552	86,775	5,199	40,934	463,671

De-Minimis Property Expenditure

Property expenditure in 2007/08 below £25,000 which would previously have been met from capital borrowing has been treated as de-minimis and funded from revenue. This expenditure has been deemed not to substantially increase or lengthen the market value, useful life or use of the asset.

17. Information on Tangible Fixed Assets Held

Operational Tangible Fixed assets held by the Council include:

	31/03/2008 Number	31/03/2007 Number
Council dwellings	7,573	7,819
Office buildings	20	20
Public & community halls	21	21
Secondary schools	10	10
Primary schools	71	74
Nursery schools	2	2
Special schools	3	2
Residential homes	3	3
Day Care Centres	7	8
Outdoor Centres	2	2
Childrens Homes	3	5
Hostels	1	1
Libraries	12	12
Museums & Art Galleries	3	3
Depots and workshops	21	21
Cemeteries	68	68
Crematorium	1	1
Off street car parks	53	55
Caravan Parks	1	1
Site for travelling people	1	1
Public parks and open spaces	204	204
Harbours	1	1

18. Valuation of the Council's Tangible Fixed Assets

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

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

In line with the Council's rolling programme of re-valuations every 5 years, all the Council's car parks, depots, shops and other houses were revalued as at 31 March 2008. This increased the value of the Council's properties by £4,696,106. There have been other changes in schools, industrial units and miscellaneous operational and non operational property values which increased the value by £23,437,863.

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 2008 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 Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Non- operational Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historical cost	0	0	9,552	86,775	5,199	9,116	110,642
Valued at current value in:							
2007/08		77,887				10,132	88,019
2006/07		197,440				8,010	205,450
2005/06		15,045				11,359	26,404
2004/05	30,839	0				2,317	33,156
Total	30,839	290,372	9,552	86,775	5,199	40,934	463,671

19. Sources of Finance for Tangible Fixed Asset Additions in Year

	2007/08 £'000	2006/07 £'000
Capital Investment		
Operational assets	49,552	28,277
Non-operational assets	5,963	6,429
	<u>55,515</u>	<u>34,706</u>
Sources of Finance		
Loans	27,138	13,587
Capital Receipts	7,475	9,427
Government Grants	10,472	6,495
Revenue	10,430	5,197
	<u>55,515</u>	<u>34,706</u>

20. Analysis of Net Assets Employed

	2007/08 £'000	2006/07 £'000
General Fund	207,842	188,819
Housing Revenue Account	39,830	22,836
Trading Operations	447	226
	<u>248,119</u>	<u>211,881</u>

21. Commitments Under Capital Contracts

The Council has made contractual commitments under capital contracts at 31 March 2008 of £33,418,000 (31 March 2007 £23,443,000) based on the Council's Capital plan for the next 5 financial years. The commitments are summarised as follows:

	2007/08 £'000	2006/07 £'000
Education Projects	18,811	4,922
Roads & Bridges Improvement Schemes	5,844	8,470
Flood Prevention	197	100
Dalcruie Landfill site	732	721
Other Environmental Improvements	2,851	1,373
Perth City Hall	1,124	853
Fleet Vehicles	438	461
Provision and Upgrade of Commercial Sites	1,970	2,828
Regeneration of Travellers' Sites	215	937
Other Capital Projects	1,236	2,778
	<u>33,418</u>	<u>23,443</u>

22. Debtors (net of provisions)

	2007/08	2006/07
	£'000	£'000
Long Term (due after 1 year)		
External Bodies Debt	400	546
Other Local Authority Debt -Tayside House	207	295
Housing Advances	181	234
Prepayments	1,079	1,145
	<u>1,867</u>	<u>2,220</u>

External Bodies Debt: Soft Loan

Perth & Kinross Council agreed to lend Perth & Kinross Leisure Ltd. £400,000 on interest free terms during 2007/08, with the Council's Education & Children's Services meeting the interest cost of the Council's Loans Fund (calculated at the prevailing Bank Rate). Application of the 2007 SORP would result in this loan being classified as a 'soft loan', and reflected in the balance sheet at amortised cost based on a zero interest rate. However, on the grounds that adopting the SORP would have no material effect on the accounts, the loan is shown at amortised cost using the prevailing Bank Rate as the Effective Interest Rate (EIR), which also equates to the nominal value of £400,000. Application of the SORP would result in the fair value of the loan being reduced to £329,000.

	2007/08	2006/07
	£'000	£'000
Current (due within 1 year)		
Her Majesty's Revenues & Customs (HMRC)	2,379	2,284
Government Grants	8,048	5,046
Council Tax & Community Charge	11,684	11,184
Non-Domestic Rates	1,160	1,506
Outside Bodies	0	3,252
Sales Ledger	6,269	6,417
Housing Rent Arrears	1,288	901
Tayside Contracts	380	424
Other	13,498	9,999
	<u>44,706</u>	<u>41,013</u>
Provision for Bad and Doubtful Debts	(14,753)	(14,354)
	<u>29,953</u>	<u>26,659</u>

23. Investments

	2007/08	2006/07
	£'000	£'000
Lending to Banks & Building Societies	40,473	38,050
Total Short Term	<u>40,473</u>	<u>38,050</u>

24. Creditors

	2007/08	2006/07
	£'000	£'000
Payroll Deductions	5,650	5,155
Accrued Interest	0	1,876
Government Grants paid in advance or repayable	3,121	4,446
Purchase Ledger	13,368	15,640
Prepaid Trade Waste Permits	1,069	928
Common Good & Charities	1,860	1,801
Scottish Water	170	144
Other	15,590	12,722
Total	<u>40,828</u>	<u>42,712</u>

25. Borrowing repayable within a period in excess of 12 months

	£'000 31-3-08	£'000 31-3-07
Analysis of Loans by Type		
Public Works Loan Board	114,412	104,724
Market Loans	44,875	43,200
Local Bonds / Other Loans	264	265
Total Outstanding	<u>159,551</u>	<u>148,189</u>
Analysis of Loans by maturity		
Within 1 year (interest)	1,430	0
Between 1 and 2 years	0	0
Between 2 and 5 years	10,000	0
Between 5 and 10 years	0	935
Between 10 and 15 years	1,120	6,308
Between 15 and 20 years	1,673	6,085
Between 20 and 25 years	3,166	3,169
More than 25 years	142,162	131,692
	<u>159,551</u>	<u>148,189</u>

26. Financial Instrument Balances

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

	Long-Term		Current		Total	
	31st March 2008	31st March 2007	31st March 2008	31st March 2007	31st March 2008	31st March 2007
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowings						
Financial liabilities at amortised cost	159,551	<i>N/A</i>	22,258	<i>N/A</i>	181,809	<i>N/A</i>
Total borrowings	<u>159,551</u>	<u>148,189</u>	<u>22,258</u>	<u>10,258</u>	<u>181,809</u>	<u>158,447</u>
Investments						
Loans and receivables	400	<i>N/A</i>	43,554	<i>N/A</i>	43,954	<i>N/A</i>
Total investments	<u>400</u>	<u>546</u>	<u>43,554</u>	<u>42,172</u>	<u>43,954</u>	<u>42,718</u>

The balances at 31 March 2007 are not reclassified into the SORP 2007 categories; only the total borrowing and investment figures are shown in the table above at nominal value (see Statement of Accounting Policies).

Lender Option Borrower Option (LOBO) borrowings of £39.852m have been included in long term borrowing as at 31 March 2008 but have a call date in the next 12 months.

The above long term figures are based on paragraph B12 of SORP 2007 which states that in undertaking Effective Interest Rate (EIR) calculations the maturity period of a LOBO should be taken as being the contractual period to maturity.

27. Financial Instruments Gains / Losses

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

2007/08	Financial Liabilities		Financial Assets		Total £'000
	Liabilities measured at amortised cost	Loans and receivables	Available-for- sale assets	Fair value through Income & Expenditure Account	
	£'000	£'000	£'000	£'000	
Interest expense	11,338	0	0	0	11,338
Losses on derecognition	3,896	0	0	0	3,896
Impairment losses	0	0	0	0	0
Interest payable and similar charges	15,234	0	0	0	15,234
Interest income	0	(2,661)	0	0	(2,661)
Gains on derecognition	(5,494)	0	0	0	(5,494)
Interest and investment income	(5,494)	(2,661)	0	0	(8,155)
Net gain/(loss) for the year	9,740	(2,661)	0	0	7,079

Comparable figures are not available for 2006/07 due to the change in accounting standards.

28. Fair Value of Assets and Liabilities Carried at Amortised Cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at 31 March 2008 at amortised cost is disclosed below. In accordance with the 2007 SORP, fair values have not been calculated as at 31 March 2007.

Methods and Assumptions in valuation technique –

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

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

The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March 2008, using bid prices where applicable.

The calculations are made with the following assumptions:

- For Public Works Loans Board (PWL) debt, the discount rate used is the new borrowing rate which equates to the unexpired period on each loan, as per the PWL's rate sheet number 064/08 issued on 31 March 2008.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- Interpolation techniques have been used between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values have been calculated for all instruments in the portfolio, but only those which are materially different from the carrying value have been disclosed.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31st March 2008		31st March 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Public Works Loans Board (PWLB) - maturity	114,412	123,755	104,724	N/A
Lender Option Borrower Option (LOBO)	44,875	48,546	43,200	N/A
Market loans	264	265	265	N/A
Bank overdraft	6,375	6,375	0	N/A
Short term borrowing	15,493	15,493	9,868	N/A
Other (Special)	390	390	390	N/A
Financial Liabilities	181,809	194,824	158,447	N/A

As a result of changes in the SORP £15,862,777 of premiums and £234,991 of discounts previously held in the Balance Sheet were written off to the Financial Instruments Adjustment Account at 1 April 2007, and none were applied to adjust the carrying value of the instruments. The carrying amount of financial liabilities as at 31 March 2008 was £178,982,000.

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

29. Fair Value of Assets Carried at Amortised Cost

	31st March 2008		31st March 2007	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Cash	3,000	3,000	750	N/A
Deposits with Banks and Building Societies	40,473	40,481	38,107	N/A
Other	481	410	3,861	N/A
Financial Assets	43,954	43,891	42,718	N/A

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

30. Nature and Extent of Risks Arising from Financial Instruments

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

(i) Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions up to a maximum of £20m (for top rated United Kingdom clearing banks).

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

	Amounts at 31 March 2008	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2008	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with banks and other financial institutions	43,473	0	0	0
Loans to Others	481	0	0	0
Investments in subsidiaries	0	0	0	0
Bonds and other securities	0	0	0	0
Customers/Sundry Debtors	37,047	0.84	0	15,100
Total	81,001	-	-	15,100

Debtors

The due amount can be analysed by age as follows:

	31 March 2008 £'000
Less than three months	42,077
Three to six months	5,469
Six months to one year	10,577
More than one year	22,878
Total	81,001

(ii) Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

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

On 31 March 2008 £'000	Loans outstanding	On 31 March 2007 £'000
113,326	Public Works Loans Board	104,724
43,200	Market debt / LOBOs	43,200
15,427	Temporary borrowing	9,867
654	Local bonds	655
6,375	Bank Overdraft	0
178,982	Total	158,446
22,192	Less than 1 year	10,257
0	Between 1 and 2 years	0
10,000	Between 2 and 5 years	0
0	Between 5 and 10 years	935
1,120	Between 10 and 15 years	6,308
145,670	Over 15 years	140,946
178,982	Total	158,446

In the over 15 years category there are £39.852m of LOBO's which have a call date in the next 12 months.

(iii) Market Risk

Interest rate risk

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

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

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Statement of Total Recognised Gains & Losses.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. The current policy is to aim to keep a maximum of 35% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

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

According to this assessment strategy, at 31 March 2008, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	540
Increase in interest receivable on variable rate investments	(455)
Increase in government grant receivable for financing costs	0
Impact on Income and Expenditure Account	<u>85</u>
Share of overall impact debited to the HRA	10

The risk of loss may be ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provides compensation for a proportion of any higher costs.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus have no exposure to loss arising from movements in exchange rates.

31. Deferred Credits

The Deferred Credit of £295,000 (2006/07 £380,000) 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 £207,000 (2006/07 £295,000) and a debtor of £88,000 (2006/07 £85,000) are also shown within the Council's Abstract of Accounts.

32. 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 identified a contingent liability for Tayside Contracts Equal Pay Claims as at 31 March 2008. At 31 March 2007 the corresponding liability was held as a provision.

	Balance as at 1.4.07 £'000	Movement During year £'000	Balance as at 31.3.08 £'000
Self Insured/Uninsured Losses	856	140	996
Tayside Contracts Equal Pay Claims	535	(535)	0
	<u>1,391</u>	<u>(395)</u>	<u>996</u>

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

The accumulated balance on the General Fund at 31 March 2008 includes net surplus funds of £1,151,000 (31 March 2007 £1,196,000) in respect of schools participating in the Devolved School Management scheme. There are a number of schools with surpluses totalling £1,188,000 and a number of schools carrying forward deficits amounting to £37,000. These surpluses and deficits are earmarked in 2008/09 for the individual schools concerned.

34. 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 2008 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.

35. 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 55.

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.

	31.3.08	<i>31.3.07</i>
	£'000	£'000
Education Trust - Financial assistance		
Net assets	850	<i>973</i>
Net Incoming Resources before other recognised gains and losses	9	<i>6</i>
Education Trust - Endowments		
Net assets	43	<i>38</i>
Net Incoming Resources before other recognised gains and losses	5	<i>4</i>
Other Charitable Trusts		
Net assets	1,590	<i>1,623</i>
Net Incoming Resources before other recognised gains and losses	35	<i>41</i>
TOTAL Net Assets	2,483	<i>2,634</i>
TOTAL Net Incoming Resources before other recognised gains and losses	49	<i>51</i>

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

36. Contingent Liabilities

The Council has identified a contingent liability in respect of claims under the Equal Pay Act 1970 currently being pursued through an Employment Tribunal by approximately 260 employees together with the potential risk of new equal pay claims which may be pursued in the future.

The Equal Pay Act provides for equal pay between women and men in the same employment by giving employees the right to equality in the terms of their contract of employment where they are employed on like work, or work rated as equivalent or of equal value. The Council has sought to address issues of pay equality through the implementation of a local Single Status agreement from 1 August 2007 and has previously made payments totalling £981,000 where it has acknowledged liabilities in respect of its employees. Having taken legal advice, the Council anticipates that a substantial number of the further claims can be rigorously defended on the basis of claims having no valid comparators or there being genuine material factors other than gender which resulted in historical pay differences. The exact extent of any potential liability arising from these claims cannot, however, be quantified at present as the Employment Tribunal has yet to consider individual cases.

The Council is similarly responsible for meeting its share of any potential equal pay liability on the part of Tayside Contracts Joint Committee. This liability had previously been recognised within the Council's 2006/07 Accounts through the creation of a provision of £535,000 in respect of the Council's anticipated share of future equal pay costs for Tayside Contracts. Since the preparation of last year's accounts, Tayside Contract's current and future potential exposure to equal pay claims has become increasingly uncertain and this provision has been written back to General Fund balances. The Council has identified a contingent liability in respect of its share of potential costs (including Attendance Allowance) arising from equal pay claims currently being pursued by Tayside Contracts employees through the Employment Tribunal. At present, the extent of this potential liability cannot be quantified as the Employment tribunal has yet to consider individual cases.

The Council has identified a contingent liability in respect of potential retrospective changes to employee salaries from 1 August 2007 – 31 March 2008 arising out of the Council's internal Single Status Appeals process. As part of the Single Status agreement on pay & conditions, all Council employees effected by Single Status are eligible to appeal the outcome of the job evaluation exercise for their post on the grounds of inaccuracy or the misapplication of the evaluation factors. The Council has established an Appeals Panel led by an independent chairperson to consider individual and, where appropriate, group appeals. Approximately 800 employee appeals are to be considered by the panel with a further 100 appeals being referred back for review by the Council's job evaluation team. The extent of any liability arising from the Council's Single Status appeals process cannot be quantified at present as the volume of appeals will require the consideration of cases in tranches over a period of time and the Appeals Panel is not scheduled to begin meeting until later in the summer of 2008.

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 former 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 37 below states that the Council has earmarked reserves to the value of £400,000 in respect of these issues.

The Council has identified a contingent liability in relation to the planning application for a replacement overhead power line from Beaully to Denny which is currently subject to an inquiry by the Scottish Government. Following public consultation, the Council as a statutory consultee has sought to object to the application and may potentially be liable for costs should the application subsequently be approved. The Council has further identified a contingent liability arising from legal action currently being pursued by a third party in relation to the award of the contract for the re-development of Perth City Hall.

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

The Council has identified a potential issue in terms of fixed assets included in the Council Balance Sheet which should, potentially, be included in the Balance Sheet of the Common Good Funds instead. The Council has set up a group to investigate this issue and report back by 31 March 2009

37. General Fund Balances

The General Fund Balance of £36,419,000 at 31 March 2008 includes sums set aside for a range of measures including:

	2007/08 £'000	2006/07 £'000
General Fund Balance per Abstract	36,419	33,845
Devolved School Management Balances	(1,151)	(1,196)
School Board Surpluses	0	(36)
Car Parking	(1,383)	(1,420)
Developers Contributions: Commuted Sums - Play Areas	(262)	(232)
Developers Contributions: Commuted Sums - Play Areas Slow Release	(168)	(175)
Developers Contributions: Commuted Sums - Sports Grounds	(195)	(151)
Developers Contributions: Affordable Housing	(1,433)	(480)
Tayside Fire & Rescue Board	(269)	(304)
Budget Flexibility (prior year approvals)	(100)	(1,171)
Budget Flexibility (approved in 2007/08)	(2,249)	(1,997)
Single Status Provision	(5,027)	(4,624)
Free Personal Care	(400)	(500)
Investment in Improvement Fund 1	(179)	(447)
Investment in Improvement Fund 2	(1,895)	0
Equal Pay Strategy	(2,768)	(2,233)
Budgeted contribution from reserves	(400)	(800)
Housing Revenue Account	(231)	(4,367)
Council Tax Income on Second Homes/Long term empty properties for affordable housing	(2,708)	(1,876)
Financial Assistance (Mod)	(40)	(20)
Energy Efficiency Fund	(191)	(119)
Future Early Retirement Costs	(750)	(750)
Investment In Learning Project	(2,274)	0
Revenue Budget 2008/2011 Commitments	(375)	0
Uncommitted Balance at 31 March 2008	<u>11,971</u>	<u>10,947</u>

38. 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.

Reserve	Balance 1 April 2007 £'000	Gains / (Losses) for Year £'000	Transfers Between Reserves £'000	Balance 31 March 2008 £'000	Purpose of Reserve	Further Detail of Movements
Fixed Asset Restatement Account	117,479	0	(117,479)	0	Revaluation of fixed assets	
Capital Financing Account	96,381	0	(96,381)	0	Capital resources set aside to meet past expenditure	
Capital Adjustment Account	0	(3,853)	221,572	217,719	Store of capital resources set aside to meet past expenditure	
Financial Instruments Adjustment Account	0	486	(16,807)	(16,321)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	
Revaluation Reserve	0	28,442	(451)	27,991	Store of gains on revaluation of fixed assets not yet realised through sales	
Capital Receipts Reserve (formerly Usable Capital Receipts Reserve)	3,110	7,313	(7,261)	3,162	Proceeds of fixed asset sales to meet future capital investment	
Pensions Reserve (includes liability for Local Government Pension Scheme and unfunded pension enhancements for members of the Teachers' scheme)	(45,099)	17,578	0	(27,521)	Reserve to allow inclusion of pensions liability in the balance sheet	Note 9 to Core Financial Statements - Pages 25-27
General Fund	28,728	(10,097)	16,807	35,438	Resources required to meet future running costs of Council services	
General Fund: Housing Revenue Account Balance	5,117	(4,136)	0	981	Resources required to meet future running costs of Council houses	Statement of Movement on the HRA Balance - Page 49
Renewal & Repair Fund	1,065	106	0	1,171	Reserve to fund the renewal and repair of Council Assets	
Insurance Fund	1,772	91	0	1,863	Fund to meet potential self insured liabilities	
Capital Fund	3,328	308	0	3,636	Fund to support future capital programme expenditure	
Total	211,881	36,238	0	248,119		

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

	<u>2007/08</u>	<u>2006/07</u>
	£'000	£'000
Surplus per Income & Expenditure Account	10,586	1,661
add back: Net Interest	5,428	5,718
Non-Cash Transactions		
Depreciation of fixed assets and deferred grants	13,942	10,497
Impairment of fixed assets	8,459	23,344
Premiums/Discounts on Debt Rescheduling written down	(1,598)	432
Contributions (from)/to Provisions	(395)	(1,840)
Variance between SORP & Statutory Valuation of Finance Costs	(486)	0
Pensions - FRS17 adjustments	(3,561)	(5,312)
Gain on disposal fixed assets	(5,489)	(6,441)
Items on an accruals basis		
Movement in Stock and Work-in-Progress	(6)	4
Movement in Debtors and Deferred Credits	(3,772)	5,101
Movement in Creditors	(1,884)	3,733
Net Cash Inflow from Revenue Activities	<u>21,224</u>	<u>36,897</u>

40. Movements in Cash

	As at 31 March 2008 £'000	As at 31 March 2007 £'000	2007/08 Movement £'000	2006/07 Movement £'000
Net Cash and Bank	3,037	1,061	1,976	(1,045)
Bank Overdraft	(6,375)	0	(6,375)	768
	<u>(3,338)</u>	<u>1,061</u>	<u>(4,399)</u>	<u>(277)</u>

41. Management of Liquid Resources

	As at 31 March 2008 £'000	As at 31 March 2007 £'000	2007/08 Movement £'000	2006/07 Movement £'000
Investments	40,473	38,050	2,423	(500)
	<u>40,473</u>	<u>38,050</u>	<u>2,423</u>	<u>(500)</u>

42. Movements in Borrowings

	Long Term £'000	Short Term £'000	Total £'000	2006/07 £'000
Amounts repaid - original term > 12 months	(62,145)	0	(62,145)	(80,667)
Other amounts repaid	0	(209,729)	(209,729)	(116,891)
Movements for change in measurement basis	2,760	278	3,038	0
Sub-total	<u>(59,385)</u>	<u>(209,451)</u>	<u>(268,836)</u>	<u>(197,558)</u>
Amounts borrowed	70,747	215,076	285,823	187,855
Net Movement in Year	11,362	5,625	16,987	(9,703)
Balance at 1 April	148,189	10,258	158,447	168,150
Balance at 31 March	<u>159,551</u>	<u>15,883</u>	<u>175,434</u>	<u>158,447</u>

43. Analysis of Other Government Grants

	<u>2007/08</u>	<u>2006/07</u>
	£'000	£'000
Criminal Justice	1,044	1,213
Modern Languages	119	145
Mental Illness	272	272
National Priorities Action Fund	6,223	9,196
Changing Children's Services Fund	764	1,265
Additional Resources for Schools	1,811	2,962
Supporting People	7,086	6,395
Other	5,002	5,293
	<u>22,321</u>	<u>26,741</u>

44. Authorisation of Accounts

The Statement of Accounts have been authorised for issue by John Symon, Head of Finance on 26 September 2008.

HOUSING REVENUE ACCOUNT

<u>2006/07</u>		<u>2007/08</u>	
£'000		£'000	£'000
	Income		
(17,400)	Dwelling Rents	(17,712)	
(601)	Non-Dwelling Rents	(601)	
(231)	Housing Support Grant	(419)	
(2,236)	Other Income	(2,171)	
<u>(20,468)</u>	Total Income		<u>(20,903)</u>
	Expenditure		
8,021	Repairs & Maintenance	9,408	
6,195	Supervision & Management	6,328	
241	Depreciation and impairment of fixed assets	1,837	
904	Other Expenditure	1,224	
272	Increase in bad debt provision	120	
<u>15,633</u>	Total Expenditure		<u>18,917</u>
<u>(4,835)</u>	Net Cost of HRA Services		<u>(1,986)</u>
287	HRA services share of Corporate and Democratic Core		246
	HRA share of other amounts included in the whole authority		
(238)	Net Cost of services but not allocated to specific services		52
<u>(4,786)</u>	Net Cost of HRA Services per Income and Expenditure Account		<u>(1,688)</u>
(6,283)	Gain on sale of HRA fixed assets		(5,422)
929	Interest payable and similar charges		849
52	Amortisation of premiums and discounts		
(575)	Interest and investment income		(572)
(92)	Pensions interest cost and expected return on pensions assets		(128)
<u>(10,755)</u>	Surplus for the year on HRA services		<u>(6,961)</u>

STATEMENT OF MOVEMENT ON THE HRA BALANCE

<u>2006/07</u>		<u>2007/08</u>
<u>£'000</u>		<u>£'000</u>
(10,755)	Surplus for the year on the HRA Income and Expenditure Account	(6,961)
12,455	Net additional amount required by statute to be debited to the HRA Balance for the year	11,097
<hr/>		
1,700	Decrease in the Housing Revenue Account Balance	4,136
(6,817)	Housing Revenue Account surplus brought forward	(5,117)
<hr/>		
<u>(5,117)</u>	Housing Revenue Account surplus carried forward	<u>(981)</u>

Note to the Statement of Movement on the HRA Balance

<u>2006/07</u>		<u>2007/08</u>	<u>2007/08</u>
<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year			
6,283	Gain on sale of HRA fixed assets	5,422	
(241)	Depreciation and impairment of fixed assets	(1,837)	
(508)	Net charges made for retirement benefits in accordance with FRS 17	(665)	
<hr/>			2,920
5,534			
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year			
840	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	877	
2,816	Loans fund principal	2,732	
3,265	Capital expenditure funded by the HRA	4,568	
<hr/>			8,177
6,921			
<hr/>			
<u>12,455</u>	Net additional amount required by statute to be debited to the HRA Balance for the year		<u>11,097</u>

HOUSING REVENUE ACCOUNT

NOTES:

1. Housing Stock at 31 March 2008	No. of Dwellings 2007/08	<i>No. of Dwellings</i> <i>2006/07</i>
Sheltered accommodation	499	498
Detached/Semi-Detached/Terraced	3,578	3,663
High Rise Flats	140	143
Tenement Flats/Other Flats/Maisonettes	3,356	3,515
Total	7,573	7,819

2. Rent Arrears at 31 March 2008	Gross Arrears 31.03.08		<i>Gross Arrears</i> <i>31.03.07</i>	
	£'000	% of Income	£'000	<i>% of</i> <i>Income</i>
Houses	640	3.7	711	4.1
Other Subjects	99	16.5	78	13.0
Hostels	205	85.4	112	50.2
Totals	944	5.2	901	5.0

There is a provision for bad debts for Rent Arrears in 2007/08 of £703,000 (2006/07 £728,000).

COUNCIL TAX INCOME ACCOUNT

2006/07			2007/08	
£'000			£'000	£'000
77,084	Gross Charge			79,693
(2,291)	Deduct -	Exemptions		(2,416)
(86)		Disabled Relief		(95)
(6,141)		Discounts and Reductions		(6,301)
68,566	Net Council Tax			70,881
	Deduct -			
(6,545)		Benefits	(6,484)	
6,592		less Government Grants	6,392	(92)
(23)		MOD Properties	(14)	
23		Contribution Received	14	
				0
(1,193)	Provision for Bad and Doubtful Debts			(1,293)
67,420	Total Council Tax Income			69,496
(132)	Adjustments for prior years for Council Tax and Community Charge			211
67,288	Total Council Tax / Community Charge Income to Income and Expenditure Account			69,707

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

1. CALCULATION OF THE COUNCIL TAX BASE

	A	B	C	D	E	F	G	H	2007/08 TOTAL	2006/07 TOTAL
No. of Properties	9,224	14,655	10,867	9,440	10,766	6,505	4,819	605	66,881	65,751
Exemptions	(701)	(715)	(395)	(230)	(205)	(85)	(59)	(23)	(2,413)	(2,137)
Disabled Relief	64	1	10	36	(41)	(21)	(42)	(7)	0	0
Discounts	(1,428)	(1,720)	(1,116)	(923)	(783)	(344)	(225)	(56)	(6,595)	(6,792)
Effective No. of Properties	7,159	12,221	9,366	8,323	9,737	6,055	4,493	519	57,873	56,822
Ratio	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9		
Band D Equivalents	4,773	9,505	8,325	8,323	11,901	8,746	7,488	1,038	60,099	58,732
Contributions in lieu									18	18
TOTAL									60,117	58,750
Provision for non-payment at 2.5% (2006/07 2.5%)									(1,503)	(1,469)
COUNCIL TAX BASE									58,614	57,281

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 2007/08 are set out below:

Valuation Band	Property Valuation Range	Fraction of band D	2007/08 Actual Charge	2006/07 Actual Charge
A	£0 - £27,000	6/9	£772.00	£757.33
B	£27,001 - £35,000	7/9	£900.67	£883.56
C	£35,001 - £45,000	8/9	£1,029.33	£1,009.78
D	£45,001 - £58,000	9/9	£1,158.00	£1,136.00
E	£58,001 - £80,000	11/9	£1,415.33	£1,388.44
F	£80,001 - £106,000	13/9	£1,672.67	£1,640.89
G	£106,001 - £212,000	15/9	£1,930.00	£1,893.33
H	Over £212,000	18/9	£2,316.00	£2,272.00

NON DOMESTIC RATE INCOME ACCOUNT

2006/07		2007/08	
£'000		£'000	£'000
51,444	Gross Rate Levied		50,836
431	Transitional Surcharge		209
(1,291)	Transitional Relief		(597)
50,584			50,448
	Deduct:		
(1,036)	Rate Rebates	(1,398)	
(9)	Interest on Overpaid Rates	(23)	
(5,004)	Reliefs, Charities etc.	(4,756)	
(261)	Provision for Bad and Doubtful Debts	(224)	
			(6,401)
	Adjustments to Previous Years:		
1,195	Gross Rate Levied	(873)	
(524)	Transitional Surcharge/Relief	171	
(12)	Rate Rebates	(1,027)	
(243)	Reliefs, Charities etc.	131	
620	Provisions for Bad and Doubtful Debts and Abatements	(85)	
			(1,683)
45,310	Net Non Domestic Rate Income		42,364
(45,435)	Contribution to National Non Domestic Rate Pool	(42,481)	
51,011	Contribution from National Non Domestic Rate Pool	50,519	
5,576	Net contribution from National Non Domestic Rate Pool		8,038
50,886	Total Non Domestic Rate Income		50,402

NOTES:

1. NON DOMESTIC RATES

All non domestic rate income collected by Scottish local authorities is paid into a national pool. It is redistributed to authorities in proportion to the resident population in each authority's area and therefore bears no direct relationship to the amount collected by those authorities. The rate poundage set by the Scottish Government for 2007/08 was 44.1p (2006/07 44.9p). 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 0.3p (2006/07 0.4p) was 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 Subjects at 1/4/06	Rateable Value £'000 at 1/4/06		No. of Subjects at 1/4/07	Rateable Value £'000 at 1/4/07
1,671	29,588	Shops, Restaurants	1,569	27,939
859	16,053	Offices	949	17,213
769	11,373	Hotels, Boarding Houses	1,215	12,663
2,116	26,605	Industrial & Freight Transport	727	13,967
3	1,322	Public Utilities	0	0
1,250	22,578	Other	2,190	19,643
912	7,592	Miscellaneous	989	28,035
7,580	115,111	Total	7,639	119,460

There have been some significant movements between categories between 2006/07 and 2007/08 as the Assessor has reclassified subjects in line with classifications used by CIPFA and the Scottish Government.

LOANS FUND

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

Each year every account of the Council which has previously had money advanced from the Loans Fund, repays a suitable proportion of the sums previously advanced, based on the lives of the various assets supported by the loans made, and also meets the appropriate share of interest paid on loans taken and the expenses of managing the Fund. All interest and management expenses are paid initially by the Loans Fund and recharged each year to the borrowing accounts at an average rate sufficient to recover each year's expenditure in full. For 2007/08 the average interest rate was 4.09% (2006/07 5.04%).

The Statement of Accounting Policies on pages 13 to 16 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 2008

	2007/08 £'000	2006/07 £'000
EXPENDITURE		
Interest Paid on Loans:		
Public Works Loans Board	4,965	5,901
Mortgages and Bonds	1,968	1,609
Other Loans	909	522
Interest Paid on Revenue Balances	3,496	2,371
Expenses of Borrowing	183	173
Premiums incurred on early repurchase of debt	3,896	1,236
TOTAL EXPENDITURE	<u>15,417</u>	<u>11,812</u>
INCOME		
Interest Earned on Investments	2,661	2,563
Fees Earned on Services to Joint Board	6	6
Discounts received on early repurchase of debt	5,494	804
Interest Recovered from Borrowing Accounts	7,079	8,271
Expenses Recovered from Borrowing Accounts	177	168
TOTAL INCOME	<u>15,417</u>	<u>11,812</u>

BALANCE SHEET AS AT 31 MARCH 2008

	31.03.08 £'000	31.03.07 £'000
ASSETS		
Cash Investments	3,000	807
Short Term Investments	40,473	38,050
Premiums on Debt Rescheduling	0	15,863
Sundry Debtors	4	750
Long Term Debtors	400	546
Short Term Debtors	81	3,315
Financial Instruments Adjustment Account	16,321	0
Internal Revenue and Capital Advances	121,916	101,266
TOTAL ASSETS	<u>182,195</u>	<u>160,597</u>
LIABILITIES		
Public Works Loans Board	114,412	104,724
Mortgages and Bonds	44,875	43,200
Bank Overdraft	6,666	0
Other Loans	16,148	10,522
Discounts on Debt Rescheduling	0	235
Sundry Creditors	94	1,916
TOTAL LIABILITIES	<u>182,195</u>	<u>160,597</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 2008.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2008

	2007/08 £'000	2007/08 £'000	2006/07 £'000
INCOMING RESOURCES			
Incoming resources from generated funds:			
Activities for generating funds:	1		13
Investment Income	140		124
Other Incoming Resources	15		
TOTAL INCOMING RESOURCES	156	156	137
RESOURCES EXPENDED			
Costs of generating funds:			
Investment management costs	9		9
Charitable activities	78		66
Governance costs	5		11
Other Resources Expended	15		
TOTAL RESOURCES EXPENDED	107	107	86
NET INCOMING RESOURCES BEFORE OTHER RECOGNISED GAINS & LOSSES	49	49	51
Other recognised gains/losses			
Gains/(losses) on Investment assets	(200)		83
Net Movement in Funds for the Year	(151)		134
Total Funds at 1 April 2007		2,634	2,500
TOTAL FUNDS AT 31 MARCH 2008	2,483	2,483	2,634

BALANCE SHEET AS AT 31 MARCH 2008

	31.3.08 £'000	31.3.08 £'000	31.3.07 £'000
FIXED ASSETS			
Investments		2,205	2,405
CURRENT ASSETS			
Debtors	15		13
Investments - Amounts due by Perth & Kinross Council Loans Fund	339		307
	354		320
LIABILITIES			
Creditors: amounts falling due within one year	(76)		(91)
NET CURRENT ASSETS		278	229
NET ASSETS		2,483	2,634

Notes to Charitable Trusts

1. The market value of Investments at 31 March 2008 was £2,205,000 (31 March 2007 £2,405,000).

The unaudited accounts were issued on 30 June 2008 and the audited accounts were authorised for issue on 26 September 2008.

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COMMON GOOD

The Council administers the Common Good Accounts for ten former burghs within Perth & Kinross. The figures below summarise the aggregate income and expenditure for the year and detail the Assets and Liabilities at 31 March 2008.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2008

	2007/08 £'000	2007/08 £'000	2006/07 £'000
EXPENDITURE			
Property Costs	25		37
Supplies & Services	6		3
Grants to Voluntary Organisations	93		97
Christmas Lighting	84		58
Shoppers Creche	8		9
Conference Support	0		13
Other	9		21
		225	238
INCOME			
Rents, Fees, Charges etc.	176		227
Interest on Loans	74		60
Other	4		2
		254	289
SURPLUS FOR THE YEAR		29	51
Balance Brought Forward		1,636	1,585
Balance Carried Forward		1,665	1,636

BALANCE SHEET AS AT 31 MARCH 2008

	31.03.08 £'000	31.03.08 £000	31.03.07 £'000
FIXED ASSETS		3,874	3,526
CURRENT ASSETS			
Debtors	27		26
Investments	297		297
Revenue Advances to Perth & Kinross Council			
Loans Fund	1,520		1,494
			1,817
CURRENT LIABILITIES			
Creditors and Accruals	(21)		(23)
NET CURRENT ASSETS		1,823	1,794
TOTAL NET ASSETS		5,697	5,320
RESERVES			
Revenue		1,665	1,636
Capital		380	386
Revaluation Reserve		3,652	3,298
		5,697	5,320

The unaudited accounts were issued on 30 June 2008 and the audited accounts were authorised for issue on 26 September 2008.

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NOTES TO THE COMMON GOOD ACCOUNTS

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

2. **Common Good Reserve Funds**

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

FUND	Balance at 1.4.07	Income 2007/08	Expenditure 2007/08	Balance at 31.3.08
	£000	£000	£000	£000
Perth City	1,183	206	180	1,209
Aberfeldy	113	9	7	115
Alyth	22	0	1	21
Auchterarder	291	35	36	290
Blairgowrie	22	0	1	21
Kinross	(2)	3	0	1
Pitlochry	7	1	0	8
TOTAL	<u>1,636</u>	<u>254</u>	<u>225</u>	<u>1,665</u>

3. **Common Good Fixed Assets**

The Common Good Fund Balance Sheet now includes £354,000 of land, referred to as the "Solum to the Castle Gable", which formed part of the subjects conveyed by the Royal Charter of King James VI and is regarded as forming part of the Common Good of Perth.

There is a potential issue in terms of fixed assets included in the Council Balance Sheet which should, potentially, be included in the Balance Sheet of the Common Good Funds instead. The Council has set up a group to investigate this issue and report back by 31 March 2009

GROUP INCOME AND EXPENDITURE ACCOUNT

<u>2006/07</u> <i>Restated</i> <i>Net</i> <i>Expenditure</i> <i>£'000</i>		<u>2007/08</u>	<u>Actual</u> <u>Gross</u> <u>Expenditure</u> <u>£'000</u>	<u>Actual</u> <u>Income</u> <u>£'000</u>	<u>Actual</u> <u>Net</u> <u>Expenditure</u> <u>£'000</u>
	SERVICES				
129,834	Education Services		137,757	24,889	112,868
55,320	Social Work Services		82,186	19,944	62,242
15,889	Roads and Transport Services		24,128	7,681	16,447
3,877	Planning and Development Services		9,171	5,925	3,246
3,774	Housing Services (General Fund)		38,423	33,761	4,662
14,881	Cultural & Related Services		18,990	1,960	17,030
14,834	Environmental Services		37,667	18,587	19,080
2,789	Central Services		4,890	2,043	2,847
21,553	Other Operating Expenditure		24,246	1,880	22,366
3,303	Corporate and Democratic Core		2,962	0	2,962
(4,078)	Non Distributed Costs		784	0	784
(4,589)	Housing Revenue Account		19,215	20,903	(1,688)
73	Charitable Trusts		107	16	91
1,610	Share of Operating Result of Associates and Joint Ventures		33,297	33,661	(364)
259,070	NET COST OF SERVICES		433,823	171,250	262,573
(6,459)	Gain on Disposal of Fixed Assets				(5,318)
(236)	Net Deficit/(Surplus) on Trading Operations				132
(177)	Share of Tayside Contracts' Surplus				(191)
432	(Gains)/Losses on the Repurchase or Early Settlement of Borrowing				(1,598)
(2,770)	Interest and Investment Income				(2,601)
(281)	Share of Interest and Investment Income of Associates and Joint Ventures				(335)
8,281	Interest Payable and Similar Charges				8,090
390	Share of Interest Payable and Similar Charges of Associates				270
(1,509)	Pensions Interest Cost & Expected Return on Pensions Assets				(2,461)
9,244	Share of Pension Interest Cost & Expected Return on Pensions Assets of Associates				10,477
265,985	NET OPERATING EXPENDITURE				269,038
	PRINCIPAL SOURCES OF FINANCE				
(138,661)	Revenue Support Grant				(149,145)
(67,288)	Council Tax / Community Charge Income				(69,707)
(50,886)	Distribution from Non Domestic Rates Pool				(50,402)
(256,835)					(269,254)
9,150	DEFICIT/(SURPLUS) FOR THE YEAR				(216)

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

<i>Restated</i> <u>2006/07</u> £'000		<u>2007/08</u> £'000
(1,661)	Surplus on the single entity Income and Expenditure Account for the year	(10,586)
	Add:	
(134)	● Managed Funds - Charitable Trusts	151
10,945	● Associates	10,219
<u>9,150</u>	Deficit for the year on the Group Income and Expenditure Account	<u>(216)</u>

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Restated</i> <u>2006/07</u> £'000		<u>2007/08</u> £'000
9,150	Deficit for the year on the Group Income & Expenditure Account	(216)
(52,749)	Surplus arising on revaluation of fixed assets	(28,442)
(30,970)	Actuarial gains on pension fund assets and liabilities	(38,844)
(866)	Other Gains	15,073
<u>(75,435)</u>	Total recognised gains for the year	<u>(52,429)</u>

GROUP BALANCE SHEET

<i>Restated</i> 31 March 2007	Notes	31 March 2008	
<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
	FIXED ASSETS		
	<u>Operational Assets</u>		
14,506	- Council Dwellings	30,839	
254,896	- Other Land and Buildings	290,517	
10,589	- Vehicles, Plant and Equipment	11,743	
80,074	- Infrastructure Assets	86,775	
4,509	- Community Assets	5,199	
	<u>Non - operational Assets</u>		
23,514	- Investment Properties	20,144	
10,370	- Assets under construction	9,116	
9,774	- Surplus assets, held for disposal	11,674	
<u>408,232</u>	Total Fixed Assets		466,007
	LONG TERM INVESTMENTS		
(184,339)	- Investment in Associates and Joint Ventures	(170,405)	
2,220	- Long-Term Debtors	1,867	
15,863	- Deferred Premiums on the Early Repayment of Debt	0	
			<u>(168,538)</u>
<u>241,976</u>	Total Long-Term Assets		297,469
	CURRENT ASSETS		
1,119	Stocks and Work in Progress	1,097	
45,019	Debtors	48,052	
(14,354)	Provision for Bad and Doubtful Debts	(14,753)	
40,455	Investments	42,678	
1,063	Cash and Bank	3,037	
<u>73,302</u>			80,111
	CURRENT LIABILITIES		
(10,305)	Borrowing repayable on demand or within 12 months	(16,035)	
(43,121)	Creditors	(39,594)	
(1,420)	Bank overdraft	(8,053)	
			<u>(63,682)</u>
<u>260,432</u>	TOTAL ASSETS LESS CURRENT LIABILITIES		313,898
	BORROWING REPAYABLE WITHIN A PERIOD IN EXCESS OF 12 MONTHS		
(148,667)		(160,394)	
(835)	DEFERRED LIABILITIES	(684)	
(30,329)	GOVERNMENT GRANTS DEFERRED	(39,892)	
(380)	DEFERRED CREDITS	(295)	
(2,262)	PROVISIONS	(1,262)	
(49,056)	LIABILITY RELATED TO DEFINED BENEFIT SCHEME	(30,274)	
(235)	DEFERRED DISCOUNTS ON THE EARLY REPAYMENT OF DEBT	0	
			<u>(232,801)</u>
<u>28,668</u>	TOTAL ASSETS LESS LIABILITIES		81,097
	Capital Adjustment Account		
222,988	Capital Adjustment Account		226,815
0	Financial Instruments Adjustment Account		(16,330)
0	Revaluation Reserve		27,991
3,186	Capital Receipts Reserve		3,299
(250,545)	Pensions Reserve		(219,148)
39,081	General Fund	48,254	
5,117	General Fund: Housing Revenue Account	981	49,235
1,107	Renewal and Repair Fund		1,253
1,772	Insurance Fund		1,863
3,328	Capital Fund		3,636
2,634	Charitable Trusts Reserve		2,483
<u>28,668</u>	GROUP BALANCES AND RESERVES		<u>81,097</u>

The unaudited accounts were issued on 30 June 2008 and the audited accounts were authorised for issue on 26 September 2008

J A SYMON ACA
HEAD OF FINANCE
26 September 2008

GROUP CASH FLOW STATEMENT

<i>Restated</i> <u>2006/07</u>		<u>Notes</u>	2007/08	
<i>£'000</i>			<i>£'000</i>	<i>£'000</i>
34,348	NET CASH INFLOW FROM REVENUE ACTIVITIES	8		21,807
	RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
	Cash outflows			
(8,393)	Interest paid		(8,203)	
	Cash inflows			
2,563	Interest received		2,661	
	Net Cash outflow from Servicing of Finance			(5,542)
	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
	Cash outflows			
(35,236)	Purchase of fixed assets		(54,092)	
	Cash inflows			
8,183	Sale of fixed assets		7,243	
7,628	Capital Grants & other capital cash receipts		11,512	
	Net Cash (out)flow from Capital Activities			(35,337)
9,093	NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING			(19,072)
	MANAGEMENT OF LIQUID RESOURCES			
500	Net (increase)/decrease in Short Term deposits			(2,423)
	FINANCING			
	Cash outflows			
(197,699)	Repayments of amounts borrowed		(269,440)	
	Cash inflows			
187,855	New loans raised		286,276	
	Net Cash Inflow from Financing			16,836
(251)	NET DECREASE IN CASH			(4,659)

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; an obligation to contribute to the Joint Boards losses or deficits and the ability to exercise significant influence over them. The Joint Boards have therefore been incorporated in the Group Accounts under the equity method of accounting for associates.

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

Tayside Valuation Joint Board	38.65% (2006/07 38.10%)
Tayside Fire and Rescue Board	29.00% (2006/07 29.00%)
Tayside Joint Police Board	30.17% (2006/07 30.17%)

The accounting period for all entities is the year to 31 March 2008 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.

In addition, the Council has also included Perth and Kinross Leisure Ltd. and Horsecross Arts Ltd. as Associates within its group accounts. The Council does not have an 'interest' in these organisations as defined in ACOP. However, there is emerging custom and practice in Scotland that Leisure and Cultural Trusts are included in local authorities' group accounts because of their importance in the delivery of social, cultural and recreational provision. For the purpose of consolidation and incorporation within the Group Accounts it has been assumed that the Council's interest in the organisations equate to the proportion of Board members who are also members of Perth & Kinross Council. For Perth and Kinross Leisure Ltd. this is 33.33% (2006/07; 30%) and for Horsecross Arts Ltd. this is 27.27% (2006/07; 30%).

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

Perth and Kinross Leisure Ltd	Caledonia House, Hay Street, Perth, PH1 5HS.
Horsecross Arts Ltd	185 High Street, Perth, PH1 5UW.

The income, expenditure, assets and liabilities of the Charitable Trusts which are administered and controlled by the Council have also been included as a managed fund. The Income and Expenditure Account of the Charitable Trusts is detailed on page 55 of the Abstract of Accounts.

Perth and Kinross Council's 38% (2006/07 38%) share of the assets and liabilities of Tayside Contracts Joint Committee which is jointly administered and controlled with Dundee City Council and Angus Council has also been included. There has been no impact on the Group Income and Expenditure Account as the net surplus for the year is already included in the Council's Income and Expenditure Account. Copies of Tayside Contracts Joint Committee's individual accounts are published separately, and can be obtained from Head of Financial Services, Tayside Contracts, 1 Soutar Street, Dundee, DD3 8SS.

Tayside Central Scotland Transport Partnership (TACTRAN) is a statutory body established under the Transport (Scotland) Act 2005. The partnership includes Angus, Dundee City, Perth & Kinross and Stirling Council areas. Perth and Kinross Council as part of their single entity accounts will account for the assets purchased or constructed by them using TACTRAN grants which are allocated to them. Other assets constructed or purchased by grants to the other authorities will be owned by those individual Council's. The TACTRAN accounts have been excluded from Perth and Kinross Councils Group accounts on the grounds of materiality.

2. Nature of Combination

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

3. Financial Impact of Consolidation and Going Concern

The effect of inclusion of the Associates listed above in the Group Balance Sheet is to decrease both reserves and net assets by £170,405,000 (2006/07 £184,339,000) largely because of the combined pension liability of the Joint Boards. This is mainly as a direct result of the requirement to fully account for FRS17 Retirement Benefits.

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

4. Debtors (net of provisions)

	2007/08	2006/07
	£'000	£'000
Net Debtors Balances - Note 22 to the Core Financial Statements	29,953	26,659
Charitable Trusts Debtors - adjustments	15	13
Tayside Contracts Joint Committee Debtors - adjustments	3,331	3,993
Total Group Debtors	<u>33,299</u>	<u>30,665</u>

5. Investments

	2007/08	2006/07
	£'000	£'000
Investments - Note 23 to the Core Financial Statements	40,473	38,050
Charitable Trusts Investments - adjustments	2,205	2,405
Total Group Investments	<u>42,678</u>	<u>40,455</u>

6. Creditors

	2007/08	2006/07
	£'000	£'000
Net Creditors Balance - Note 24 to the Core Financial Statements	40,828	42,712
Charitable Trust Creditors - adjustments	(263)	(216)
Tayside Contracts Joint Committee Creditors - adjustments	(971)	625
Total Group Creditors	<u>39,594</u>	<u>43,121</u>

7. Retirement Benefits

	2007/08	2006/07
	£'000	£'000
Net Pensions Liability at 31 March - Note 9 to the Core Financial Statements	(27,521)	(45,099)
Tayside Contracts Joint Committee - Pensions Liability at 31 March	(2,753)	(3,957)
Group Pension Liability at 31 March	<u>(30,274)</u>	<u>(49,056)</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 decrease the movement in the net cash position by £260,000 (2006/07, increase of £26,000). This represents the Council's 38% (2006/07 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:

	2007/08		2006/07	
	£'000	£'000	Restated £'000	£'000
Deficit/(Surplus) per Group Income and Expenditure Account		(216)		(9,150)
Add Back: Net Interest		5,568		5,843
Items on an Accruals Basis:				
Movements in Stocks	23		(60)	
Movements in Debtors	(4,514)		5,112	
Movements in Creditors	(1,515)		4,047	
Movement in Provisions	234		(211)	
		(5,772)		8,888
Movements in Non Cash Transactions		22,227		28,767
Net Cash Inflow from Revenue Activities		<u>21,807</u>		<u>34,348</u>

9. Additional Disclosure

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

	Combined Associates		Police Board	
	2007/08	2006/07 Restated	2007/08	2006/07 Restated
	£'000	£'000	£'000	£'000
Grants and Contributions Received	(33,661)	(33,268)	(24,498)	(24,640)
(Surplus) / Deficit for the Year	n/a	n/a	(437)	(148)
Fixed Assets	24,323	25,309	11,440	12,241
Current Assets	9,448	7,232	6,345	4,786
Liabilities Due Within One Year	(6,325)	(5,747)	(4,266)	(3,189)
Liabilities Due After One Year or more	(197,851)	(211,133)	(148,922)	(159,441)

The main liability due after more than one year is in relation to each of the Associates' obligations in respect of defined benefit pension schemes. These have been accounted for under Financial Reporting Standard (FRS) 17 "Retirement Benefits" in accordance with ACOP. The Council share of the pension liabilities included above is £188,875,000 (2006/07 £201,489,000).

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

	PKL Ltd & Horsecross Arts Ltd	
	2007/08	2006/07
	£'000	Restated £'000
Grants and Contributions Received	(2,711)	(2,360)
Expenditure	2,655	2,235
Fixed Assets	5,999	6,449
Current Assets	2,075	1,171
Liabilities Due Within One Year	(996)	(740)
Liabilities Due After One Year or more	(252)	(977)

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

10. Related Party Transactions

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

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

	Balance Due		Balance Due	
	From 31.3.08 £'000	To 31.3.08 £'000	From 31.3.07 £'000	To 31.3.07 £'000
Tayside Valuation Board	69	0	97	(25)
Tayside Police Board	0	0	585	(125)

11. 2006/07 Comparative Figures

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

In addition, the Income and Expenditure Account within the Group Accounts for 2006/07 has been restated to reflect the addition of Horsecross Arts Ltd. to the Council's Group.

These changes have had the following impact on the comparative figures for 2006/07 compared with those published in the 2006/07 Statement of Accounts:

Share of Operating Results of Associates and Joint Ventures	£'000
	(6)
IMPACT ON NET COST OF SERVICE	(6)
Share of Interest and Investment Income of Associates and Joint Ventures	54
Share of Interest Payable and Similar Charges of Associates	(34)
Share of Pension Interest Cost & Expected Return on Pensions Assets of Associates	177
IMPACT ON NET OPERATING EXPENDITURE	191

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 2008 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Account, Statement of Movement on the HRA Balance, Council Tax Income Account, Non-Domestic Rate Income Account, Loans Fund, Charitable Trusts, Common Good and the related notes and the Statement of Accounting Policies together with the Group Accounts and Notes to the Group Accounts. These financial statements have been prepared under the accounting policies set out within them.

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

Respective responsibilities of the Chief Finance Officer (Head of Finance) and Auditors

The Head of Finance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2007 - A Statement of Recommended Practice (the 2007 SORP) are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report our opinion as to whether the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP the financial position of the Council and its group and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements

- present fairly, in accordance with relevant legal and regulatory requirements and the 2007 SORP, the financial position of Perth & Kinross Council and its group as at 31 March 2008 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.



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

26 September 2008