

PERTH AND KINROSS COUNCIL**Council Meeting – 3 October 2012****AUDITED STATEMENT OF ACCOUNTS 2011/12****Report by the Head of Finance****ABSTRACT**

This report accompanies the Council's Audited Statement of Accounts for the financial year 2011/12.

1. RECOMMENDATIONS

1.1 It is recommended that the Council:

- 1) Notes the content of this report.
- 2) Submits the Audited Statement of Accounts to a future meeting of the Audit Sub-Committee for detailed consideration.
- 3) Submits the International Standard on Auditing (ISA) 260, "Report to those Charged with Governance on the Audit of Perth & Kinross Council", to a future meeting of the Audit Sub-Committee for detailed consideration.
- 4) Consider the External Auditors' Report to Members and the Controller of Audit at the Council Meeting on 19 December 2012.

2. INTRODUCTION

2.1 The Unaudited Statement of Accounts for 2011/12 was circulated to Members prior to its submission to the Controller of Audit in June 2012.

2.2 There is requirement to consider the Audited Statement of Accounts at Council within two months of receipt of an audit certificate. The audit of the Council's accounts for 2011/12 was finalised on 25 September 2012 with the receipt of the Audit Certificate.

2.3 In accordance with International Standard on Auditing (ISA) 260, the Council's External Auditors produced their "Report to those Charged with Governance on the Audit of Perth & Kinross Council" on 20 September 2012. The Audit Sub-Committee, at its meeting on 12 September 2012, delegated the consideration of the ISA 260 to the Leader of the Administration, the Chief Executive and the Head of Finance prior to the finalisation of the Accounts and the issue of the audit opinion. It is proposed that this report is submitted to a future meeting of the Audit Sub-Committee for detailed consideration.

- 2.4 The Statement of Accounts is prepared in accordance with the CIPFA 2011 Code of Practice on Local Authority Accounting ("the Code"). The Code is the first to be based on International Financial Reporting Standards and has seen significant changes in the disclosure requirements for Local Authority's accounts. The foreword to the audited Statement of Accounts interprets the results for the financial year.
- 2.5 The Report to Members and the Controller of Audit for 2011/12 is due to be received from the Council's External Auditors by 31 October 2012. It is recommended that this be submitted to the Council meeting on 19 December 2012 and it is proposed that it is also submitted to a future meeting of the Audit Sub-Committee for further consideration.

3. ADJUSTMENTS TO THE UNAUDITED STATEMENT OF ACCOUNTS

- 3.1 The Unaudited Statement of Accounts for 2011/12 was submitted to the Controller of Audit on 28 June 2012. In consultation with the Council's Auditors, two adjustments have subsequently been identified and reflected within the Audited Statement of Accounts (one in relation to accounting for pension costs and the other in relation to the disclosure of creditors).
- 3.2 None of these adjustments affected the General Fund Balance of the Council.
- 3.3 In addition there were a small number of presentational adjustments to the notes that accompany the financial statements.

4. AUDIT CERTIFICATE

- 4.1 The audit opinion is included on pages 92 and 93 of the Audited Statement of Accounts and is unqualified.

5. CONSULTATION

- 5.1 The Depute Chief Executive has been consulted in the preparation of this report.

6. COUNCIL CORPORATE PLAN OBJECTIVES 2009-2012

- 6.1 The Council's Corporate Plan 2009-2012 lays out five Objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:-
- 1) A Safe, Secure and Welcoming Environment
 - 2) Healthy, Caring Communities
 - 3) A Prosperous, Sustainable and Inclusive Economy
 - 4) Educated, Responsible and Informed Citizens
 - 5) Confident, Active and Inclusive Communities

- 6.2 The final accounts process and Statement of Accounts (audited) supports the Council in managing the delivery of all of the corporate plan objectives and is consistent with the Council's principles of accountability and transparency; ensuring that we are accountable and transparent to the community; the Community Planning Partners and the Scottish Government in our decision making, planning and delivery of services.

7. EQUALITIES ASSESSMENT

- 7.1 The Council's Corporate Equalities Assessment Framework requires an assessment of functions, policies, procedures or strategies in relation to race, gender and disability and other relevant equality categories. This supports the Council's legal requirement to comply with the duty to assess and consult on relevant new policies to ensure there is no adverse impact on any community group or employees.
- 7.2 The information presented in this report was considered under the Corporate Equalities Assessment Framework and the determination was made that the items summarised in this report do not require further assessment as they do not have an impact on people's wellbeing.

8. STRATEGIC ENVIRONMENTAL ASSESSMENT

- 8.1 Strategic Environmental Assessment (SEA) is a legal requirement under the Environmental Assessment (Scotland) Act 2005 that applies to all plans, programmes and strategies, including policies (PPS).
- 8.2 The plan, programme or strategy presented in this report was considered under the Environmental Assessment (Scotland) Act 2005 and the determination was made that the items summarised in this report do not require further action as they do not qualify as a plan, programme or strategy as defined by the Act.

9. CONCLUSION

- 9.1 It is recommended that the External Auditor's Final Report to Members be considered at the Council of 19 December 2012 and at a future meeting of the Audit Sub-Committee and that the ISA 260 and Audited Statement of Accounts be submitted to a future meeting of the Audit Sub-Committee for detailed consideration.

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Background Papers: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

If you or someone you know would like a copy of this document in another language or format, (on occasion only, a summary of the document will be provided in translation), this can be arranged by contacting *Scott Walker 01738 475515*



Council Text Phone Number 01738 442573



PERTH & KINROSS COUNCIL

STATEMENT OF ACCOUNTS

2011/12

AUDITED

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EXPLANATORY FOREWORD BY THE HEAD OF FINANCE

1. Introduction

The Annual Statement of Accounts demonstrates the Council's stewardship of the public funds with which it is entrusted. The Accounts are in respect of the year ended 31 March 2012 and have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 ('the Code') and are set out on pages 8 to 11. Pages 13 to 21 set out the accounting policies adopted by the Council in the preparation of the Accounts to ensure that they present a 'true and fair view' of the financial position of the Council. An explanation of the main technical terms used in the Accounts is included on pages 94 to 95.

2. The Financial Statements

Core Financial Statements

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

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

Supplementary Financial Statements

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

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

3. Revenue Budget 2011/12 – Review of Financial Performance

The Council's Comprehensive Income and Expenditure Statement for financial year 2011/12 is set out on page 9. It should be noted that the classification of Services in this statement complies with that prescribed by the Service Reporting Code of Practice for Local Authorities and differs from the management structure of the Council. (Information on the Council's financial performance based on the management structure is shown in Note 15 on page 28). The major differences are that Education Services excludes expenditure on Children's Services which is reported in the accounts under Social Work Services; that Cultural and Related Services includes expenditure on the Council's Arts & Heritage, Libraries & Archives, Outdoor Services and Recreation Activities and that Environmental Services includes expenditure on Flood Prevention.

The Council approved the General Fund Revenue Budget and Council Tax charge for financial year 2011/12 on 17 February 2011. Expenditure is monitored on a monthly basis and was formally reported, for both revenue and capital budgets, to the Council's Strategic Policy and Resources Committee in September and November 2011 and February and March 2012. Expenditure is reported to Committee on a projected outturn basis (estimated expenditure to 31 March 2012) with the Chief Executive and Executive Directors being responsible and accountable to the Council for managing within the approved budget for their Service and within the limits of the Council's Approved Budget Flexibility Scheme. The ongoing financial management of the Council is focussed upon identifying and taking corrective action to address budget variances throughout the course of the financial year and the foreword to the accounts aims to highlight and summarise the main factors behind the most significant of these variances. The pattern of expenditure reported within the financial statements is subsequently used in developing the Council's future budget strategy.

Under the Council's Revenue Budget Flexibility Scheme the Chief Executive and Executive Directors are permitted, with the prior approval of Council, to carry forward budget under spends of up to 2.5% of the value of their net Service budget into the following financial year. The scheme limits the carry forward of budget over spends to 1% of the value of net Service budgets. The carry forward, under the Budget Flexibility Scheme, of managed under spends totalling £3,552,000 from 2011/12 into 2012/13 is reflected within the results for 2011/12 below. The Council's financial planning has been greatly facilitated by this management of resources over the medium term.

The following table summarises the movement on the Council's General Fund balance in 2011/12 including the main variances from budget reflected in the Comprehensive Income and Expenditure Statement. The budget figures are based on the updated 2011/12 General Fund Revenue Management Budget approved by the Council's Strategic Policy and Resources Committee on 28 March 2012 and the 2011/12 Housing Revenue Account Budget. The updated General Fund Revenue Management Budget assumed a net contribution from balances of £2,002,000 and the Housing Revenue Account assumed a break even position.

In summary, the Council reported a favourable variance of £5,406,000 for financial year 2011/12 within the Comprehensive Income and Expenditure Statement on page 9 which increased General Fund Balances by this amount as shown in the Movement in Reserves Statement on page 8. This reflects a positive variance of £7,408,000 from the budgeted contribution from General Fund Balances of £2,002,000 in 2011/12.

	Actual Net Expenditure £000	Budgeted Net Expenditure £000	Variance Against Budget £000
Education Services	176,508	179,643	(3,135)
Social Work Services	72,141	73,293	(1,152)
Roads and Transport Services	17,898	17,231	667
Planning and Development Services	5,236	5,184	52
Environmental Services	20,644	21,660	(1,016)
Housing General Fund	12,334	12,674	(340)
Housing Revenue Account	(2,605)	(2,608)	3
Financing Costs	13,353	14,179	(826)
Council Tax / Community Charge	(71,575)	(71,173)	(402)
Other Items (Net)	(249,340)	(248,081)	(1,259)
Movement on the General Fund Balance	(5,406)	2,002	(7,408)

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

Education Services (under spend of £3,135,000)

Devolved School Management Budget (under spend of £1,281,000):

The net under spend on the Council's Devolved School Management (DSM) Budget was £1,281,000. The DSM budget is part of the overall budget for Education Services and represents those funds directly managed by school head teachers. The net under spend is carried forward as an earmarked reserve to meet future expenditure within DSM schools.

Expenditure within schools on teaching staff and support staff was less than budget by £749,000 due to staff turnover and workforce planning measures throughout the year. This under spend was delivered in the context of achieving a Council approved target from vacancy management (staff slippage) of £1,183,000. Expenditure on staff training and development was

also under spent by £115,000. These under spends were partially offset by additional supply teaching costs of £187,000 to ensure continuity of education provision.

Additional income from secondments of £247,000; pupil's contributions to school activities of £147,000; school lets of £37,000; savings on supplies and services, property and transport costs of £173,000 represents the balance of the under spend on the DSM budget.

Non Devolved Budget (under spend of £1,854,000):

Expenditure on administrative and support staff was £1,755,000 less than budget due to vacancies, staff turnover and the workforce planning measures undertaken to deliver staff cost savings as part of the Service's future revenue budget strategy.

Planned savings within supplies and services of £1,165,000 were delivered to support budget flexibility proposals in 2012/13 including the Microsoft Migration Project, Curriculum for Excellence and work on Children's Services early intervention measures.

Further net under spends of £223,000 were generated across the Service due to delays in the purchase of mini buses and savings on transport contracts.

Additional income of £457,000 was realised as a result of increased demand for school meals and from other income sources across the Service.

These under spends were partially offset by an over spend of £1,746,000 on additional support needs services due to continued demand for young people to be placed outwith the Council's mainstream care provision.

Social Work Services (under spend of £1,152,000)

Within Older People's Services (£180,000) there were under spends on residential placements and staff costs partially offset by over spends on home care due to an increase in the number of hours that were externally commissioned. Within Learning Disabilities (£105,000) there was an under spend due to savings on staff costs and following a review of contracts. In Strategy, Support and Commissioning (£301,000) there was an under spend on Private Sector Housing Grants due to delays and staff slippage. Within Finance and Support (£312,000) there was a net under spend due to staff slippage and additional income. In Other Community Care Services (£254,000) there was a net under spend due to staff slippage and the early delivery of approved savings.

Roads and Transport (over spend of £667,000)

Expenditure on Winter Maintenance was £785,000 in excess of budget which was partially offset by net under spends across the Service on roads and transport related activities of £118,000 including savings generated by workforce planning measures.

Planning and Development Services (over spend of £52,000)

There was a shortfall of £404,000 in income from Planning Fees which was partially offset by staff slippage of £222,000 and other net under spends across the Planning and Development Services function.

Environmental Services (under spend of £1,016,000)

Expenditure on staff costs was £508,000 less than budget primarily as a result of workforce planning measures undertaken to generate cost savings. There was also under spends on contracts including waste disposal (£126,000); and additional income (£382,000) from a number of sources including the Scottish Government, and trade income.

Housing General Fund (under spend of £340,000)

There was an under spend on Housing General Fund functions following the introduction of the bed and breakfast reduction plan; improved processing for Housing Benefit claims; the early delivery of approved savings and staff slippage.

Financing Costs (under spend of £826,000)

Following the decision of the Icelandic Supreme Court, the Council received a repayment of £826,064 from the Winding-Up Board of Glitnir. This represented approximately 80% of the original deposit. The remaining amount is currently being retained in Iceland pending the lifting of currency restrictions by the Icelandic Central Bank.

Council Tax / Community Charge Income (net increase in income of £402,000)

There has still been growth in the number of properties across the Council area resulting in a net increase in Council Tax income of £402,000.

Other Items (Net) (under spend of £1,259,000)

There primary reasons for this net under spend was savings within Cultural, Recreation and Central Services (£495,000). In addition the surplus returned to the Council from Tayside Contracts exceeded the budgeted amount (£165,000) and the Tayside Joint Police Board and Tayside Fire and Rescue Board requisitioned an amount less than the Council budget (£582,000).

4. General Fund Balance at 31 March 2012

The General Fund Balance at 31 March 2012 is shown on the Movement in Reserves Statement on page 8 as £37,502,000 (this figure includes £800,000 in respect of the Housing Revenue Account which is classified under the Accounting Code of Practice as a component of the General Fund).

There are a number of commitments totalling £22,739,000 against the General Fund Balance at 31 March 2012 which are explained in more detail in note 6 on page 23 of the notes to the financial statements.

In summary the uncommitted General Fund Balance as at 31 March 2012 (including the Housing Revenue Account) was £14,763,000.

	General Fund £'000	Housing Revenue Account £'000	Total £'000
General Fund Balance as at 31 March 2012	(36,702)	(800)	(37,502)
Commitments (see note 6 on page 23)	22,739	0	22,739
Uncommitted Balances	(13,963)	(800)	(14,763)

5. Other Funds and Usable Reserves

The balance on each of the following funds and usable reserves at 31 March 2012 was as follows: Capital Fund £10,372,000; Renewal and Repair Fund £517,000; Insurance Fund £1,083,000; Capital Receipts Reserve £2,905,000; and Capital Grants Unapplied £1,015,000. These Reserves are held for revenue expenditure purposes with the exception of the Capital Grants Unapplied which is held for capital purposes.

6. Capital Budget 2011/12 – Review of Financial Performance

A summary of the Council's capital expenditure is reflected within Note 36 to the Core Financial Statements shown on page 47. Gross capital expenditure of the Council, including Capital Financed from Current Revenue (CFCR), was £36,814,000. This total comprises £8,440,000 on the Council's Housing Revenue Account (HRA) and £28,374,000 on the Council's Composite (General Fund) Programme. A further £9,578,000 of expenditure was incurred on assets held by the Council under Public Private Partnership (PPP) arrangements.

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 2012, the Council had long-term borrowing relating to the funding of capital expenditure of £203,216,000 (measured at par value), and other long term liabilities of £136,523,000 relating to assets held under PPP arrangements.

The Capital Financing Requirement (CFR) reflects the Council's underlying requirement to borrow for capital purposes. The CFR as at 31 March 2012 was £359,999,000, which compares to total capital financing liabilities (above) of £339,739,000. The difference in funding is met from internal balances.

During the year, the overall CFR increased by £5,951,000. Within this total, the actual amount which related to expenditure directly incurred by the Council reflected a reduction of £571,000, with the difference (£6,522,000) relating to assets held under PPP arrangements. Actual new borrowing undertaken with the Public Works Loan Board (PWLb) amounted to £15,000,000, covering loans for a range of periods from 8 to 13 years. In addition, there were repayments of previous loans amounting to £5,161,000. The effect of all these transactions was to increase total borrowings by £9,839,000, as well as to slightly lengthen the maturity profile of outstanding debt at the end of the year. In addition, the liability under the PPP agreements increased during the year by £9,578,000, less an annual repayment of principal of £3,056,000.

Expenditure on the Composite Programme includes £6,131,000 on Education projects. Within this total is £2,160,000 spent on the Primary Upgrade Programme, including £1,331,000 for a new primary school in Crieff, as well as an upgrade of Invergowrie Primary School (£385,000) and Abernethy Primary School (£323,000). A further £3,200,000 was spent on the Secondary Upgrade Programme, of which £2,501,000 was spent at Blairgowrie High School. A total of £10,540,000 was spent on Roads & Transport projects, including £6,868,000 on Structural Maintenance and £1,519,000 on the improvement of Perth High Street. There was also expenditure of £478,000 on Road Safety measures, mostly related to school routes, and a further £1,089,000 on the renewal programmes for street lighting, traffic signals and footways. The remaining General Fund expenditure included expenditure on various cemetery, parks and countryside improvements (£926,000); developing various recycling centres and waste initiatives (£1,808,000); upgrading the Council's Residential Homes for the Elderly (£458,000), and on upgrading the Council's property fabric including energy efficiency schemes, fire alarms and lighting (£1,742,000). Other capital expenditure related to various Economic Development, Community Care and Information Technology projects.

During 2011/12, the programme of construction work for the Council's six new school campus sites was completed under a Public Private Partnership (PPP) agreement. Therefore, as at 31 March 2012, all six of the new campuses were fully completed and operational.

Expenditure on the Housing Revenue Account Capital Investment Programme was primarily focused upon the provision of new affordable housing with £6,273,000 being incurred on construction costs. The remaining £2,167,000 was spent on various programmes including replacement windows, doors, kitchens and bathrooms, energy efficiency measures, and affordable housing initiatives including Mortgage-to-Rent.

7. Material Assets and Liabilities

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

8. Post Employment Benefits

The Council is required to account for pension benefits earned by employees in the current year and the associated pension assets and liabilities. Full details and analysis of the Council's estimated pension assets and liabilities are contained in Note 19 to the Statement of Accounts.

The actuary to the Tayside Superannuation Fund (the Fund) has estimated that Perth and Kinross Council has a net retirement pension liability of £199,722,000 at 31 March 2012 (£130,073,000 at 31 March 2011) based upon the actuarial estimation of the Council's share of the assets and retirement benefit obligations of the Fund in accordance with International Accounting Standard (IAS) 19 – Employee Benefits. The main reason for the significant increase in the Council's net liability was an updating of the key assumptions underpinning the funding of the Pension Fund. The net liability is reflected within the Council's Balance Sheet and is offset by the Council's Pension Reserve.

The net pension liability of £199,722,000 represents the best estimate of the current value of pension benefits which will have to be funded by Perth and Kinross Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2012.

9. Material / Unusual Charges or Credits to the Accounts

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

10. International Financial Reporting Standards

These financial statements have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union and as interpreted or adapted for the public sector context as set out in Note 1 of the Accounting Policies.

11. Revenue Budget 2012/13 to 2013/14

The Council approved the General Fund Revenue Provisional Revenue Budgets for 2012/13 and 2013/14 at the special meeting of the Council on 17 February 2011. The 2012/13 General Fund Revenue Budget was subsequently updated at the special meeting of the Council on 9 February 2012. The Final 2012/13 Net General Fund Revenue Budget is £338,474,000. As in previous years, it is anticipated that the Revenue Budget ultimately reflected within the 2012/13 Statement of Accounts will differ from this figure as a result of both adjustments to the management budget approved by the Council during the course of the financial year and additional funding announcements by the Scottish Government.

The same Special Meeting of the Council also approved the estimated costs of the Investment in Learning (Schools PPP) Programme between 2012/13 and 2021/22 of £207,528,000 and the funding strategy for the programme.

The Council has identified a number of significant financial risks in preparing future years Revenue Budgets including inflationary pressures and uncertainty over future funding levels. These risks are reflected in the management of the Council's Revenue Reserves as set out in the Council's Reserves Strategy approved by Council on 9 February 2012.

The 2012/13 Housing Revenue Account (HRA) Budget and Rent Levels were agreed at the meeting of the Housing and Health Committee on 1 February 2012. The Gross HRA Revenue Budget for 2011/12 amounts to £24,151,000 and continues to be predicated on meeting the operating costs of managing the Council's Housing stock and ensuring the delivery of the Council's Housing Business Plan as submitted to the Scottish Government and agreed with Perth and Kinross Tenant's Federation.

The Council's budget continues to support the delivery of a challenging Transformation Programme to facilitate the modernisation of a number of key services across the Council including the Reablement Project which aims to provide intensive homecare to individuals in the short term to allow them to stay in their own home.

12. Capital Budget 2012/13 to 2016/17

The Council approved the Composite Capital Budget 2012/13 – 2016/17 (excluding the HRA) at the special meeting of the Council on 9 February 2012. The approved Gross Capital Budget for the 5-year period amounts to £207,383,000.

The Council's capital expenditure plans, as reflected within the above budget, 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 and flood prevention measures in Almondbank (subject to Scottish Government approval and funding). 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 included, mainly for families and young people. Waste reduction and recycling 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 is contained within the Budget. 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 Capital Investment Programme for 2012/13 was approved by the Council's Housing and Health Committee on 1 February 2012. The Approved Gross HRA Capital Budget for the 5-year period amounts to £60,116,000. Capital expenditure on the Housing Revenue Account in 2012/13 mainly focuses upon continuing the provision of affordable housing and the enhancement of the Council's existing housing stock, particularly central heating, energy efficiency and rewiring, to ensure the delivery of the Council's Housing Standard.

Both the Composite Capital Programme and the Housing Revenue Account programmes are funded by a combination of borrowing, capital receipts, grants, contributions and from the respective revenue budgets. The Capital Financing Requirement at the end of the 5-year period is estimated to be £417,803,000. The annual cost of servicing this borrowing and PPP liabilities is contained within the Council's Revenue Budget strategy, and remains affordable, prudent and sustainable.

13. Contingencies / Write Offs / Impairments

In order to mitigate against future bad debts the Council had created impairments for bad debts which have been added to over a number of years. At 31 March 2012 the Council had impairments as follows – Sales Ledger (£943,461); Community Charge (£1,329,425); Council Tax (£11,924,431); Statutory Additions (£3,733,342); Housing Benefit Overpayments (£502,210); Irrecoverable Rents (£2,432,982) and other miscellaneous impairments (£567,778).

The meeting of the Strategic Policy and Resources Committee of 20 June 2012 approved the write off of bad debts in relation to Sales Ledger (£88,801); Council Tax (£984,572); Non Domestic Rates (£460,741); Irrecoverable Rents (£38,848); Homeless Services (£345,256); Housing Benefit Overpayments (£81,976); Commercial Rent (£58,484) and Car Park Trading Account income (£83,528). The Committee also approved the write off of obsolete stock to the value of £22,714. Although these amounts have been written off for accounting purposes, every effort will be made to collect the outstanding debt wherever legally possible.

The Council is also required to carry out regular revaluations of its fixed assets. The main purpose of this exercise is to show the fair market value of the assets on the Balance Sheet. The revaluation of the assets may lead to a reduced value known as impairment. Impairment is not charged to the General Fund but is reflected in the Capital Adjustment Account. There was a significant £42.512m net loss following the revaluation of educational establishments during the year, the majority of which has been assessed as a revaluation loss rather than a loss attributed to deterioration in the anticipated level of the performance of the properties. Of the total loss, £1.342m is regarded as an impairment loss as this is attributed to three primary schools which have been mothballed.

As set out in Note 39 to the Core Financial Statements, the Council has identified a number of contingent liabilities including existing and potential new claims under the Equal Pay Act 1970; from potential exposure to financial penalties under the Landfill Allowance Scheme (Scotland) Regulations; and from the potential claw-back of Housing Benefit Subsidy by the Department of Work and Pensions. In each case, the Council cannot presently ascertain the value of its potential liability.

14. Impact of the Current Economic Climate

The UK economy remains in a fragile state and this continues to have an impact upon a number of Services within the Council. Examples of this include an increase in expenditure on Housing and Council Tax benefits; pressures on the budget for supporting homeless people, increased Council Tax discounts and exemptions and reductions in income generated from planning fees and building warrants. These issues are anticipated to continue into 2012/13 and beyond. There are also ongoing implications from reductions in Capital receipts due to the economic environment. Additionally, while interest rates have been held at a very low level for a number of months there is the possibility of increases in borrowing costs in the future.

Forecasts of known cost increases and loss of income have been incorporated in the updated Revenue Budget for 2012/13. Inevitably, however, there remains uncertainty with regard to the potentially wide ranging impact of the economic climate on the demand for and cost of delivering Council services.

Ongoing and prospective legislative change may also have a significant impact upon the Council's future financial planning. The Council's Scottish Government Allocation will be adjusted for 2013/14 for the reform of Police and Fire & Rescue Services. Less certain at present is the potential impact of the Welfare Reform Bill on the Council and its Community Planning Partners.

In addition to the risks arising from the uncertainties over external influences such as inflation and interest rates the Council's financial planning needs to take account of risks inherent in managing other influences on service delivery. Although the Revenue Budget for 2012/13 makes allowance for the anticipated costs of service delivery there are inevitably uncertainties inherent in budget preparation. These include unanticipated increases in demand for services; legislative and national policy influences and the challenges faced in delivering proposed savings and efficiencies. Services will be asked to contain unbudgeted cost pressures wherever possible, but there may be occasions where the Council's Reserves have to be utilised.

15. Group Accounts

In accordance with the Accounting Code of Practice, the 2011/12 Group Accounts Statements are included on pages 70 to 74. The basis for consolidation is set out in the Notes to the Group Accounts Statements on pages 75 to 79.

The effect of consolidation is to reduce the Council's net assets by £225,311,000 resulting in a Group Balance Sheet showing a net liability of £101,354,000 at 31 March 2012 as set out on page 72. This position reflects the Council's share of the pension liabilities of the Associates included within the Group Balance Sheet.

Both Tayside Joint Police and Tayside Fire and Rescue Boards operate unfunded defined benefit pension schemes which have pension liabilities which represent a significant long term financial management issue for the constituent authorities (Perth and Kinross Council; Angus Council and Dundee City Council). The Group pension liabilities are, however, unlikely to be realised in the short term. The 2011/12 local government finance settlement and the Council's budget process provided resources to meet the Council's net service expenditure in 2011/12. It is expected that future settlements, aligned to the Council's budget process which balances the Council's estimated expenditure with the funding available, will provide sufficient resources to finance future liabilities. It is, therefore, considered appropriate to adopt a going concern basis for the preparation of these financial statements.

16. Accounting Ratios

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

FINANCIAL INDICATOR	2011/12	2010/11	PURPOSE
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	4.4%	3.8%	Reflects the level of funding available to manage financial risk / unplanned expenditure.
Movement in the Uncommitted General Fund Balance	£1,732,000	£3,415,000	Reflects the extent to which the Council has increased / decreased its Uncommitted General Fund Reserve.
Council Tax – In Year Collection Rate (line by line basis)	97.7%	97.2%	Demonstrates the Council's effectiveness in collecting debt and financial management.
Ratio of Council Tax Income to Overall Level of Funding	21.1%	20.8%	This reflects the Council's capacity to vary expenditure by raising Council Tax Income.
Final Net Service Expenditure compared to Budgeted Net Service Expenditure	(£5,406,000) (1.6%)	(£1,096,000) (0.32%)	Measurement of how final expenditure compares with the budgeted position and is a reflection on the effectiveness of financial management.
Actual Contribution to / from Unallocated General Fund Balance compared to budget	Budget £2,002,000 Actual (£5,406,000)	Budget £588,000 Actual (£1,096,000)	Further measure of the effectiveness of financial management.
Capital Financing Requirements	£359,999,000	£354,048,000	Measurement of prudence in relation to borrowing levels – borrowing only to invest in capital. This measure provides confirmation of borrowing only for capital investment purposes.
External Debt Levels	£339,739,000	£324,248,000	Further confirmation on borrowing only for capital investment purposes.
Capital Financing Requirement Ratio	94.4%	91.2%	Further confirmation on borrowing only for capital investment purposes.
Ratio of Financing Costs to Net Revenue Stream	6.4%	6.1%	Measurement of the Council's ability to fund borrowing costs.

17. Post Balance Sheet Events

No significant events occurred between the Balance Sheet date and the date the Head of Finance signed the accounts which would have a material impact on the 2011/12 Statement of Accounts.

18. Acknowledgements

I would like to thank both my Finance and Service colleagues for their support and co-operation in the effective management of the Council's finances during the 2011/12 financial year.


J A Symon ACA
Head of Finance
25 September 2012

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Fund £'000	Renewal & Repair Fund £'000	Insurance Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 1 April 2010	(30,221)	(779)	(5,766)	(849)	(1,476)	(2,705)	0	(41,796)	(38,937)	(80,733)
<u>Movement in reserves during 2010/11</u>										
(Surplus) or deficit on the provision of services	(34,581)	(5,174)	0	0	0	0	0	(39,755)	0	(39,755)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(83,407)	(83,407)
Total Comprehensive Income and Expenditure	(34,581)	(5,174)	0	0	0	0	0	(39,755)	(83,407)	(123,162)
Adjustments between accounting basis & funding basis under regulations	29,686	7,331	0	0	0	25	(171)	36,871	(36,871)	0
Net (increase)/decrease before transfers to earmarked reserves	(4,895)	2,157	0	0	0	25	(171)	(2,884)	(120,278)	(123,162)
Transfers to/(from) Earmarked Reserves	3,823	(2,181)	(2,491)	306	543	0	0	0	0	0
(Increase)/decrease in 2010/11	(1,072)	(24)	(2,491)	306	543	25	(171)	(2,884)	(120,278)	(123,162)
Balance at 31 March 2011	(31,293)	(803)	(8,257)	(543)	(933)	(2,680)	(171)	(44,680)	(159,215)	(203,895)
<u>Movement in reserves during 2011/12</u>										
(Surplus) or deficit on the provision of services	23,767	(4,360)	0	0	0	0	0	19,407	0	19,407
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	60,531	60,531
Total Comprehensive Income and Expenditure	23,767	(4,360)	0	0	0	0	0	19,407	60,531	79,938
Adjustments between accounting basis & funding basis under regulations (note 5)	(32,822)	5,761	0	0	0	(216)	(844)	(28,121)	28,121	0
Net (increase)/decrease before transfers to earmarked reserves	(9,055)	1,401	0	0	0	(216)	(844)	(8,714)	88,652	79,938
Transfers to/(from) Earmarked Reserves	3,646	(1,398)	(2,115)	26	(150)	(9)	0	0	0	0
(Increase)/decrease in 2011/12	(5,409)	3	(2,115)	26	(150)	(225)	(844)	(8,714)	88,652	79,938
Balance at 31 March 2012 carried forward	(36,702)	(800)	(10,372)	(517)	(1,083)	(2,905)	(1,015)	(53,394)	(70,563)	(123,957)


COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2010/11 restated				2011/12				
Actual Gross Expenditure £'000	Actual Income £'000	Actual Net Expenditure £'000		Notes	Actual Gross Expenditure £'000	Actual Income £'000	Actual Net Expenditure £'000	Budgeted Net Expenditure £'000
COUNCIL SERVICES								
158,341	(13,206)	145,135	Education Services		188,657	(12,149)	176,508	179,643
95,254	(20,795)	74,459	Social Work Services		93,764	(21,623)	72,141	73,293
28,883	(8,415)	20,468	Roads and Transport Services		26,764	(8,866)	17,898	17,231
11,030	(4,859)	6,171	Planning and Development Services		10,138	(4,902)	5,236	5,184
50,197	(35,982)	14,215	Housing Services (General Fund)		51,008	(38,674)	12,334	12,674
21,773	(1,944)	19,829	Cultural & Related Services		20,863	(1,758)	19,105	19,600
38,696	(16,311)	22,385	Environmental Services		36,889	(16,245)	20,644	21,660
4,165	(1,363)	2,802	Central Services	7	3,706	(1,459)	2,247	2,288
23,322	(1,156)	22,166	Other Expenditure	8	20,792	(1,218)	19,574	20,480
3,722	0	3,722	Corporate and Democratic Core		2,759	0	2,759	2,720
(47,522)	0	(47,522)	Non Distributed Costs		1,956	0	1,956	1,979
17,624	(23,053)	(5,429)	Housing Revenue Account		20,359	(22,964)	(2,605)	(2,608)
405,485	(127,084)	278,401	COST OF SERVICES		477,655	(129,858)	347,797	354,144
	(2,054)		Other Operating Expenditure	9			(2,511)	(2,678)
	18,498		Financing and Investment Income and Expenditure	10			13,353	14,179
	(334,600)		Taxation and Non-Specific Grant Income	11			(339,232)	(338,830)
	(39,755)		(Surplus) or Deficit on Provision of Services				19,407	26,815
	(17,834)		(Surplus) or deficit on revaluation of non current assets				(9,777)	(9,777)
	(65,573)		Actuarial (gains)/losses on pension assets / liabilities				70,308	70,308
	(83,407)		Other Comprehensive Income and Expenditure				60,531	60,531
	(123,162)		Total Comprehensive Income and Expenditure				79,938	87,346

BALANCE SHEET

<u>Restated</u> <u>31 March 2011</u> £'000		Notes	<u>31 March 2012</u> £'000
635,100	Property, Plant & Equipment	22	612,358
10,303	Heritage Assets	23	19,575
19,447	Investment Property	24	17,292
24	Intangible Assets	25	13
2,029	Assets Held for Sale	26	2,930
715	Long Term Debtors	27	1,081
667,618	Long Term Assets		653,249
13,092	Short Term Investments		29,228
0	Assets Held for Sale	26	190
576	Inventories	28	571
24,978	Short Term Debtors	29	23,291
7,375	Cash and Cash Equivalents	45	7,951
46,021	Current Assets		61,231
(9,291)	Short Term Borrowing		(17,783)
(50,808)	Short Term Creditors	30	(45,626)
(1,094)	Provisions	31	(336)
(61,193)	Current Liabilities		(63,745)
(1,702)	Provisions	31	(2,540)
(189,558)	Long Term Borrowing		(191,384)
(257,041)	Other Long Term Liabilities		(332,604)
(250)	Capital Grants Receipts in Advance	35	(250)
(448,551)	Long Term Liabilities		(526,778)
203,895	NET ASSETS		123,957
44,680	Usable Reserves		53,394
159,215	Unusable Reserves	33	70,563
203,895	TOTAL RESERVES		123,957

The unaudited accounts were issued on 28 June 2012 and the audited accounts were authorised for issue 25 September 2012.


 J A Symon ACA
 Head of Finance
 25 September 2012

CASH FLOW STATEMENT

<u>2010/11</u>		Notes	<u>2011/12</u>
<i>£'000</i>			<i>£'000</i>
39,755	Net surplus/(deficit) on the provision of services		(19,407)
(4,540)	Adjustments to net surplus or deficit on the provision of services for non cash movements		63,274
(8,518)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(15,382)
<u>26,697</u>	Net cash flows from Operating Activities		<u>28,485</u>
(25,469)	Investing Activities	43	(34,655)
192	Financing Activities	44	6,746
<u>1,420</u>	Net increase or (decrease) in cash and cash equivalents		<u>576</u>
5,955	Cash and cash equivalents at the beginning of the reporting period		7,375
<u><u>7,375</u></u>	Cash and cash equivalents at the end of the reporting period	45	<u><u>7,951</u></u>

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required:

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

The Responsibilities of the Head of Finance

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

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

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

The Head of Finance has also:

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

The Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2012.



J A Symon ACA
Head of Finance
25 September 2012

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Accounting Policies

General

The Statement of Accounts has been prepared in accordance with proper accounting practices as required by the Local Authority Accounts (Scotland) Regulations 1985, section 12 of the Local Government in Scotland Act 2003. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice (SeRCOP) 2011/12, supported by International Financial Reporting Standards (IFRS). The Statement of Accounts is intended to present a true and fair view of the financial position and transactions of the authority and has been prepared in accordance with the fundamental accounting principles of relevance, reliability, comparability, understandability and materiality.

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

Accruals of Income and Expenditure

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

In particular:

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

Cash and Cash Equivalents

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

Changes in Accounting Policies and Estimates and Errors

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

Charges to Revenue for Non-Current Assets

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

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

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

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

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

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

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

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

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;
- contributions paid to the Tayside Superannuation Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

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

Events After the Reporting Period

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

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

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

Financial Liabilities

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

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

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

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

Financial Assets

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

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

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

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

Government Grants and Contributions

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

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

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

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

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

Heritage Assets

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage Assets include historical buildings, archaeological sites, museum and gallery collections and works of art. These assets are held by the Council in pursuit of its overall objectives in relation to the maintenance of the heritage.

Tangible Heritage Assets

The Council's Heritage Assets are held in the Perth Museum & Gallery, Fergusson Gallery and Alyth Museum. The collections include Art, History and Natural History and are held in support of Council objectives i.e. to increase the knowledge, understanding and appreciation of the local area and history. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council has embarked upon a revaluation programme for all collection items deemed to have significant value, these being mainly items within Fine and Applied Art collections. In recognition of the key qualitative characteristics of the financial statements, i.e. understandability, relevance, reliability and comparability, the Council has chosen to apply a £10,000 de-minimis level for which items will be recognised within the balance sheet. The exclusion of individual items having a value of less than £10,000 does not impact upon the characteristics of the financial statements and a summary of the main collections and applicable accounting treatment is as follows.

Art Collection

The Fine Art collection includes paintings and sketches in various mediums, and although international in scope, its greatest strength is in the holding of Scottish pictures. The collection seeks to retain a balance between the historical and the contemporary whilst continuing to develop the holdings of works of specifically local interest. The Applied Art collection has been acquired since 1785 through purchase, gift or bequest. It covers a wide variety of objects and materials, within which the collections of Perth silver and Perthshire glass are unsurpassed in terms of national importance.

Subject to the de-minimis noted above, items donated or acquired are valued by the Council curators at point of acquisition; in addition, there is a five year rolling programme of valuation to ensure all significant items in the Art collection are valued. All valuations are undertaken by the Council curators having relevant knowledge and experience and with reference to appropriate commercial markets.

Art collection items are held in the Council balance sheet at market value and are tested annually for impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council general policies on impairment.

As the assets within the art collection are deemed to have indeterminate lives and a high residual value, the Council does not consider it appropriate to charge depreciation.

History Collection

The History collection includes social history, archaeology, arms & armour, costume, archives, coins, medals & stamps, photography and world cultures collections. These items cannot be readily and/or reliably valued due to their diverse nature; to attempt valuation would be disproportionate in terms of any benefit derived to the user of the financial statements and the History collections are consequently excluded from the Council Balance Sheet.

Natural History Collection

The Natural History collection includes zoology, botany and geology collections. No market exists for these items and collections and there is no comparable data to form the basis of valuation. The cost of obtaining valuations would be disproportionate in terms of any benefit derived to the user of the financial statements and Natural History collections are consequently excluded from the Council Balance Sheet.

Heritage Assets – General

The Council Heritage Service may dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

The promotion of other cultural events and programmes during the year makes it difficult to reliably estimate the percentage of the Art Collection on display for public viewing. All items not on display are held in secure storage and access is permitted to scholars and others for research purposes.

The Council Heritage Service Collecting Policy provides guidance on the collection, disposal or lending of heritage assets.

Intangible Assets

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

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

Interests in Companies and Other Entities

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

Inventories

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

Investment Properties

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

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

Leases

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

The Council as Lessee

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

The Council as Lessor

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

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2011/12 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Disposals

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

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

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

Depreciation

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

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

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

Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

Provisions

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

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

Reserves

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

Revenue Expenditure Funded from Capital under Statute

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

VAT

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

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

For 2011/12, the only accounting policy that requires to be reported relates to IFRS 7: Financial Instruments: Disclosures (transfers of financial assets) which was issued during October 2010. This will require the Council to report on the risks it is exposed to in relation to financial instruments.

3. Critical Judgements in Applying Accounting Policies

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

Public Sector Funding

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

Public Private Partnership (PPP)

The Council is deemed to control the services provided under the agreement for the provision of educational establishments. The accounting policies for PPP schemes and similar arrangements have been applied and the assets under the contract are included within Property, Plant and Equipment on the Council's Balance Sheet. Note 37 provides further details.

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

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

The item in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year is in respect of the Council's Net Pensions Liability.

Uncertainty

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

Effect if Actual Results Differ from Assumptions

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a reduction in the pension liability of £69,237,000. However, the assumptions interact in complex ways. During 2011/12, the Council's actuaries advised that the net pension's liability had increased by £69,649,000 following an updating of assumptions.

Uncertainty

Property, Plant and Equipment assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.

Effect if Actual Results Differ from Assumptions

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £270,000 for every year that useful lives had to be reduced.

Uncertainty

The Council has made a provision of £763,000 for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount (see Note 31). It is not certain that all valid claims have yet been received by the Council or that precedents set by other Councils in the settlement of claims will be applicable. In addition, the Council has earmarked amounts in Reserves for outstanding Equal Pay and Single Status claims; Note 6 provides further details.

Effect if Actual Results Differ from Assumptions

An increase over the forthcoming year of 10% in the average settlement would have the effect of adding £76,000 to the existing provision.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

	Usable Reserves				Total	Restated 2010/11
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied Account		
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adjustments involving the CAA</u>						
Depreciation and impairment on non-current assets	(21,565)	(3,910)	0	0	(25,475)	(26,111)
Revaluation Losses on PPE	(41,991)	(593)	0	0	(42,584)	(7,641)
Movements in MV of Investment Properties	(1,857)	0	0	0	(1,857)	(20)
Amortisation of Intangible Assets	(11)	0	0	0	(11)	(11)
Capital grants and contributions credited to the CI&E Statement	12,352	2,186	0	0	14,538	8,349
Amounts of non current assets written off on disposal as part of the gain/loss	(381)	(405)	0	0	(786)	(2,092)
<u>Items not debited or credited to the CI&E Account</u>						
Statutory provision for repayment of debt	12,458	2,429	0	0	14,887	14,271
Capital expenditure charged to the General Fund and HRA balances	2,829	4,415	(25)	0	7,219	7,638
<u>Adjustments involving the CRR</u>						
Transfer of sale proceeds credited as part of the gain/loss on disposal	1,487	1,424	(2,911)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	2,720	0	2,720	3,806
<u>Adjustments involving the Capital Grants Unapplied Account</u>	844	0	0	(844)	0	0
<u>Adjustments involving the FIAA</u>	470	120	0	0	590	589
<u>Adjustments involving the Pensions Reserve</u>						
Employers pensions contributions and direct payments to pensioners payable in the year	15,630	1,137	0	0	16,767	16,744
Amount by which pension costs calculated in accordance with the Code are different from the contributions due under pension scheme regulations	(15,090)	(1,027)	0	0	(16,117)	21,954
<u>Adjustments involving STACA</u>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	2,003	(15)	0	0	1,988	(605)
Total Adjustments	(32,822)	5,761	(216)	(844)	(28,121)	36,871

6. Transfer to/from Earmarked Reserves

	Balance as at 1 April 2011 £'000	Transfers In £'000	Transfers Out £'000	Balance as at 31 March 2012 £'000
Devolved School Management Scheme (DSM)	(1,227)	(1,281)	1,227	(1,281)
Car Parking	(1,701)	(387)	141	(1,947)
Budget Flexibility	(1,331)	(3,552)	1,331	(3,552)
Equal Pay Strategy	(1,507)	0	0	(1,507)
Single Status Provision	(1,055)	0	636	(419)
Council Tax Income on second homes/long term empty properties	(2,650)	(1,210)	1,442	(2,418)
Developers Contributions: Commuted Sums & Infrastructure	(1,111)	(352)	20	(1,443)
Developers Contributions: Affordable Housing	(1,266)	(45)	125	(1,186)
Energy Efficiency Fund	(253)	(91)	94	(250)
Financial Assistance (Mod)	(100)	(20)	0	(120)
Zero Waste Fund Resources contribution to Loan Charges	(426)	0	206	(220)
Investment in Improvement Funds	(201)	(1,340)	92	(1,449)
Investment in Learning Programme	0	(529)	0	(529)
Contaminated Land	0	(70)	0	(70)
Perth City Status / Diamond Jubilee	(70)	0	0	(70)
Planning Fees and Building Warrant income	(120)	0	120	0
Potential Impairment in relation to Icelandic bank deposit	(569)	0	569	0
Perth Theatre & City Centre Projects	(1,800)	0	0	(1,800)
Elections	(153)	(53)	0	(206)
Potential DWP Subsidy Clawback	(1,500)	0	0	(1,500)
Roads Maintenance	(657)	0	657	0
Insurance Fund	(500)	(1,000)	500	(1,000)
Dewars Ice Rink	(58)	0	58	0
Revenue Grants	(655)	(377)	655	(377)
Microsoft Migration Project	0	(190)	0	(190)
Minibus Replacement Strategy	0	(283)	0	(283)
Workforce Management Strategy	0	(750)	491	(259)
Community Safety / Wellbeing Initiatives	0	(586)	0	(586)
Planning Appeals and Public Inquiries	0	(100)	23	(77)
HRA: Potential Impairment in Icelandic deposit	(155)	0	155	0
Earmarked Balances at 31 March 2012	(19,065)	(12,216)	8,542	(22,739)
Total transfers out in 2011/12		8,542		
Total transfers in 2011/12		(12,216)		
Net Increase in Earmarked Commitments in 2011/12		(3,674)		

Purpose of Earmarked General Fund Balances

Devolved School Management Scheme (DSM) – the amount shown is an estimate of the accumulated sum available to be carried forward at 31 March 2012 under the approved scheme for managing these budgets. The purposes for which the earmarked amount can be used and the procedures for its management and control are detailed in the Council's approved DSM scheme.

Car Parking – this balance is an estimate of the accumulated surplus at 31 March 2012 which is restricted in its application under the Road Traffic Regulation Act 1984 and any proposals to utilise these resources will require approval by the Strategic Policy and Resources Committee.

Budget Flexibility – to assist in the management of the Revenue Budget, the Council's approved budget flexibility scheme permits Services to carry forward under or over spends from one financial year into future financial years within set limits and with the prior approval of Council. The amount carried forward can only be utilised for purposes approved by Council

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

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

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

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

Energy Efficiency Fund – this fund is a means of pooling grant received from the former Scottish Executive together with savings achieved from the implementation of energy conservation and efficiency schemes to fund expenditure on further schemes of the same type. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Financial Assistance (Mod) – at its meeting on 9 February 2006 the Council approved the creation of a recurring budget to fund its contribution to the Mod.

Zero Waste Fund Resources contribution to Loan charges - the Council approved the transfer to Reserves of Zero Waste Fund resources in 2008/09 and 2009/10. These resources are to be utilised in funding loan charges over the subsequent three years in respect of additional waste strategy projects which are being promoted by The Environment Service.

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

Investment in Learning Programme (IIL) – under spends in financial year 2011/12 have been earmarked within Reserves to deal with future expenditure on the IIL Programme including infrastructure works at Moyness Road, Blairgowrie.

Contaminated Land – under spends in financial year 2011/12 have been earmarked to fund future remediation work to comply with the Council's statutory duty. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Perth City Status/Diamond Jubilee – funds have been earmarked to support the bid for city status for Perth through the 2012 Diamond Jubilee Civic Honours Competition and fund activities to celebrate the Diamond Jubilee. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Planning Fees and Building Warrant Income – these resources were utilised in 2011/12.

Potential Impairment in relation to Icelandic Deposit – the Council has received notification of the full repayment of the monies deposited with the Icelandic Bank Glitnir hf, therefore there is no further requirement to earmark resources.

Perth Theatre and City Centre Projects – this balance will be utilised to develop Perth Theatre and will also be available for other projects in Perth City Centre should there be a funding gap identified for development works. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Elections – the Strategic Policy & resources Committee has approved the transfer to Reserves of resources which are to be utilised in future years to offset the costs of Local Government elections.

Potential Department of Works and Pensions Subsidy Clawback – following the External Audit of the Council's Housing Benefit and Council Tax Subsidy claim for the year ended 31 March 2010, the External Auditors raised a number of issues with the Department of Works and Pensions (DWP) in relation to the Council's approach to service charges for dispersed tenancies. The Council awaits clarification of the DWP's consideration of this issue and there is a risk to the Council that the DWP may consider that the service charges levied for temporary accommodation are not permitted under the benefits regulation. The earmarked balance reflects the potential liability for the three financial years to 31 March 2011.

Roads maintenance – these resources were utilised in 2011/12.

Insurance Fund – resources have been earmarked for a potential contribution to this fund. The Insurance Fund continues to experience pressure from claims arising due to the severe weather experienced in the last two winters. Additionally the Council has a number of high value claims which may result in payments from the Fund. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Dewars Ice Rink – these resources were fully utilised in 2011/12.

Revenue Grants – these grants are being carried forward in reserves as the conditions have been met but the expenditure has not been fully incurred. Claims experience will continue to be closely monitored with any requirement to apply these resources being reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Microsoft Migration Project – approved funding for the Microsoft Migration Project, which will result in all schools migrating to a Microsoft Infrastructure and joining the Council network, is not yet required. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Minibus Replacement Strategy – following a rephrasing of the Council's minibus replacement programme the approved funding was not required in 2011/12. The future application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Workforce Management Strategy – in the context of implementing its Workforce Management Strategy the Council may incur additional non recurring expenditure. It is considered prudent to earmark resources to deal with these costs should they materialise. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Community Safety / Wellbeing Initiatives – reduced requisitions from Tayside Fire and Rescue Board and Tayside Joint Police Board have allowed the identification of resources to support preventative initiatives linked to community well being and safety. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Planning Appeals and Public Inquiries – under spends in financial year 2011/12 have been earmarked to fund future planning appeal and public inquiry expenses. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

7. Central Services

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

	2011/12 £'000	2010/11 £'000
Local Tax Collection	849	1,240
Registration of Births, Deaths and Marriages	89	149
Electoral Registration /Elections	597	668
Licensing	118	68
Emergency Planning	86	118
General Grants, Bequests and Donations	508	559
	<u>2,247</u>	<u>2,802</u>

8. Other Expenditure

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

	2011/12 £'000	2010/11 £'000
Fire & Rescue	6,787	7,187
Police	10,151	10,515
Valuation	1,118	1,214
Commercial Property	1,180	2,468
Irrecoverable Costs of Support to Outside Bodies	132	563
Harbour	206	219
Total	<u>19,574</u>	<u>22,166</u>

The harbour at Perth is a commercial port. Income from harbour dues during the year amounted to £99,000 (2010/11 £120,000), and the net deficit was £206,000 (2010/11 deficit £219,000).

9. Other Operating Expenditure

	2011/12 £'000	2010/11 £'000
(Gains)/Losses on the Disposal of Non Current Assets	(2,155)	(1,597)
Share of Tayside Contracts surplus	(356)	(457)
Total	<u>(2,511)</u>	<u>(2,054)</u>

10. Financing and Investment Income and Expenditure

	2011/12 £'000	2010/11 £'000
Interest payable and similar charges	15,988	14,401
Pensions interest cost and expected return on pensions assets	(2,684)	5,815
Interest receivable and similar income	(695)	(545)
Losses on the repurchase or early settlement of borrowing	0	1
Income and expenditure in relation to investment properties and changes in their fair value	744	(1,174)
Total	<u>13,353</u>	<u>18,498</u>

11. Taxation and Non Specific Grant Incomes

	2011/12 £'000	2010/11 £'000
Council Tax Income	(71,575)	(69,578)
Non Domestic Rates	(45,146)	(57,555)
Non Ringfenced Government Grants	(207,128)	(198,948)
Capital Grants and Contributions	(15,383)	(8,519)
Total	<u>(339,232)</u>	<u>(334,600)</u>

12. Material Items of Income and Expense

There have been no material items of income and expense during 2011/12 in terms of the normal activities of the Council.

13. Premiums and Discounts on Debt Rescheduling Written Down

The Code requires that any premiums or discounts arising from debt rescheduling should be written off in the year they were incurred, except in limited circumstances where they would qualify as a 'modification' of debt. During 2011/12, there were no such debt modifications (2010/11 total premium £112,549 with a discount of £111,216 received).

The net amount of premium and discount debited to the General Fund and HRA for transactions prior to 1 April 2011 (as permitted by statutory guidance) from the Financial Instruments Adjustment Account (FIAA) was £577,571 (2010/11 £577,751).

14. General Grants, Bequests and Donations

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

During 2011/12 a total of £10,985,000 (2010/11 £10,968,000) 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 of £3,845,000 (2010/11 £3,822,000). Details of grants are shown below.

	2011/12 £'000	2011/12 £'000	<i>Restated</i> <i>2010/11</i> <i>£'000</i>	<i>Restated</i> <i>2010/11</i> <i>£'000</i>
Education Services				
- Service Level Agreements with Voluntary Organisations		411		505
Social Work Services				
- Service Level Agreements with Voluntary Organisations		3,703		3,394
Housing Services (General Fund)				
- Churches Action for the Homeless	464		470	
- Perth and Kinross Community Mediation	55		126	
<i>Sub Total Housing (General Fund)</i>		519		596
Planning & Development Services				
- Perthshire Investment Fund Limited	0		13	
- Visit Scotland	165		170	
- Perth & Kinross Countryside Trust	109		109	
- Perth & Kinross Heritage Trust	148		148	
- Perth Festival of the Arts	24		23	
<i>Sub Total Planning & Development</i>		446		463
Cultural & Related Services				
- Live Active Leisure Limited	3,845		3,822	
- Perth Concert Hall	984		1,014	
- Perth Repertory Theatre	374		386	
- Pitlochry Festival Theatre	189		195	
- Perth & Kinross Sports Council	17		18	
<i>Sub Total Cultural & Related</i>		5,409		5,435
Central Services				
- Citizens Advice Bureau	149		142	
- Perthshire Women's Aid	54		54	
- Other	294		379	
<i>Sub Total Central Services</i>		497		575
		<u>10,985</u>		<u>10,968</u>

15. Amounts Reported for Resource Allocation Decisions

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

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

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

Segmental Analysis 2011/12	Education & Children's Services £'000	Housing & Community Care £'000	The Environment Service £'000	Total £'000
Fees, charges and other service income	(11,863)	(49,718)	(30,265)	(91,846)
Government Grants and contributions	(1,416)	(34,261)	(1,148)	(36,825)
Total Income	(13,279)	(83,979)	(31,413)	(128,671)
Employee expenses	104,027	38,597	23,417	166,041
Other service expenses	57,765	104,178	39,812	201,755
Support Service Recharges	12,254	10,708	10,338	33,300
Total operating expenses	174,046	153,483	73,567	401,096
Net Cost of Services	160,767	69,504	42,154	272,425

2011/12
£'000

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

Cost of Services in Service Analysis	272,425
Add services not included in main analysis	16,942
Add amounts not reported to management	58,430
Net cost of services in Comprehensive Income and Expenditure Statement	347,797
Group operating results	(329)
Net cost of services in Group Comprehensive Income and Expenditure Statement	347,468

Reconciliation to Subjective Analysis 2011/12	Service Analysis £'000	Services not in Analysis £'000	Not reported to management £'000	Group Results £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges and other service income	(91,846)	(2,149)	1,210	(9,919)	(102,704)	(1,225)	(103,929)
Surplus or deficit on associates and joint ventures	0	0	0	(275)	(275)	(355)	(630)
Interest and Investment Income	0	0	0	0	0	(947)	(947)
Income from council tax	0	0	0	0	0	(71,575)	(71,575)
Government grants and contributions	(36,825)	(558)	0	0	(37,383)	(267,656)	(305,039)
Total Income	(128,671)	(2,707)	1,210	(10,194)	(140,362)	(341,758)	(482,120)
Employee expenses	166,041	3,587	36	0	169,664	6,639	176,303
Other service expenses	201,755	16,062	(10,896)	9,875	216,796	2,005	218,801
Support Service Recharges	33,300	0	0	0	33,300	0	33,300
Depreciation, amortisation and impairment	0	0	68,070	0	68,070	0	68,070
Interest payments	0	0	0	0	0	16,185	16,185
(Gain) or loss on disposal of non-current assets	0	0	0	0	0	(2,206)	(2,206)
Total operating expenses	401,096	19,649	57,210	9,875	487,830	22,623	510,453
(Surplus)/Deficit on the provision of services (Group Comprehensive I&E)	272,425	16,942	58,420	(319)	347,468	(319,135)	28,333

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

2010/11
£'000

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

Cost of Services in Service Analysis	280,905
Add services not included in main analysis	17,258
Add amounts not reported to management	(19,762)
Net cost of services in Comprehensive Income and Expenditure Statement	278,401
Group operating results	(23,108)
Net cost of services in Group Comprehensive Income and Expenditure Statement	255,293

**Reconciliation to Subjective Analysis
2010/11**

	<i>Service Analysis</i>	<i>Services not in Analysis</i>	<i>Not reported to management</i>	<i>Group Results</i>	<i>Net Cost of Services</i>	<i>Corporate Amounts</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(88,602)	(323)	(2,290)	(9,871)	(101,086)	(1,277)	(102,363)
Surplus or deficit on associates and joint ventures	0	0	0	(22,076)	(22,076)	(457)	(22,533)
Interest and Investment Income	0	0	0	0	0	(721)	(721)
Income from council tax	0	0	0	0	0	(69,577)	(69,577)
Government grants and contributions	(34,210)	(1,622)	0	0	(35,832)	(265,023)	(300,855)
Total Income	(122,812)	(1,945)	(2,290)	(31,947)	(158,994)	(337,055)	(496,049)
Employee expenses	171,886	14,461	(43,871)	0	142,476	19,255	161,731
Other service expenses	198,278	4,742	(8,732)	8,839	203,127	2	203,129
Support Service Recharges	33,553	0	0	0	33,553	0	33,553
Depreciation, amortisation and impairment	0	0	35,131	0	35,131	0	35,131
Interest payments	0	0	0	0	0	14,632	14,632
(Gain) or loss on disposal of non-current assets	0	0	0	0	0	(1,609)	(1,609)
Total operating expenses	403,717	19,203	(17,472)	8,839	414,287	32,280	446,567
(Surplus)/Deficit on the provision of services (Group Comprehensive I&E)	280,905	17,258	(19,762)	(23,108)	255,293	(304,775)	(49,482)

16. Agency Services

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

	2011/12 Income	2011/12 Expenditure	2010/11 Income	2010/11 Expenditure
	£'000	£'000	£'000	£'000
<u>Education Services</u>				
Provision of Support for Learning				
Assistants to other local authorities	76	76	88	88
<u>Roads and Transport Services</u>				
Receipts from other local authorities for cross boundary bus services	25	25	26	26
<u>Central Services</u>				
Income from Water Authorities	391	391	367	367
Totals	492	492	481	481

17. External Audit Costs

In 2011/12 Perth and Kinross Council incurred the following fees relating to external audit services provided in accordance with the Code of Audit Practice:

	2011/12 £'000	2010/11 £'000
Fees payable to Audit Scotland	303	323
less Rebate	(25)	
Net Fee Payable	278	323

18. Termination Benefits

The Council terminated the contracts of a number of employees in 2011/12, incurring liabilities of £586,068 (£3,601,440 in 2010/11). This has been payable to 29 officers from various Services across the Council during the year and will deliver significant recurring savings.

19. Post Employment Benefits

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

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

Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers

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

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

In 2011/12, the Council paid £7,599,000 to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.9% of pensionable pay. The figures for 2010/11 were £7,686,000 and 14.9%. There were no contributions remaining payable at the year-end. Additional payments relating to added year's benefits, which the Council has inherited from predecessor authorities or awarded itself, together with related increases, amounted to £270,000 (2010/11 £270,000).

Pension Schemes Accounted for as Defined Benefit Pension Schemes

Local Government Pension Scheme

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

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

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

Local Government Pension Scheme

	2011/12 £'000	2010/11 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- Current Service Cost	16,711	22,682
- Settlements & Curtailments	1,436	1,451
- Past Service (Gains)/Costs	654	(51,902)
Financing and Investment Income and Expenditure		
- Interest Cost	27,640	34,245
- Expected Return on Scheme Assets	(30,324)	(28,430)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	<u>16,117</u>	<u>(21,954)</u>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- Actuarial Gains and (Losses)	(70,308)	65,573
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	<u>(70,308)</u>	<u>65,573</u>

Local Government Pension Scheme

	2011/12 £'000	2010/11 £'000
Movement in Reserves Statement		
- Reversal of Net Charges made to the Surplus or Deficit for the Provision of Services for Post Employment Benefits in Accordance with the Code	(16,117)	21,954
Actual amount charged against the General Fund Balance for pensions in the year		
- Employers Contributions Payable to Scheme	16,767	16,744

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £704,125,000.

Assets and Liabilities in Relation to Post Employment Benefits

The Code requires information to be provided in the notes to the accounts on the Council's assets and liabilities arising from its retirement benefit obligations as defined under IAS19. The actuarial assessment of the share of Tayside Superannuation Fund assets and liabilities attributable to Perth & Kinross Council at 31 March 2012 is set out below in the form of a reconciliation of the movement in year in the value of the Council's pension assets and defined benefit obligation. The estimates have been prepared in accordance with guidance on accounting for post employment benefits under IAS 19 issued by the Institute and the Faculty of Actuaries.

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

	2011/12 £'000	2010/11 £'000
Opening Balance at 1 April	(550,227)	(616,481)
Current Service Cost	(16,711)	(22,682)
Interest Cost	(27,640)	(34,245)
Contributions by Scheme Participants	(5,093)	(5,292)
Settlements & Curtailments	(1,436)	(1,451)
Actuarial Gains and (Losses)	(34,814)	62,489
Benefits Paid	18,041	15,533
Past Service Costs	(654)	51,902
Closing Value at 31 March	<u>(618,534)</u>	<u>(550,227)</u>

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

	2011/12 £'000	2010/11 £'000
Opening Balance at 1 April	420,154	382,137
Expected Rate of Return	30,324	28,430
Actuarial Gains and (Losses)	(35,485)	3,084
Employer Contributions	16,767	16,744
Contributions by Scheme Participants	5,093	5,292
Benefits Paid	(18,041)	(15,533)
Closing Balance at 31 March	<u>418,812</u>	<u>420,154</u>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £1,679,000 (2010/11 £30,765,000)

Scheme History

To assist in putting the Council's net pension liability in 2011/12 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 2012.

Local Government Pension Scheme	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000
Present Value of Liabilities	(618,534)	(550,227)	(616,481)	(383,246)	(381,930)
Fair Value of Assets in the Local Government Pension Scheme	<u>418,812</u>	<u>420,154</u>	<u>382,137</u>	<u>274,325</u>	<u>350,865</u>
Surplus/(Deficit) in the Scheme:	(199,722)	(130,073)	(234,344)	(108,921)	(31,065)
Net Surplus/(Deficit) of the Scheme at 31 March	<u>(199,722)</u>	<u>(130,073)</u>	<u>(234,344)</u>	<u>(108,921)</u>	<u>(31,065)</u>

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £199,722,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £14,411,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham Public Sector Consulting, an independent firm of actuaries, estimates for the Tayside Superannuation Fund are based on the latest full valuation of the scheme as at 31 March 2011 and rolled forward to 31 March 2012.

The principal assumptions used by the actuary have been:

	2011/12	2010/11
Long Term Expected Rate of Return on Assets in the Scheme:		
Equity Investments	7.1%	8.2%
Bonds - Gilts	3.3%	4.4%
Bonds - Other	4.6%	5.5%
Other - Property	4.3%	5.4%
Other - Cash	3.0%	3.0%
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
- Men	20.6	21.4
- Women	22.8	24.4
Longevity at 65 for Future Pensioners:		
- Men	21.8	22.3
- Women	24.4	25.3
Rate of Inflation CPI	2.5%	2.7%
Rate of Inflation RPI	3.3%	3.5%
Rate of Increase in Salaries	4.8%	5.0%
Rate of Increase in Pensions	2.5%	2.7%
Rate for Discounting Scheme Liabilities	4.6%	5.5%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum	50.0%	50.0%

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

	31-Mar-12	31-Mar-11
	%	%
Equity Investments	68.0%	72.0%
Debt Instruments	19.0%	17.0%
Other Assets	13.0%	11.0%
	<u>100.0%</u>	<u>100.0%</u>

History of Experience Gains and Losses

	2011/12	2010/11	2009/10	2008/09
	%	%	%	%
Differences Between the Expected and Actual Return on Assets	(8.6%)	0.6%	20.7%	(40.2%)
Experience Gains and Losses on Liabilities	7.2%	0.6%	(0.6%)	(7.4%)

20 Related Parties

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

Scottish Government

The Scottish Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 15 on amounts reported to decision makers.

Police, Fire & Rescue and Valuation Joint Boards

The Police, Fire & Rescue or Valuation Joint Boards provide services on behalf of Perth & Kinross, Angus and Dundee Councils. The Council does not have any direct control or influence over the boards and the amounts paid to these bodies are detailed within Note 8.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in the Remuneration Report. During 2011/12, works and services to the value of £239,208 were commissioned from a company in which one member had an interest. Contracts were entered into in full compliance with the Council's standing orders.

21 Leases

Council as Lessee

The Council has previously acquired grounds maintenance and waste disposal vehicles by entering into contract hire agreements. The Council also operates a Lease Car Scheme which is available to eligible employees and lease rental payments are recovered from employees. The vehicle contract hire and car leasing agreements are due to expire during the financial years 2012/13 to 2013/14.

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

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

	2011/12 £'000	2010/11 £'000
Not later than one year	755	747
Later than one year and not later than five years	2,050	2,572
Later than five years	1,230	1,403
	<u>4,035</u>	<u>4,722</u>

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

	2011/12 £'000	2010/11 £'000
Minimum lease payments	935	984
Sublease payments receivable	(25)	(18)
	<u>910</u>	<u>966</u>

Council as Lessor

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

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

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

	2011/12 £'000	2010/11 £'000
Not later than one year	1,411	1,347
Later than one year and not later than five years	4,562	4,360
Later than five years	50,418	47,234
	<u>56,391</u>	<u>52,941</u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were no material adjustments in respect of contingent rents during the years 2010/11 and 2011/12.

22 Property, Plant and Equipment

Movements on Fixed Assets 2011/12 in respect of Property, Plant & Equipment are shown below:

Movements in 2011/12

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Sub Total c/fwd £'000
<u>Gross Book Value</u>						
As at 1 April 2011	52,925	491,862	30,720	155,746	10,503	741,756
Additions	2,127	18,522	4,519	11,579	1,062	37,809
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	632	0	0	0	632
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(59,358)	0	0	0	(59,358)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(1,490)	0	0	0	(1,490)
Derecognition - disposals	(409)	(70)	(3,533)	0	0	(4,012)
Assets reclassified	8,265	(200)	0	0	0	8,065
Other movements in cost or valuation	0	(1,139)	0	0	0	(1,139)
As at 31 March 2012	<u>62,908</u>	<u>448,759</u>	<u>31,706</u>	<u>167,325</u>	<u>11,565</u>	<u>722,263</u>

Depreciation

As at 1 April 2011	(5,939)	(29,515)	(20,242)	(54,475)	(3,019)	(113,190)
Depreciation charge for 2011/12	(3,741)	(10,427)	(4,338)	(6,299)	(670)	(25,475)
Depreciation written out to the Revaluation Reserve	0	3,713	0	0	0	3,713
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	14,663	0	0	0	14,663
Impairment losses/(reversals) recognised in the the Surplus/Deficit on the Provision of Services	0	148	0	0	0	148
Derecognition - disposals	53	0	3,504	0	0	3,557
Other movements in depreciation and impairment	0	11	0	1	0	12
As at 31 March 2012	<u>(9,627)</u>	<u>(21,407)</u>	<u>(21,076)</u>	<u>(60,773)</u>	<u>(3,689)</u>	<u>(116,572)</u>
Net Book Value at 31 March 2012	<u>53,281</u>	<u>427,352</u>	<u>10,630</u>	<u>106,552</u>	<u>7,876</u>	<u>605,691</u>

Movements in 2011/12

	Sub total b/fwd £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	PFI Assets Included in PPE £'000
<u>Gross Book Value</u>					
As at 1 April 2011	741,756	1,502	5,103	748,361	123,164
Additions	37,809	31	8,537	46,377	9,717
Revaluation increases/(decreases) recognised in the Revaluation Reserve	632	0	0	632	799
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(59,358)	0	0	(59,358)	(980)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(1,490)	0	0	(1,490)	0
Derecognition - disposals	(4,012)	0	0	(4,012)	0
Assets reclassified	8,065	0	(8,265)	(200)	0
Other movements in cost or valuation	(1,139)	(777)	608	(1,308)	0
As at 31 March 2012	722,263	756	5,983	729,002	132,700
<u>Depreciation</u>					
As at 1 April 2011	(113,190)	(70)	0	(113,260)	(4,611)
Depreciation charge for 2011/12	(25,475)	0	0	(25,475)	(3,199)
Depreciation written out to the Revaluation Reserve	3,713	0	0	3,713	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	14,663	0	0	14,663	833
Impairment losses/(reversals) recognised in the the Surplus/Deficit on the Provision of Services	148	0	0	148	0
Derecognition - disposals	3,557	0	0	3,557	0
Other movements in depreciation and impairment	12	0	(2)	10	0
As at 31 March 2012	(116,572)	(70)	(2)	(116,644)	(6,977)
Net Book Value at 31 March 2012	605,691	686	5,981	612,358	125,723

Comparative Movements in 2010/11 (restated)

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Sub Total c/fwd £'000
Gross Book Value						
As at 1 April 2010	50,219	452,824	28,387	144,530	8,242	684,202
Additions	3,200	38,492	4,421	11,216	2,261	59,590
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	6,366	0	0	0	6,366
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(8,567)	0	0	0	(8,567)
Derecognition - disposals	(494)	(288)	(2,088)	0	0	(2,870)
Asset reclassifications	0	3,035	0	0	0	3,035
As at 31 March 2011	52,925	491,862	30,720	155,746	10,503	741,756
Depreciation						
As at 1 April 2010	(2,838)	(22,525)	(17,942)	(48,545)	(2,411)	(94,261)
Depreciation charge for 2010/11	(3,133)	(9,549)	(4,383)	(5,930)	(608)	(23,603)
Depreciation written out to the Revaluation Reserve	0	1,795	0	0	0	1,795
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	672	0	0	0	672
Derecognition - disposals	32	33	2,083	0	0	2,148
Asset reclassifications	0	59	0	0	0	59
As at 31 March 2011	(5,939)	(29,515)	(20,242)	(54,475)	(3,019)	(113,190)
Revised Net Book Value at 31 March 2011	46,986	462,347	10,478	101,271	7,484	628,566

Comparative Movements in 2010/11 (restated)	Sub total b/fwd £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	PFI Assets Included in PPE £'000
<u>Gross Book Value</u>					
As at 1 April 2010	684,202	885	3,496	688,583	97,501
Additions	59,590	17	4,379	63,986	29,795
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,366	0	0	6,366	(265)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,567)	(1,200)	(533)	(10,300)	(4,877)
Derecognition - disposals	(2,870)	0	(215)	(3,085)	0
Asset reclassifications	3,035	1,800	(2,024)	2,811	1,010
As at 31 March 2011	<u>741,756</u>	<u>1,502</u>	<u>5,103</u>	<u>748,361</u>	<u>123,164</u>
<u>Depreciation</u>					
As at 1 April 2010	(94,261)	(70)	(8)	(94,339)	(2,619)
Depreciation charge for 2010/11	(23,603)	0	0	(23,603)	(2,846)
Depreciation written out to the Revaluation Reserve	1,795	0	0	1,795	854
Depreciation written out to the Surplus/Deficit on the Provision of Services	672	0	8	680	0
Derecognition - disposals	2,148	0	0	2,148	0
Asset reclassifications	59	0	0	59	0
As at 31 March 2011	<u>(113,190)</u>	<u>(70)</u>	<u>0</u>	<u>(113,260)</u>	<u>(4,611)</u>
Revised Net Book Value at 31 March 2011	<u>628,566</u>	<u>1,432</u>	<u>5,103</u>	<u>635,101</u>	<u>118,553</u>

Capital Commitments

At 31 March 2012, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £12.04m. Similar commitments at 31 March 2011 were £8.120m. The total commitment is made up of the following:

	2011/12 £'000	2010/11 £'000
Education Projects	6,021	2,146
Roads & Bridges Improvement Schemes	536	2,291
Flood Prevention	698	198
Dalcree Landfill site	150	273
Other Environmental Improvements	1,052	1,098
Fleet Vehicles	46	23
Provision and Upgrade of Commercial Sites	949	45
Other Capital Projects	2,588	2,046
	<u>12,040</u>	<u>8,120</u>

Valuation of Assets

Revaluations

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

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	33,920	12,794	9,789	676	57,179
Values at fair value as at:					
31 March 2012	0	190,865	4,508	80	195,453
31 March 2011	0	63,806	4,354	0	68,160
31 March 2010	31,109	71,643	4,902	0	107,654
31 March 2009	0	93,385	4,847	0	98,232
31 March 2008	0	16,266	3,306	0	19,572
Total Cost or Valuation	65,029	448,759	31,706	756	546,250

Changes in Estimates

The Council made no material changes to accounting estimates for Property, Plant and Equipment in 2011/12.

23 Heritage Assets

Reconciliation of the carrying value of Heritage Assets held by the Council

	2011/12 Art Collection £'000	2011/12 War Memorials £'000	2011/12 Total £'000	2010/11 Art Collection £'000	2010/11 War Memorials £'000	2010/11 Total £'000
Cost or Valuation						
Balance at 1 April	10,257	46	10,303	562	46	608
Revaluations	9,272	0	9,272	9,695	0	9,695
Balance at 31 March	<u>19,529</u>	<u>46</u>	<u>19,575</u>	<u>10,257</u>	<u>46</u>	<u>10,303</u>

Art Collection

The collection of Fine Art maintained and preserved by the Council Heritage Service is varied and includes oil paintings (approx 1,225 items); watercolours (900); drawings (4,000); prints (1,500); and sculptures (150). The Fine Art collection also includes J D Fergusson and Margaret Morris archives which number approximately 30,000 items.

The Art Collection also includes silver, glass, ceramics, furniture, Oriental materials, horology and metalwork; these are collectively identified as Applied Art.

Council curators within the Heritage Service have commenced a five year rolling programme of valuation for the Fine and Applied Art collections. As at 31 March 2012, all oil paintings, including J D Fergusson works, have been valued and are included within the above Art Collection reconciliation. Items and collections having significant value will be added to the Council balance sheet as the valuation programme progresses.

There are a number of significant works included within the Art Collection. The cumulative value of the J D Fergusson oil paintings valued during 2010/11 amounts to £10.2M; the oils form a small part of the J D Fergusson and Margaret Morris collection of works and archives. The cumulative value attached to the oil paintings valued by the curators during 2011/12 is £9.272M. Of note are paintings by John Everett Millais, Samuel John Peploe, and Francis Campbell Boileu which have a collective value of £6M.

Additions and Disposals of Heritage Assets

There has been no significant addition, either by purchase or donation, to the Fine and Applied Art collection during the current and previous four financial years. The majority of the collections are held in perpetuity, or have disposal conditions attached, and consequently no Fine and Applied Art disposals have occurred during the current and previous four financial years.

Further Information on the Museum and Art Gallery Collection

Art Collection

Fine and Applied Art

The Fine Art collection owes its existence largely to the 1926 bequests of local patrons Robert Hay Robertson and Robert Brough, although the first painting entered the collection as early as 1785.

The collection is international in its scope and numbers over 4,000 items. It includes an interesting group of Italian 'Old Masters', a small but important group of 19th Century French works, a good group of 17th century Dutch and Flemish paintings and work by English artists including a small but highly important collection of natural history watercolours by Beatrix Potter.

Its greatest strength however lies in its holding of Scottish pictures. These span the 16th to the 21st century and include such important works as Loch Katrine by Horatio McCulloch and D Y Cameron's The Wilds of Assynt, as well as pictures with strong local connections. Amongst these are pictures by local artists, local topographical views and portraits of local individuals. The collection seeks to retain a balance between the historical and the contemporary aspects whilst continuing to develop the holdings of works of specifically local interest.

In 1991 the collection was effectively doubled in size with the gifting of the J D Fergusson Art Foundation's collection of artworks by the Scottish 'Colourist' John Duncan Fergusson (1874-1961) and its associated archive. This collection is housed at the Fergusson Gallery in Perth.

The Applied Art collection has been acquired since 1785 through purchase, gift or bequest. It covers a wide variety of objects and materials, within which the collections of Perth silver and Perthshire glass are unsurpassed in terms of national importance. The ceramics collection contains significant collections of Staffordshire flat-back figures and Martinware studio pottery as well as a collection of studio pottery produced by potters native to or resident in the Perth & Kinross area. Other smaller collections include furniture, timepieces, oriental and other items.

The promotion of other cultural events and programmes during the year makes it difficult to reliably estimate the percentage of the Art Collection on display for public viewing. However, all items are held in secure storage and access is permitted to scholars and others for research purposes.

The Council Heritage Service Collecting Policy provides guidance on the collection, disposal or lending of heritage assets.

24 Investment Properties

	2011/12 £'000	2010/11 £'000
Rental income from investment property	(1,225)	(1,278)
Direct operating expenses arising from investment property	87	84
Net gain	<u>(1,138)</u>	<u>(1,194)</u>

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

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

	2011/12 £'000	2010/11 £'000
Balance at start of year	19,447	24,168
Additions:		
Subsequent expenditure	13	22
Disposals:	(281)	(215)
Net gain/(losses) from fair value adjustments	(1,857)	(20)
Transfers:		
(to)/from Property, Plant and Equipment	(30)	(4,508)
Balance at end of year	<u>17,292</u>	<u>19,447</u>

25 Intangible Assets

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

	2011/12		2010/11	
	Other Assets	Total	Other Assets	Total
	£'000	£'000	£'000	£'000
Balance at start of year				
Gross carrying amount	57	57	57	57
Accumulated amortisation	(33)	(33)	(22)	(22)
Net carrying amount at start of year	24	24	35	35
Amortisation for the period	(11)	(11)	(11)	(11)
Net carrying amount at end of year	13	13	24	24
Comprising:				
Gross carrying amounts	57	57	57	57
Accumulated amortisation	(44)	(44)	(33)	(33)
	13	13	24	24

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

There is no comparable market evidence to suggest that the Resourcelink value stated within the balance sheet is not a fair reflection of the asset's carrying value at 31 March 2012.

26 Assets Held for Sale

	Current		Non Current	
	2011/12	2010/11	2011/12	2010/11
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	0	904	2,029	975
Assets newly classified as held for sale:				
- Property, Plant and Equipment	190	0	1,338	1,639
Revaluation Losses	0	0	(388)	(570)
Revaluation Gains	0	0	0	20
Impairment Losses	0	0	0	0
Assets declassified as held for sale				
- Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	0	(904)	(49)	(35)
Transfers from non current to current	0	0	0	0
Other Movements	0	0	0	0
Balance outstanding at year end	190	0	2,930	2,029

27 Long Term Debtors

	2011/12	2010/11
	£'000	£'000
Other Entities & Individuals	1,081	715
Total	1,081	715

28 Inventories

	Consumables		Maintenance Materials		Total	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Balance outstanding at start of year	504	502	72	71	576	573
Purchases	2,358	2,087	489	474	2,847	2,561
Recognised as an expense in the year	(2,370)	(2,085)	(479)	(464)	(2,849)	(2,549)
Written off balances	0	0	(3)	(9)	(3)	(9)
Balance outstanding at end of year	<u>492</u>	<u>504</u>	<u>79</u>	<u>72</u>	<u>571</u>	<u>576</u>

29 Debtors

	2011/12 £'000 Gross	2011/12 £'000 Net	2010/11 £'000 Gross	2010/11 £'000 Net
Scottish Government		4,530		5,073
Central Government		3,673		4,954
Other Local Authorities		41		418
NHS Bodies		67		166
Public Corporations & Trading Funds		0		8
Other Entities & Individuals	14,466		11,080	
less Impairment	<u>(7,236)</u>		<u>(6,151)</u>	
		7,230		4,929
Trade	5,339		7,215	
less Impairment	<u>(943)</u>		<u>(905)</u>	
		4,396		6,310
Council Tax & Community Charge	16,608		15,925	
less Impairment	<u>(13,254)</u>		<u>(12,805)</u>	
		3,354		3,120
Total		<u>23,291</u>		<u>24,978</u>

30 Creditors

	2011/12 £'000	2010/11 £'000
Scottish Government	(253)	(217)
Central Government	(4,909)	(5,426)
Other Local Authorities	(674)	(2,410)
NHS Bodies	(74)	(28)
Public Corporations and Trading Funds	(328)	(349)
Other Entities and Individuals	(19,765)	(17,770)
Trade Creditors	(19,623)	(24,608)
Total	<u>(45,626)</u>	<u>(50,808)</u>

31 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 2012.

Equal Pay Claims

The Council has made provision for Equal Pay Claims as at 31 March 2012. The Council also has a contingent liability at 31 March 2012.

Department of Works and Pensions (DWP)

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

	Self Insured/ Uninsured Losses £'000	Equal Pay Claims £'000	DWP £'000	Total £'000
Balance as at 1 April 2011	1,333	763	700	2,796
Additional provisions made in 2011/12	442	0	200	642
Amounts used in 2011/12	(562)	0	0	(562)
Balance as at 31 March 2012	<u>1,213</u>	<u>763</u>	<u>900</u>	<u>2,876</u>
Balance Sheet Disclosure:				
Less than 12 months	136	0	200	336
Over 12 months	1,077	763	700	2,540
	<u>1,213</u>	<u>763</u>	<u>900</u>	<u>2,876</u>

32 Usable Reserves

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

33 Unusable Reserves

	2011/12 £'000	2010/11 £'000
Revaluation Reserve	(80,823)	(72,237)
Capital Adjustments Account	(209,307)	(239,473)
Financial Instruments Adjustment Account	13,966	14,556
Pensions Reserve	199,722	130,073
Accumulating Compensated Absences Adjustment Account	5,879	7,866
Total Unusable Reserves	<u>(70,563)</u>	<u>(159,215)</u>

Revaluation Reserve

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

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

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

The Revaluation Reserve has been restated for 2010/11 to recognise the impact of FRS30: Heritage Assets; the upward revaluation of assets due to the revaluation of the J D Ferguson oil paintings has increased by £9.695 million to £18.447 million.

	2011/12 £'000	2010/11 £'000
Balance at 1 April	(72,238)	(55,656)
Upward revaluation of assets	(13,885)	(18,447)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	4,108	612
Surplus or deficit on revaluation of non current assets not posted to the (Surplus) or Deficit on the Provision of Services	(82,015)	(73,491)
Difference between fair value depreciation and historical cost depreciation	1,155	1,131
Accumulated gains on assets sold or scrapped	37	122
Amount written off to the Capital Adjustment Account	1,192	1,253
Balance at 31 March	<u>(80,823)</u>	<u>(72,238)</u>

Capital Adjustment Account

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

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

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

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

	2011/12 £'000	2010/11 £'000
Balance at 1 April	(239,473)	(240,031)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non current assets	25,475	26,111
Revaluation losses on Property, Plant and Equipment	42,584	7,641
Amortisation of intangible assets	11	11
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	786	2,092
	<u>(170,617)</u>	<u>(204,176)</u>
Adjusting amounts written out of the Revaluation Reserve	(1,192)	(1,253)
Net written out amount of the cost of non current assets consumed in the year	<u>(171,809)</u>	<u>(205,429)</u>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,711)	(3,806)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(14,538)	(8,349)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(14,887)	(14,271)
Capital expenditure charged against the general fund and HRA balances	<u>(7,219)</u>	<u>(7,638)</u>
	<u>(211,164)</u>	<u>(239,493)</u>
Movements in the market value of the Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,857	20
Balance at 31 March	<u>(209,307)</u>	<u>(239,473)</u>

Financial Instruments Adjustment Account

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

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

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

Accordingly, the balance on the FIAA as at 31 March 2012 in respect of the above provisions will be charged to the General Fund and HRA over the next 43 years. The movements on the FIAA during the year are shown below:

	2011/12 £'000	2010/11 £'000
Balance at 1 April	14,556	15,145
Proportion of discounts incurred in previous financial years credited against the General Fund & HRA Balance in accordance with statutory requirements in the year	16	17
Proportion of premiums incurred in previous financial years charged against the General Fund & HRA Balance in accordance with statutory requirements in the year	(594)	(594)
Difference on restatement of Stepped Interest Rate Loans	(12)	(12)
Balance at 31 March	<u>13,966</u>	<u>14,556</u>

Pensions Reserve

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

	2011/12 £'000	2010/11 £'000
Balance at 1 April	130,064	234,344
Actuarial Gains or Losses on Pensions Assets and Liabilities	70,308	(65,573)
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	16,117	(21,954)
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(16,767)	(16,744)
Balance at 31 March	<u>199,722</u>	<u>130,073</u>

Accumulating Absences Account

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

	2011/12 £'000	2010/11 £'000
Balance at 1 April	7,866	7,261
Settlement or cancellation of accrual made at the end of the preceding year	(7,866)	(7,261)
Amounts accrued at the end of the current year	5,879	7,866
Balance at 31 March	<u>5,879</u>	<u>7,866</u>

34 Impairment Losses

There was a significant £42.512m net loss following the revaluation of educational establishments during the year, the majority of which has been assessed as a revaluation loss rather than a loss attributed to deterioration in the anticipated level of the performance of the properties. Of the total loss, £1.342m is regarded as an impairment loss as this is attributed to three primary schools which have been mothballed.

35 Grants

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12.

	2011/12 £'000	2010/11 £'000
Credited to Taxation and Non Specific Grant Income		
Scottish Government	14,857	7,120
Scottish Government Directorates (Historic Scotland, NHS)	283	0
Other Scottish Government Bodies	0	154
Developer Contributions	0	87
Other Third Party Contributions	243	1,158
	<u>15,383</u>	<u>8,519</u>
Credited to Services		
Scottish Government	7,326	5,835
Scottish Government Directorates (Historic Scotland, NHS)	10	131
Sport Scotland	0	449
Local Authority	54	0
Other Scottish Government Bodies	690	481
Other Third Party Contributions	534	844
	<u>8,614</u>	<u>7,740</u>

The Council has received a contribution that has yet to be recognised as income as it has conditions attached that will require the monies to be returned to the giver in 2013/14. The balance at the year end is as follows:

	2011/12 £'000	2010/11 £'000
Capital Grants Received in Advance		
Third Party Contributions - Developer	250	250
	<u>250</u>	<u>250</u>

36 Capital Expenditure and Capital Financing

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

	2011/12 £'000	2010/11 £'000
Capital Financing Requirements b/fwd	354,048	324,248
<u>Capital Expenditure</u>		
Property, Plant and Equipment	46,379	63,987
Investment Properties	13	22
	<u>46,392</u>	<u>64,009</u>
Revenue Expenditure funded from Capital	2,609	0
	<u>49,001</u>	<u>64,009</u>
	<u>403,049</u>	<u>388,257</u>
<u>Sources of Finance</u>		
Capital Receipts	2,952	3,781
Government Grants and Contributions	17,992	8,519
Revenue Contributions	7,219	7,638
Loans Fund Principal Repayments	14,887	14,271
	<u>43,050</u>	<u>34,209</u>
Closing Capital Financing Requirement c/fwd	<u>359,999</u>	<u>354,048</u>
Movement	5,951	29,800
<u>Analysed as:</u>		
Increase/(Decrease) in need to borrow	(571)	2,798
Net assets acquired under PPP contract	6,522	27,002
	<u>5,951</u>	<u>29,800</u>

37 Public Finance Initiatives and Similar Contracts

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

The unitary charge for 2011/12 for the office accommodation was £2,639,000 (2010/11 £2,620,000).

The unitary charge for 2011/12 for the car park was £358,000 (2010/11 £395,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2012/13 for the office accommodation will be £2,613,000 and for the car park £402,000.

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

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

The unitary charge for 2011/12 for the campuses operating in the year was £13,265,000 (2010/11 £10,321,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2012/13 for all school campuses will be £14,050,000.

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

	2011/12 £'000	2010/11 £'000
Net Book Value at 1 April 2011	118,553	94,882
Additions	9,717	29,795
Reclassifications	0	1,010
Revaluations	652	(4,288)
Depreciation	(3,199)	(2,846)
Net Book Value at 31 March 2012	<u>125,723</u>	<u>118,553</u>

Movements in Public Private Partnership Liabilities during the year were:

	2011/12 £'000	2010/11 £'000
Liabilities at 1 April 2011	130,002	102,999
Additional liabilities	9,577	29,389
Amounts repaid in year	(3,056)	(2,386)
Liabilities at 31 March 2012	<u>136,523</u>	<u>130,002</u>
Disclosed in the Balance Sheet as:		
Long Term Liabilities	132,882	126,943
Creditors	3,641	3,059
Liabilities at 31 March 2012	<u>136,523</u>	<u>130,002</u>

Future Public Private Partnership liabilities due to be met:

	Repayment of liability £'000	Interest & Contingent Rents £'000	Service Charges £'000	Lifecycle Maintenance £'000	Contingent Rentals £'000	TOTAL £'000
Due within one year	3,641	7,204	5,566	415	468	17,294
Due in 2 to 5 years	15,008	26,743	23,806	3,560	3,975	73,092
Due in 6 to 10 years	21,124	27,877	33,565	8,728	9,663	100,957
Due in 11 to 15 years	22,408	20,085	36,491	13,521	14,608	107,113
Due in 16 to 20 years	18,442	14,746	36,977	16,779	20,016	106,960
Due in 21 to 25 years	26,314	9,929	42,191	13,083	29,498	121,015
Due in 26 to 30 years	29,586	3,386	43,342	12,684	34,260	123,258
Total	<u>136,523</u>	<u>109,970</u>	<u>221,938</u>	<u>68,770</u>	<u>112,488</u>	<u>649,689</u>

These figures are based on the actual cash amount estimated to be payable and not on prices at 31 March 2012.

38 Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Acting Head of Finance on 29 June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Until 30 June 2012, Mr Stewart MacKenzie undertook the role of Acting Head of Finance. This arrangement ceased on 1 July 2012 when Mr John Symon returned as Head of Finance following a career break.

39 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 succeed.

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 earmarked an amount within its Reserves for outstanding claims that are actively being pursued at this time through an Employment Tribunal.

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 (DWP) which is subject to annual audit by the Council's statutory auditors. Previous external audit testing has identified issues which are still subject to clarification with the DWP. In the event that the Council is determined to have reclaimed subsidy in error, there is the potential for the Department of Work and Pensions to adjust future claims to recover any previous over-payment of subsidy.

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

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

The Council has identified a contingent liability in relation to the Council Houses Bathroom Replacement Programme. Prior to completion of the works, the contractor went into administration. The Administrator believes that there may still be some payments outstanding from the Council and this issue is subject to discussion with the parties concerned.

The Council has identified a potential liability in respect of casual and supply staff that may be entitled to employee benefits, such as occupational sick pay and maternity pay, similar to those available to permanent staff. At this time, it is not possible to determine the number of individuals involved therefore no reliable estimate of the cost of providing retrospective access to these benefits can be made.

The Council has identified a liability regarding land compensation claims it has received relating to work undertaken as part of the A93 Craighall Gorge Realignment project, which was completed in 2009. The claims are still subject to negotiation with the parties concerned, therefore, it is not possible to cost the liability on the part of the Council.

40 Financial Instruments

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

	Long-Term		Current		Total	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£'000	£'000	£'000	£'000	£'000	£'000
Borrowings						
Financial liabilities at amortised cost	191,384	189,558	20,515	11,238	211,899	200,796
Total borrowings	191,384	189,558	20,515	11,238	211,899	200,796
Investments						
Loans and receivables	1,000	823	40,478	23,433	41,478	24,256
Total investments	1,000	823	40,478	23,433	41,478	24,256

Lender Option Borrower Option (LOBO) borrowings of £39.5m have been included in long term borrowing as at 31 March 2012 but have a call date in the next 12 months.

The above long term figures are based on the Code 2011 which states that in undertaking Effective Interest Rate (EIR) calculations the maturity period for a LOBO should be taken as being the contractual period to maturity.

Financial Instruments Gains / Losses

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

2011/12	Financial Liabilities		Financial Assets		Total 2011/12	Total 2010/11
	Liabilities measured at amortised cost	Loans and receivables	Available- for-sale assets	Fair value through Comprehensive Income & Expenditure Statement		
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	8,752	0	0	0	8,752	8,468
Losses on derecognition	0	0	0	0	0	113
Interest payable and similar charges	8,752	0	0	0	8,752	8,581
Interest income	0	(695)	0	0	(695)	(510)
Gains on derecognition	0	0	0	0	0	(111)
Interest and investment income	0	(695)	0	0	(695)	(621)
Amounts debited/credited to the Comprehensive Income & Expenditure Statement after impairment						
Gains on revaluation	0	0	0	0	0	(35)
Surplus arising on revaluation of financial assets	0	0	0	0	0	(35)
Net (gain)/loss for the year	8,752	(695)	0	0	8,057	7,925

Fair Value of Assets and Liabilities Carried at Amortised Cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet as at 31 March 2012 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 2012, using bid prices where applicable.

The calculations are made with the following assumptions:

- For Public Works Loans Board (PWLB) debt, the discount rates used are the rates for new borrowing as per rate sheet number 128/12.
- 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 2012		31 March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Public Works Loans Board (PWLB)	161,712	175,565	151,716	149,949
Lender Option Borrower Option (LOBO)	44,530	46,230	44,542	50,348
Bank overdraft	3,109	3,109	1,949	1,949
Short term borrowing	2,258	2,259	2,300	2,300
Other (Special Loans)	290	288	290	289
Financial Liabilities	211,899	227,451	200,797	204,835

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

Fair Value of Assets Carried at Amortised Cost

	31 March 2012		31 March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Cash (including petty cash)	11,062	11,066	9,322	9,325
Deposits with Banks and Building Societies	29,228	29,415	13,092	13,131
Icelandic Deposit	188	188	1,019	1,019
Loans to Others	1,000	1,000	823	823
Financial Assets	41,478	41,669	24,256	24,298

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

Nature and Extent of Risks Arising from Financial Instruments

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

(i) Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating, together with other market information, is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount and duration 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 2012	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2012	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with banks and other financial institutions	40,440	0	0	0
Loans to Others	1,000	0	19.3%	193
Bonds and other securities	0	0	0	0
Customers	16,276	3%	0	488
Total	57,716	-	-	681

The Council's overall exposure to credit risk in relation to its deposits in banks and other financial institutions of £40,440k above cannot be assessed generally, as the risk of non-payment of the principle sums or interest is specific to each individual institution. Experience indicates that any such non-payment is rare, and there is no evidence that any risk of default existed at 31 March 2012. The repayment profile of these deposits is shown below:

	31 March 2012 £000	31 March 2011 £000
Less than three months	13,049	11,376
Three to six months	12,631	4,000
Six months to one year	14,760	8,019
More than one year	1,000	823
Total	41,440	24,218

Loans to Others

The Council initiates a legal charge on property where, for example, clients require assistance with payment of care fees, but cannot pay immediately until such time as their property is sold. The total amount outstanding as at 31 March 2012 in this category is £807k, and experience of default is negligible.

Also included within Loans to others is a loan to Pitlochry Festival Theatre of £200k, which was made during the year and is repayable over 12 years. As this loan is interest free, it is therefore deemed to be a 'soft loan' under the Code, and has been impaired to reflect its net present value (£193k), and is carried in the accounts and table above at this value. However, as the loan remains subject to uncertainty, a full provision has been made in the accounts for non-repayment.

Debtors

The council does not generally allow credit for customers, such that £14.1m of the £16.3m balance is past its due date for payment.

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

	31 March 2012 £000	31 March 2011 £000
Less than three months	11,658	8,668
Three to six months	14	162
Six months to one year	623	251
More than one year	1,813	4,123
Total	14,108	13,204

(ii) Liquidity Risk

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

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

On 31 March 2012 £'000	Loans outstanding	On 31 March 2011 £'000
160,016	Public Works Loans Board	150,177
43,200	Market debt	43,200
2,258	Temporary borrowing	2,300
290	Local bonds	290
3,109	Bank Overdraft	1,537
208,873	Total	197,504
18,818	Less than 1 year	9,288
13,161	Between 1 and 2 years	13,161
30,484	Between 2 and 5 years	41,984
38,867	Between 5 and 10 years	25,307
10,981	Between 10 and 15 years	10,483
96,562	Over 15 years	97,281
208,873	Total	197,504

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

(iii) Market Risk

Interest rate risk

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

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

- Decreases in interest rates will affect interest earned on variable rate investments, and reduces income credited to the Comprehensive Income and Expenditure Statement. There would only be a small reduction in the interest payable on variable rate borrowing.
- Increases in interest rates will affect interest paid on variable rate borrowings, and increases interest expense charged to the Comprehensive Income and Expenditure Statement, but offset by increased investment returns.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Comprehensive Income & Expenditure Statement. However, no such assets at Fair Value were held by the Council as at 31 March 2012.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for liabilities held at amortised cost, but will impact on the disclosure note for fair value.

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

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

According to this assessment strategy, at 31 March 2012, 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	442
Increase in interest receivable on variable rate investments	(498)
Impact on Comprehensive Income and Expenditure Statement	<u>(56)</u>
Share of overall impact credited to the HRA	(11)

The impact of a 1% fall in interest rates would have been an estimated cost of £124,000 to the Council as a result of a reduction in investment income, whilst it would be unlikely that the lenders of the market loans borrowed would pass on the reduction in rates payable. However, there would be a small reduction of £9,000 payable on other small loan balances.

Foreign Exchange Risk

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

Price Risk

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

Icelandic Banks Disclosure Note

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

Bank	Date Deposited	Original Maturity date	Amount Deposited	Interest Rate	Debtor as at 31 March 2012
Glitnir	19 March 2008	19 December 2008	£1,000,000	6.0%	£188,041

Since October 2010, the management of the affairs of Glitnir are being undertaken by the Winding-Up Board under Icelandic law. Consequently, the funds deposited with Glitnir by local authorities in the UK were subject to the receivership process and court action in Iceland.

The court action surrounded the issue of whether local authority deposits had priority status, and therefore were entitled to receive 100% of the deposit before other creditors. This was ultimately decided upon by the Icelandic Supreme Court in the autumn of 2011, who concluded that local authorities did have priority status.

The Winding-Up Board, in applying this judgement, made a proposal on how priority deposits should be distributed. As the cash balances held by Glitnir at that time were held in a variety of currencies, it was proposed that, to ensure equitable treatment of all creditors, the funds paid-out by Glitnir should be made pro-rata to the size of the cash balances held by Glitnir. Whilst this proposal was initially objected to by the non-priority creditors, it was finally agreed in March 2012. Consequently all priority claims were distributed on 15 March 2012, in a mix of five different currencies.

Of the amount paid-out, approximately 19% of each claim was paid in Icelandic Krona (ISK). However, due to currency controls over ISK put in place by the Icelandic Central Bank, this element of the distribution had to be retained in Iceland. Accordingly, Glitnir paid this element of the claims into a ring-fenced (escrow) account held in Landensbankin in Iceland, where it is still held and earning interest at 3.4% until such time as the currency controls are lifted and can be returned to the UK.

The carrying value of the Icelandic debtor in the accounts was reduced by the cash received on 15 March 2012. The amount of ISK received on this date was converted to a sterling equivalent value using the prevailing exchange rate on that day, and compared to the remaining debtor balance held in the accounts, with the difference charged as an exchange rate loss (£3,080). This loss was due to an unfavourable movement in the exchange rate from the rate used in the proposal until the rate prevailing on the actual date of distribution. The carrying value of the debtor as at 31 March 2012 represents the amount of ISK received, plus accrued interest, converted to a sterling equivalent using the exchange rate on 31 March 2012. Consequently a further exchange rate loss of £1,897 arose between the date of distribution and the 31 March 2012.

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

The accumulated balance on the General Fund at 31 March 2012 includes net surplus funds of £1,281,000 (31 March 2011 £1,227,000) in respect of schools participating in the Devolved School Management scheme. There are a number of schools with surpluses totalling £1,305,000 and a number of schools carrying forward deficits amounting to £24,000. These surpluses and deficits are earmarked in 2012/13 for the individual schools concerned.

42. Operating Activities

The cash flows for operating activities include the following items:

	2011/12 £'000	2010/11 £'000
Interest received	(695)	(545)
Interest paid	15,988	14,401
	<u>15,293</u>	<u>13,856</u>

43. Investing Activities

	2011/12 £'000	2010/11 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(36,813)	(34,622)
Purchase of short-term and long-term investments	(16,136)	(3,055)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,911	3,690
Other receipts for investing activities	15,383	8,518
	<u>(34,655)</u>	<u>(25,469)</u>

44. Financing Activities

	2011/12 £'000	2010/11 £'000
Cash receipts of short and long-term borrowing	50,976	71,069
Other receipts from financing activities	(139)	(139)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(3,056)	(2,386)
Repayments of short and long-term borrowing	(41,035)	(68,269)
Other payments for financing activities	0	(83)
	<u>6,746</u>	<u>192</u>

45. Cash and Cash Equivalents

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

	2011/12 £'000	2010/11 £'000
Cash held by officers	36	40
Bank current accounts	(3,109)	(1,949)
Short-term deposits with banks	11,024	9,214
Short-term deposit with other organisations	0	70
	<u>7,951</u>	<u>7,375</u>

46 Trust Funds

Perth & Kinross Council administers a number of Charitable Funds of varying sizes. The Income and Expenditure Account and Balance Sheet are detailed on page 67.

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.

	31.3.12 £'000	31.3.11 £'000
Education Trust - Financial Assistance		
Net assets	810	814
Net (Outgoing)/incoming Resources before other recognised gains and losses	0	(4)
Education Trust - Endowments		
Net assets	64	64
Net Incoming Resources before other recognised gains and losses	1	4
Other Charitable Trusts		
Net assets	1,674	1,701
Net Incoming Resources before other recognised gains and losses	6	6
TOTAL Net Assets	2,548	2,579
TOTAL Net Incoming Resources before other recognised gains and losses	7	6

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

47 Explanation of Prior Period Adjustments – Heritage Assets

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in the summary of significant accounting policies, the Council now requires heritage assets to be carried in the balance sheet at valuation.

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as heritage assets) that were donated to the authority were held at valuation as a proxy for historical cost. The Council's accounting policies for recognition and measurement of heritage assets are set out in the summary of significant accounting policies (see Note 1 on page 16).

In applying the new accounting policy, the Council has identified that the assets that were previously held as community assets within property, plant and equipment at £607,706 should now be recognised as heritage assets and measured at £5,393,206, with a corresponding increase of £4,785,500 in the Revaluation Reserve. These assets relate to a proportion of the Museum's art collection which was previously recognised in the community assets classification of property, plant and equipment. The Authority will also recognise an additional £4,910,000 for the recognition of heritage assets that were not previously recognised in the Balance Sheet. Again, this increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

At 1 April 2010 the carrying amount of the Heritage Assets is presented at its historic cost at £607,706. The element that was previously recognised in property, plant and equipment has been reclassified and written down by the same amount. Revaluation of the Heritage Assets during 2010/11 has resulted in the revaluation reserve increasing by £9,695,500.

The adjustments that have been made to the 1 April 2010 Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on opening Balance Sheet at 1 April 2010

	Opening Balances at 1 April 2010 £'000	Restated Balances at 1 April 2010 £'000	Restated Opening Movement at 1 April 2010 £'000
Property, Plant & Equipment	594,851	594,243	(608)
Heritage Assets	0	608	608
Long-term Assets	621,760	621,760	0
Total Net Assets	80,733	80,733	0
Unusable Reserves	38,937	38,937	0
Net Worth/Total Reserves	80,733	80,733	0

Movement in Reserves Statement – Unusable Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

	As Previously Stated at 31 March 2011 £'000	As Restated at 31 March 2011 £'000	Restated Movement at 31 March 2011 £'000
Balance as at the end of the previous reporting period - 31 March 2010	38,937	38,937	0
Other Comprehensive Income & Expenditure	73,712	83,407	9,695
Adjustments between the accounting basis and the funding basis under regulations	36,871	36,871	0
Increase/(decrease) in the year	110,583	120,278	9,695

The resulting restated Balance Sheet for 31 March 2011 is provided on page 10. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Balance Sheet at 31 March 2011

	As Previously Stated at 31 March 2011 £'000	As Restated at 31 March 2011 £'000	Restated Movement at 31 March 2011 £'000
Property, Plant & Equipment	635,708	635,100	(608)
Heritage Assets	0	10,303	10,303
Long-term Assets	657,923	667,618	9,695
Total Net Assets	194,200	203,895	9,695
Unusable Reserves	149,520	159,215	9,695
Net Worth/Total Reserves	194,200	203,895	9,695

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £10,303,206 on the Balance Sheet resulting in an increase to the Revaluation Reserve of £9,695,000 and property, plant and equipment being restated by the amount of heritage assets previously recognised at cost in community assets (a sub-classification of property, plant and equipment) of £607,706.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with the legislative framework which may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Statement of Movements on the Housing Revenue Account Balance.

<u>2010/11</u>		<u>2011/12</u>	
£'000		£'000	£'000
	Income		
(19,808)	Dwelling Rents	(20,745)	
0	less Voids	150	
			(20,595)
(713)	Non-Dwelling Rents	(736)	
0	less Voids	82	
			(654)
0	Housing Support Grant	(476)	
(2,532)	Other Income	(1,239)	
(23,053)	Total Income		(22,964)
	Expenditure		
8,318	Repairs & Maintenance	7,906	
7,382	Supervision & Management	6,834	
3,919	Depreciation and impairment on non current assets	4,501	
178	Movement in the Impairment of Debtors	202	
874	Other expenditure	479	
20,671	Total Expenditure		19,922
(2,382)	Net Cost of HRA Services		(3,042)
233	HRA services' share of Corporate and Democratic Core		295
	HRA share of other amounts included in the whole authority		
(3,280)	Net Cost of services (but not allocated to specific services)		142
	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(2,605)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(1,447)	(Gain)/Loss on sale of HRA Non-Current Assets		(1,018)
1,698	Interest payable and similar charges		1,638
(9)	Interest and investment income		(10)
378	Pensions interest cost and expected return on pensions assets		(180)
(365)	Capital Grants and Contributions Receivable		(2,186)
(5,174)	(Surplus)/Deficit for the year on HRA services		(4,361)

STATEMENT ON MOVEMENTS ON THE HOUSING REVENUE ACCOUNT BALANCE

The Statement of Movement on the Housing Revenue Account balance reconciles the Housing Revenue Account to the HRA balance, an earmarked element of the Council's General Fund Balance.

<u>2010/11</u> £'000		<u>2011/12</u> £'000
(779)	Balance on the HRA at the end of the Previous Year	(803)
(5,174)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	(4,361)
<u>7,331</u>	Adjustments between Accounting Basis and Funding Basis Under Statute	<u>5,762</u>
<u>2,157</u>	Net (Increase)/Decrease before Transfers to or from Reserves	1,401
(2,181)	Transfer to or (from) Reserves	<u>(1,398)</u>
(24)	(Increase) or Decrease in Year on the HRA	3
<u>(803)</u>	Balance on the HRA at the end of the Current Year	<u>(800)</u>

Note to the Statement of Movement on the HRA Balance

<u>2010/11</u> £'000		<u>2011/12</u> £'000	<u>2011/12</u> £'000
Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year			
1,447	Gain/(Loss) on sale of HRA fixed assets	1,018	
(3,818)	Depreciation and impairment of fixed assets	(4,501)	
(101)	Revaluation Losses on PPE	0	
365	Capital Grants and Contributions Receivable	2,186	
4	Employee Holiday accrual	(15)	
1,434	Net charges made for retirement benefits in accordance with IAS 19	(1,027)	
<u>(669)</u>			<u>(2,339)</u>
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year			
981	Employer's contributions payable to the Pension Fund and retirement benefits payable	1,137	
127	Financing costs - variance between Code and Statutory guidance	120	
2,494	Loans fund principal	2,429	
4,398	Capital expenditure funded by the HRA	4,415	
<u>8,000</u>			<u>8,101</u>
<u>7,331</u>	Net additional amount required by statute to be debited/(credited) to the HRA Balance for the year		<u>5,762</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock at 31 March 2012	No. of Dwellings		<i>No. of Dwellings</i>	
	31.03.12		31.03.11	
Sheltered accommodation	498		502	
Detached/Semi-Detached/Terraced	3,507		3,481	
High Rise Flats	136		138	
Tenement Flats/Other Flats/Maisonettes	3,202		3,212	
Total	<u>7,343</u>		<u>7,333</u>	

2. Rent Arrears at 31 March 2012	Gross Arrears		<i>Gross Arrears</i>	
	31.03.12		31.03.11	
	£'000	% of Income	£'000	% of Income
Houses	1,194	5.9	1,009	5.2
Other Subjects	169	23.7	156	21.9
Totals	<u>1,363</u>	<u>6.5</u>	<u>1,165</u>	<u>5.0</u>

3. **Impairment of Debtors**

In 2011/12 an impairment of £933,823 has been provided in the Balance Sheet for irrecoverable rents, an increase of £201,946 from the provision in 2010/11.

COUNCIL TAX INCOME ACCOUNT

The Council Tax Income Account shows the gross income raised from Council Taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the Council.

<u>2010/11</u>			<u>2011/12</u>	
£'000			£'000	£'000
82,266	Gross Charge			82,902
(2,522)	Deduct -	Exemptions		(2,682)
(110)		Disabled Relief		(116)
(6,784)		Discounts and Reductions		(6,903)
<u>72,850</u>	Net Council Tax			<u>73,201</u>
	Deduct -			
(7,061)		Benefits	(7,157)	
7,079		less Government Grants	<u>7,144</u>	(13)
(7)		MOD Properties	(7)	
7		Contribution Received	<u>7</u>	0
(1,612)	Impairment of	Bad and Doubtful Debts		(1,581)
<u>71,256</u>	Total Council Tax Income			<u>71,607</u>
(1,678)	Adjustments for prior years for Council Tax and Community Charge			(32)
<u>69,578</u>	Total Council Tax / Community Charge Income to Comprehensive I&E Statement			<u>71,575</u>

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

1. CALCULATION OF THE COUNCIL TAX BASE

	A	B	C	D	E	F	G	H	2011/12 TOTAL	2010/11 TOTAL
No. of Properties	9,030	14,708	11,388	10,031	11,103	6,907	5,381	651	69,199	68,729
Exemptions	(698)	(660)	(441)	(284)	(250)	(130)	(79)	(28)	(2,570)	(2,463)
Disabled Relief	67	16	(1)	55	(49)	(23)	(57)	(8)	0	0
Discounts	(1,480)	(1,931)	(1,278)	(1,048)	(867)	(423)	(288)	(66)	(7,381)	(7,241)
Effective No. of Properties	6,919	12,133	9,668	8,754	9,937	6,331	4,957	549	59,248	59,025
Ratio	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9		
Band D Equivalents	4,613	9,437	8,594	8,754	12,145	9,145	8,262	1,098	62,048	61,742
Contributions in lieu									7	7
TOTAL									62,055	61,749
Provision for non-payment at 2.5% (2010/11 - 2.5%)									(1,551)	(1,544)
COUNCIL TAX BASE									60,504	60,205

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 2011/12 are set out below:

Valuation Band	Property Valuation Range	Fraction of band D	2011/12 Actual Charge	2010/11 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

The Non-Domestic Rate Account is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national Non-Domestic Rate pool.

<u>2010/11</u>		<u>2011/12</u>	
£'000		£'000	£'000
56,453	Gross Rate Levied		59,339
	Deduct:		
(1,779)	Rate Rebates	(1,995)	
(2)	Interest on Overpaid Rates	(1)	
(9,472)	Reliefs, Charities etc.	(10,075)	
(311)	Impairment for Bad and Doubtful Debts	(296)	
			(12,367)
	Adjustments to Previous Years		
(446)	Gross Rate Levied	(478)	
2	Transitional Surcharge/Relief	0	
10	Rate Rebates	(18)	
(101)	Reliefs, Charities etc.	(165)	
(150)	Impairment for Bad and Doubtful Debts and Abatements	(107)	
			(768)
<u>44,204</u>	Net Non Domestic Rate Income		<u>46,204</u>
(44,343)	Contribution to National Non Domestic Rate Pool	(46,343)	
57,694	Contribution from National Non Domestic Rate Pool	45,285	
<u>13,351</u>	Net contribution from/(to) National Non Domestic Rate Pool		<u>(1,058)</u>
<u>57,555</u>	Total Non Domestic Rate Income to Comprehensive I & E Statement		<u>45,146</u>

NOTES TO THE NON DOMESTIC RATE INCOME ACCOUNT

1. NON DOMESTIC RATES

All non domestic rate income collected by Scottish local authorities is paid into a national pool. It is redistributed to authorities in proportion to the resident population in each authority's area and therefore bears no direct relationship to the amount collected by those authorities. The rate poundage set by the Scottish Government for 2011/12 was 42.6p (2010/11 40.7p).

The Small Business Bonus Scheme, introduced from 1 April 2008, provides relief to businesses based on their combined rateable value. From 1 April 2010 the combined rateable value threshold has been set at £25,000 with relief available on all individual properties with a rateable value of £18,000 or less. Subject to eligibility, this provides relief of between 25% and 100%. This scheme replaced the Small Business Rates Relief Scheme.

A supplement of 0.7p (2010/11 for 0.7p) was charged on properties with a rateable value of over £35,000 (£35,000 for 2010/11) to contribute towards the additional cost of the scheme.

2. RATEABLE SUBJECTS AND VALUES

<i>No. of Subjects at 1/4/10</i>	<i>Rateable Value £'000 at 1/4/10</i>		<i>No. of Subjects at 1/4/11</i>	<i>Rateable Value £'000 at 1/4/11</i>
1,672	39,006	Shops	1,656	39,118
100	1,755	Public Houses	101	1,827
866	15,846	Offices (including banks)	888	15,798
239	10,635	Hotels etc.	233	10,331
1,440	20,871	Industrial Subjects etc.	1,465	21,239
1,306	8,777	Leisure, Entertainment, Caravans etc.	1,343	9,121
174	3,582	Garages and Petrol Stations	173	3,471
55	924	Cultural	53	897
429	1,423	Sporting Subjects	428	1,417
137	13,292	Education and Training	133	14,298
409	6,852	Public Service Subjects	404	6,950
4	0	Communications	4	0
29	706	Quarries, Mines etc.	29	709
3	4,119	Petrochemical	3	4,119
248	1,667	Religious	250	1,748
119	6,029	Health, Medical	121	6,079
740	1,661	Other	726	1,547
73	2,699	Care Facilities	71	2,825
23	91	Advertising	24	92
12	3,650	Undertaking	24	4,224
<u>8,078</u>	<u>143,585</u>	Total	<u>8,129</u>	<u>145,810</u>

LOANS FUND

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

Each year every account of the Council which has previously had money advanced from the Loans Fund, repays a suitable proportion of the sums previously advanced, based on the lives of the various assets supported by the loans made, and also meets the appropriate share of interest paid on loans taken and the expenses of managing the Fund. All interest and management expenses are paid initially by the Loans Fund and recharged each year to the borrowing accounts at an average rate sufficient to recover each year's expenditure in full. For 2011/12 the average interest rate was 3.45% (2010/11 3.40%).

The Statement of Accounting Policies on pages 13 to 21 summarises the relationship between the Consolidated Loans Fund and the Council's Income & Expenditure Statement and Balance Sheet.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2012

	2011/12 £'000	2010/11 £'000
EXPENDITURE		
Interest Paid on Loans:		
Public Works Loans Board	6,476	6,114
Mortgages and Bonds	1,974	1,969
Other Loans	9	45
Interest Paid on Revenue Balances	123	165
Expenses of Borrowing	175	182
Premiums incurred on early repurchase of debt	0	113
TOTAL EXPENDITURE	<u>8,757</u>	<u>8,588</u>
INCOME		
Interest Earned on Investments	695	545
Fees Earned on Services to Joint Board	6	6
Discounts received on early repurchase of debt	0	111
Interest Recovered from Borrowing Accounts	7,887	7,750
Expenses Recovered from Borrowing Accounts	169	176
TOTAL INCOME	<u>8,757</u>	<u>8,588</u>

BALANCE SHEET AS AT 31 MARCH 2012

	31.03.12 £'000	31.03.11 £'000
ASSETS		
Cash at Bank/Investments	11,024	9,284
Short Term Investments	29,228	13,092
Short Term/Sundry Debtors	193	1,024
Long Term Debtors	12	14
Financial Instruments Adjustment Account	13,966	14,556
Internal Revenue and Capital Advances	158,063	163,325
TOTAL ASSETS	<u>212,486</u>	<u>201,295</u>
LIABILITIES		
Public Works Loans Board	161,712	151,716
Mortgages and Bonds	44,530	44,542
Bank Overdraft	3,109	1,949
Other Loans	2,548	2,590
Sundry Creditors	587	498
TOTAL LIABILITIES	<u>212,486</u>	<u>201,295</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 2012.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2012

	2011/12 £'000	2011/12 £'000	2010/11 £'000
INCOMING RESOURCES			
Incoming resources from generated funds:			
Investment Income	101		93
Incoming resources from charitable activities:	7		1
Other Incoming Resources	<u>0</u>		<u>1</u>
Total Incoming Resources		108	<u>95</u>
RESOURCES EXPENDED			
Costs of generating funds:			
Costs of generating voluntary income	5		5
Investment management costs	14		8
Charitable activities	80		74
Governance costs	<u>2</u>		<u>2</u>
Total Resources Expended		101	<u>89</u>
Net Incoming Resources Before Other Recognised Gains & Losses		7	6
OTHER RECOGNISED GAINS			
Gain/(Loss) on Investment assets		<u>(38)</u>	<u>103</u>
Net Movement in Funds for the Year		(31)	109
RECONCILIATION OF FUNDS			
Total Funds Brought Forward at 1 April 2011		2,579	2,470
TOTAL FUNDS CARRIED FORWARD AT 31 MARCH 2012		<u>2,548</u>	<u>2,579</u>

BALANCE SHEET AS AT 31 MARCH 2012

	31.3.12 £'000	31.3.12 £'000	31.3.11 £'000
FIXED ASSETS			
Investments		2,245	2,283
CURRENT ASSETS			
Debtors	11		12
Investments - Amounts due by Perth & Kinross Council Loans Fund	<u>365</u>		<u>365</u>
LIABILITIES			
Creditors: amounts falling due within one year	(73)		(80)
Accruals	<u>0</u>		<u>(1)</u>
NET CURRENT ASSETS		303	296
NET ASSETS		<u>2,548</u>	<u>2,579</u>
TOTAL FUNDS		<u>2,548</u>	<u>2,579</u>

Notes to Charitable Trusts

- The market value of Investments at 31 March 2012 was £2,245,000 (31 March 2011 £2,283,000).
- The unaudited accounts were issued on 28 June 2012 and the audited accounts were authorised for issue on 25 September 2012.

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Head of Finance
25 September 2012

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 2012.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2012

	31.03.12 £'000	31.03.12 £'000	31.03.11 £'000
EXPENDITURE			
Grants to Voluntary Organisations	180		164
Christmas Lighting	59		66
Property Costs	62		29
Supplies & Services	17		15
		318	274
INCOME			
Rents, Fees, Charges etc.	298		283
Interest on Loans	6		5
Other	19		1
		323	289
SURPLUS FOR THE YEAR		5	15
Balance Brought Forward		1,810	1,795
Balance Carried Forward		1,815	1,810

BALANCE SHEET AS AT 31 MARCH 2012

	31.03.12 £'000	31.03.12 £'000	31.03.11 £'000
FIXED ASSETS		5,501	5,474
CURRENT ASSETS			
Debtors	13		22
Investments	297		297
Revenue Advances to Perth & Kinross Council			
Loans Fund	1,768		1,717
	2,078		2,036
CURRENT LIABILITIES			
Creditors and Accruals	(52)		(23)
NET CURRENT ASSETS		2,026	2,013
TOTAL NET ASSETS		7,527	7,487
RESERVES			
Revenue		1,815	1,810
Capital		386	386
Capital Adjustment Account		53	15
Revaluation Reserve		5,273	5,276
		7,527	7,487

The unaudited accounts were issued on 28 June 2012 and the audited accounts were authorised for issue on 25 September 2012.

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NOTES TO THE COMMON GOOD ACCOUNTS

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

2. Common Good Reserve Funds

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

FUND	Balance at 1 April 11	Income 2011/12	Expenditure 2011/12	Balance at 31 March 12
	£'000	£'000	£'000	£'000
Perth City	1,426	277	301	1,402
Aberfeldy	85	5	8	82
Alyth	21	0	0	21
Auchterarder	266	39	9	296
Blairgowrie	21	0	0	21
Coupar Angus	1	1	0	2
Crieff	0	1	0	1
Kinross	(17)	0	0	(17)
Pitlochry	7	0	0	7
TOTAL	1,810	323	318	1,815

3. Common Good Fixed Assets

Within the 2010/11 Notes to the Common Good Accounts it was stated that some fixed assets included in the Council Balance Sheet should potentially be included in the Balance Sheet of the Common Good Funds instead.

The Council review thus far has included all Council parkland together with properties within the individual burghs of Aberfeldy, Blairgowrie, Coupar Angus and Kinross. Findings from these reviews have been approved by the Council Common Good Project Board and notified to Community Council Members.

A draft policy which codifies Council accounting treatment for properties administered as Common Good was used during the preparation of the 2010/11 financial statements and the policy provides clarity of where a property should sit in terms of balance sheet reporting. However, until the Council Common Good Review is fully complete there remains the possibility that some assets may transfer between Council and Common Good accounts.

The renewal of the leasing arrangements for Crieff Angling Club during 2011/12 resulted in a review of the titles to the land and it was concluded that this was a Common Good asset. The land was subsequently transferred from the Council General Fund balance sheet to the Crieff Common Good balance sheet, as at 1 April 2011, at the carrying value of £25,000. The lease review also resulted in the asset being revalued at £35,000 and the £10,000 revaluation gain is reflected in the Crieff Common Good revaluation reserve.

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Housing Revenue Account	Capital Fund	Renewal & Repair Fund	Insurance Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	TOTAL Authority Reserves	Authority's share of subsidiaries	Authority's share of associates & joint ventures	TOTAL Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2010	(30,221)	(779)	(5,766)	(849)	(1,476)	(2,705)	0	(41,796)	(38,937)	(80,733)	(16,164)	263,633	166,736
<u>Movement in reserves during 2010/11</u>													
(Surplus) or deficit on the provision of services	(34,581)	(5,174)	0	0	0	0	0	(39,755)	0	(39,755)	(1,107)	(8,620)	(49,482)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(83,407)	(83,407)	(1,965)	(32,349)	(117,721)
Total Comprehensive Income and Expenditure	(34,581)	(5,174)	0	0	0	0	0	(39,755)	(83,407)	(123,162)	(3,072)	(40,969)	(167,203)
Adjustments between accounting basis & funding basis under regulations	29,686	7,331	0	0	0	25	(171)	36,871	(36,871)	0	0	0	0
Net (increase)/decrease before transfers to earmarked reserves	(4,895)	2,157	0	0	0	25	(171)	(2,884)	(120,278)	(123,162)	(3,072)	(40,969)	(167,203)
Transfers to/(from) Earmarked Reserves										0	0	0	0
(Increase)/decrease in 2010/11	(4,895)	2,157	0	0	0	25	(171)	(2,884)	(120,278)	(123,162)	(3,072)	(40,969)	(167,203)
Balance at 31 March 2011	(35,116)	1,378	(5,766)	(849)	(1,476)	(2,680)	(171)	(44,680)	(159,215)	(203,895)	(19,236)	222,664	(467)
<u>Movement in reserves during 2011/12</u>													
(Surplus) or deficit on the provision of services	23,767	(4,360)	0	0	0	0	0	19,407	0	19,407	(219)	9,145	28,333
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	60,531	60,531	3,847	9,110	73,488
Total Comprehensive Income and Expenditure	23,767	(4,360)	0	0	0	0	0	19,407	60,531	79,938	3,628	18,255	101,821
Adjustments between accounting basis & funding basis under regulations	(32,822)	5,761	0	0	0	(216)	(844)	(28,121)	28,121	0	0	0	0
Net (increase)/decrease before transfers to earmarked reserves	(9,055)	1,401	0	0	0	(216)	(844)	(8,714)	88,652	79,938	3,628	18,255	101,821
Transfers to/(from) Earmarked Reserves	3,646	(1,398)	(2,115)	26	(150)	(9)	0	0	0	0	0	0	0
(Increase)/decrease in 2011/12	(5,409)	3	(2,115)	26	(150)	(225)	(844)	(8,714)	88,652	79,938	3,628	18,255	101,821
Balance at 31 March 2012 carried forward	(40,525)	1,381	(7,881)	(823)	(1,626)	(2,905)	(1,015)	(53,394)	(70,563)	(123,957)	(15,608)	240,919	101,354

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

<u>2010/11</u> Actual Net Expenditure £'000		Notes	2011/12		
			Actual Gross Expenditure £'000	Actual Income £'000	Actual Net Expenditure £'000
	SERVICES				
145,135	Education Services		188,657	(12,149)	176,508
74,459	Social Work Services		93,764	(21,623)	72,141
20,468	Roads and Transport Services		26,764	(8,866)	17,898
6,171	Planning and Development Services		10,138	(4,902)	5,236
14,215	Housing Services (General Fund)		51,008	(38,674)	12,334
18,721	Cultural & Related Services		30,534	(11,579)	18,955
22,385	Environmental Services		36,889	(16,245)	20,644
2,802	Central Services		3,706	(1,459)	2,247
22,166	Other Operating Expenditure		20,792	(1,218)	19,574
3,722	Corporate and Democratic Core		2,759	0	2,759
(47,522)	Non Distributed Costs		1,956	0	1,956
(5,429)	Housing Revenue Account		20,591	(23,196)	(2,605)
87	Charitable Trusts		102	(7)	95
(11)	Common Good		318	(317)	1
(22,076)	Associates and Joint Ventures accounted for on an equity basis		33,385	(33,660)	(275)
255,293	COST OF SERVICES		521,363	(173,895)	347,468
(2,066)	Other Operating Expenditure				(2,561)
31,890	Financing and Investment Income and Expenditure	4			22,658
(334,599)	Taxation and Non-Specific Grant Income				(339,232)
(49,482)	(Surplus) or Deficit on Provision of Services				28,333
(17,835)	(Surplus) or deficit on revaluation of non current assets				(9,777)
(101,571)	Actuarial (gains)/losses on pension assets/liabilities				80,551
1,684	Other (gains) and losses				2,714
(117,722)	Other Comprehensive Income and Expenditure				73,488
(167,204)	Total Comprehensive Income and Expenditure				101,821

GROUP BALANCE SHEET

<i>Restated</i> 1 April 2010	<i>Restated</i> 31 March 2011		Notes	31 March 2012
£'000	£'000			£'000
618,808	658,908	Property, Plant & Equipment		634,877
608	10,303	Heritage Assets		19,575
24,168	19,447	Investment Property		17,292
35	24	Intangible Assets		13
975	2,029	Assets Held for Sale		2,930
0	0	Investments in associates and joint ventures		0
1	1	Long Term Investment		0
1,731	715	Long Term Debtors		1,081
646,326	691,427	Long Term Assets		675,768
12,510	15,672	Short Term Investments	5	31,770
904	0	Assets Held for Sale		190
1,253	1,329	Inventories		1,547
26,842	29,457	Short Term Debtors	6	27,117
12,188	14,610	Cash and Cash Equivalents		16,474
53,697	61,068	Current Assets		77,098
(264)	(1,230)	Cash and Cash Equivalents		(899)
(28,746)	(9,556)	Short Term Borrowing		(18,079)
(50,056)	(55,996)	Short Term Creditors	7	(50,128)
(189)	(1,523)	Provisions		(441)
(79,255)	(68,305)	Current Liabilities		(69,547)
(678)	(456)	Long Term Creditors		(248)
(1,953)	(1,824)	Provisions		(2,643)
(169,018)	(191,440)	Long Term Borrowing		(193,189)
(259,358)	(223,204)	Liabilities in associates and joint ventures		(237,846)
(355,139)	(266,799)	Other Long Term Liabilities		(350,497)
(84)	0	Capital Grants Receipts in Advance		(250)
(786,230)	(683,723)	Long Term Liabilities		(784,673)
(165,462)	467	NET ASSETS		(101,354)
44,151	43,391	Usable Reserves	8	52,796
23,494	150,976	Unusable Reserves	9	58,014
(243,195)	(203,966)	Group Reserves		(222,238)
10,088	10,066	Charitable and Common Good Reserves		10,074
(165,462)	467	TOTAL RESERVES		(101,354)

The unaudited accounts were issued on 28 June 2012 and the audited accounts were authorised for issue on 25 September 2012.

J A Symon ACA
Head of Finance
25 September 2012

GROUP CASH FLOW STATEMENT

<i>Restated</i> <i>2010/11</i>		<u>Notes</u>	<u>2011/12</u>
<i>£'000</i>			<i>£'000</i>
49,482	Net surplus/(deficit) on the provision of services		(28,333)
(13,566)	Adjustments to net surplus or deficit on the provision of services for non cash movements		74,773
(8,389)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(15,168)
<u>27,527</u>	Net cash flows from Operating Activities		<u>31,272</u>
(26,088)	Investing Activities	12	(35,209)
17	Financing Activities	13	6,132
<u><u>1,456</u></u>	Net increase or (decrease) in cash and cash equivalents		<u><u>2,195</u></u>
11,924	Cash and cash equivalents at the beginning of the reporting period		13,380
<u><u>13,380</u></u>	Cash and cash equivalents at the end of the reporting period		<u><u>15,575</u></u>

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

<i>Restated</i> <u>2010/11</u> £'000		<u>2011/12</u> £'000
(39,755)	(Surplus)/Deficit on the single entity Comprehensive I & E Statement for the year	19,407
	Add:	
(124)	• Managed Funds - Charitable Trusts	26
(6,531)	• Associates	12,966
(3,072)	• Subsidiaries	(4,066)
<u>(49,482)</u>	(Surplus)/Deficit for the year on the Group Comprehensive I & E Statement	<u>28,333</u>

NOTES TO THE GROUP ACCOUNTS

1. Combining Entities

The results of Tayside Valuation, Tayside Fire & Rescue and Tayside Joint Police Boards which are jointly administered with Dundee and Angus City Councils have been included in the Group Accounts. The Council is exempt from including the Boards as subsidiaries under the "rebuttable presumption" which recognises that the Scottish 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	40.15% (2010/11 39.80%)
Tayside Fire & Rescue Board	29.00% (2010/11 29.00%)
Tayside Joint Police Board	30.20% (2010/11 30.20%)

The accounting period for all entities is the year to 31 March 2012 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, Dundee House, 50 North Lindsay Street, Dundee, DD1 1QE.
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 Ltd. (formerly Perth & Kinross Leisure Ltd.) and Horsecross Arts Ltd. as Subsidiaries within its Group Accounts. These organisations were previously included as Associates as it was determined that the Council did not have an 'interest' in these organisations as defined in the Code. Review of IAS 27 Consolidated and Separate Financial Statements, and in particular SIC 12 Consolidation – Special Purpose Entities, reveals that the Leisure and Cultural Trusts should be incorporated into the Council Group Accounts as Subsidiaries. Both organisations deliver services on behalf of the Council and the Council therefore obtains benefit from their operations; in addition, service delivery is managed through Service Level Agreements specific to the leisure provision required from the organisations by the Council. Live Active Leisure Ltd. and Horsecross Arts Ltd. 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 both organisations is 100% due to the nature of Council control and direction over their operations.

Incorporating Live Active Leisure Ltd. and Horsecross Arts Ltd. into the Council Group Accounts as Subsidiaries rather than Associates has been treated as a change in accounting policy and the Statement of Accounts have been adjusted retrospectively. The group opening position at 1 April 2010 has been restated together with the group results for financial year 2010/11. The adjustments that have been made to the Balance Sheet over the version published in the 2010/11 Statement of Accounts are shown in note 16 on page 79.

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

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

The income, expenditure, assets and liabilities of the Charitable Trusts which are administered and controlled by the Council have also been included as a managed fund. The nature of the assets of the managed fund are investments and debtors. The assets are not the property of Perth & Kinross Council and are subject to charitable trust regulations. The Income and Expenditure Account of the Charitable Trusts is detailed on page 67 of the Statement of Accounts.

The income, expenditure, assets and liabilities of the Common Good Accounts which are administered and controlled by the Council have also been included as a managed fund. The nature of the assets of the managed fund are heritable property, investments and debtors. The assets are the property of Perth & Kinross Council and are subject to the Accounting Code of Practice. The Income and Expenditure Account of the Common Good is detailed on page 68 of the Statement of Accounts.

Perth & Kinross Council's 35.5% (2010/11 38%) share of the assets and liabilities of Tayside Contracts Joint Committee which is jointly administered and controlled with Dundee City Council and Angus Council has also been included. There has been no impact on the Group Income and Expenditure Statement as the net surplus for the year is already included in the Council's Income and Expenditure Statement. Copies of Tayside Contracts Joint Committee's individual accounts are published separately, and can be obtained from Head of Financial Services, Tayside Contracts, 1 Soutar Street, Dundee, DD3 8SS.

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

2. Nature of Combination

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

3. Financial Impact of Consolidation and Going Concern

The effect of inclusion of the Subsidiaries and Associates listed above in the Group Balance Sheet is to decrease both reserves and net assets by £225,311,000 (2010/11 £203,428,000) largely because of the combined pension liability of the Joint Boards. This is mainly as a direct result of the requirement to fully account for IAS19 Employee Benefits.

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

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

	2011/12 £'000	2010/11 £'000
Council Financing and Investment Income & Expenditure	13,353	18,498
Subsidiaries	(3,917)	(1,965)
Charitable Trusts	(101)	(93)
Common Good	(7)	(4)
Associates	13,330	15,454
	<u>22,658</u>	<u>31,890</u>

5. Group Balance Sheet - Investments

	2011/12 £'000	2010/11 £'000
Council Investments	29,228	13,092
Charitable Trusts Investments	2,245	2,283
Common Good Investments	297	297
Total Group Investments	<u>31,770</u>	<u>15,672</u>

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

	2011/12 £'000	2010/11 £'000
Net Debtors Balances - Note 29 to the Core Financial Statements	23,291	24,978
Subsidiary Debtors	612	653
Charitable Trusts Debtors	11	12
Common Good Debtors	13	22
Tayside Contracts Joint Committee Debtors	3,190	3,792
Total Group Debtors	<u>27,117</u>	<u>29,457</u>

7. Group Balance Sheet - Creditors

	2011/12 £'000	2010/11 £'000
Net Creditors Balance - Note 30 to the Core Financial Statements	(45,626)	(51,058)
Subsidiary Creditors	(2,386)	(2,381)
Charitable Trust Creditors	292	284
Common Good Creditors	1,716	1,694
Tayside Contracts Joint Committee Creditors	(4,124)	(4,535)
Total Group Creditors	<u>(50,128)</u>	<u>(55,996)</u>

8. Group Balance Sheet - Usable Reserves

	2011/12 £'000	2010/11 £'000
Usable Reserves - Council Balance Sheet	53,394	44,680
Tayside Contracts	(598)	(1,289)
Total Usable Reserves	<u>52,796</u>	<u>43,391</u>

9. Group Balance Sheet - Unusable Reserves

	2011/12 £'000	2010/11 £'000
Unusable Reserves - Council Balance Sheet	70,563	159,215
Tayside Contracts	(12,549)	(8,239)
Total Unusable Reserves	<u>58,014</u>	<u>150,976</u>

10. Pension Costs

	2011/12 £'000	2010/11 £'000
Net Pensions Liability at 31 March - Note 19 to the Core Financial Statements	(199,722)	(130,073)
Subsidiaries	(4,992)	(1,145)
Tayside Contracts Joint Committee	(12,901)	(8,613)
Group Pension Liability at 31 March	<u>(217,615)</u>	<u>(139,831)</u>

11. Group Cash Flow Statement

There has been no impact on the Group Cash Flow Statement from the inclusion of the Joint Boards. Cash transactions between the Joint Boards 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; Live Active Leisure Ltd. and Horsecross Arts Ltd. within the Group Cash Flow Statement is to increase the movement in the net cash position by £7,624,000 (2010/11, increase of £6,004,000). The cash reduction of £807,000 represents the Council's 35.5% share of Tayside Contracts Joint Committee, a cash increase of £7,871,000 represents the Council's 100% share of Live Active Leisure Ltd. and a cash increase of £560,000 represents the Council's 100% share of Horsecross Arts Ltd.

12. Group Cash Flow – Investing Activities

	2011/12 £'000	2010/11 £'000
Council Investing Activities	(34,655)	(25,469)
Subsidiaries	(36)	(33)
Tayside Contracts	(518)	(586)
	<u>(35,209)</u>	<u>(26,088)</u>

13. Group Cash Flow – Financing Activities

	2011/12 £'000	2010/11 £'000
Council Financing Activities	6,746	192
Subsidiaries	69	52
Tayside Contracts	(683)	(227)
	<u>6,132</u>	<u>17</u>

14. Additional Disclosure

The aggregate of the Associates gross liabilities exceed 15% of the Group. In addition the Police Board gross liabilities exceed 23% of the group.

	Combined Associates		Police Board	
	2011/12	2010/11	2011/12	2010/11
	£'000	£'000	£'000	£'000
Grants and Contributions Received	34,210	40,061	(25,070)	(24,329)
Surplus for the Year			64	536
Fixed Assets	28,676	29,231	18,588	19,141
Current Assets	5,257	5,254	4,356	4,563
Liabilities Due Within One Year	(5,459)	(5,129)	(3,529)	(3,720)
Liabilities Due After One Year or more	(266,321)	(252,558)	(200,397)	(192,338)

The main liability due after more than one year is in relation to each of the Associates' obligations in respect of defined benefit pension schemes. These have been accounted for under IAS19 "Employee Benefits" in accordance with The Code of Practice. The Council share of the pension liabilities included above is £263,040,000 (2010/11 £248,786,000).

15. Related Party Transactions

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

	Balance Due		Balance Due	
	From	To	From	To
	31.3.12	31.3.12	31.3.11	31.3.11
	£'000	£'000	£'000	£'000
Tayside Valuation Joint Board	86	(5)	35	(3)
Tayside Joint Police Board	19	22	41	36

16. Explanation of Prior Period Adjustments

The effects of the restatement to Group accounts noted within page 75 are as follows:

At 1 April 2010 the previously published total Group liability within the 2010/11 Statement of Accounts was £176.254M. The consolidation of Live Active Leisure Ltd. and Horsecross Arts Ltd. as subsidiaries rather than associates has reduced the total Group liability by £10.792M to £165.462M. The fully restated 1 April 2010 Balance Sheet is provided on page 72 and the adjustments that have been made to that Balance Sheet over the previously published version are as follows:

Effect on opening Balance Sheet at 1 April 2010

	Opening Balances at 1 April 2010 £'000	Restated Balances at 1 April 2010 £'000	Restated Opening Movement at 1 April 2010 £'000
Property, plant & equipment	603,570	618,808	15,238
Heritage Assets	0	608	608
Investments in associates and joint ventures	5,371	0	(5,371)
Long term investment	0	1	1
Long-term Assets	635,850	646,326	10,476
Inventories	1,200	1,253	53
Short Term Debtors	26,132	26,842	710
Cash and Cash Equivalents	5,956	12,188	6,232
Current Assets	46,702	53,697	6,995
Short Term Creditors	(47,633)	(50,056)	(2,423)
Current Liabilities	(76,832)	(79,255)	(2,423)
Other Long Term Liabilities	(350,883)	(355,139)	(4,256)
Long Term Liabilities	(781,974)	(786,230)	(4,256)
Total Net Assets	(176,254)	(165,462)	10,792
Group Reserves	(253,987)	(243,195)	10,792
Net Worth/Total Reserves	(176,254)	(165,462)	10,792

Movement in Reserves Statement – Unusable and Group Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below.

Movement in Group Reserves Statement 2010/11	As Previously Stated at 31 March 2011 £000	As Restated at 31 March 2011 £000	Restated Movement at 31 March 2011 £000
Balance as at the end of the previous reporting period - 31 March 2010	(176,254)	(166,736)	9,518
Surplus or Deficit on the Provision of Services	47,434	49,482	2,048
Other Comprehensive Income & Expenditure	106,751	117,721	10,970
Increase in the year	154,185	167,203	13,018
Balance at the end of the current reporting period - 31 March 2011	(22,069)	467	22,536

The resulting restated Balance Sheet for 31 March 2011 is provided on page 72. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

	As Previously Stated at 31 March 2011 £000	As Restated at 31 March 2011 £000	Restated Movement at 31 March 2011 £000
Property, plant & equipment	644,665	658,908	14,243
Heritage Assets	0	10,303	10,303
Investments in associates and joint ventures	6,395	0	(6,395)
Long term investment	0	1	1
Long-term Assets	673,275	691,427	18,152
Inventories	1,270	1,329	59
Short Term Debtors	28,804	29,457	653
Cash and Cash Equivalents	7,376	14,610	7,234
Current Assets	53,122	61,068	7,946
Cash and Cash Equivalents	(1,194)	(1,230)	(36)
Short Term Creditors	(53,615)	(55,996)	(2,381)
Current Liabilities	(65,888)	(68,305)	(2,417)
Other Long Term Liabilities	(265,654)	(266,799)	(1,145)
Long Term Liabilities	(682,578)	(683,723)	(1,145)
Total Net Assets	(22,069)	467	22,536
Unusable Reserves	141,281	150,976	9,695
Group Reserves	(216,807)	(203,966)	12,841
Net Worth/Total Reserves	(22,069)	467	22,536

The effect of the change in accounting policy in 2010/11 has been that the Group net worth has increased by £12.841M due to the consolidation of the Leisure Trusts as subsidiaries rather than associates. The £9.695M increase in Useable Reserves is attributed to the change of accounting policy relating to Heritage Assets as detailed in Note 47 on page 57 of the accounts.

ANNUAL GOVERNANCE STATEMENT 2011/12

1. Scope of Responsibility

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

For Live Active Leisure Ltd and Horsecross Arts Ltd, reliance has been placed upon the unaudited financial statements of the companies. In addition assurance has been placed on internal control information taken from the Council's contract with Live Active Leisure Ltd, and the Service Agreement with Horsecross Arts Ltd.

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

For Tayside Fire & Rescue Board, its individual Statement of Internal Financial Control has been reviewed. These, together with written assurances, provide comfort that no material weaknesses have been identified within their internal financial control systems.

2. The Purpose of the Governance Framework

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

3. Perth & Kinross Council's Structure

- 3.1 Perth & Kinross Council is made up of 41 councillors who are elected by the residents they represent. The Council has 16 committees and a Local Review Body, each with specific remits. The Council and its committees meet to consider business regularly according to a published schedule.
- 3.2 The Chief Executive is the Head of Paid Service for the Council. The Council's officers are formed into four Services, led by the Chief Executive and three Executive Directors. One of the Executive Directors also acts as Deputy Chief Executive. Each Service is split into functional areas led by Heads of Service.

4. Perth & Kinross Council's Governance Framework

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

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

- 4.18 The Council is a partner in the Tayside Procurement Consortium with Dundee and Angus Councils. The aims of this consortium include maximising efficiency and collaboration and delivering and demonstrating real cash savings across the public sector. The Council continues to embed a robust contract governance system to enable the Council to successfully monitor and manage its major contracts and to help resolve any disputes.

5. Review of Effectiveness

- 5.1 The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. This review is informed by the work of the Executive Officer Team, senior managers and the internal auditors who have a responsibility for the development and maintenance of the governance environment. Comments made by external auditors and other agencies and inspectorates are also taken into account.
- 5.2 The Council is responsible for ensuring that its financial management is adequate and effective and that there is a sound system of internal control that is regularly reviewed. As such, it agrees the Financial Regulations, which form an integral part of the Corporate Rules. It also approves and sets the Annual Budget, which provides the framework for budget setting and good budgetary control.
- 5.3 The Strategic Policy & Resources Committee receives regular financial monitoring information as part of the budgetary control framework.
- 5.4 The Scrutiny Committee and the Strategic Policy & Resources Committee perform the overview and scrutiny role in relation to all matters pertaining to the governance of the Council, including review of the Corporate Rules, its political arrangements and rules of procedure. The Audit Sub-Committee approves the annual audit plan and receives the annual audit report.
- 5.5 Internal Audit completed and issued 16 planned audits during the period covered by this statement. (As at 31 May 2012)
- 5.6 The Council's Corporate Governance arrangements include clearly defined roles and responsibilities for all Chief Officers and statutory officers, including the Chief Executive, the Chief Social Worker, the Monitoring Officer and the Section 95 Officer (Chief Financial Officer).
- 5.7 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.
- 5.8 The Council has designated the Depute Chief Executive as the Senior Information Risk Officer and an information security management forum meets on a regular basis.

6. Significant Governance Issues

- 6.1 The draft Annual Internal Audit report for 2011/12, notes that reasonable reliance can be placed on the Council's systems of internal control for 2011/12 subject to Internal Audit's previously reported findings relating to the 'areas for significant improvement in controls' noted within section 3 of the report.
- 6.2 The exceptions and reservations highlighted have been, or will be, addressed through the actions set out below. However, the areas highlighted are not considered to affect the acceptable level of assurance.

Issue No	Issue Identified	Source of Evidence	Action
1	Further improvement between workforce planning, asset management and medium term financial planning is required.	Self Assessment Exercise / How Good is Your Council.	Continue to develop the links between workforce planning, asset management and medium term financial planning.
2	Further improvement in the provision of internal audit services is required.	Self Assessment Exercise / Henderson & Loggie Updated 2011/12 Risk Assessment Report & Audit Scotland June 2012.	Continue to embed improved working practices in line with improved performance.
3	The Contract Governance structure within the Council requires further development.	Executive Officer Team	Continue to develop a robust Contract Governance structure.
4	The Information Management system requires further development.	Executive Officer Team	Continue to develop and embed good practice within Information Management systems.

- 6.3 The Governance Framework has been in place for the financial year ended 31 March 2012 and up to the date of approval of the Annual Report and statement of accounts. Procedures are in place to ensure that there is continuous improvement.
- 6.4 It is our view that as far as possible the Council has established an acceptable level of internal control, risk management and corporate governance framework on which it will develop and improve.

Signed:



Bernadette Malone
Chief Executive

Perth & Kinross Council

Date: 21 September 2012



Ian Miller
Leader of the Council

Perth & Kinross Council

Date: 21 September 2012

REMUNERATION REPORT FOR FINANCIAL YEAR 2011/12

1. Introduction

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

2. Audit of Remuneration Report

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

All information disclosed in tables 1 to 7 in this Remuneration Report have been audited by the Council's appointed auditor Audit Scotland. The other sections of the Remuneration Report have been reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

3. Remuneration of Senior Councillors

- 3.1 The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head (Provost), Senior Councillors or Councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure.
- 3.2 When determining the level of remuneration for Councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.
- 3.3 The Regulations set out the salary that is to be paid to the Leader of the Council in accordance with bandings also set out in the Regulations. The Regulations also permit the Council to remunerate one Civic Head, which in the case of Perth & Kinross Council is the Provost, and set out the maximum salary that may be paid to that Civic Head. For 2011/12 the salary for the Leader of Perth & Kinross Council is £32,470 and the Council has agreed that the Civic Head be paid 75% of the salary of the Leader, which for 2011/12 is £24,353.
- 3.4 In addition to the Leader of the Council and Civic Head, Regulations also set out the maximum number of Senior Councillors the Council may have; the maximum yearly amount that may be paid to a Senior Councillor (75% of the total yearly amount payable to the Leader of the Council) and the maximum yearly amount payable by the Council for all Senior Councillors. Perth & Kinross Council may have a maximum of 14 Senior Councillors with a maximum salary of £24,353 and a maximum yearly amount payable for all Senior Councillors of £284,116 in 2011/12 (excluding the Council Leader, Civic Head and Convenors and Vice Convenors of Joint Boards). The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. Perth & Kinross Council's policy in 2011/12 was to pay Senior Councillors 70% of the salary of the Leader of the Council with the exception of the Leader of the Minority Opposition who was paid 65% of the salary of the Leader of the Council.
- 3.5 The Regulations also set out the remuneration payable to Councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board such as a Fire Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convener or Vice-Convener (as the case may be) is a member. Joint Board Convenors and Vice-Convenors are considered to be Senior Councillors for remuneration disclosure purposes. In financial year 2011/12, Councillors from Perth & Kinross Council served as Convener of the Tayside Fire & Rescue Joint Board and Vice-Convener of the Tayside Valuation Joint Board. The remuneration paid by the Council to these Councillors in their role as Convener and Vice-Convener of the Joint Boards was not recharged by the Council to the Joint Boards.
- 3.6 In 2011/12 Perth & Kinross Council had 12 Senior Councillors and 2 Councillors serving as Convenors and Vice-Convenors of Joint Boards who are treated as Senior Councillors for the purposes of the Remuneration Report. Together with the Leader of the Council and the Provost, the total remuneration including taxable expenses paid to these Councillors was £357,120. The individual amounts payable to the Leader of the Council, the Provost, Senior Councillors of Perth & Kinross Council and Convenors and Vice-Convenors of Joint Boards in 2011/12 is set out in table 1 below. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become Councillor members of the pension scheme.

Table 1: Remuneration of Senior Councillors, Convenors and Vice-Convenors of Joint Boards for Financial Year 2011/12

Name and Post Title	Salary, fees And allowances	Taxable Expenses (Note:1)	Total Remuneration 2011/12	Total Remuneration 2010/11
	£	£	£	£
Ian Miller Council Leader & Convener Strategic Policy & Resources	32,470	165	32,635	<i>32,642</i>
John Hulbert Provost (Civic Head)	24,353	0	24,353	<i>24,353</i>
Ken Lyall Convener Tayside Fire & Rescue Joint Board (Resigned 01/08/11)	7,756	22	7,778	<i>24,392</i>
Kathleen Baird Convener Scrutiny	22,729	88	22,817	<i>22,821</i>
Robert Band Convener Licensing Board and Tayside Fire & Rescue Joint Board with effect from 22/08/11	23,757	143	23,900	<i>22,896</i>
Peter Barrett Convener Housing & Health	22,729	132	22,861	<i>22,841</i>
Alan Grant Convener Environment	22,729	0	22,729	<i>22,729</i>
Elizabeth Grant Convener Lifelong Learning	22,729	39	22,768	<i>22,782</i>
George Hayton Depute Leader, Leader of Liberal Democrat Group & Vice Convener Strategic Policy & Resources	22,729	127	22,856	<i>22,861</i>
John Kellas Convener Enterprise & Infrastructure	22,729	132	22,861	<i>22,810</i>
Peter Mulheron Convener Licensing	22,729	6	22,735	<i>22,746</i>
William Robertson Convener Community Safety Committee	22,729	0	22,729	<i>22,735</i>
Alexander Stewart Leader of Majority Opposition	22,729	61	22,790	<i>22,830</i>
William Wilson Convener Development Control	22,729	154	22,883	<i>22,874</i>
Archibald MacLellan Leader of Minority Opposition	21,106	39	21,145	<i>21,159</i>
Lewis Simpson Vice Convener Tayside Valuation Joint Board	19,280	0	19,280	<i>19,280</i>
TOTAL (Note: 2)	356,012	1,108	357,120	<i>372,751</i>

Notes:

- (1) Taxable Expenses relate to Meals taken on Council premises.
- (2) After adjusting for the salaries of the Leader of the Council, Civic Head (Provost) and Convenors and Vice Convenors of Joint Boards, the total salary paid to Senior Councillors in 2011/12 was £271,125 which compares with the maximum under Regulations of £284,116.

- 3.7 The arrangements for political decision making structures within Perth & Kinross Council as at 31 March 2012, which encompassed the salaries of all Elected Members including the Council Leader, Civic Head and Senior Councillors was agreed at the meeting of the full Council on 16 May 2007 (Report 07/330 refers) and is available on the Council's website www.pkc.gov.uk. Please follow the links on the Council's website as follows: "Council and Government" / "Councillors, Elections and Democracy" / minutes agenda and reports. The arrangements have subsequently been reviewed by the new Council following the local government elections on 3 May 2012.
- 3.8 The Council paid the following salaries and expenses to all Councillors (including the Senior Councillors listed above) in financial year 2011/12:

Table 2: Remuneration Paid to Councillors

Type of Remuneration	2011/12 £	2010/11 £
Salaries	770,645	775,836
Taxable Expenses	2,631	2,752
Total	<u>773,276</u>	<u>778,588</u>

- 3.9 The annual return of Councillors' salaries and expenses for 2011/12 is available for any member of the public to view at the Council Headquarters Building at 2 High Street, Perth; Council libraries and Council local area offices during normal working hours and is also available on the Council's website at www.pkc.gov.uk. Please follow the links on the Council's website as follows: "Council and Government" / "Councillors, Elections and Democracy" / "Councillors" / "Councillors' Allowances".

The information in the annual return of Councillors' salaries and expenses for 2011/12 differs from the information presented within the Remuneration Report as the Remuneration report excludes the reclaim of expenses which are not subject to taxation such as car mileage expenses; expenditure on public transport and subsistence expenses.

4. Remuneration of Senior Employees

- 4.1 The Council is required to publish the remuneration of Senior Employees as defined by the disclosure regulations. Senior Employees are defined with reference to their management authority; to the political restriction placed upon their post under section 2(1) (a), (b) or (c) of the Local Government Housing Act 1989 and with reference to their reporting relationship to the Council's 'Head of Paid Service' or Chief Executive. The disclosure requirements also include any employee whose annual remuneration is £150,000 or more. No employee of Perth & Kinross Council was remunerated at this level in 2011/12.
- 4.2 The application of the disclosure regulations in relation to the management structure of Perth & Kinross Council defines the following post-holders as Senior Employees in 2011/12:
- The Chief Executive as the Statutory Head of Paid Service.
 - The Depute Chief Executive and Executive Directors as officers responsible for the management of the authority to the extent that they may direct or control the major activities of the authority either solely or collectively.
 - The Head of Legal Services as the Council's statutory monitoring officer; the Head of Finance as the Council's proper officer for financial administration and the Depute Director (Education and Children's Services) as the Council's statutory Chief Social Work officer.
 - The Head of Democratic Services who reports directly to the Council's Chief Executive.
- 4.3 The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities. The salaries of the Depute Chief Executive and Executive Directors were set with reference to the salary of the Chief Executive at a point in time.

4.4 The remuneration of Senior Employees of Perth & Kinross Council and its Subsidiaries for 2011/12 is detailed in table 3 below:

Table 3: Remuneration of Senior Employees of the Council for Financial Year 2011/12

Name and Post Title	Salary, fees and Allowances £	Total Remuneration 2011/12 £	Total Remuneration 2010/11 £
Bernadette Malone Chief Executive (Note 1)	131,399	131,399	<i>125,331</i>
James Irons Depute Chief Executive & Executive Director The Environment Service	111,525	111,525	<i>111,525</i>
David Burke Executive Director Housing & Community Care	106,380	106,380	<i>106,380</i>
John Fyffe Executive Director Education & Children's Services	106,380	106,380	<i>106,380</i>
William Atkinson Depute Director Education & Children's Services	85,456	85,456	<i>84,045</i>
Ian Innes Head of Legal Services	84,045	84,045	<i>84,045</i>
John Symon Head of Finance (Note 2)	14,008	14,008	<i>84,045</i>
Stewart MacKenzie Acting Head of Finance (With effect from 1 June 2011)	65,364	65,364	<i>0</i>
Gillian Taylor Head of Democratic Services	77,166	77,166	<i>77,166</i>
Tina Yule Head of Business Transformation & Improvement – (Note 3)	0	0	<i>77,166</i>
Jane Spiers Horsecross Arts Limited – Chief Executive	65,350	65,350	<i>61,046</i>
James Moyes Live Active Leisure – Chief Executive	66,989	66,989	<i>64,760</i>
TOTAL	914,062	914,062	<i>981,889</i>

Notes:

- (1) The Chief Executive's remuneration in 2011/12 includes a fee of £5,197 for acting as Returning Officer for the Scottish Parliamentary Election on 5 May 2011; £4,288 for acting as Counting Officer for the Referendum on 5 May 2011; and £234 for acting as Returning Officer for the Perth & Kinross Local Government By-Election for the Highland ward on 6 September 2011. The substantive salary for the Chief Executive is laid down in COSLA Circular CO/144. The Chief Executive's remuneration in 2010/11 included a fee of £3,651 for acting as Returning Officer for the UK Parliamentary Election on 6 May 2010 and the Perth & Kinross Local Government By-Election for the Strathallan ward on 6 May 2010.
- (2) The Head of Finance requested a Career Break commencing 1 June 2011 for 1 year.
- (3) The Head of Business Transformation & Improvement transferred to Education & Children's Services as the result of a Service Review with effect from 1 April 2011.

4.5 No other taxable benefits or bonuses were received by the above named Senior Employees of Perth & Kinross Council in 2011/12.

5. General Disclosure of Remuneration by Pay Band

- 5.1 In accordance with the disclosure regulations, Table 4 below details the number of Perth & Kinross Council employees whose annual remuneration in 2011/12 was £50,000 or more including Senior Employees subject to individual disclosure in section 4 of this report. The information is presented, as required, in bandings of £5,000.

Table 4: Remuneration of Employees by Pay Band for 2011/12

Remuneration Bands	Number of Employees	
	2011/12	2010/11
£50,000-£54,999	53	52
£55,000-£59,999	14	19
£60,000-£64,999	4	3
£65,000-£69,999	5	3
£70,000-£74,999	4	4
£75,000-£79,999	14	15
£80,000-£84,999	1	3
£85,000-£89,999	3	3
£90,000-£94,999	0	0
£95,000-£99,999	0	0
£100,000-£104,999	0	0
£105,000-£109,999	2	2
£110,000-£114,999	1	1
£115,000-£119,999	0	0
£120,000-£124,999	0	0
£125,000-£129,999	1	1
Total	102	106

Table 5: The number of Exit Packages with Total Cost per band and Total Cost of Compulsory and Other Redundancies

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band (b) + (c)		(e) Total cost of exit packages in each band	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12 £'000	2010/11 £'000
£0 - £20,000	0	0	21	55	21	55	104	346
£20,001 - £40,000	0	0	4	32	4	32	111	865
£40,001 - £60,000	0	0	0	10	0	10	0	480
£60,001 - £80,000	0	0	5	12	5	12	361	831
£80,001 - £100,000	0	0	1	4	1	4	94	347
£100,001 - £150,000	0	0	0	3	0	3	0	343
Over £150,000	0	0	0	2	0	2	0	389
Total	0	0	31	118	31	118	670	3,601

- 5.2 The costs included within table 5 above are all non recurring and include payments to individual officers and to the relevant Superannuation Fund.
- 5.3 At the Special Meeting on 4 November 2010, the Council approved the Medium Term Financial Plan 2011-14 – Implications for Workforce Planning. This approved a number of workforce planning measures that would reduce the size and cost of the Council's workforce. These measures included a voluntary severance scheme which, based on existing policies and procedures enabled the Council to manage a workforce reduction through voluntary means. This led to a significant number of staff leaving the Council in 2010/11.
- 5.4 All of the individual officers included within table 5 above have been subject to a full business case outlining the implications of leaving the Council. In terms of the financial assessment for each business case, the pay back period should be around two years. The departure of the individuals included in the above table has delivered significant recurring savings to the Council and also allowed the Council to deliver on a challenging transformation / modernisation programme.

6. Remuneration by Subsidiary Bodies of Perth & Kinross Council

- 6.1 Councillors and Senior Employees of Perth & Kinross Council serve as Board members; officials and technical advisors to subsidiary bodies of the Council. In 2011/12, the Head of Legal Services and Head of Democratic Services served as proper officers to the Tayside and Central Scotland Transport Partnership (TACTRAN). The Acting Head of Finance and Head of Democratic Services also served as proper officers to the Tayside Fire and Rescue Joint Board. No remuneration was paid to Councillors and Senior Employees of Perth & Kinross Council by subsidiary bodies of the Council in 2011/12.

7. Disclosure of Pension Benefits

- 7.1 The disclosure regulations require the separate disclosure of accrued pension benefits for Senior Councillors and Senior Employees of Perth & Kinross Council. Pension Benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). Councillors have only been eligible to join this scheme since May 2007.
- 7.2 Councillor's' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living as measured by the appropriate index between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.
- 7.3 For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. The scheme's normal retirement age for both councillors and employees is 65.
- 7.4 From 1 April 2009 a tiered contribution scheme was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contribution rates were set at 6% for all non manual employees.

Tiered Pension Contribution Rates for Local Government Pension Scheme Members in 2011/2012

Full Time Equivalent (FTE) Pensionable pay	Contribution Rate % 2011/12
On earnings up to and including £18,500	5.5%
On earnings above £18,500 and up to £22,600	7.25%
On earnings above £22,600 and up to £30,900	8.5%
On earnings above £30,900 and up to £41,200	9.5%
On earnings above £41,200	12%

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

7.8 Pension Entitlements of Senior Councillors

The pension entitlements of Senior Councillors of Perth & Kinross Council for the year to 31 March 2012 are shown in table 6 below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Table 6: Pension Entitlements of Senior Councillors for the Year to 31 March 2012

Name and Post Title	In-year pension contributions			Accrued Pension Benefits		
	For Year to 31/03/2012 £	For Year to 31/03/2011 £		For Year to 31/03/2012 £'000	For Year to 31/03/2011 £'000	Difference from March 2011 £'000
Ian Miller Council Leader	6,007	6,007	Pension Lump Sum	3 2	2 2	1 0
John Hulbert Civic Head	4,505	4,505	Pension Lump Sum	3 2	2 2	1 0
Ken Lyall (Resigned 01/08/11) Convener Tayside Fire & Rescue Board	1,435	4,505	Pension Lump Sum	2 2	1 2	1 0
Kathleen Baird Convener Scrutiny	4,205	4,205	Pension Lump Sum	2 2	1 2	1 0
Robert Band Convener Licensing Board / Convenor Tayside Fire & Rescue Board (With effect 22/08/11)	4,395	4,205	Pension Lump Sum	2 2	1 2	1 0
Peter Barrett Convener Housing & Health	4,205	4,205	Pension Lump Sum	2 2	1 2	1 0
Alan Grant Convener Environment	0	0	Pension Lump Sum	0 0	0 0	0 0
Elizabeth Grant Convener Lifelong Learning	0	0	Pension Lump Sum	0 0	0 0	0 0
George Hayton Vice Convener Strategic Policy & Resources	4,205	4,205	Pension Lump Sum	2 2	1 2	1 0
John Kellas Convener Enterprise & Infrastructure	4,205	4,205	Pension Lump Sum	2 2	1 2	1 0
Peter Mulheron Convener Licensing	0	0	Pension Lump Sum	0 0	0 0	0 0
William Robertson Convener Community Safety Committee	4,205	4,205	Pension Lump Sum	2 2	1 2	1 0
Alexander Stewart Leader of Majority Opposition	4,205	4,205	Pension Lump Sum	6 13	5 12	1 1
William Wilson Convener Development Control	0	0	Pension Lump Sum	0 0	0 0	0 0
Archibald MacLellan Leader of Minority Opposition	3,905	3,905	Pension Lump Sum	2 2	2 2	0 0
Lewis Simpson Vice Convener Tayside Valuation Board	3,567	3,567	Pension Lump Sum	2 1	1 1	1 0
TOTAL	49,044	51,924		64	52	12

Note

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

7.9 Pension Entitlements of Senior Employees

The pension entitlements of Senior Employees of Perth & Kinross Council and its Subsidiaries for the year to 31 March 2012 are shown in table 7 below, together with the contribution made by the Council to each Senior Employee's pension during the year.

Table 7: Pension Entitlements of Senior Employees for the Year to 31 March 2012

Name and Post Title	In-year pension contributions			Accrued Pension Benefits		
	For Year to 31/03/2012	For Year to 31/03/2011		For Year to 31/03/2012	For Year to 31/03/2011	Difference from March 2011
	£	£		£'000	£'000	£'000
Bernadette Malone Chief Executive	23,515	23,186	Pension	39	36	3
			Lump Sum	97	97	0
James Irons Depute Chief Executive	20,632	20,632	Pension	58	56	2
			Lump Sum	156	156	0
David Burke Executive Director Housing & Community Care	19,680	19,680	Pension	52	50	2
			Lump Sum	139	139	0
John Fyffe Executive Director Education & Children's Services	19,680	19,680	Pension	49	48	1
			Lump Sum	132	132	0
William Atkinson Depute Director Education & Children's Services	15,809	15,548	Pension	41	39	2
			Lump Sum	111	109	2
Ian Innes Head of Legal Services	15,548	15,548	Pension	40	38	2
			Lump Sum	107	107	0
John Symon Head of Finance (Note 2)	2,591	15,548	Pension	22	22	0
			Lump Sum	57	57	0
Stewart MacKenzie Acting Head of Finance (from 01/06/11) (Note 3)	13,774	0	Pension	21	15	6
			Lump Sum	52	38	14
Gillian Taylor Head of Democratic Services	14,276	14,276	Pension	31	30	1
			Lump Sum	82	82	0
Jane Spiers Horsecross Arts Limited – Chief Executive	12,090	11,294	Pension	21	19	2
			Lump Sum	54	50	4
James Moyes Live Active Leisure - Chief Executive	12,393	11,981	Pension	30	28	2
			Lump Sum	79	77	2
TOTAL	169,988	167,373		1,470	1,425	45

Notes:

1. The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their local government service, including any service with a Council subsidiary body, and not just their current employment.
2. The Head of Finance requested a Career Break commencing 1 June 2011.
3. The accrued pension benefits of the Acting Head of Finance are based upon a temporary salary enhancement in 2011/12 and are not recurring.
4. The Head of Business Transformation & Improvement transferred to Education & Children's Services as the result of a Service Review with effect from 1 April 2011.

Signed:

Bernadette Malone
Chief Executive

Perth & Kinross Council

Date: 21 September 2012

Ian Miller
Leader of the Council

Perth & Kinross Council

Date: 21 September 2012

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

I certify that I have audited the financial statements of Perth & Kinross Council and its group for the year ended 31 March 2012 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash Flow Statements, the authority-only Housing Revenue Account, the Statement of Movement on the Housing Revenue Account Balance, the Council Tax Income Account, and the Non Domestic Rate Account, the Loans Fund, Charitable Trusts, Common Good and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011/12 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I 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 auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2011/12 Code of the state of the affairs of the group and of Perth & Kinross Council as at 31 March 2012 and of the income and expenditure of the group and the Council for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2011/12 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

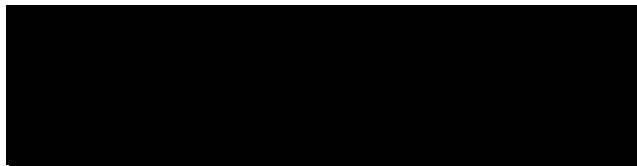
- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword by the Head of Finance for the financial year for which the financial statements are prepared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

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.



Stephen O'Hagan
Assistant Director of Audit
Audit Scotland
7th Floor, Plaza Tower
EAST KILBRIDE
G74 1LW
25 September 2012

GLOSSARY

ACCOUNTING PERIOD

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

ACCRUALS

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

CAA

Capital Adjustment Account

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL RECEIPT

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE & DEMOCRATIC CORE

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

CREDITOR

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

CRR

Capital Receipts Reserve

DEBTOR

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

FAIR VALUE

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

FIAA

Financial Instruments Adjustment Account

IMPAIRMENT

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

MATERIALITY

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

NET BOOK VALUE

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

NON-DISTRIBUTED COSTS

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

PPE

Property, Plant & Equipment

PRIOR YEAR ADJUSTMENT

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

PROVISION

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

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans from one year and above to authorities at interest rates that are 1% higher than those at which the Government can borrow itself.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

STACA

Short Term Accumulating Compensated Absences