



PERTH & KINROSS COUNCIL

STATEMENT OF ACCOUNTS

2009/2010

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 2009/10 financial year. This foreword is intended to give an overview of the Council's financial position and to assist in interpreting the accounting statements.

The Accounting Statements

The accounting statements are set out on pages 15 to 67 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 of Accounting Policies

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

Income and Expenditure Account

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

Statement of Movement on the General Fund Balance

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

Statement of Total Recognised Gains and Losses

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

Balance Sheet

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

Cash Flow Statement

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

Housing Revenue Account

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

Council Tax Income Account

This account shows the net income raised from local taxes.

Non-Domestic Rate Income Account

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

Loans Fund

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

Charitable Trusts

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

Common Good

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

Group Accounts

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

Annual Governance Statement

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

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 2009: A Statement of Recommended Practice (SORP). The Code is updated regularly to take account of any changes in accounting practice.

The substantive changes introduced into the 2009 SORP are:

- The accounting requirements for the Private Finance Initiative (PFI) and similar contracts are no longer based on the UK accounting standard FRS 5 but on International Financial Reporting Standards (IFRS). Revised arrangements for accounting for PFI are consistent with the adaptations of International Financial Reporting Interpretations Committee (IFRIC) Interpretation 12. As well as contracts entered into from 1 April 2009, the requirements apply in respect of PFI and similar contracts existing at 31 March 2009 and prior period adjustments are required for these. The PFI assets used to deliver these services will be required to be recognised on local authorities Balance Sheets along with a liability for the financing provided by the PFI operator.
- Revised requirements for accounting for National Non-Domestic Rates to reflect that billing authorities act as the agent of the Government when collecting Non-Domestic Rates.
- The note to the accounts disclosing total members' allowances paid in the year has been amended to reflect legislative requirements in Scotland regarding disclosures of members' allowances and remuneration.
- The removal of disclosure notes including those regarding Publicity Expenditure and the Local Authorities Goods and Services Act.

Preparation of Group Accounts

The Council has fully implemented the requirements of the SORP in respect of Group Accounts for 2009/10. This includes accounting for the Police, Fire & Rescue and Valuation Joint Boards; Horsecross Arts Ltd and Live Active Leisure Limited (formerly Perth & Kinross Leisure Ltd) as associates of the Council. Perth & Kinross Leisure Ltd changed its name to Live Active Leisure Limited on 17 June 2010. 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 2009/10 is detailed in the Income and Expenditure Account set out on page 15. It should be noted that the classification of Services in this statement complies with that prescribed by the Best Value Accounting Code of Practice and differs from the management structure of the Council. The major differences are that 'Education' excludes expenditure on Children's Services, which is reported in the accounts under 'Social Work Services'; that 'Cultural & Related Services' includes expenditure on the Council's Arts & Heritage, Libraries & Archives, Outdoor Services and Recreation Activities and that "Environmental Services" includes expenditure on Flood Prevention.

The Council approved the General Fund Revenue Budget and Council Tax charge for financial year 2009/10 in February 2009. Expenditure is monitored on a monthly basis and was formally reported, for both the Revenue & Capital budgets, to the Council's Strategic Policy & Resources Committee in September and December 2009 and February and April 2010. Expenditure is reported to Committee on a projected out-turn basis (estimated expenditure at 31 March) with Executive Directors being responsible and accountable to the Council for managing within the approved budget for their Service and within the limits of the Council's Revenue Budget Flexibility Scheme. The on-going financial management of the Council is focused upon identifying and taking corrective action to address budget variances throughout the course of the financial year and the foreword to the accounts aims to highlight and summarise the factors behind the most significant of these variances. The pattern of expenditure reported within the financial statements is subsequently used in developing the Council's future budget strategy.

Under the Council's Revenue Budget Flexibility Scheme the Chief Executive and Executive Directors are permitted, with the prior approval of 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 £2,470,000 from 2009/10 into 2010/11 and future years under the budget flexibility scheme has previously been approved by the Council and this position is reflected within the results for 2009/10 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 2009/10 including the main variances from budget reflected within the Income and Expenditure Account. The budget figures are based on the 2009/10 General Fund Revenue Management Budget approved by the Council's Strategic Policy & Resources Committee on 21 April 2010 and the 2009/10 Housing Revenue Account Budget. The General Fund Revenue Management Budget assumed a net contribution from balances of £2,093,000 whilst the Housing Revenue Account Budget assumed no contribution from balances.

In summary, the Council reported a favourable variance against budget of £1,619,000 for financial year 2009/10 within the Income and Expenditure Account on page 15. After adjusting for statutory and non-statutory items which require to be debited or credited to the Council's General Fund Balance, the Council's General Fund Balances increased by £991,000 in financial year 2009/10 as shown within the Statement of Movement on the General Fund Balance on page 16. This reflects a positive variance of £3,084,000 from the budgeted contribution from General Fund Balances of £2,093,000 in 2009/10.

	Actual Net Expenditure £'000	Budgeted Net Expenditure £'000	Variance Against Budget £'000
Education Services	146,142	148,083	(1,941)
Social Work Services	70,040	69,526	514
Roads and Transport Services	17,500	15,994	1,506
Planning and Development Services	5,687	6,150	(463)
Environmental Services	20,215	21,049	(834)
Housing Revenue Account	9,033	8,621	412
Interest payable and similar charges	11,350	12,078	(728)
Council Tax / Community Charge Income	(70,725)	(70,484)	(241)
Single Status Appeals	0	1,465	(1,465)
Other Items Net	(174,705)	(174,861)	156
Movement on the General Fund Balance	<u>34,537</u>	<u>37,621</u>	<u>(3,084)</u>

The above table is based upon the Council's approved Management Budget for financial year 2009/10 and includes £2,000,000 budgeted by the Council for Single Status appeals. The Budgeted Net Expenditure presented within the Income and Expenditure Account of £36,156,000 is £1,465,000 less than the management budget as the actual expenditure of £535,000 incurred on meeting Single Status appeals within the General Fund has been matched against an equivalent budget.

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

Education Services (Under-spend £1,941,000):

Non Devolved Budget

Expenditure on administrative and support staff was £860,000 less than budget due to vacancies; staff turnover and the managed delivery of staff costs savings as part of the Service's future budget strategy.

Additional income of £360,000 was realised as a result of increased demand for school meals; from income from music, sports and arts projects and from charges to other local authorities for services. Expenditure on school catering was £336,000 less than budgeted due to the phased introduction of free school meals. The re-tendering of pupil transport contracts generated savings of £126,000; expenditure on specialist activity funded by grants such as Gaelic education and childcare strategy was £185,000 less than anticipated and there were further net under-spends totalling £74,000 across a range of budget headings.

These under-spends were, in part, offset by additional expenditure of £492,000 on placements for young people with Additional Support Needs due to the numbers of parental requests to fund specialist placements outwith the Council's mainstream education provision. Provision of £453,000 was also made for the Council's potential liability under the Equal Pay Act 1970 arising from claims being pursued through the Employment Tribunal by current and former employees of the Council. The resultant net under-spend on the Education Services Non Devolved Budget was £996,000.

Devolved School Management Budget:

The net under-spend on the Council's Devolved School Management (DSM) Budget was £945,000. The DSM budget is part of the overall budget for Education Services and represents those funds directly managed by school head teachers. The net under-spend of £945,000 is carried forward as an ear-marked reserve to meet future expenditure by DSM schools.

Expenditure on school teaching staff was £2,588,000 less than budget whilst expenditure on school based support staff was £473,000 less than budget due to vacancies and turnover throughout the year. In both instances, expenditure on staff costs was managed in the context of achieving a Council approved £1,224,000 savings target on DSM staffing. Expenditure on staff training and development was a further £242,000 less than budget. This position was, in part, offset by additional expenditure of £1,848,000 on supply teachers to maintain appropriate levels of teaching provision giving a net under-spend on DSM staff costs of £231,000 in 2009/10.

Additional income of £577,000 from the Scottish Qualifications Agency and from pupil contributions towards school activities together with various net savings totalling £137,000, mainly in respect of expenditure on supplies & services, represents the balance of under-spending on the Devolved School Management Budget.

The £996,000 net under-spend on the Non Devolved Education Budget together with the £945,000 under-spend on the Devolved School Management Budget represents the £1,941,000 total net under-spend on Education Services reflected within the Income & Expenditure Account.

Social Work Services (Over-spend £514,000):

Social Work Services for Adults

The net over-spend on the provision of Social Work Services for Adults was £30,000. Expenditure on services to clients with Learning Disabilities was £523,000 in excess of budget reflecting the cost of care packages and supported living placements. An over-spend of £192,000 was incurred on Care Home placements whilst income from non residential services was £226,000 less than anticipated as a result of the provision of free personal care and reduced income from the provision of community alarms. Provision of £59,000 was also made for the Council's potential liability under the Equal Pay Act 1970 arising from claims being pursued through the Employment Tribunal by current and former employees of the Council. However, these over-spends were largely offset by £285,000 of savings arising from delays in the implementation of telecare projects and of £136,000 from delays in the implementation of housing with care projects; £250,000 of additional income from the recovery of costs for services previously provided to clients now adjudged to be ordinarily resident outwith Perth & Kinross ; £138,000 of an under-spend on mental health services due to staff vacancies and reduced demand for residential placements and other net under-spends, including support services, of £161,000.

Social Work Services for Young People

Net expenditure on the provision of Social Work Services for Young People was £484,000 in excess of budget. Expenditure on residential school placements for young people was £533,000 more than budget due to high levels of demand for specialist accommodation whilst expenditure on Foster care was £213,000 more than budget due to the increased use of external organisations to meet the demand for fostering services. This was partially offset by under-spending of £202,000 on staff costs due to staff vacancies and other net under-spends totalling £60,000 including lower than anticipated demand for Kinship Care payments.

Combining these two variances results in the net over-spend of £514,000 on Social Work Services reflected within the Income & Expenditure Account.

Roads & Transport Services (Over-spend £1,506,000):

Expenditure on Winter Maintenance was £2,197,000 in excess of budget reflecting the significant costs incurred in maintaining access to the Council's local roads network during the extended period of severe weather over late 2009 into early 2010. This position was only partially offset by an under-spend of £315,000 on car parking services due to slippage in the car park investment programme and savings on equipment costs; £165,000 of an under-spend on staff costs; £79,000 of savings on public transport services largely through the re-tendering of contracts and £132,000 of other savings across a range of budget headings.

Planning & Development Services (Under-spend £463,000):

Expenditure on transport projects was £185,000 less than anticipated whilst expenditure on city centre partnership projects was £178,000 less than anticipated. In both instances it is been approved that funding be carried forward to support projects in the next financial year. Additional grant income of £105,000 was received for economic development projects; savings on staff costs of £119,000 were realised through vacancy management whilst expenditure on preparations for the Perth 800 celebrations was £71,000 less than anticipated, with this expenditure being carried forward to support the Perth 800 programme in 2010. These savings were partially offset by an over-spend of £201,000 in relation to public enquiry costs on wind farm applications with the balancing under-spend of £6,000 comprising a number of minor budget variances.

Environmental Services (Under-spend £834,000):

Expenditure on projects funded from the Scottish Government Zero Waste Fund was £603,000 less than anticipated, in part due to the late notification of additional funding. These resources will be carried forward to support waste management projects in future years. There were also under-spends of £170,000 on waste disposal contracts due to processing lower than anticipated volumes of waste and of £270,000 on staff costs through vacancy management (net of £14,000 provision for potential Equal Pay claims) whilst £90,000 of additional income was generated in relation to trading standards; food safety and water sampling. In light of this budget under-spend, the opportunity was taken to make an early repayment of £267,000 of debt in relation to domestic wheeled bins to reduce future debt servicing costs. Income from commercial refuse collection was £100,000 less than anticipated although this was largely offset by savings generated from reduced waste processing costs. Various net under-spends totalling £68,000 represent the balance of the budget variance.

Interest Payable and Similar Charges (Under-spend £728,000)

The approved budget for 2009/10 assumed that the Council's outstanding deposit of £1 million with the Icelandic bank Glitnir Bank hf would require to be impaired on the assumption that UK local authority deposits would not enjoy priority creditor status and accordingly only 29% of the deposit would ultimately be recoverable. £603,000 of the positive variance under Interest Payable and Similar Charges reflects the subsequent move to account for this investment on the assumption that the deposit will ultimately prove 100% recoverable in accordance with guidance issued by the Local Authority Accounting Panel (LAAP Bulletin 82, up-dated May 2010). It should be noted that the status of deposits by UK local authorities in Glitnir Bank hf is still subject to determination by the Icelandic Courts. The £125,000 balance of the under-spend largely relates to variances between budget and actual expenditure on Capital Charges.

Council Tax / Community Charge Income (Net Additional Income £241,000)

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

Single Status Appeals (Under-spend £1,465,000)

All Council employees whose posts were evaluated under the Council's Single Status scheme were entitled to appeal against their evaluation subject to certain qualifying criteria. Following the conclusion of the appeals process, the actual cost of retrospective salary adjustments for successful appellants from 1 August 2007, when the scheme was introduced, to 31 March 2010 was £535,000 compared to a budget of £2,000,000 giving rise to an under-spend of £1,465,000. The cost of Single Status appeal salary adjustments is reflected within the Income & Expenditure Account.

Financial Reporting Standard (FRS) 17 "Retirement Benefits"

FRS 17, as amended by the requirements of International Financial Reporting Standards, is fully adopted in preparing the Council's financial statements. The standard prescribes how employing organisations are to account for pension benefits earned by employees in year and the associated pension assets and liabilities. Perth & Kinross Council participates in two different pension schemes. The Scottish Teachers' Superannuation Scheme is a national scheme administered by the Scottish Public Pensions Agency, an agency of the Scottish Government. The Teachers' scheme is exempt from the accounting requirements of FRS 17 as pension assets and liabilities cannot reliably be attributed to participating authorities. In respect of the Teacher's Scheme, the Income & Expenditure Account reflects only the cash payments made by the Council as an employer to the scheme as detailed in Note 7 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 7 to the Core Financial Statements details the amounts charged to revenue under FRS 17 in respect of the Local Government Pension Scheme and the movement in year in the Council's estimated retirement benefit obligation and assets.

The Fund Actuary has estimated that Perth & Kinross Council has a net retirement pension liability of £234,344,000 at 31 March 2010 (31 March 2009 £108,921,000) based upon the actuarial estimation of the Council's share of the assets & retirement benefit obligations of the Tayside Superannuation Fund in accordance with the amendment to FRS 17. The liability is reflected within the Council's Balance Sheet and is offset by the Council's Pension Reserve.

The net pension liability of £234,344,000 represents the best estimate of the current value of pension benefits which will have to be funded by Perth & Kinross Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2010.

These benefits are expressed in current value terms rather than the cash amount which will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received at some point in the future since the money received now could be invested and would earn interest and returns. In order to adjust the pension liability cash flows for the time value of money a discount factor based on corporate bond rates is used.

The corporate bond rate used for the valuation of pension liabilities as at 31 March 2010 (1.59% real corporate bond yield) is significantly lower than that used at 31 March 2009 (3.69% real corporate bond yield). The Fund Actuary advises that a 1% change in the real bond yield will typically change the valuation of liabilities by up to 25%. The reduction in corporate bond yields has, therefore, significantly increased the estimated current value of the Council's pension liability by approximately 53% or in the order of £200 million. This increase in liability has been partially offset by increases in asset values in line with the stock market recovery. However, this growth has been insufficient to offset the scale of increase in estimated pension liabilities as at 31 March 2010.

The Chancellor of the Exchequer has subsequently announced in his Emergency Budget on 22 June that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS 17 liabilities in the Fund by around 6-8%. The Actuary to the Tayside Superannuation Fund has confirmed that this estimate is in line with their expectations for the Fund.

Group Accounts

In accordance with the SORP, the 2009/10 Group Account Statements are included on pages 59 to 63. The notes to the Group Accounts statements on pages 64 to 67 set out the basis for consolidation.

The effect of consolidation is to reduce the Council's net assets by £266,163,000, resulting in the Group balance sheet showing a net liability of £226,923,000 at 31 March 2010 as set out on page 62. 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 £285,052,000 at 31 March 2010.

Both Tayside Joint Police and Tayside Fire & Rescue Boards operate unfunded defined benefit pension schemes which have pension liabilities which represent a significant long term financial management issue for the constituent authorities (Perth & Kinross Council; Angus and Dundee City Councils). The Group pension liabilities are, however, unlikely to be realised in the short term. The 2009/10 local government finance settlement and the Council's budget process provided resources to meet the Council's net service expenditure in 2009/10. It is expected that future settlements, aligned to the

Council's budget process which balances the Council's estimated expenditure with the funding available, will provide sufficient resources to finance future liabilities. It is, therefore, considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Results for the Year: Housing Revenue Account (HRA) (Over-spend: £412,000)

Income and expenditure on the Council's Housing Revenue Account is detailed on page 49 and the movement in the HRA Balance analysed on page 50.

Reduced expenditure on external paintwork contracts and on supplies & services together with increased income from charges to the General Fund for works on accommodation for Homeless clients resulted in a net under-spend on service and maintenance contracts of £210,000. Slippage on the Muirton demolition programme in Perth resulted in a further under-spend of £115,000. These under-spends were, however, more than offset by additional expenditure totalling £349,000, including £126,000 on maintenance charges for information technology hardware and software; £90,000 of expenditure on the local housing area stock condition survey, a £72,000 increase in the bad debt provision and £61,000 of other minor variances.

Expenditure of £231,000 was also recognised in 2009/10 being the Housing Revenue Account's apportioned share of the cost of Council wide modernisation projects delivered through the Investment In Improvement Fund and £61,000 was recognised in respect of Single Status Backdated appeals. A range of other net over-spends including increased energy costs for Sheltered Housing and additional borrowing costs amongst others, account for the balance of £96,000 resulting in a net over-spend on the Housing Revenue Account of £351,000.

The balance on the Housing Revenue Account Revenue Reserve at 31 March 2010 was £779,000, prior to adjusting for potential impairments.

General Fund Balance at 31 March 2010

The General Fund Balance at 31 March 2010 is shown on the Balance Sheet on page 18 as £31,000,000 (this figure includes £779,000 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 2010 which are summarised in Note 35 to the accounts and detailed below:

General Fund Balance at 31 March 2010

	Commitments	General Fund Balance at 31.03.10
	£'000	£'000
General Fund Balance Per Accounts		31,000
Commitments Against Balances		
Devolved School Management (DSM) Balances	(945)	
Car Parking	(1,698)	
Budget Flexibility (approved in 2009/10)	(2,470)	
Equal Pay Strategy	(1,507)	
Single Status Provision	(1,892)	
Council Tax Income on Second Homes	(3,663)	
Developers Contributions: Commuted Sums	(583)	
Developers Contributions: Education	(122)	
Developers Contributions : Affordable Housing	(1,101)	
Energy Efficiency Fund	(212)	
Financial Assistance	(80)	
Strategic Waste Fund	(759)	
Zero Waste Fund resources contribution to loan charges	(675)	
Investment in Improvement Funds	(452)	
Investment in Learning	(2,767)	
Contaminated Land	(200)	
Perth 800	(165)	
Planning Fees and Building Warrant Income	(820)	
Transformation Agenda	(165)	
Transport Projects	(185)	
Additional funding for Roads Maintenance due to severe weather	(219)	
Potential Impairment in relation to Icelandic bank deposit	(568)	
Potential Impairment in relation to Icelandic bank deposit (HRA)	(136)	
		<u>(21,384)</u>
Uncommitted General Fund Balance at 31 March 2010		<u>9,616</u>
Comprising:		
Uncommitted Balance on General Fund (exc. HRA)		8,973
Uncommitted Balance (ear-marked for Housing Revenue Account)		<u>643</u>
		<u>9,616</u>

In terms of commitments against the General Fund Balance, £945,000 is earmarked for schools participating in the Council's Devolved School Management Scheme and a further £1,698,000 of the balance is earmarked for Car Parking.

In setting the Revenue Budgets for 2010/11 the Council approved the carry-forward of resources derived from Service under-spending in 2009/10 to meet expenditure commitments in future years under the terms of the Council's budget flexibility scheme. The resources carried forward from 2009/10 amount to £2,470,000.

The Council's current Reserves Strategy, as approved in February 2010, also authorised commitments against General Fund Balances in respect of the areas described below. The amounts of the commitments shown have been adjusted to take account of developments since February 2010 where necessary.

In common with many other local authorities, the Council has recognised its potential liability under the Equal Pay Act 1970 in respect of inherited national and local pay structures which, in some instances, differentiated between male and female employees undertaking work of equal value. The Council has accounted for £652,000 within the 2009/10 Final Accounts for its share of potential costs in relation to the settlement of equal pay claims. A further £1,507,000 of balances have been earmarked for settling additional potential equal pay liabilities. The report on the Reserves Strategy prepared to the Council on 11 February 2010 emphasised the "very real risk" that the cost to the Council of any successful equal pay claims could be significantly in excess of the level of the earmarked reserve available. Funding solutions will require to be developed each year as part of the Revenue Budget process if additional equal pay liabilities arise.

On 1 August 2007, the Council took steps to address issues of pay equality for its own employees through the introduction of a 'Single Status' agreement whereby the pay and grading structure for the majority of non-teaching posts is now determined following a comprehensive job evaluation exercise. Balances of £1,892,000 are set aside to assist in meeting the cost in future years of implementing the Single Status agreement on staff pay and conditions.

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 2010 the sum of £3,663,000 has been generated through reductions in Council Tax Discounts and has been ear-marked accordingly. Through the planning approval process, commercial property developers make contributions to support the adoption by the Council of roads & footways and the creation and maintenance of play areas and open spaces. Unapplied contributions totalling £583,000, are shown as a commitment against the General Fund Balance. Further developer contributions of £122,000 for future Education facilities and £1,101,000 toward the provision of affordable housing are also shown as a commitment against General Fund Balances; £212,000 is earmarked for investment in Energy Efficiency measures and £80,000 is earmarked for financial assistance in respect of the Mod. The balances also include £759,000 to assist with implementing new waste initiatives in 2010/11 and £675,000 from Zero Waste Fund resources which will be used in future years to offset loan charges.

As part of the funding strategy for the delivery of the Council's Investment in Learning programme (schools PFI contract), £2,767,000 of balances are ear marked to support the construction phase of the programme. A further £200,000 has been ear-marked to meet any future costs arising from the treatment of contaminated land.

The balance of £452,000 earmarked for the Investment in Improvement Fund is for specific projects which have been approved by the Council for effectively managing change across the Council. A further £165,000 is to support the celebration in 2010 of the 800th anniversary of the founding of Perth as a Royal Burgh.

The balance of £820,000 of Planning Fees and Building Warrant income will be utilised to fund any shortfall in income in 2010/11 and 2011/12. £165,000 of resources have been earmarked for the transformation agenda with the Council and £185,000 is earmarked for transport projects from an under-spend in 2009-10. £219,000 is earmarked for roads maintenance repairs works which was received from the Scottish Government at the end of the financial year.

£568,000 has been ear-marked in the General Fund and £136,000 in the Housing Revenue Account in respect of the Council's deposit with the Icelandic Bank Glitnir hf to reflect the estimated worst case scenario if the Council is not treated as a preferential creditor and only receives 29% of its investment as discussed in note 28 to the Accounts.

Of the total surplus on the Housing Revenue Account of £779,000 at 31 March 2010, the Council is earmarking £136,000 as discussed above for the Icelandic deposit and therefore the uncommitted balances are £643,000. This falls below the Council's recommended uncommitted balances of £750,000.

After recognising commitments totalling £21,384,000, the un-committed General Fund Reserve at 31 March 2010, excluding the HRA, is £8,973,000. This represents approximately 2.7% of the Council's budgeted Net Revenue expenditure in 2010/11 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 34 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; potential claims by successful appellants under the Council's Single Status appeals procedure who left the Council's employ prior to receipt of back payments; from potential exposure to financial penalties under the Landfill Allowances Scheme (Scotland) Regulations; from current and prospective appeals against decisions of the Council as a planning authority; from the potential recovery of Housing Benefit subsidy by the

Department of Work and Pensions and from incurred but not reported insurance claims. In each case, the Council cannot presently ascertain the value of its potential liability.

Results for the Year: Other Funds & Reserves: The balance on each of the following funds and reserves at 31 March 2010 was Renewal & Repair Fund £849,000; Insurance Fund £1,476,000 and Capital Fund £5,766,000 respectively with the movements on these funds being summarised in Note 36 to the Core Financial Statements.

Capital Expenditure

A summary of the Council's capital expenditure is reflected within Note 13 to the Core Financial Statements shown on page 31. Gross capital expenditure, including Capital Financed from Current Revenue (CFCR), was £45,506,000. This total comprises £18,594,000 on the Council's Housing Revenue Account (HRA) and £26,912,000 on the Council's Composite (General Fund) Programme.

Expenditure on the Composite Programme includes £7,196,000 on Education projects, including £4,260,000 on the Secondary Upgrade Programme for non Investment in Learning programme schools; £694,000 on Additional Support Needs Residences; and £673,000 on ICT Infrastructure in the Investment in Learning schools. A total of £7,520,000 was spent on Roads & Transport projects, including £5,115,000 on Structural Maintenance, and £657,000 on Bridges, of which £504,000 was on the A822 Amulree Bridge Replacement. There was also expenditure of £447,000 on Road Safety measures, mostly related to school routes, and a further £987,000 on the renewal programmes for street lighting, traffic signals and footways. The remaining £10,762,000 of General Fund expenditure includes expenditure on various parks improvements (£491,000); developing various recycling centres and waste initiatives (£3,796,000); new Homelessness initiatives (£961,000), and on upgrading the Council's properties including energy efficiency schemes, fire alarms and lighting (£1,203,000). 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 £17,016,000 being incurred on kitchen and bathroom replacements and improvements. The remaining £1,578,000 was spent on various programmes including replacement windows, energy efficiency measures, and affordable housing initiatives including Mortgage-to-Rent.

The capital expenditure was funded through borrowing, sales of assets, various grants, other miscellaneous capital receipts, and directly from the General Fund and HRA Revenue Budgets. The Council borrows from various sources, the most significant being the Public Works Loan Board (PWLb). As at 31 March 2010, the Council had long-term liabilities relating to the funding of capital expenditure of £186,038,000 (measured at par value).

Changes to the Council's Tangible Fixed Assets

The Council has accounted for its tangible fixed assets in accordance with the requirements of the Code of Practice and the transitional arrangements for International Financial Reporting Standards. The most significant change is the inclusion of Private Finance Initiative (PFI) schemes within the Council's balance sheet and specifically the operational PFI School Community Campus properties. Movements in the valuation of the Council's tangible fixed assets are detailed in Note 15 on page 32 and include the impairment (write-down in value) following re-valuation of Council housing stock; school community campus properties and decant accommodation used in the construction of the new School Community Campus in Aberfeldy.

Future Expenditure

Revenue

The Council approved the 2010/11 General Fund Net Revenue Budget and set the 2010/11 Council Tax at a special meeting on 11 February 2010. The 2010/11 General Fund Net Revenue Budget amounts to £335,141,000. As in previous years, it is anticipated that the Revenue Budget ultimately reflected within the 2010/11 Final Accounts will differ from this figure as a result of both adjustments to the management budget approved by the Council during the course of the financial year and additional funding announcements by the Scottish Government.

The Council has identified a number of significant financial risks in preparing the Revenue Budget for 2010/11. The most significant of these include the Council's potential exposure to further costs in relation to equal pay claims. These risks have been managed, as far as they can be foreseen, through the Council's Reserves Strategy for 2010/11 as approved by Council on 11 February 2010.

The Council approved the 2010/11 Housing Revenue Account (HRA) Budget and Rent Levels at the meeting of the Housing & Health Committee on 3 February 2010. The Gross HRA Budget for 2010/11 amounts to £22,777,000 and is predicated on meeting the operating costs of managing the Council's housing stock and contributing to the delivery of the Council's Housing Standard as submitted to the Scottish Government and agreed with the Perth & Kinross Tenant's Federation.

Capital

The Council approved the Composite Capital Budget 2010/11 – 2014/15 (excluding the HRA) at the special meeting of the Council on 11 February 2010. The approved Gross Capital Budget for 2010/11 is £43,487,000; for 2011/12 £31,921,000; for 2012/13 £32,135,000; for 2013/14 £23,699,000 and for 2014/15 £20,959,000.

The Council's capital expenditure plans, as reflected within the above budgets, include further expenditure on the major refurbishment and expansion of various schools to address increasing school rolls and revised standards for school

accommodation, as well as planned improvements to the local roads network. The Council has also made provision for the redevelopment of several parks and public spaces, as well as the redevelopment of Perth Theatre. Homelessness projects are also included, mainly for families and young people. Landfill Waste Reduction also features in the Council's planned expenditure, as well as improvements to its property portfolio and the development and expansion of its rural business unit infrastructure. Ongoing expenditure on the school estate; road safety measures; street lighting and Council vehicle fleet operations are 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 2010/11 was approved by the Council's Housing and Health Committee on 3 February 2010. The Approved Gross HRA Capital Budget for 2010/11 is £6,393,000. Capital expenditure on the Housing Revenue Account in 2010/11 mainly focuses upon the completion of modernisation and maintenance of the Council's existing housing stock, particularly kitchens and bathrooms, to ensure the delivery of the Council's Housing Standard. The budget also includes the first phase of the construction of new Council owned dwellings, and other initiatives to assist in addressing the problem of homelessness in Perth & Kinross.

The Council is also in the middle of a programme of construction work for various new school campus sites. This will deliver a major improvement in the Council's school buildings estate through the development of six new school campuses under a Public Private Partnership (PPP) agreement. As at 31 March 2010, four of the new campuses were fully completed and operational. The programme is funded through a combination of Scottish Government grant funding; budgeted expenditure within Education Services and, during the construction phase, the managed application of General Fund balances.

In common with all Scottish local authorities, Perth & Kinross Council anticipates entering a period of prolonged and severe financial constraint arising from the significant reductions in public expenditure being introduced to address the UK national debt. The outcome of the Treasury Spending Review will not be known until October 2010. It will then be for the Scottish Parliament to determine how reductions in the overall Scottish budget are managed across the Scottish public sector, with the local government finance settlement not anticipated to be announced until December 2010. In light of the current level of uncertainty over future funding levels and the demand and inflationary budget pressures facing the Council, the Council has adopted the Society of Local Authority Chief Executives (SOLACE) / Chartered Institute of Public Finance and Accountancy (CIPFA) planning assumption of a 12% real terms reduction in Scottish Government funding over the period 2011-2014 and is developing its future budget strategy accordingly.

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 2009/10 financial year.

J A Symon ACA
Head of Finance
23 September 2010

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required:

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

The Responsibilities of the Head of Finance

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

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

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

The Head of Finance has also:

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

The Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

J A Symon ACA
Head of Finance
Perth & Kinross Council
23 September 2010

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 2009 (ACOP), a Statement of Recommended Practice (SORP) issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). The Statement of Accounts is intended to present a true and fair view of the financial position and transactions of the authority and has been prepared in accordance with the fundamental accounting principles of relevance, reliability, comparability, understandability and materiality. The Statement of Accounts is based on the historic cost convention as modified by the revaluation of certain categories of assets in accordance with the Code of Practice on Local Authority Accounting.

Recognition of Income and Expenditure

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

Fixed Assets

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

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

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

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

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

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

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

Basis of Funding and Charging for Capital

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

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

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

Depreciation

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

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

Receipts from the Sale of Capital Assets

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

Contingent Liabilities

Where the Council has a possible, rather than certain obligation, or has a present obligation, but the outflow of economic benefits is not probable or has a present obligation where the probable outflow cannot be reliably measured, these liabilities are disclosed in the Notes to the Core Financial Statements. 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, Housing Rents and other items of income, where appropriate. In all cases the level of provision is based on experience and an assessment of the prospects of recovering the related debt. Provisions other than bad and doubtful debts are explained in the Notes to the Core Financial Statements.

Retirement Benefits

As required by ACOP, the Council has adopted in full the amendment to Financial Reporting Standard (FRS) 17 "Retirement Benefits" in accounting for and disclosing its retirement benefit obligations and assets.

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

The Actuary to the Tayside Superannuation Fund was commissioned by Perth & Kinross Council to undertake an assessment of the cost, income, assets and liabilities of the Fund attributable to the Council at 31 March 2010. 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 & 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 2009/10.

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 the adaptations of IFRIC 12 Service Concession Arrangements contained in the Government's Financial Reporting Manual 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, Statement of Movement on the General Fund Balance, Balance Sheet, Cash Flow Statement and Statement of Total Recognised Gains and Losses reflect all the functions and activities of the Council. They include the General Fund and the Housing Revenue Account, but do not include the Common Good Funds or the various Charitable Trusts administered by the Council.

Financial Instruments

Financial Instruments are shown on an amortised cost basis using the effective interest rate (EIR) method. Financial instruments are also shown in note 26 at Fair Value. Fair value is defined as the amount for which a financial asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

Accrued interest for financial statements has been included in the carrying value of the instruments within current assets and current liabilities. Where EIR calculations have been applied (eg Lender Option Borrower Options) accrued interest is included within sundry debtors or creditors.

Deferred Liabilities

The Council recognises deferred liabilities in the Balance Sheet where the liability is due for repayment in over one year.

INCOME AND EXPENDITURE ACCOUNT

<i>Restated</i> 2008/09	2009/10				
<i>Actual</i> <i>Net</i> <i>Expenditure</i> <i>£'000</i>	Notes	Actual Gross Expenditure £'000	Actual Income £'000	Actual Net Expenditure £'000	Budgeted Net Expenditure £'000
COUNCIL SERVICES					
120,976		164,051	17,909	146,142	148,083
66,599		91,356	21,316	70,040	69,526
17,263		25,029	7,529	17,500	15,994
5,459		10,443	4,756	5,687	6,150
14,372		47,570	32,442	15,128	15,040
18,032		20,147	1,831	18,316	18,258
19,369		37,188	16,973	20,215	21,049
2,088	1	3,802	1,462	2,340	2,375
23,209	2	27,940	2,562	25,378	25,216
2,810		2,829	0	2,829	2,862
89		238	0	238	231
(509)		31,643	22,610	9,033	8,621
289,757		462,236	129,390	332,846	333,405
(900)				2,357	2,357
(397)				(305)	(190)
74				934	934
(2,828)				(511)	(476)
10,609				11,350	12,078
2,361	7			6,641	6,641
298,676				353,312	354,749
PRINCIPAL SOURCES OF FINANCE					
(176,504)				(188,363)	(188,435)
(70,088)				(70,725)	(70,484)
(53,655)				(59,687)	(59,674)
(300,247)				(318,775)	(318,593)
(1,571)				34,537	36,156

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

This statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance. The Statement of Movement on the HRA Balance on page 50 of the Notes to the Core Financial Statements details equivalent information for the Housing Revenue Account.

<i>2008/09</i>	Note	<i>2009/10</i>
<i>£'000</i>		<i>£'000</i>
<i>(1,571)</i>	(Surplus)/Deficit for the year on the Income and Expenditure Account	34,537
<i>7,981</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	(35,528)
<i>6,410</i>	Decrease/(Increase) in General Fund Balance for the Year	(991)
<i>(36,419)</i>	General Fund Balance brought forward	(30,009)
<i>(30,009)</i>	General Fund Balance carried forward	(31,000)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

<i>Restated</i> <u>2008/09</u> £'000		<u>2009/10</u> £'000
(1,571)	(Surplus)/Deficit on the Income and Expenditure Account for the year	34,537
(29,863)	Surplus arising on revaluation of fixed assets	(6,646)
79,300	Actuarial losses on pension fund assets and liabilities (Note 7)	122,961
66	Other gains and losses required to be included within the SORP	0
<u>47,932</u>	Total recognised gains and losses for the year	<u>150,852</u>

BALANCE SHEET

<i>Restated</i> <u>31 March 2009</u> £'000	Notes	31 March 2010	
		£'000	£'000
FIXED ASSETS			
46	Intangible Fixed Assets	35	
	Tangible Fixed Assets		
	<u>Operational Assets</u>		
47,057	- Council Dwellings	47,639	
338,781	- Other Land and Buildings	429,473	
10,349	- Vehicles, Plant and Equipment	10,445	
93,596	- Infrastructure Assets	95,985	
6,141	- Community Assets	6,438	
	<u>Non - operational Assets</u>		
20,764	- Investment Properties	24,158	
11,580	- Assets under construction	3,221	
11,760	- Surplus assets, held for disposal	6,733	
540,074	Total Fixed Assets		624,127
1,164	LONG TERM DEBTORS		1,731
541,238	Total Long-Term Assets		625,858
CURRENT ASSETS			
547	Stocks and Work in Progress	573	
37,805	Debtors	39,527	
(15,847)	Provision for Bad and Doubtful Debts	(16,022)	
19,881	Investments	13,037	
1,987	Cash and Bank	4,216	
585,611	Total Assets		41,331
			667,189
CURRENT LIABILITIES			
(55,798)	Borrowing repayable on demand or within 12 months	(28,555)	
(37,914)	Creditors	(41,701)	
(2,477)	Bank overdraft	(1,261)	
			(71,517)
489,422	TOTAL ASSETS LESS CURRENT LIABILITIES		595,672
BORROWING REPAYABLE WITHIN A PERIOD IN EXCESS OF 12 MONTHS			
(129,748)		(167,493)	
(44,223)	GOVERNMENT GRANTS DEFERRED	(52,032)	
(14,614)	DEFERRED LIABILITIES	(100,612)	
(208)	DEFERRED CREDITS	(118)	
(1,616)	PROVISIONS	(1,833)	
(108,921)	LIABILITY RELATED TO DEFINED BENEFIT SCHEME	(234,344)	
	LONG TERM LIABILITIES		(556,432)
190,092	TOTAL ASSETS LESS LIABILITIES		39,240
217,227	Capital Adjustment Account		184,806
(15,810)	Financial Instruments Adjustment Account		(15,145)
56,722	Revaluation Reserve		62,127
2,994	Capital Receipts Reserve		2,705
(108,921)	Pensions Reserve		(234,344)
28,979	General Fund	30,221	
1,030	General Fund: Housing Revenue Account	779	31,000
1,196	Renewal and Repair Fund		849
1,553	Insurance Fund		1,476
5,122	Capital Fund		5,766
190,092	TOTAL NET WORTH	36	39,240

The unaudited accounts were issued on 28 June 2010 and the audited accounts were authorised for issue on 23 September 2010.

J A SYMON ACA
HEAD OF FINANCE
23 September 2010

CASH FLOW STATEMENT

2008/09	Notes	2009/10	
£'000		£'000	£'000
REVENUE ACTIVITIES			
Cash outflows			
(172,153)		(183,331)	
(189,377)		(187,557)	
(21,916)		(21,855)	
(21,587)		(26,217)	
<u>(405,033)</u>			(418,960)
Cash inflows			
9,523		9,739	
68,910		62,899	
53,776		65,443	
176,369		188,639	
26,643		30,645	
3,933	41	3,531	
97,088		87,126	
<u>436,242</u>			448,022
31,209	37		<u>29,062</u>
NET Cash Inflow from Revenue Activities			
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Cash outflows			
(10,609)		(11,350)	
Cash inflows			
2,828		<u>511</u>	
Net Cash outflow from Servicing of Finance			
			(10,839)
CAPITAL ACTIVITIES			
Cash outflows			
(62,158)		(45,506)	
Cash inflows			
2,671		2,251	
8,970		<u>11,958</u>	
Net Cash outflow from Capital Activities			
			(31,297)
<u>(27,089)</u>			<u>(13,074)</u>
NET CASH OUTFLOW BEFORE FINANCING			
MANAGEMENT OF LIQUID RESOURCES			
20,592	39		6,844
(427)			(137)
FINANCING			
Cash outflows			
(324,096)	40	(176,351)	
(340)		(690)	
Cash inflows			
334,208	40	<u>186,853</u>	
Net Cash Inflow from Financing			
			9,812
<u>2,848</u>	38		<u>3,445</u>
NET INCREASE IN CASH			

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.

	2009/10	<i>Restated</i> 2008/09
	£'000	£'000
Local Tax Collection	1,020	874
Registration of Births, Deaths and Marriages	128	108
District Court	0	169
Electoral Registration / Elections	500	367
Licensing	67	(153)
Emergency Planning	66	68
General Grants, Bequests and Donations	559	655
	<u>2,340</u>	<u>2,088</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.

	2009/10	2008/09
	£'000	£'000
Fire & Rescue	8,616	8,596
Police	12,317	12,383
Valuation	1,190	1,155
Commercial Property	2,535	488
Irrecoverable Costs of Support to Outside Bodies	542	393
Harbour	178	194
	<u>25,378</u>	<u>23,209</u>

The harbour at Perth is a commercial port. Income from harbour dues during the year amounted to £133,000 (2008/09 £156,000), and the net deficit was £178,000 (2008/09 deficit £194,000).

3. Premiums and Discounts On Debt Rescheduling Written Down

The SORP requires that any premiums or discounts arising from debt rescheduling should be written off in the year they were incurred, except in limited circumstances where they would qualify as a 'modification' of debt. During 2009/10, 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 2009/10, £33,160,000 of debt with the Public Works Loans Board (PWLB) was prematurely repaid. This incurred total premiums of £934,325 with no discounts being received. These have been charged to the Income and Expenditure Account in 2009/10 in full.

The net amount of premium and discount debited to the General Fund and HRA for transactions prior to 1 April 2009 (as permitted by statutory guidance) from the Financial Instruments Adjustment Account (FIAA) was £610,680 (2008/09 £621,244).

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.

	2009/10 Income £'000	2009/10 Expenditure £'000	2008/09 Income £'000	2008/09 Expenditure £'000
<u>Education Services</u>				
Provision of Support for Learning Assistants to other local authorities	78	78	60	60
<u>Roads and Transport Services</u>				
Receipts from central government in respect of new construction and improvements of motorways and trunk roads (including administration)	0	0	9	9
Receipts from other local authorities for cross boundary bus services	27	27	29	29
<u>Housing & Community Care</u>				
Income from Water Authorities	308	308	358	358
Totals	<u>413</u>	<u>413</u>	<u>456</u>	<u>456</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 - General Grants, Bequests and Donations and Note 41 - Analysis of Other Government Grants.

6. Leases

Operating lease rental payments for vehicles of £228,000 (2008/09 £196,000) were made during the year, with an undischarged liability at 31 March 2010 of £89,000 (31 March 2009 £145,000).

The authority is committed to making payments of £53,000 under these leases in 2010/11 comprising the following elements:

	Vehicles Plant & Equipment 2010/11 £'000	Vehicles Plant & Equipment 2009/10 £'000
Leases expiring in Year 1	0	1
Leases expiring in Years 2 to 5	53	108
	<u>53</u>	<u>109</u>

7. Retirement Benefits

Financial Reporting Standard 17 "Retirement Benefits" (FRS 17) prescribes how pension costs and liabilities are to be disclosed in the financial statements. The standard requires employing organisations to account for retirement benefits in the period in which they are committed to give them, even if the actual payment of these benefits will be many years in the future. The following notes are prepared in accordance with ACOP guidance on disclosure requirements in respect of FRS 17.

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

Teachers

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

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

The employer's contribution rate set by the Scottish Government for 2009/10 was 14.9% which resulted in payments of £7,661,000 from the Council to the Scottish Teachers' Pension Scheme (2008/09 £6,698,000, contribution rate 13.5%). Additional payments relating to added years' benefits, which the Council has inherited from predecessor authorities or awarded itself, together with related increases, amounted to £277,000 (2008/09 £273,000).

Other Employees

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

Transactions Relating to Retirement Benefits

Under FRS 17, the Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. These costs are based upon an assessment by the Fund actuary of the share of assets and liabilities attributable to Perth & Kinross Council at 31 March 2010. As the Fund actuary is unable to provide an analysis of the FRS 17 charge for retirement benefits by individual Service, costs have been apportioned in the Net Cost of Services based upon employer's pension contributions, restated for the requirements of BVACOP.

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

Local Government Pension Scheme	2009/10	2008/09
	£'000	£'000
FRS 17 Charges		
Current Service Costs	12,167	12,148
Past Service Costs	133	175
Settlements & Curtailments	124	86
Interest Cost	25,837	27,245
Expected Return on Assets	<u>(19,196)</u>	<u>(24,884)</u>
Net Charge to the Income & Expenditure Account (Note 12)	<u>19,065</u>	<u>14,770</u>

Local Government Pension Scheme	2009/10	2008/09
	£'000	£'000
Statement of Movement in the General Fund Balance		
Reversal of Net Charges made for Retirement Benefits in accordance with FRS 17	(19,065)	(14,770)
Employer's contributions to the Scheme	16,603	16,215
Net additional amount to be (credited)/debited to the General Fund balance for the year (Note 12)	<u>(2,462)</u>	<u>1,445</u>

Assets and Liabilities in Relation to Retirement Benefits

ACOP requires information to be provided in the notes to the accounts on the Council's assets and liabilities arising from its retirement benefit obligations as defined under FRS17. The actuarial assessment of the share of Tayside Superannuation Fund assets and liabilities attributable to Perth & Kinross Council at 31 March 2010 is set out below in the form of a reconciliation of the movement in year in the value of the Council's pension assets and defined benefit obligation. The estimates have been prepared in accordance with guidance on accounting for retirement benefits under FRS 17 issued by the Institute and the Faculty of Actuaries.

Reconciliation of the opening and closing balances of the present value of Tayside Superannuation Fund obligations attributable to Perth & Kinross Council at 31 March 2010

	2009/10 £'000	2008/09 £'000
Opening Present Value of Defined Benefit Obligation at 1 April	(383,246)	(381,930)
Movements in the year:		
Current service cost	(12,167)	(12,148)
Interest Cost	(25,837)	(27,245)
Actuarial (Loss) / Gains	(202,313)	31,430
Losses on curtailments	(124)	(86)
Estimated benefits paid including un-funded pension payments (net of transfers in)	12,529	11,564
Past service cost	(133)	(175)
Contributions by scheme participants	(5,190)	(4,656)
Closing Present Value of Defined Benefit Obligation at 31 March	<u>(616,481)</u>	<u>(383,246)</u>
Present Value of Funded Obligation	(591,650)	(364,999)
Present Value of Un-Funded Obligation	(24,831)	(18,247)
	<u>(616,481)</u>	<u>(383,246)</u>

Reconciliation of the opening and closing balances of the fair value of Tayside Superannuation Fund assets attributable to Perth & Kinross Council at 31 March 2010.

	2009/10 £'000	2008/09 £'000
Opening Fair Value of Scheme Assets at 1 April	274,325	350,865
Movements in the year:		
Expected rate of return on scheme assets	19,196	24,884
Actuarial gain / (loss)	79,352	(110,731)
Contributions by employer including un-funded pensions	16,603	16,215
Contributions by scheme participants	5,190	4,656
Estimated benefits paid net of transfers in including un-funded pensions	(12,529)	(11,564)
Closing Fair Value of Scheme Assets at 31 March	<u>382,137</u>	<u>274,325</u>

Scheme History

To assist in putting the Council's net pension liability in 2009/10 into context, movements in the Council's net pension deficit in both the current and preceding four financial years are analysed below in accordance with CIPFA / LASAAC guidelines. In the interest of consistency, the fair value of scheme assets is shown at bid price (estimated where necessary) for the periods prior to 31 March 2010.

Local Government Pension Scheme	2009/10	2008/09	2007/08	2006/07	2005/06
	£'000	£'000	£'000	£'000	£'000
			<i>Restated</i>	<i>Restated</i>	<i>Restated</i>
Present Value of Scheme Liabilities	(616,481)	(383,246)	(381,930)	(403,753)	(394,952)
Fair Value of Scheme Assets	382,137	274,325	350,865	355,067	319,187
Net Pension Deficit at 31 March	<u>(234,344)</u>	<u>(108,921)</u>	<u>(31,065)</u>	<u>(48,686)</u>	<u>(75,765)</u>
	£'000	£'000	£'000	£'000	£'000
Experience adjustments on scheme liabilities	(3,467)	(28,279)	0	0	14,920
As a percentage of the scheme liabilities at the Balance Sheet date	0.6%	7.4%	0.0%	0.0%	(3.8%)
Experience adjustments on scheme assets	79,041	(110,354)	(42,298)	6,807	54,174
As a percentage of the scheme assets at the Balance Sheet date	20.7%	(40.2%)	(12.1%)	1.9%	17.0%

The pension liability of £234.344 million (2008/09 £108.921 million) represents the best estimate of the current value of pension benefits that will have to be funded by Perth & Kinross Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2010.

These benefits are expressed in current value terms rather than the cash amount which will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received in, for example, ten years time, since the money received now could be invested and would earn interest or returns during the ten years. In order to adjust the pension liability cash flows for the time value of money a discount factor based on corporate bond rates is used.

The corporate bond rate used for the valuation as at 31 March 2010 (1.59% real corporate bond yield) is significantly lower than that used at 31 March 2009 (3.69% real corporate bond yield). The Fund Actuary advises that a 1% change in the real bond yield will typically change the valuation of liabilities by up to 25%. The reduction in corporate bond yields has, therefore, significantly increased the estimated current value of the Council's pension liability by approximately 53% or approximately £200 million. This increase in liabilities has been partially offset by increases in asset values in line with the stock market recovery. However, this growth has been insufficient to offset the increase in liabilities.

The calculation of current service cost for pension benefits earned is based on the discount rate at the start of the year. Therefore, current service costs in 2009/10 have not been affected by the change, at 31 March 2010, in the corporate bond rates used to estimate the current value of pension liabilities. The change in rate will, however, affect the reported current service cost of pensions in 2010/11 which are therefore likely to be higher than those reported for 2009/10.

The 2009/10 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 2010, as measured under FRS 17. Further information regarding these liabilities can be found in the 2009/10 accounts of these bodies. As a constituent member, Perth and Kinross Council funds a proportion of the annual pension costs of the three Joint Boards, which are determined in accordance with the relevant regulations, and the Council reflects a share of the net pension liabilities of these bodies within the Group Balance Sheet.

The statutory arrangements for funding the deficit, however, mean that the Council's financial position remains healthy as the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the Fund actuary. Contributions by Perth & Kinross Council into the Tayside Superannuation Fund are estimated at approximately £16.2 million in financial year 2010/11 (excluding the capitalised cost of any early retirements or augmentations which may occur after 31 March 2010).

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

Actuarial Assumptions

The Fund actuary has used the following assumptions to value Perth & Kinross Council's share of the assets and liabilities of the Tayside Superannuation Fund as at 31 March 2010. Liabilities have been assessed on an actual basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, inflation etc.

Tayside Superannuation Fund

Estimated Asset Allocation of the Whole Fund at 31 March 2010

	2009/10	2008/09
	%	%
Equities	72.0%	64.4%
Gilts	7.0%	11.5%
Other Bonds	10.0%	8.5%
Property	8.0%	10.1%
Cash	3.0%	5.5%
Total	<u>100.0%</u>	<u>100.0%</u>

Actuarial Assumptions

	2009/10	2008/09
Long term expected rate of return on scheme assets:		
Equities	8.3%	7.8%
Gilts	4.5%	4.0%
Other Bonds	5.5%	6.5%
Property	5.5%	7.3%
Cash	3.0%	3.0%

Mortality assumptions (in years):

Life expectancy from age 65 for current pensioners:

Male	21.37	21.37
Female	24.44	24.44

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

Male	22.30	22.30
Female	25.34	25.34

Financial assumptions

Rate of inflation	3.9%	3.0%
Rate of increase in salaries	5.4%	4.5%
Rate of increase in pensions	3.9%	3.0%
Rate for discounting scheme liabilities	5.5%	6.7%
Take-up of option to convert annual pension into pension lump sum under the terms of the scheme.	50.0%	50.0%

The expected return on assets is based upon the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2009 for the year to 31 March 2010). The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

The actual return on scheme assets in the year to 31 March 2010 was £98.238 million (£70.752 million loss in 2008/09).

Statement of Total Recognised Gains and Losses

Local Government Pension Scheme	2009/10	2008/09
	£'000	£'000
Actual Return less expected return on pension scheme assets	79,041	(95,636)
Experience losses	(3,467)	(42,997)
Changes in assumptions underlying the present value of the scheme liabilities	(198,535)	59,333
Actuarial loss in pension scheme	<u>(122,961)</u>	<u>(79,300)</u>
Increase / (decrease) in irrecoverable surplus from membership fall and other factors	0	0
Actuarial losses recognised in the Statement of Total Recognised Gains and Losses	<u>(122,961)</u>	<u>(79,300)</u>

8. 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 2009/10 a total of £11,017,000 (2008/09 £11,217,000) was paid out in support of these organisations ranging from remission of hall rents of a few pounds to the contribution towards the operational and other costs of Live Active Leisure Limited (formerly Perth and Kinross Leisure Ltd) of £3,393,000 (2008/09 £3,510,000). Details of grants are shown below.

	2009/10 £'000	2009/10 £'000	2008/09 £'000	2008/09 £'000
Education				
- Service Level Agreements with Voluntary Organisations		561		536
Social Work				
- Service Level Agreements with Voluntary Organisations		3,605		3,527
Housing (General Fund)				
- Churches Action for the Homeless	502		658	
- Perth and Kinross Community Mediation	136		136	
<i>Sub Total Housing (General Fund)</i>		638		794
Planning & Development				
- Perthshire Investment Fund Limited	114		207	
- Visit Scotland	179		180	
- Perth & Kinross Countryside Trust	109		109	
- Perth & Kinross Heritage Trust	148		98	
- Perth Festival of the Arts	24		24	
<i>Sub Total Planning & Development</i>		574		618
Cultural & Related				
- Live Active Leisure Limited	3,393		3,510	
- Perth Concert Hall	1,046		1,026	
- Perth Repertory Theatre	397		397	
- Pitlochry Festival Theatre	201		201	
- Perth & Kinross Sports Council	18		18	
<i>Sub Total Cultural & Related</i>		5,055		5,152
Central Services				
- Citizens Advice Bureau	142		139	
- Perthshire Womens Aid	49		53	
- Other	393		398	
<i>Sub Total Central Services</i>		584		590
		<u>11,017</u>		<u>11,217</u>

9. Members' allowances and officers' remuneration

£853,791 was paid as members' remuneration (including salaries, allowances and expenses) during the financial year 2009/10 (2008/09 £839,241).

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

Remuneration Band	2009/10 Number of Employees	2008/09 Number of Employees
£50,000 - £59,999	50	38
£60,000 - £69,999	12	6
£70,000 - £79,999	15	18
£80,000 - £89,999	7	4
£90,000 - £99,999	0	1
£100,000 - £109,999	3	3
£110,000 - £119,999	0	1
£120,000 - £129,999	1	0
	<u>88</u>	<u>71</u>

10. 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 2009/10 for the office accommodation was £2,483,000 (2008/09 £2,514,000).

The unitary charge for 2009/10 for the car park was £392,000 (2008/09 £398,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2010/11 for the office accommodation will be £2,531,000 and for the car park £396,000.

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

During 2009/10 the first five schools in the Public Private Partnership with Axiom Education (Perth and Kinross) Ltd were completed. The campuses at Blairgowrie, Perth South, Kinross, Crieff and the Roman Catholic Secondary School Campus were brought into operation during the year. The agreement is for the provision and maintenance of 6 new school campus sites with Aberfeldy due to be completed in 2010/11 and the Roman Catholic Primary School due to be completed in 2011/12. As each campus is opened the Council will start to pay a unitary charge and will continue to make monthly payments until the contract ends in 2042, at which time the campuses will be handed back to the Council at no cost. The estimated capital value of the scheme is £127,687,000.

The unitary charge for 2009/10 for the campuses opened in the year was £3,882,000 (2008/09 £nil).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2010/11 for the schools completed by the end of 2010/11 will be £10,158,000.

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

	2009/10 £'000	Restated 2008/09 £'000
Net Book Value at 1 April 2009	9,416	9,900
Additions	88,803	0
Reclassifications	6,133	0
Revaluations	(7,335)	0
Depreciation	(2,147)	(484)
Net Book Value at 31 March 2010	<u>94,870</u>	<u>9,416</u>

Movements in Public Private Partnership Liabilities during the year were:

	2009/10 £'000	<i>Restated</i> 2008/09 £'000
Liabilities at 1 April 2009	14,967	15,307
Additional liabilities	88,722	0
Amounts repaid in year	(690)	(340)
Liabilities at 31 March 2010	<u>102,999</u>	<u>14,967</u>
Disclosed in the Balance Sheet as:		
Deferred Liabilities	100,612	14,614
Creditors	2,387	353
Liabilities at 31 March 2010	<u>102,999</u>	<u>14,967</u>

Future Public Private Partnership liabilities due to be met:

	Repayment of liability £'000	Interest & Contingent Rents £'000	Service Charges £'000	Lifecycle Maintenance £'000	TOTAL £'000
Due within one year	2,387	6,018	4,306	374	13,085
Due in 2 to 5 years	14,166	29,126	20,872	2,215	66,379
Due in 6 to 10 years	20,660	36,577	29,559	5,586	92,382
Due in 11 to 15 years	23,418	34,486	33,951	11,521	103,376
Due in 16 to 20 years	17,040	31,478	34,291	16,853	99,662
Due in 21 to 25 years	22,761	35,136	38,579	14,559	111,035
Due in 26 to 30 years	30,828	38,650	44,030	12,118	125,626
Due in 31 to 35 years	10,704	12,213	14,668	4,002	41,587
Total	141,964	223,684	220,256	67,228	653,132

These figures are based on the actual cash amount estimated to be payable and not on prices at 31 March 2010.

11. Audit Costs

In 2009/10 Perth and Kinross Council incurred the following fees relating to external audit services provided in accordance with the Code of Audit Practice:

	2009/10 £'000	2008/09 £'000
Fees payable to Audit Scotland	<u>308</u>	<u>307</u>

12. 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>Restated</i>		2009/10	2009/10
<i>2008/09</i>		£'000	£'000
<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>(11)</i>	Amortisation of Intangible Fixed Assets	(11)	
<i>(23,633)</i>	Depreciation and impairment of fixed assets	(52,200)	
<i>4,165</i>	Government Grants Deferred amortisation	3,730	
<i>900</i>	Gain/(Loss) on disposal of fixed assets	(2,357)	
<i>511</i>	Financing costs - variance between SORP and statutory guidance	665	
<i>(14,770)</i>	Net charges made for retirement benefits in accordance with FRS 17	<u>(19,065)</u>	
<i>(32,838)</i>			(69,238)
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>11,196</i>	Loans fund principal repayments	11,849	
<i>340</i>	Public Private Partnership capital repayments	690	
<i>11,867</i>	Net Capital Expenditure charged in year to the General Fund Balance	4,348	
<i>16,215</i>	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	16,603	
<u><i>6,780</i></u>			<u>33,490</u>
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>25</i>	Transfer to Renewal and Repair Fund	(347)	
<i>1,486</i>	Transfer to the Capital Fund	644	
<i>(310)</i>	Transfer from the Insurance Fund	(77)	
<u><i>1,201</i></u>			<u>220</u>
<u><u><i>7,981</i></u></u>	Net additional amount required to be debited/(credited) to the General Fund balance for the year		<u><u>(35,528)</u></u>

13. Tangible Fixed Asset Transactions

Movements in fixed assets during the year were:

Operational Assets	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total £'000
<u>Gross Book Value</u>						
As at 1 April 2009 Restated	52,697	352,889	26,182	136,580	8,095	576,443
Additions	18,463	11,531	4,907	7,950	755	43,606
Additions - PPP	0	88,803	0	0	0	88,803
Disposals	(3,954)	(32)	(2,702)	0	0	(6,688)
Impairments	(16,730)	(16,352)	0	0	0	(33,082)
Reclassifications	0	12,942	0	0	0	12,942
Revaluations	0	2,231	0	0	0	2,231
As at 31 March 2010	50,476	452,012	28,387	144,530	8,850	684,255
<u>Depreciation</u>						
As at 1 April 2009 Restated	(5,640)	(14,108)	(15,833)	(42,984)	(1,954)	(80,519)
Charge for 2009/10	(3,158)	(8,604)	(4,802)	(5,561)	(458)	(22,583)
Disposals	319	1	2,693	0	0	3,013
Impairments	5,642	162	0	0	0	5,804
Reclassifications	0	8	0	0	0	8
Revaluations	0	2	0	0	0	2
As at 31 March 2010	(2,837)	(22,539)	(17,942)	(48,545)	(2,412)	(94,275)
Net Book Value at 31 March 2010	47,639	429,473	10,445	95,985	6,438	589,980
Net Book Value at 1 April 2009 Restated	47,057	338,781	10,349	93,596	6,141	495,924
Council owned assets	47,639	334,603	10,445	95,985	6,438	495,110
PPP	0	94,870	0	0	0	94,870
	47,639	429,473	10,445	95,985	6,438	589,980

Non Operational Assets

	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets held for Disposal £'000	Total £'000
<u>Gross Book Value</u>				
As at 1 April 2009	20,764	11,580	11,860	44,204
Additions	635	1,179	5	1,819
Disposals	(184)	0	(750)	(934)
Impairments	(2,774)	(268)	(381)	(3,423)
Reclassifications	3,629	(9,250)	(7,321)	(12,942)
Revaluations	2,113	0	3,390	5,503
As at 31 March 2010	24,183	3,241	6,803	34,227
<u>Depreciation</u>				
As at 1 April 2009	0	0	(100)	(100)
Charge for 2009/10	(8)	(11)	0	(19)
Reclassifications	(17)	(9)	17	(9)
Revaluations	0	0	13	13
As at 31 March 2010	(25)	(20)	(70)	(115)
Net Book Value at 31 March 2010	24,158	3,221	6,733	34,112
Net Book Value at 1 April 2009	20,764	11,580	11,760	44,104
Council owned asset	24,158	3,221	6,733	34,112

14. Information on Tangible Fixed Assets Held

Operational Tangible Fixed assets held by the Council include:

	31/03/2010	<i>Restated</i> 31/03/2009
	Number	Number
Council dwellings	7,400	7,485
Office buildings	22	22
Public & community halls	19	20
Secondary schools	7	10
Primary schools	71	72
Nursery schools	2	2
Special schools	2	2
Residential homes	3	3
Day Care Centres	7	7
Outdoor Centres	2	2
Childrens Homes	1	2
Hostels	1	1
Libraries	12	12
Museums & Art Galleries	3	3
Depots and workshops	20	20
Cemeteries	68	68
Crematorium	1	1
Off street car parks	55	54
Caravan Parks	1	1
Site for travelling people	1	1
Public parks and open spaces	219	213
Harbours	1	1
School Community Campuses	5	0

15. 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.

All of the authority's properties with the exception of the council dwellings were valued as at 1st 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 1st April 2009.

In line with the council's rolling programme of re-valuations every 5 years, all Council Dwelling stock was valued as at 1st April 2009 which resulted in a reduction in value of £11,088,142.

The Council will adopt the accounting and reporting requirements of International Financial Reporting Standards (IFRS) with effect from 2010/11. In order to facilitate the transition to IFRS, an internal review of all Council Non-operational properties was undertaken and all Investment properties have been revalued as at 1st April 2009 which has resulted in a net decrease in value of £660,952. The inclusion of Private Finance Initiative (PFI) schemes within the Council balance sheet, and specifically the Operational PFI School Community Campus properties, has increased the gross book value of the Council's 2009/10 balance sheet by £88,803,000. These properties were subsequently revalued at the date they became operational. This resulted in a decrease in gross book value of £7,334,821 and contributes towards the £16,352,027 Other Land and Buildings impairment.

The remainder of Other Land and Buildings impairment is mainly attributed to the £7,927,830 impairment of the Modular Units used for the decant of Breadalbane Secondary School to facilitate the construction of the new PFI School Community Campus in Aberfeldy.

All valuations except Council Houses were undertaken by Council employees who are Associates of the Royal Institute of Chartered Surveyors (RICS) and were issued in the name of the Council's Senior Estate Surveyor. The Council House valuation was undertaken externally by Chartered Surveyors of DTZ in accordance with RICS Appraisal and Valuation Standards 6th Edition.

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 FRS 15.

Further valuation adjustments were made at 31st March 2010 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.

Operational Assets	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Total £'000
Valued at historical cost	0	21,252	28,387	144,530	8,850	203,019
Enhancements to assets not yet valued	14,509	14,119	0	0	0	28,628
New Certified Valuation included in Balance Sheet						
2009/10	35,967	81,613				117,580
2008/09	0	109,642	0	0	0	109,642
2007/08	0	43,721	0	0	0	43,721
2006/07	0	175,003	0	0	0	175,003
2005/06	0	6,662	0	0	0	6,662
Total	50,476	452,012	28,387	144,530	8,850	684,255

Non Operational Assets	Investment Properties £'000	Assets Under Construction £'000	Surplus Assets held for Disposal £'000	Total £'000
Valued at historical cost	0	0	0	0
Enhancements to assets not yet valued	634	1,360	375	2,369
New Certified Valuation included in Balance Sheet				
2009/10	17,339	215	5,868	23,422
2008/09	5,232	625	70	5,927
2007/08	728	31	0	759
2006/07	250	1,010	490	1,750
Total	24,183	3,241	6,803	34,227

16. Intangible Fixed Assets

Movement in Intangible Assets	2009/10 Purchased Software Licences £'000
Original cost	57
Amortisations to 1 April 2009	(11)
Balance at 1 April 2009	46
Expenditure in year	0
Written off to revenue in year	(11)
Balance at 31 March 2010	35

Intangible Assets represent the development of software for Resourcelink, the Council's integrated Human Resources Payroll system. The Council is custodian of Resourcelink software and data and therefore maintains control over the system; future economic benefits will flow to the Council. The expenditure is written off in full over 5 financial years, which commenced in 2008/09.

17. Sources of Finance for Fixed Asset Additions in Year

	2009/10 £'000	<i>Restated</i> 2008/09 £'000
Capital Investment		
Operational assets	43,606	55,869
Non-operational assets	1,819	6,289
	<u>45,425</u>	<u>62,158</u>
Sources of Finance		
Loans	26,939	38,862
Capital Receipts	3,320	3,217
Government Grants	11,149	8,317
Revenue	4,017	11,762
	<u>45,425</u>	<u>62,158</u>

18. Analysis of Net Assets Employed

	2009/10 £'000	<i>Restated</i> 2008/09 £'000
General Fund	(19,389)	133,209
Housing Revenue Account	58,629	56,883
	<u>39,240</u>	<u>190,092</u>

19. Commitments Under Capital Contracts

The Council has made contractual commitments under capital contracts at 31 March 2010 of £14,055,000 (31 March 2009 £12,559,000) based on the Council's Capital plan for the next 5 financial years. The commitments are summarised as follows:

	2009/10 £'000	2008/09 £'000
Education Projects	3,869	6,344
Roads & Bridges Improvement Schemes	2,654	648
Flood Prevention	398	433
Dalcrue Landfill site	488	743
Other Environmental Improvements	3,345	2,112
Fleet Vehicles	328	234
Provision and Upgrade of Commercial Sites	187	1,282
Regeneration of Travellers' Sites	66	315
Other Capital Projects	1,649	448
	<u>12,984</u>	<u>12,559</u>

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

	2009/10	<i>Restated</i> 2008/09
	£'000	£'000
Long Term (due after 1 year)		
External Bodies Debt	0	394
Other Local Authority Debt -Tayside House	25	118
Housing Advances	110	154
Icelandic Deposit	928	0
Interim Funders	668	498
	<u>1,731</u>	<u>1,164</u>

	2009/10	<i>Restated</i> 2008/09
	£'000	£'000
Current (due within 1 year)		
Her Majesty's Revenues & Customs (HMRC)	1,803	1,429
Government Grants	2,122	1,822
Council Tax & Community Charge	14,846	13,128
Scottish Government	0	3,386
Sales Ledger	8,538	5,243
Housing Rent Arrears	1,562	1,642
Tayside Contracts	304	380
Other	10,352	10,775
	<u>39,527</u>	<u>37,805</u>
Provision for Bad and Doubtful Debts	(16,022)	(15,847)
	<u>23,505</u>	<u>21,958</u>

21. **Investments**

	2009/10	2008/09
	£'000	£'000
Lending to Banks & Building Societies	13,037	19,881
Total Short Term	<u>13,037</u>	<u>19,881</u>

22. **Creditors**

	2009/10	<i>Restated</i> 2008/09
	£'000	£'000
Payroll Deductions	6,084	5,829
Accrued Interest	373	1,492
Government Grants paid in advance or repayable	4,050	1,990
Purchase Ledger	11,873	11,361
Common Good & Charities	2,450	2,441
Scottish Water	272	206
Public Private Partnership liability	2,387	353
Other	14,212	14,242
Total	<u>41,701</u>	<u>37,914</u>

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

	2009/10 £'000	2008/09 £'000
Analysis of Loans by Type		
Public Works Loan Board	122,677	84,919
Market Loans	44,554	44,565
Local Bonds / Other Loans	262	264
Total Outstanding	<u>167,493</u>	<u>129,748</u>
Analysis of Loans by maturity		
Between 1 and 2 years	5,162	13,500
Between 2 and 5 years	31,488	23,000
Between 5 and 10 years	30,317	18,000
Between 10 and 15 years	10,503	1,676
Between 15 and 20 years	5,211	1,117
Between 20 and 25 years	3,299	3,166
More than 25 years	81,513	69,289
	<u>167,493</u>	<u>129,748</u>

24. 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	
	31 March 2010 £'000	31 March 2009 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2010 £'000	31 March 2009 £'000
	Borrowings					
Financial liabilities at amortised cost	167,493	129,748	29,816	58,275	197,309	188,023
Total borrowings	<u>167,493</u>	<u>129,748</u>	<u>29,816</u>	<u>58,275</u>	<u>197,309</u>	<u>188,023</u>
Investments						
Loans and receivables	1,664	892	17,253	21,868	18,917	22,760
Total investments	<u>1,664</u>	<u>892</u>	<u>17,253</u>	<u>21,868</u>	<u>18,917</u>	<u>22,760</u>

Lender Option Borrower Option (LOBO) borrowings of £39.6m have been included in long term borrowing as at 31 March 2010 but have a call date in the next 12 months.

The above long term figures are based on SORP 2009 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.

25. 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:

2009/10	Financial Liabilities		Financial Assets		Total 2009/10 £'000	Total 2008/09 £'000
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Available-for- sale assets £'000	Fair value through Income & Expenditure Account £'000		
Interest expense	7,806	0	0	0	7,806	10,224
Losses on derecognition	934	0	0	0	934	495
Impairment losses	0	111	0	0	111	0
Interest payable and similar charges	8,740	111	0	0	8,851	10,719
Interest income	0	(511)	0	0	(511)	(2,828)
Gains on derecognition	0	0	0	0	0	(421)
Interest and investment income	0	(511)	0	0	(511)	(3,249)
Amounts debited/credited to the Income & Expenditure account after impairment					0	81
Net (gain)/loss for the year	8,740	(400)	0	0	8,340	7,551

26. 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 2010 at amortised cost is disclosed below.

Methods and Assumptions in valuation technique:

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

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

The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March 2010, using bid prices where applicable.

The calculations are made with the following assumptions:

- For Public Works Loans Board (PWL) debt, the discount rates used are the rates for new borrowing as per rate sheet number 063/10.
- For other market debt and investments the discount rates used are the rates available for an instrument with the same terms from a comparable lender.
- Interpolation techniques have been used between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values have been calculated for all instruments in the portfolio, but only those which are materially different from the carrying value have been disclosed.

The fair values are calculated as follows:

	31 March 2010		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Public Works Loans Board (PWLB)	144,194	151,267	127,079	138,890
Lender Option Borrower Option (LOBO)	44,554	51,864	44,565	47,052
Bank overdraft	1,261	1,261	2,477	2,477
Short term borrowing	6,747	6,743	13,348	12,546
Other (Special Loans)	553	935	554	705
Financial Liabilities	197,309	212,070	188,023	201,670

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.

27. Fair Value of Assets Carried at Amortised Cost

	31 March 2010		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Cash (including petty cash)	4,216	4,216	1,987	1,987
Deposits with Banks and Building Societies	13,037	13,059	18,900	18,993
Icelandic Deposit	928	928	981	981
Interim Funders	668	668	498	498
Other - Perth & Kinross Leisure	0	0	394	394
Financial Assets	18,849	18,871	22,760	22,853

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

28. Nature and Extent of Risks Arising from Financial Instruments

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

(i) Credit Risk

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

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

	Amounts at 31 March 2010	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2010	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with banks and other financial institutions	18,143	0	0	0
Loans to Others	668	0	0	0
Bonds and other securities	0	0	0	0
Customers	17,759	4	0	710
Total	36,570	-	-	710

Debtors

The authority does not generally allow credit for customers, such that £16.0m of the £17.8m balance is past its due date for payment.

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

	31 March 2010 £000
Less than three months	13,573
Three to six months	385
Six months to one year	1,657
More than one year	385
Total	16,000

(ii) Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council manages its portfolio in conjunction with interest rate forecasts to reduce the risk of a large proportion of its borrowing maturing at a time of higher interest rates, to reduce the financial impact of re-financing at an unfavourable time.

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

On 31 March 2010 £'000	Loans outstanding	On 31 March 2009 £'000
142,838	Public Works Loans Board	127,079
43,200	Market debt	43,200
6,743	Temporary borrowing	13,348
553	Local bonds	554
1,261	Bank Overdraft	2,477
194,595	Total	186,658
28,456	Less than 1 year	58,275
5,162	Between 1 and 2 years	13,500
31,489	Between 2 and 5 years	23,000
30,317	Between 5 and 10 years	18,000
10,503	Between 10 and 15 years	1,120
88,668	Over 15 years	72,763
194,595	Total	186,658

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

(iii) Market Risk

Interest rate risk

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

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

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

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

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

According to this assessment strategy, at 31 March 2010, 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	465
Increase in interest receivable on variable rate investments	(690)
Increase in government grant receivable for financing costs	0
Impact on Income and Expenditure Account	<u>(225)</u>
Share of overall impact credited to the HRA	(43)

The impact of a 1% fall in interest rates would have been an estimated cost of £424,000 to the Council as a result of a reduction in investment income to effectively zero, whilst it would be unlikely that the lenders of the market loans borrowed would pass on the reduction in rates payable.

Foreign Exchange Risk

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

Icelandic Banks

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

Bank	Date Invested	Maturity date	Amount Invested	Interest Rate	Carrying Amount 31 March 2010	Impairment
Glitnir	19 March 2008	19 December 2008	£1,000,000	6.0%	£928,416	£111,036

The monies deposited with Glitnir are subject to the receivership process, and the decisions made by the Bank's Winding-Up Board are currently subject to legal challenge in Iceland. Therefore, the amounts and timing of payments to depositors such as this Council will ultimately be determined by the Icelandic Courts.

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (New Glitnir) with the management of the affairs of Old Glitnir being undertaken by the Winding-Up Board and its affairs are being administered under Icelandic law. Glitnir's latest public information is its 2009 accounts. This indicates that 100% of local authorities claims will be repaid if priority status is confirmed by the Courts. This recovery is subject to further uncertainties and risks, such as the impact of exchange rate fluctuations on the value of assets recovered by the Winding-Up Board and on the settlement of the Council's claim, which is likely to be denominated in Icelandic Krona. The earliest that this court action will conclude, and payment of claims made, is estimated to be June 2011.

The Council has therefore decided to recognise an impairment based on recovering the full amount of principal and interest up to the original maturity date (19 December 2008), together with further interest to the balance sheet date (31 March 2010). The impairment therefore reflects the Net Present Value (NPV) of future repayments based on the assumption that priority status is confirmed.

Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to around 29% of its liabilities. Therefore, if preferential creditor status is not achieved, the recoverable amount may only be 29p in the £, and such recovery may take up to 5 years. £568,000 of General Fund reserves and £136,000 of HRA reserves have been earmarked to deal with this issue should it arise.

The impairment loss of £111,036 recognised in the Income & Expenditure Account in 2009/10 has been calculated by discounting the assumed cashflows at the effective interest rate of the original deposit in order to recognise the anticipated loss of interest to the authority until the money is recovered. Adjustments to these assumptions will be made in future accounts as more information becomes available.

29. Deferred Credits

The Deferred Credit of £118,000 (2008/09 £208,000) 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 £25,000 (2008/09 £118,000) and a debtor of £93,000 (2008/09 £90,000) are also shown within the Council's Statement of Accounts.

30. 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 2010.

Equal Pay Claims

The Council has made provision for Equal Pay Claims as at 31 March 2010. The Council also has a contingent liability at 31 March 2010.

	Balance as at 1.4.09 £'000	Movement During year £'000	Balance as at 31.3.10 £'000
Self Insured/Uninsured Losses	1,060	10	1,070
Council Equal Pay Claims	111	652	763
Tayside Contracts Equal Pay Claims	445	(445)	0
	<u>1,616</u>	<u>217</u>	<u>1,833</u>

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

The accumulated balance on the General Fund at 31 March 2010 includes net surplus funds of £945,000 (31 March 2009 £1,268,000) in respect of schools participating in the Devolved School Management scheme. There are a number of schools with surpluses totalling £1,073,000 and a number of schools carrying forward deficits amounting to £128,000. These surpluses and deficits are earmarked in 2010/11 for the individual schools concerned.

32. 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 2010 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.

33. 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 56.

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.

	31.3.10	31.3.09
	£'000	£'000
Education Trust - Financial Assistance		
Net assets	788	684
Net (Outgoing)/incoming Resources before other recognised gains and losses	(3)	6
Education Trust - Endowments		
Net assets	58	46
Net Incoming Resources before other recognised gains and losses	2	3
Other Charitable Trusts		
Net assets	1,624	1,303
Net Incoming Resources before other recognised gains and losses	(1)	32
TOTAL Net Assets	2,470	2,033
TOTAL Net Incoming Resources before other recognised gains and losses	(2)	41

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

34. Contingent Liabilities

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

The Council has sought to address issues of pay equality through the implementation of a local Single Status agreement from 1 August 2007 and has previously made payments totalling £981,000 where it has acknowledged liabilities in respect of its employees. Based upon legal advice, the Council has provided for £652,000 within the 2009/10 financial statements for outstanding claims actively being pursued at this time through an Employment Tribunal, in addition to £111,000 provided for in 2008/09. The Council's previously identified potential equal pay liability in respect of the Tayside Contract Joint Committee was discharged in 2009/10 through the negotiation by Tayside Contracts of compromise agreements with the employees concerned.

The Council has concluded its internal Single Status Appeals process and the cost of retrospective changes to employee salaries are recognised within the financial statements for 2009/10. There remains a contingent liability in respect of appellants who have subsequently left the Council's employment but whose appeal was upheld and who would have grounds for seeking payment. Whilst this liability cannot be quantified, it is considered marginal given the limited number of appellants concerned.

The Council has identified a contingent liability in relation to landfill fines. The Council has a duty to reduce the amount of municipal waste that is disposed to landfill under the legal framework of the Landfill Allowances Scheme (Scotland) Regulations which came into force on 1 April 2005. Under the scheme, allowances in terms of the volume of waste which may be disposed to landfill are allocated to the Council which, if breached, may result in a financial penalty. Allowances are tradable between local authorities in order to assist them in managing their waste targets. However, following a review of the scheme trading is currently suspended until after the next Scottish Parliamentary election. In financial year 2007/08 the Council breached its target, but was well within its target in the subsequent two financial years. The Council may face a financial penalty for 2007/08 should the Scottish Government not permit the Council to offset the level of waste it disposed to landfill in 2007/08 against the level of waste it disposed to landfill in 2008/09 and 2009/10.

The Council has identified a contingent liability with regard to appeals against the refusal of planning consent for applications for a wind farm development at Calliacher; for an application for quarrying at Braco Castle and for an Energy from Waste plant at Perth. In respect of both the Braco and Calliacher cases, the Reporter has found against the Council and awarded expenses to the appellants. Settlements, however, are determined on a case by case basis and are still subject to negotiation with the parties concerned. At present, the Reporter is still to determine whether to hold an inquiry in respect of the appeal against refusal of consent for an Energy from Waste Plant at Shore Road, Perth. Until the appeals process is concluded, either in terms of finding or negotiation of expenses, it is not possible to cost the liability on the part of the Council.

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

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

The Council has also identified a potential issue in terms of fixed assets included in the Council Balance Sheet which should, potentially, be included in the Balance Sheet of the Common Good Funds instead. The Council has set up a group to investigate this issue. The group are currently investigating all Council parks, Blairgowrie assets, Kinross assets and Aberfeldy assets.

35. General Fund Balances

The General Fund Balance of £31,000,000 at 31 March 2010 includes sums set aside for a range of measures which are detailed below:

	2009/10 £'000	2008/09 £'000
General Fund Balance per Abstract	31,000	30,009
Devolved School Management Balances	(945)	(1,268)
Car Parking	(1,698)	(1,383)
Budget Flexibility (approved in 2009/10)	(2,470)	(2,471)
Equal Pay Strategy	(1,507)	(2,067)
Single Status Provision	(1,892)	(3,572)
Single Status Backdated Cost of Appeals	0	(1,000)
Council Tax Income on Second Homes/Long term empty properties for affordable housing	(3,663)	(3,367)
Developers Contributions: Commuted Sums - Play Areas	(238)	(206)
Developers Contributions: Commuted Sums - Play Areas Slow Release	(186)	(183)
Developers Contributions: Commuted Sums - Sports Grounds	(159)	(195)
Developers Contributions: Education	(122)	0
Developers Contributions: Affordable Housing	(1,101)	(1,230)
Energy Efficiency Fund	(212)	(259)
Financial Assistance (Mod)	(80)	(60)
Strategic Waste Fund	(759)	(1,300)
Zero Waste Fund Resources contribution to Loan charges	(675)	0
Investment in Improvement Funds	(452)	(1,169)
Investment In Learning Project	(2,767)	0
Contaminated Land	(200)	0
Perth 800	(165)	0
Planning Fees and Building Warrant Income	(820)	0
Transformation Agenda	(165)	0
Transport Projects	(185)	0
Additional funding for Roads Maintenance due to severe weather	(219)	0
Potential Impairment in relation to Icelandic bank deposit	(568)	0
Potential Impairment in relation to Icelandic bank deposit (HRA)	(136)	0
Revenue Budget 2009/2011 Commitments	0	(200)
Housing Revenue Account Investment in Improvement Fund	0	(231)
Uncommitted Balance at 31 March 2010	<u>9,616</u>	<u>9,848</u>

36. Movement on Reserves

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

Reserve	Restated Balance 1 April 2009 £'000	Gains / (Losses) for Year £'000	Transfers Between Reserves £'000	Balance 31 March 2010 £'000	Purpose of Reserve	Further Detail of Movements
Capital Adjustment Account	217,227	(36,581)	4,160	184,806	Accounts for capital resources set aside to meet past expenditure	
Financial Instruments Adjustment Account	(15,810)	665	0	(15,145)	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	
Revaluation Reserve	56,722	6,646	(1,241)	62,127	Accounts for gains on revaluation of fixed assets not yet realised through sales	
Capital Receipts Reserve	2,994	2,630	(2,919)	2,705	Proceeds of fixed asset sales to meet future capital investment	
Pensions Reserve	(108,921)	(125,423)	0	(234,344)	Reserve to allow inclusion of pensions liability in the balance sheet (includes liability for Local Government Pension Scheme and unfunded pension enhancements for members of the Teachers' scheme)	Note 7 to Core Financial Statements - Pages 22-26
General Fund	28,979	1,242	0	30,221	Resources required to meet future running costs of Council services	Statement of Movement on General Fund Balance on page 16
General Fund: Housing Revenue Account Balance	1,030	(251)	0	779	Resources required to meet future running costs of Council houses	Statement of Movement on the HRA Balance - Page 50
Renewal & Repair Fund	1,196	(347)	0	849	Reserve to fund the renewal and repair of Council Assets	
Insurance Fund	1,553	(77)	0	1,476	Fund to meet potential self insured liabilities	
Capital Fund	5,122	644	0	5,766	Fund to support future capital programme expenditure	
Total	190,092	(150,852)	0	39,240		

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

	<u>2009/10</u>	<u>Restated</u> <u>2008/09</u>
	£'000	£'000
(Deficit)/Surplus per Income & Expenditure Account	(34,537)	1,571
add back: Net Interest	10,839	7,781
Non-Cash Transactions		
Amortisation of intangible assets	11	11
Depreciation of fixed assets and deferred grants	18,874	15,595
Impairment of fixed assets	29,596	3,874
Premiums/Discounts on Debt Rescheduling written down	934	74
Contributions (from)/to Provisions	217	620
Variance between SORP & Statutory Valuation of Finance Costs	(665)	(511)
Pensions - FRS17 adjustments	2,462	(1,445)
Gain on disposal fixed assets	2,357	(900)
PPP Liability	(2,034)	0
Other movements	(549)	427
Items on an accruals basis		
Movement in Stock and Work-in-Progress	(26)	(88)
Movement in Debtors and Deferred Credits	(1,991)	7,467
Movement in Creditors	3,574	(3,267)
Net Cash Inflow from Revenue Activities	<u>29,062</u>	<u>31,209</u>

38. Movements in Cash

	As at 31 March 2010 £'000	As at 31 March 2009 £'000	2009/10 Movement £'000	2008/09 Movement £'000
Net Cash and Bank	4,216	1,987	2,229	(1,050)
Bank Overdraft	(1,261)	(2,477)	1,216	3,898
	<u>2,955</u>	<u>(490)</u>	<u>3,445</u>	<u>2,848</u>

39. Management of Liquid Resources

	As at 31 March 2010 £'000	As at 31 March 2009 £'000	2009/10 Movement £'000	2008/09 Movement £'000
Investments	13,037	19,881	(6,844)	(20,592)
	<u>13,037</u>	<u>19,881</u>	<u>(6,844)</u>	<u>(20,592)</u>

40. Movements in Borrowings

	Long Term £'000	Short Term £'000	Total £'000	2008/09 £'000
Amounts repaid - original term > 12 months	(83)	(42,160)	(42,243)	(39,748)
Other amounts repaid	0	(135,457)	(135,457)	(282,675)
Movements for change in measurement basis	1,345	4	1,349	(1,673)
Sub-total	1,262	(177,613)	(176,351)	(324,096)
Amounts borrowed	58,000	128,853	186,853	334,208
Reclassification of term	(21,517)	21,517	0	0
Net Movement in Year	37,745	(27,243)	10,502	10,112
Balance at 1 April	129,748	55,798	185,546	175,434
Balance at 31 March	<u>167,493</u>	<u>28,555</u>	<u>196,048</u>	<u>185,546</u>

41. Analysis of Other Government Grants

	2009/10 £'000	2008/09 £'000
Criminal Justice	1,402	1,209
Additional Resources for Schools	10	209
Other	2,119	2,515
	<u>3,531</u>	<u>3,933</u>

42. Explanation of Prior Period Adjustments

In the 2009/10 Statement of Accounts, the Council has adopted significant new accounting policies that impact on the comparative figures for 2008/09 in the Balance Sheet:

- For Public Private Partnerships (PPPs) both the asset and the liability will now be recognised on the Balance Sheet with a portion of the unitary charge reducing the liability over the lifetime of the agreement.
- National Non-Domestic Rates (NNDR) is now shown as one balance for either a debtor or creditor for central government, representing the difference between the cash collected and the amount payable to central government. Previously NNDR balances were analysed as arrears, doubtful debts, overpayments and prepayment and a debtor or creditor for central government. For 2008/09 NNDR balances were disclosed as:

	£'000
Debtor (NNDR)	2,094
Debtor (Government)	1,730
Bad Debt Provision	(405)
Creditor	(33)
TOTAL	<u>3,386</u>

The balance of £3,386,000 is now disclosed as a debtor due from the Government in the restated Accounts.

These changes have had the following impact on the comparative figures for 2008/09 compared with those published in the 2008/09 Statement of Accounts:

	Balance Sheet in 2008/09 Accounts £'000	Restatement of PPPs £'000	Restatement of NNDR £'000	2008/09 Restated Balance Sheet £'000
Other Land and Buildings	329,365	9,416	0	338,781
Long Term Debtors	2,178	(1,014)	0	1,164
Debtors	38,521	(65)	(651)	37,805
Provision for Bad Debts	(16,252)	0	405	(15,847)
Creditors	(37,807)	(353)	246	(37,914)
Deferred Liabilities	0	(14,614)	0	(14,614)
Capital Adjustment Account	223,857	(6,630)	0	217,227

The restatement of the accounting for PPPs has also restated the Income & Expenditure Account but there is no impact on the General Fund Balance and the NNDR changes have no impact on the Income and Expenditure Account.

43. Authorisation of Accounts and Post Balance Sheet Event

The Statement of Accounts have been authorised for issue by John Symon, Head of Finance on 23 September 2010.

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer price index rather than the retail price index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the Balance Sheet Date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce Perth & Kinross Council's FRS 17 net pension liabilities by approximately 6 - 8%.

No other events occurred between the Balance Sheet date and the date the Head of Finance signed the accounts that would have an impact on the 2009/10 Statement of Accounts.

HOUSING REVENUE ACCOUNT

<u>2008/09</u> £'000		2009/10	
		£'000	£'000
	Income		
(18,240)	Dwelling Rents	(19,513)	
(773)	Non-Dwelling Rents	(751)	
(1,941)	Other Income	(2,382)	
(20,954)	Total Income		(22,646)
	Expenditure		
9,149	Repairs & Maintenance	7,824	
6,198	Supervision & Management	7,500	
3,847	Depreciation and impairment of fixed assets	14,799	
932	Other Expenditure	1,120	
84	Increase in bad debt provision	198	
20,210	Total Expenditure		31,441
(744)	Net Cost of HRA Services		8,795
219	HRA services share of Corporate and Democratic Core		223
16	HRA share of other amounts included in the whole authority Net Cost of services but not allocated to specific services		15
(509)	Net Cost of HRA Services per Income and Expenditure Account		9,033
(1,421)	(Gain)/Loss on sale of HRA fixed assets		2,025
1,124	Interest payable and similar charges		1,646
(190)	Interest and investment income		(16)
144	Pensions interest cost and expected return on pensions assets		412
(852)	(Surplus)/Deficit for the year on HRA services		13,100

STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

<i>2008/09</i>		<i>2009/10</i>
<i>£'000</i>		<i>£'000</i>
<i>(852)</i>	(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	13,100
<i>803</i>	Net additional amount required by statute to be debited/(credited) to the HRA Balance for the year	<i>(12,849)</i>
<i>(49)</i>	(Increase)/Decrease in the Housing Revenue Account Balance	251
<i>(981)</i>	Housing Revenue Account surplus brought forward	(1,030)
<u><i>(1,030)</i></u>	Housing Revenue Account surplus carried forward	<u><i>(779)</i></u>

Note to the Statement of Movement on the HRA Balance

<i>2008/09</i>		<i>2009/10</i>	<i>2009/10</i>
<i>£'000</i>		<i>£'000</i>	<i>£'000</i>
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
<i>1,421</i>	Gain/(Loss) on sale of HRA fixed assets	(2,025)	
<i>(3,847)</i>	Depreciation and impairment of fixed assets	(14,799)	
<i>(906)</i>	Net charges made for retirement benefits in accordance with FRS 17	(1,185)	
<u><i>(3,332)</i></u>			<u>(18,009)</u>
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
<i>1,046</i>	Employer's contributions payable to the Pension Fund and retirement benefits payable	1,054	
<i>74</i>	Financing costs - variance between SORP and Statutory guidance	126	
<i>1,997</i>	Loans fund principal	2,190	
<i>1,018</i>	Capital expenditure funded by the HRA	1,790	
<u><i>4,135</i></u>			<u>5,160</u>
<u><i>803</i></u>	Net additional amount required by statute to be debited/(credited) to the HRA Balance for the year		<u><i>(12,849)</i></u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1.	Housing Stock at 31 March 2010	No. of Dwellings 31.03.10	<i>No. of Dwellings</i> <i>31.03.09</i>
	Sheltered accommodation	501	533
	Detached/Semi-Detached/Terraced	3,504	3,520
	High Rise Flats	140	141
	Tenement Flats/Other Flats/Maisonettes	3,255	3,291
	Total	7,400	7,485

2.	Rent Arrears at 31 March 2010	Gross Arrears 31.03.10		<i>Gross Arrears</i> <i>31.03.09</i>	
		£'000	% of Income	£'000	% of Income
	Houses	867	4.6	752	4.2
	Other Subjects	138	18.4	117	15.1
	Hostels	0	0.0	227	76.9
	Totals	1,005	5.0	1,096	5.8

There is a provision for bad debts for Rent Arrears in 2009/10 of £552,000 (2008/09 £782,000).

COUNCIL TAX INCOME ACCOUNT

<u>2008/09</u>			<u>2009/10</u>
£'000			£'000 £'000
80,760	Gross Charge		81,569
(2,482)	Deduct - Exemptions		(2,431)
(99)	Disabled Relief		(105)
(6,511)	Discounts and Reductions		(6,590)
71,668	Net Council Tax		72,443
	Deduct -		
(6,328)	Benefits	(6,744)	
6,317	less Government Grants	6,763	19
(9)	MOD Properties	(7)	
9	Contribution Received	7	0
(1,574)	Provision for Bad and Doubtful Debts		(1,679)
70,083	Total Council Tax Income		70,783
5	Adjustments for prior years for Council Tax and Community Charge		(58)
70,088	Total Council Tax / Community Charge Income to Income and Expenditure Account		70,725

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

1. CALCULATION OF THE COUNCIL TAX BASE

	A	B	C	D	E	F	G	H	2009/10 TOTAL	2008/09 TOTAL
No. of Properties	9,121	14,637	11,155	9,821	10,981	6,758	5,130	629	68,232	68,130
Exemptions	(707)	(603)	(342)	(244)	(186)	(86)	(63)	(30)	(2,261)	(2,445)
Disabled Relief	66	12	0	45	(49)	(15)	(53)	(6)	0	0
Discounts	(1,462)	(1,849)	(1,221)	(995)	(833)	(387)	(247)	(63)	(7,057)	(7,033)
Effective No. of Properties	7,018	12,197	9,592	8,627	9,913	6,270	4,767	530	58,914	58,652
Ratio	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9		
Band D Equivalents	4,675	9,487	8,526	8,627	12,116	9,057	7,945	1,060	61,493	61,221
Contributions in lieu									7	9
TOTAL									61,500	61,230
Provision for non-payment at 2.5% (2008/09 2.5%)									(1,538)	(1,530)
COUNCIL TAX BASE									59,962	59,700

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 2009/10 are set out below:

Valuation Band	Property Valuation Range	Fraction of band D	2009/10 Actual Charge	2008/09 Actual Charge
A	£0 - £27,000	6/9	£772.00	£772.00
B	£27,001 - £35,000	7/9	£900.67	£900.67
C	£35,001 - £45,000	8/9	£1,029.33	£1,029.33
D	£45,001 - £58,000	9/9	£1,158.00	£1,158.00
E	£58,001 - £80,000	11/9	£1,415.33	£1,415.33
F	£80,001 - £106,000	13/9	£1,672.67	£1,672.67
G	£106,001 - £212,000	15/9	£1,930.00	£1,930.00
H	Over £212,000	18/9	£2,316.00	£2,316.00

NON DOMESTIC RATE INCOME ACCOUNT

2008/09		2009/10	
£'000		£'000	£'000
52,693	Gross Rate Levied		55,497
	Deduct:		
(1,526)	Rate Rebates	(1,608)	
(28)	Interest on Overpaid Rate:	(37)	
(6,851)	Reliefs, Charities etc	(8,718)	
(238)	Provision for Bad and Doubtful Debt:	(253)	
		(10,616)	
	Adjustments to Previous Years		
(1,168)	Gross Rate Levied	(453)	
359	Transitional Surcharge/Relief	46	
(89)	Rate Rebates	127	
40	Reliefs, Charities etc	(161)	
(1)	Provisions for Bad and Doubtful Debts and Abatement	(18)	
		(459)	
43,191	Net Non Domestic Rate Income		44,422
(43,312)	Contribution to National Non Domestic Rate Pool	(44,559)	
53,776	Contribution from National Non Domestic Rate Pool	59,824	
10,464	Net contribution from National Non Domestic Rate Pool	15,265	
53,655	Total Non Domestic Rate Income		59,687

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 2009/10 was 48.1p (2008/09 45.8p). The small Business Bonus Scheme was introduced from 1 April 2008 for business with properties of which the rateable value is £15,000 or less. Subject to eligibility, this provided relief of between 25% and 100% in 2009/10 (between 20% and 80% in 2008/09). This scheme replaced the Small Business Rates Relief Scheme. A supplement of 0.4p (2008/09 0.4p) was charged on properties with a rateable value of over £29,000 to contribute towards the additional cost of the scheme.

2. RATEABLE SUBJECTS AND VALUES

No. of Subjects at 1/4/08	Rateable Value £'000 at 1/4/08		No. of Subjects at 1/4/09	Rateable Value £'000 at 1/4/09
1,549	27,635	Shops, Restaurants	1,539	27,480
982	17,499	Offices	1,021	17,279
1,257	12,539	Hotels, Boarding Houses	1,313	12,660
746	14,026	Industrial & Freight Transport	752	13,991
2,193	19,927	Other	2,171	19,860
978	28,412	Miscellaneous	1,240	28,796
7,705	120,038	Total	8,036	120,066

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 2009/10 the average interest rate was 3.95% (2008/09 3.89%).

The Statement of Accounting Policies on pages 11 to 14 summarises the relationship between the Consolidated Loans Fund and the Council's Income & Expenditure Account and Balance Sheet.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2010

	2009/10 £'000	2008/09 £'000
EXPENDITURE		
Interest Paid on Loans:		
Public Works Loans Board	5,534	5,872
Mortgages and Bonds	1,970	1,966
Other Loans	58	453
Interest Paid on Revenue Balances	243	1,933
Impairment charges	111	81
Expenses of Borrowing	203	170
Premiums incurred on early repurchase of debt	934	495
TOTAL EXPENDITURE	<u>9,053</u>	<u>10,970</u>
INCOME		
Interest Earned on Investments	511	2,828
Fees Earned on Services to Joint Board	6	6
Discounts received on early repurchase of debt	0	421
Interest Recovered from Borrowing Accounts	8,340	7,551
Expenses Recovered from Borrowing Accounts	196	164
TOTAL INCOME	<u>9,053</u>	<u>10,970</u>

BALANCE SHEET AS AT 31 MARCH 2010

	31.03.10 £'000	31.03.09 £'000
ASSETS		
Cash Investments	4,178	1,950
Short Term Investments	13,037	19,881
Sundry Debtors	2	893
Long Term Debtors	928	400
Financial Instruments Adjustment Account	15,145	15,810
Internal Revenue and Capital Advances	164,624	150,831
TOTAL ASSETS	<u>197,914</u>	<u>189,765</u>
LIABILITIES		
Public Works Loans Board	144,194	127,079
Mortgages and Bonds	44,554	44,565
Bank Overdraft	1,261	2,477
Other Loans	7,300	13,902
Sundry Creditors	605	1,742
TOTAL LIABILITIES	<u>197,914</u>	<u>189,765</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 2010.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2010

	2009/10 £'000	2009/10 £'000	2008/09 £'000
INCOMING RESOURCES			
Incoming resources from generated funds:			
Investment Income	98		131
Other Incoming Resources	1		0
Total Incoming Resources	1	99	131
RESOURCES EXPENDED			
Costs of generating funds:			
Investment management costs	14		5
Charitable activities	82		80
Governance costs	5		5
Total Resources Expended	5	101	90
Net Incoming Resources Before Other Recognised Gains & Losses		(2)	41
OTHER RECOGNISED GAINS/LOSSES			
Gains/(Losses) on Investment assets		439	(491)
Net Movement in Funds for the Year		437	(450)
RECONCILIATION OF FUNDS			
Total Funds Brought Forward at 1 April 2009		2,033	2,483
TOTAL FUNDS CARRIED FORWARD AT 31 MARCH 2010		2,470	2,033

BALANCE SHEET AS AT 31 MARCH 2010

	31.3.10 £'000	31.3.10 £'000	31.3.09 £'000
FIXED ASSETS			
Investments		2,177	1,737
CURRENT ASSETS			
Debtors	15		16
Investments - Amounts due by Perth & Kinross Council Loans Fund	356		366
	371		382
LIABILITIES			
Creditors: amounts falling due within one year	(78)		(85)
Accruals	0		(1)
NET CURRENT ASSETS		293	296
NET ASSETS		2,470	2,033
TOTAL FUNDS		2,470	2,033

Notes to Charitable Trusts

1. The market value of Investments at 31 March 2010 was £2,177,000 (31 March 2009 £1,737,000).
2. The unaudited accounts were issued on 28 June 2010 and the audited accounts were authorised for issue on 23 September 2010.

J A SYMON ACA
HEAD OF FINANCE
23 September 2010

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 2010.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2010

	2009/10 £'000	2009/10 £'000	2008/09 £'000
EXPENDITURE			
Property Costs	45		22
Supplies & Services	7		13
Grants to Voluntary Organisations	164		107
Christmas Lighting	69		116
Provision for Doubtful Debts	3		0
Shoppers Creche	6		12
Other	7		15
		301	285
INCOME			
Rents, Fees, Charges etc.	275		382
Interest on Loans	6		60
Other	1		10
		282	452
(DEFICIT)/SURPLUS FOR THE YEAR		(19)	167
Balance Brought Forward		1,832	1,665
Balance Carried Forward		1,813	1,832

BALANCE SHEET AS AT 31 MARCH 2010

	31.03.10 £'000	31.03.10 £'000	31.03.09 £'000
FIXED ASSETS			
		5,277	4,119
CURRENT ASSETS			
Debtors	8		99
Investments	297		297
Revenue Advances to Perth & Kinross Council			
Loans Fund	2,094		2,075
	2,399		2,471
CURRENT LIABILITIES			
Creditors and Accruals		(57)	(24)
NET CURRENT ASSETS		2,342	2,447
TOTAL NET ASSETS		7,619	6,566
RESERVES			
Revenue		1,813	1,832
Capital		730	824
Capital Adjustment Account		8	0
Revaluation Reserve		5,068	3,910
		7,619	6,566

The unaudited accounts were issued on 28 June 2010 and the audited accounts were authorised for issue on 23 September 2010.

J A SYMON ACA
HEAD OF FINANCE
23 September 2010

NOTES TO THE COMMON GOOD ACCOUNTS

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

2. **Common Good Reserve Funds**

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

FUND	Balance at 1 April 09	Income 2009/10	Expenditure 2009/10	Balance at 31 March 10
	£'000	£'000	£'000	£'000
Perth City	1,374	262	225	1,411
Aberfeldy	103	5	19	89
Alyth	21	0	0	21
Auchterarder	300	15	54	261
Blairgowrie	22	0	1	21
Coupar Angus	2	0	1	1
Crieff	2	0	1	1
Kinross	0	0	(1)	1
Pitlochry	8	0	1	7
TOTAL	<u>1,832</u>	<u>282</u>	<u>301</u>	<u>1,813</u>

3. **Common Good Fixed Assets**

Some fixed assets included in the Council Balance Sheet should potentially be included in the Balance Sheet of the Common Good Funds instead. The Council has set up a group to investigate this issue, which is currently reviewing all relevant title deeds. The group are currently investigating all Council parks, Blairgowrie assets, Kinross assets and Aberfeldy assets.

GROUP INCOME AND EXPENDITURE ACCOUNT

<i>Restated</i> <u>2008/09</u> <i>Actual</i> <i>Net</i> <i>Expenditure</i> <i>£'000</i>		2009/10		
		Actual Gross Expenditure £'000	Actual Income £'000	Actual Net Expenditure £'000
	SERVICES			
120,976	Education Services	164,051	17,909	146,142
66,599	Social Work Services	91,356	21,316	70,040
17,263	Roads and Transport Services	25,029	7,529	17,500
5,459	Planning and Development Services	10,443	4,756	5,687
14,372	Housing Services (General Fund)	47,570	32,442	15,128
18,032	Cultural & Related Services	20,147	1,831	18,316
19,369	Environmental Services	37,188	16,973	20,215
2,088	Central Services	3,802	1,462	2,340
23,209	Other Operating Expenditure	27,940	2,562	25,378
2,810	Corporate and Democratic Core	2,829	0	2,829
89	Non Distributed Costs	238	0	238
(509)	Housing Revenue Account	31,643	22,610	9,033
90	Charitable Trusts	101	1	100
(2,154)	Share of Operating Result of Associates and Joint Ventures	34,693	36,551	(1,858)
287,693	NET COST OF SERVICES	497,030	165,942	331,088
(916)	(Gain) / Loss on Disposal of Fixed Assets			2,354
(397)	Share of Tayside Contracts' Surplus			(305)
74	Losses on the Repurchase or Early Settlement of Borrowing			934
(2,467)	Interest and Investment Income			(1,047)
(277)	Share of Interest and Investment Income of Associates			(50)
10,609	Interest Payable and Similar Charges			11,350
324	Share of Interest Payable and Similar Charges of Associates			266
2,361	Pensions Interest Cost & Expected Return on Pensions Assets			6,641
13,007	Share of Pension Interest Cost & Expected Return on Pensions Assets of Associates			13,244
310,011	NET OPERATING EXPENDITURE			364,475
	PRINCIPAL SOURCES OF FINANCE			
(176,504)	Revenue Support Grant			(188,363)
(70,088)	Council Tax / Community Charge Income			(70,725)
(53,655)	Distribution from Non Domestic Rates Pool			(59,687)
(300,247)	TOTAL FINANCING			(318,775)
9,764	DEFICIT FOR THE YEAR			45,700

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

<i>Restated</i> <u>2008/09</u> £'000		<u>2009/10</u> £'000
(1,571)	(Surplus)/Deficit on the single entity Income and Expenditure Account for the year	34,537
	Add:	
451	● Managed Funds - Charitable Trusts	(436)
10,884	● Associates	11,599
<u>9,764</u>	Deficit for the year on the Group Income and Expenditure Account	<u>45,700</u>

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<i>Restated</i> <u>2008/09</u> £'000		<u>2009/10</u> £'000
9,764	Deficit for the year on the Group Income & Expenditure Account	45,700
(42,376)	Surplus arising on revaluation of fixed assets	(6,646)
71,929	Actuarial losses on pension fund assets and liabilities	219,487
174	Other Losses/(gains)	(107)
<u>39,491</u>	Total recognised losses/(gains) for the year	<u>258,434</u>

GROUP CASH FLOW STATEMENT

<i>Restated</i> <u>2008/09</u>		<u>Notes</u>	2009/10	
<i>£'000</i>			<i>£'000</i>	<i>£'000</i>
32,738	NET CASH INFLOW FROM REVENUE ACTIVITIES	8		30,633
	RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
	Cash outflows			
(10,742)	Interest paid		(11,490)	
	Cash inflows			
2,828	Interest received		511	
	Net Cash outflow from Servicing of Finance			(10,979)
	CAPITAL ACTIVITIES			
	Cash outflows			
(62,765)	Purchase of fixed assets		(46,450)	
	Cash inflows			
2,679	Sale of fixed assets		2,284	
8,970	Capital Grants & other capital cash receipts		11,958	
	Net Cash outflow from Capital Activities			(32,208)
(26,292)	NET CASH OUTFLOW BEFORE FINANCING			(12,554)
	MANAGEMENT OF LIQUID RESOURCES			
20,592	Net decrease in Short Term deposits			6,844
(427)	Net increase in other liquid resources			(137)
	FINANCING			
	Cash outflows			
(324,498)	Repayments of amounts borrowed		(176,858)	
(340)	Capital element of finance lease rental payments		(690)	
	Cash inflows			
334,614	New loans raised		187,455	
	Net Cash Inflow from Financing			9,907
3,649	NET INCREASE IN CASH			4,060

NOTES TO THE GROUP ACCOUNTS

1. Combining Entities

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

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

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

Tayside Valuation Joint Board	39.80% (2008/09 38.65%)
Tayside Fire & Rescue Board	29.00% (2008/09 29.00%)
Tayside Joint Police Board	30.20% (2008/09 30.17%)

The accounting period for all entities is the year to 31 March 2010 and each of the Boards' Statements of Accounts presents fairly their individual financial position.

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

Tayside Valuation Joint Board	Head of Finance, Dundee City Council, Floor 4, 28 Crichton Street, Dundee, DD1 3RF.
Tayside Fire & Rescue Board	Head of Corporate Services, Fire & Rescue Headquarters, Blackness Road, Dundee, DD1 5PA.
Tayside Joint Police Board	Director of Corporate Services, Force Headquarters, PO Box 59, West Bell Street, Dundee, DD1 9JU.

In addition, the Council has also included Live Active Leisure Limited (formerly Perth & Kinross Leisure Ltd.) and Horsecross Arts Ltd. as Associates within its group accounts. The Council does not have an 'interest' in these organisations as defined in ACOP. However, there is custom and practice in Scotland that Leisure and Cultural Trusts are included in local authorities' group accounts because of their importance in the delivery of social, cultural and recreational provision. Both organisations operate independently of Perth and Kinross Council, are governed by company and charitable trust regulation, and are not the property of Perth and Kinross Council. For the purpose of consolidation and incorporation within the Group Accounts it has been assumed that the Council's interest in the organisations equate to the proportion of Board members who are also members of Perth & Kinross Council. For Live Active Leisure Limited this is 33.33% (2008/09; 33.33%) and for Horsecross Arts Ltd. this is 27.27% (2008/09; 27.27%).

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

Live Active Leisure Limited	Caledonia House, Hay Street, Perth, PH1 5HS.
Horsecross Arts Ltd	185 High Street, Perth, PH1 5UW.

The income, expenditure, assets and liabilities of the Charitable Trusts which are administered and controlled by the Council have also been included as a managed fund. The nature of the assets of the managed fund is investments and debtors. The assets are not the property of Perth and Kinross Council and are subject to charitable trust regulations. The Income and Expenditure Account of the Charitable Trusts is detailed on page 56 of the Statement of Accounts.

Perth & Kinross Council's 38% (2008/09 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 covers Angus, Dundee City, Perth & Kinross and Stirling Council areas. The results of TACTRAN have been excluded from Perth & Kinross Councils Group accounts on the grounds of materiality.

2. Nature of Combination

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

3. Financial Impact of Consolidation and Going Concern

The effect of inclusion of the Associates listed above in the Group Balance Sheet is to decrease both reserves and net assets by £255,763,000 (2008/09 £157,076,000) 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)

	2009/10	<i>Restated</i> 2008/09
	£'000	£'000
Net Debtors Balances - Note 20 to the Core Financial Statements	23,505	21,958
Charitable Trusts Debtors - adjustments	15	16
Tayside Contracts Joint Committee Debtors - adjustments	2,693	3,391
Total Group Debtors	<u>26,213</u>	<u>25,365</u>

5. Investments

	2009/10	2008/09
	£'000	£'000
Investments - Note 21 to the Core Financial Statements	13,037	19,881
Charitable Trusts Investments - adjustments	2,177	1,737
Total Group Investments	<u>15,214</u>	<u>21,618</u>

6. Creditors

	2009/10	<i>Restated</i> 2008/09
	£'000	£'000
Net Creditors Balance - Note 22 to the Core Financial Statements	41,701	37,914
Charitable Trust Creditors - adjustments	(278)	(280)
Tayside Contracts Joint Committee Creditors - adjustments	758	381
Total Group Creditors	<u>42,181</u>	<u>38,015</u>

7. Retirement Benefits

	2009/10	2008/09
	£'000	£'000
Net Pensions Liability at 31 March - Note 7 to the Core Financial Statements	(234,344)	(108,921)
Tayside Contracts Joint Committee - Council share of Pensions Liability at 31 March	<u>(15,808)</u>	<u>(6,744)</u>
Group Pension Liability at 31 March	<u>(250,152)</u>	<u>(115,665)</u>

8. Group Cash Flow Statement

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

The impact of the inclusion of Tayside Contracts Joint Committee within the Group Cash Flow Statement is to increase the movement in the net cash position by £615,000 (2008/09, increase of £801,000). This represents the Council's 38% (2008/09 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:

	2009/10		<i>Restated</i> 2008/09	
	£'000	£'000	£'000	£'000
Deficit per Group Income and Expenditure Account		(45,700)		(9,764)
Add Back: Net Interest		10,887		7,889
Items on an Accruals Basis:				
Movements in Stocks	(19)		(85)	
Movements in Debtors	(1,165)		7,753	
Movements in Creditors	3,402		(3,011)	
Movement in Provisions	(54)		(100)	
		2,164		4,557
Movements in Non Cash Transactions		63,282		30,056
Net Cash Inflow from Revenue Activities		<u>30,633</u>		<u>32,738</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	
	2009/10 £'000	2008/09 £'000	2009/10 £'000	2008/09 £'000
Grants and Contributions Received	(36,276)	(36,495)	(26,346)	(26,777)
Surplus for the Year	n/a	n/a	(641)	(542)
Fixed Assets	34,674	35,765	19,633	20,394
Current Assets	8,984	11,143	5,602	7,259
Liabilities Due Within One Year	(5,422)	(7,125)	(3,408)	(4,525)
Liabilities Due After One Year or more	(293,999)	(196,860)	(220,160)	(147,609)

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 £285,052,000 (2008/09 £187,930,000).

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

	Live Active Leisure Ltd & Horsecross Arts Ltd	
	2009/10	2008/09
	£'000	£'000
Grants and Contributions Received	(2,910)	(2,746)
Expenditure	2,959	2,879
Fixed Assets	5,270	5,621
Current Assets	2,277	2,456
Liabilities Due Within One Year	(747)	(1,090)
Liabilities Due After One Year or more	(1,428)	(800)

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

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

	Balance Due		<i>Balance Due</i>	
	From	To	<i>From</i>	<i>To</i>
	31.3.10	31.3.10	<i>31.3.09</i>	<i>31.3.09</i>
	£'000	£'000	<i>£'000</i>	<i>£'000</i>
Tayside Valuation Board	33	(4)	22	0
Tayside Police Board	55	0	0	0

ANNUAL GOVERNANCE STATEMENT 2009/10

1. Scope of Responsibility

- 1.1 Perth & Kinross Council has to ensure that it conducts its business in accordance with the law and proper standards. It must ensure that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council has a duty under section 93 of the Local Government (Scotland) Act 1973 to keep accounts and section 12 of the Local Government in Scotland Act 2003 sets out the statutory duty for Scottish local authorities to follow proper accounting practices.
- 1.2 To fulfil these duties, the Council has to put in place arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 The CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government*' sets out a standard for good corporate governance and this Annual Governance Statement follows the principles of that document. It explains how Perth & Kinross Council has complied with this standard and meets the requirements of relevant legislation and current good practice.
- 1.4 Perth & Kinross Council's Local Code of Corporate Governance can be found on the Council's website at <http://www.pkc.gov.uk/Council+and+government/Council+information+performance+and+statistics/> or a copy can be obtained from the Head of Legal Services (Chief Executive's) at Perth & Kinross Council, 2 High Street, Perth, PH1 5PH.
- 1.5 This statement must also cover the organisations that are included in the Council's Group Accounts.

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

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

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

In respect of Live Active Leisure Limited (formerly Perth & Kinross Leisure Ltd) and Horsecross Ltd, reliance has been placed upon the unaudited financial statements of the companies.

2. The Purpose of the Governance Framework

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

3. Perth & Kinross Council's Governance Framework

- 3.1 The Council's objectives and priorities are set out in its revised Corporate Plan which was approved by Council on 6 May 2009. The Corporate Plan sets out a vision and articulates how the Council will deliver the outcomes in the Single Outcome Agreement. Outcomes and performance indicators within the Single Outcome Agreement are monitored monthly by exception by the Executive Officer Team who also review guidance for their production on an annual basis. Individual Service Plans (Business Management & Improvement Plans) set out detailed actions and outcomes and include performance indicators. This process is linked to the monitoring arrangements for the Perth & Kinross Community Planning Partnership Single Outcome Agreement which is undertaken by the Community Planning Partnership.
- 3.2 The role of committees in decision-making is set out within the Council's Scheme of Administration, which also sets out the delegated decision-making powers of individual officers. If the urgency of a situation demands, the Chief Executive and any Executive Director is able to make a non-delegated decision provided all such decisions are reported to the next available meeting of the Council or relevant Committee.
- 3.3 The Chief Executive, Depute Chief Executive and Executive Directors meet regularly as the Executive Officer Team. Deputes and Heads of Service also meet as a Corporate Management Group. Individual Services have their own Service Management Teams. Monthly training sessions, by means of delayed opening, are held to update staff on

Council policies and procedures and key legislation. All new employees undergo a compulsory induction programme that covers key roles and procedures. There is an annual employee review and development process. Regular Team briefings are held and on-line training courses are available. This ensures that policies and procedures are communicated throughout the Council.

- 3.4 A set of Corporate Business Risks has been developed and a register kept of these. Action Plans have been developed to ensure that these Corporate Risks are managed and these are agreed and monitored by the Executive Officer Team on a quarterly basis. Similarly, Service risks are identified and managed within the Service. The risks associated with each major project undertaken by the Council are identified and managed through appropriate project management arrangements and reports are produced for each project deemed to be of high risk or of a value greater than £500,000 and submitted on a monthly basis to the Corporate Resources Group.
- 3.5 The Council has a programme of Best Value Reviews, which are designed to ensure continuous improvement in the economy, efficiency and effectiveness of services. The annual service planning process ensures that Services meet the needs of customers, and that targets for quality improvements are set and monitored.
- 3.6 Annual budgets are set by the Council, and each budget is allocated to a named budget holder. The responsibilities of budget holders in financial management are included in the Council's Financial Regulations and training has been provided to budget holders. Budgets are regularly monitored. The Council's financial performance is regularly monitored by the Executive Officer Team and the Strategic Policy & Resources Committee.
- 3.7 The Council publishes an Annual Report on its performance against the objectives set out within the Corporate Plan. The Council has also developed PKC Performs which is an "at-a-glance" scorecard showing the Council's performance against targets. Service Plans, which include performance indicators, flow from the Corporate Plan priorities, and feed into the targets contained within Team Plans. Service Management Teams regularly review the performance of their Service and the Executive Officer Team monitors performance each month on an exception basis. Service performance is reported to the Executive Officer Team and then to relevant Committees including Scrutiny, on a six monthly and annual basis. The HMIE Audit of child protection report published in 2009 stated that the Council had very effective and purposeful leadership, with a clear sense of direction and robust and comprehensive approaches to self-evaluation.
- 3.8 Performance is also discussed on a regular basis between the Chief Executive and each Executive Director as part of the annual appraisal process. This process is replicated at Service level.

4 Review of Effectiveness

- 4.1 The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. This review is informed by the work of the Executive Officer Team, senior managers and the internal auditors who have a responsibility for the development and maintenance of the governance environment. Comments made by external auditors and other agencies and inspectorates are also taken into account.
- 4.2 The Council is responsible for ensuring that its financial management is adequate and effective and that there is a sound system of internal control that is regularly reviewed. As such, it agrees the Financial Regulations, which form an integral part of the Corporate Rules. It also approves and sets the Annual Budget, which provides the framework for budget setting and good budgetary control.
- 4.3 The Strategic Policy & Resources Committee receives regular financial monitoring information, as part of the budgetary control framework.
- 4.4 The Scrutiny Committee and the Strategic Policy & Resources Committee perform the overview and scrutiny role in relation to all matters pertaining to the governance of the Council, including review of the Corporate Rules, its political arrangements and rules of procedure. The Audit Sub-Committee approves the annual audit plan and receives the annual audit report.
- 4.5 Internal Audit report directly to senior management on the adequacy of system controls and where necessary make recommendations for improvement. An audit report is produced following each completed audit and is discussed with the appropriate level of management within the Council. Each report contains a Management Implementation Plan that details the action agreed for each audit finding, the priority, accountable manager and agreed implementation date.
- 4.6 Internal Audit completed and issued 19 planned audits during the period covered by this statement.
- 4.7 The Council's Corporate Governance arrangements include clearly defined roles and responsibilities for all Chief Officers and statutory officers, including the Chief Executive, the Chief Social Worker, the Monitoring Officer and the section 95 Officer.
- 4.8 The Council's Corporate Rules include Standing Orders and Financial Regulations. All proposals of a significant nature are assessed for legality and financial impact prior to a decision being made. Mechanisms are in place to ensure that the Council implements new legislation.

5. Significant Governance Issues

- 5.1 The Annual Internal Audit report for 2009/10, notes that reasonable reliance can be placed on the Council's systems of internal control for 2009/10. The Council continues to address control weaknesses identified during audits and good progress is being made in the implementation of recommendations.
- 5.2 The exceptions and reservations highlighted have been, or will be, addressed through the actions set out below. However, the areas highlighted are not considered to affect the acceptable level of assurance.

Issue No	Issue Identified	Source of Evidence	Action
1	Further development is required so that communities are fully engaged with the Council.	Self Assessment Exercise (How Good is Your Council) / Business Management and Improvement Plans.	The Council will continue to monitor the community engagement strategy and to embed the Locality Planning approach to ensure full implementation.
2	Further work requires to be carried out in relation to workforce planning, particularly in relation to making the links between workforce planning, asset management and medium term financial planning.	Self Assessment Exercise / How Good is Your Council Business Management and Improvement Plans External Audit Report –Report to Members and the Controller of Audit 2009/06	Continue to develop and implement Corporate and Service workforce planning.
3	The Local Code of Corporate Governance has still to be updated.	Solace/Cipfa Self Assessment Forms	Agree on a revised Local Code.
4	Information governance has to continue to be improved in keeping with national recommendations	Internal Audit Report 07/057 Government Data Handling and Data Loss Reports	Continue to implement agreed relevant recommendations.
5	Further improvement in the provision of internal audit services is required.	External Audit Report on Financial Statements Audit Plan 2009/10 & review of internal audit reports.	Continue to implement agreed recommendations.
6	The Council has not completed the review of Common Good Assets as recommended by LASAAC	External Audit Report – Report to Members and the Controller of Audit 2008/09.	Complete the review as soon as operationally possible

- 5.3 The system of internal control has been in place for the financial year ended 31 March 2010 and procedures are in place to ensure that there is continuous improvement.
- 5.4 It is our view that as far as possible the Council has established an acceptable level of internal control, risk management and corporate governance framework on which it will develop and improve.

Signed:

Bernadette Malone
Chief Executive
Perth & Kinross Council

Ian Miller
Leader of the Council
Perth & Kinross Council

Date: 23 September 2010

Date: 23 September 2010

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 2010 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Account, Statement of Movement on the Housing Revenue Account Balance, Council Tax Income Account, 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 Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the 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 2009 - A Statement of Recommended Practice (the 2009 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 for Scotland.

We report our opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of the Council and its group and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

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

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

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

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, the financial position of Perth & Kinross Council and its group as at 31 March 2010 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Henderson Loggie

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

23 September 2010