PERTH AND KINROSS COUNCIL

7 October 2015

AUDITED ANNUAL ACCOUNTS 2014/15

Report by the Head of Finance

PURPOSE OF REPORT
This report presents the Council's Audited Annual Accounts for the financial year 2014/15 and Audit Scotland's Final Annual Audit Report to Members and the Controller of Audit.

1. BACKGROUND

1.1. The Unaudited Annual Accounts for 2014/15 were submitted to Audit Scotland on 23 June 2015.

1.2. The Annual Accounts are prepared in accordance with the 2014 CIPFA Code of Practice on Local Authority Accounting ("the Code").

1.3. These accounts also comply with the Local Authority Accounts (Scotland) Regulations 2014 which were laid before the Scottish Parliament on 7 July 2014 and came into force on 10 October 2014. These new regulations apply to the statutory Annual Accounts from 2014/15 and revoke the Local Authority Accounts (Scotland) Regulations 1985.

1.4. The Unaudited Annual Accounts were available for public inspection between 1 and 21July (inclusive). Audit Scotland, the Council's external auditors, received no objections during this period.

1.5. On 1 July 2015 the Council approved the Unaudited Annual Accounts for 2014/15 (Report No. 15/277 refers).

1.6. The Draft Audited Accounts for 2014/15 were considered by the Audit Committee on 16 September 2015 (Report No. 15/375 refer) and authorised for signing. The Audit Committee also noted the contents of Audit Scotland's Draft Annual Audit Report to Members and the Controller of Audit

2. ANNUAL ACCOUNTS 2014/15

2.1 The audit of the Annual Accounts took place between July and early September 2015 during which time Audit Scotland considered whether the Annual Accounts 2014/15:

- Gave a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the group and the Council as at 31 March 2015 and of the income and expenditure of the group and the Council for the year then ended;

- Had been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; and
- Had been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

2.2 Audit Scotland's findings are set out in the Annual Audit Report to Members and the Controller of Audit on the 2014/15 Audit which are set out in Appendix 1 to this Committee report. The Annual Report also includes the findings in relation to Perth and Kinross Charitable Trusts which were distributed separately to Trustees.

2.3 The key messages from the 2014/15 audit are set out under five themes on pages 4 and 5 of appendix 1 and are summarised as follows:

- Unqualified auditors report on the 2014/15 financial statements
- Financial management arrangements are satisfactory
- The Transformation Programme will be crucial to the achievement of future savings targets
- There is rising demand for Council services
- The Council's governance framework operates appropriately, internal controls are effective and arrangements in relation to fraud and corruption have been strengthened
- The Council has a strong track record of partnership working
- There is a strong focus on performance management and a sound framework for monitoring and reporting performance
- The Council's approach to public performance reporting was generally very positive

2.4 The Audited Accounts are attached to this report at Appendix 2.

3. CONCLUSION AND RECOMMENDATIONS

3.1 The External Audit findings on the 2014/15 Audit are set out in the Annual Audit Report to Members and the Controller of Audit on the 2014/15 Audit which is attached Appendix 1 to this report.

3.2 It is recommended that the Council:

i. Notes the contents of Audit Scotland's Annual Audit Report to Members and the Controller of Audit on the 2014/15 Audit.

ii. Note the Audited Annual Accounts for 2014/15.

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Approved

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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 *(Alison O’Brien-01738 475516)*

Council Text Phone Number 01738 442573

ANNEX

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	**Yes / None**
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
Resource Implications	
Financial	Yes
Workforce	Yes
Asset Management (land, property, IST)	Yes
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	None
Risk	None
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

1.1. Corporate Plan

1.1.1. The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

(i) Giving every child the best start in life;
(ii) Developing educated, responsible and informed citizens;
(iii) Promoting a prosperous, inclusive and sustainable economy;
(iv) Supporting people to lead independent, healthy and active lives; and
(v) Creating a safe and sustainable place for future generations.

1.1.2 This report relates to all of these objectives.

2. Resource Implications

2.1. Financial

2.1.1. There are no direct financial implications arising from this report other than those reported within the body of the main report.

2.2. Workforce

2.2.1. There are no direct workforce implications arising from this report other than those reported within the body of the main report.

2.3. Asset Management (land, property, IT)

2.3.1. There are no direct asset management implications arising from this report other than those reported within the body of the main report.

3. Assessments

3.1. Equality Impact Assessment

3.1.1. Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

3.1.2. The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

3.2 Strategic Environmental Assessment

3.2.1 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.

3.2.2 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

3.3 Sustainability

3.3.1 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.

3.3.2 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

4. Consultation

4.1 Internal

4.1.1 The Chief Executive and all Executive Directors have been consulted in the preparation of this report.

2. BACKGROUND PAPERS

2.1 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.

3. APPENDICES

Appendix 1 – Audit Scotland's Annual Audit Report to Members and the Controller of Audit on the 2014/15 Audit

Appendix 2 – 2014/15 Audited Annual Accounts

AUDIT SCOTLAND

Perth & Kinross Council

Annual audit report to Members and the Controller of Audit

September 2015

The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies. (www.audit-scotland.gov.uk/about/ac)

Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General. (www.audit-scotland.gov.uk)

The Accounts Commission has appointed Stephen Boyle as the external auditor of Perth & Kinross Council for the period 2012/13 to 2015/16.

This report has been prepared for the use of Perth & Kinross Council and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by the council. The information in this report may be used for the Accounts Commission's annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

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Contents

Key messages

Audit of financial statements	• Unqualified auditor's report on the 2014/15 financial statements. • Unqualified auditor's reports on the Perth and Kinross Council Charitable Funds financial statements administered by the council.
Financial management and sustainability	• Financial management arrangements are satisfactory, although there may be scope to refine the budget setting process to more closely align service budgets with their anticipated spending. • The council's financial position is currently sustainable and it has managed to significantly increase its reserves over the past five years. It has identified that savings of £53 million are required over the next five years and a transformation programme has been developed to contribute towards these. The programme's success will be key to the future financial sustainability of the council. • Rising demand for and costs of services will continue to place a strain on the council's capacity to deliver services at the current levels.
Governance and transparency	• The council's existing governance arrangements provide an appropriate framework for organisational decision making, although further improvements could be achieved by removing any duplication in reporting. • Systems of internal control operated effectively during the year. • The council's arrangements in relation to the prevention and detection of fraud and corruption have been strengthened in the year and satisfactory arrangements are in place for investigating and reporting data matches identified by the NFI.

Best Value	• The council has a strong track record of partnership working • There is a strong focus on performance management and a sound framework for monitoring and reporting performance against the council's priorities. • Appropriate SPI arrangements were in place within the council for 2014/15. • The council's approach to public performance reporting was generally very positive with only one indicator – *Responsiveness to communities* – classed as an area for improvement.
Outlook	• In common with other councils, Perth & Kinross Council faces the key challenges of reducing budgets, an aging population with higher levels of need and the public expectation of high quality services. Continuing effective partnership working and the successful implementation of its transformation programme will be essential to make the best use of available resources as well as strong governance and leadership.

Introduction

1. This report is a summary of our findings arising from the 2014/15 audit of Perth & Kinross Council. The report is divided into sections which reflect our public sector audit model.

2. The management of Perth & Kinross Council is responsible for:
   - preparing financial statements which give a true and fair view
   - implementing appropriate internal control systems
   - putting in place proper arrangements for the conduct of its affairs
   - ensuring that the financial position is soundly based.

3. Our responsibility, as the external auditor of Perth & Kinross Council, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.

4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.

5. The significant audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements is set out in **appendix I.**

6. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports, summarised at **appendices II and III**, include recommendations for improvements.

7. **Appendix IV** is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that Perth & Kinross Council understands its risks and has arrangements in place to manage these risks. The council and executive officer team should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.

8. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

9. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Audit of the 2014/15 financial statements

Audit opinion	• We have completed our audit and issued an unqualified independent auditor’s report on the council’s accounts.
Going concern	• The financial statements of the council, its group and the associated charitable trusts have been prepared on the going concern basis. We are unaware of any events or conditions that may cast significant doubt on the council, its group and associated charitable trusts ability to continue as a going concern.
Other information	• We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.
Charitable trusts	• We have completed our audit of the 2014/15 financial statements of the charitable funds administered by Perth & Kinross Council and issued an unqualified independent auditor’s report.
Group accounts	• Perth & Kinross Council has accounted for the financial results of two subsidiaries, two associates, the common good funds and sundry trusts in its group accounts for 2014/15. The overall effect of consolidating these balances on the group balance sheet is to increase total reserves and net assets by £11.467 million.
Whole of government accounts	• The council submitted a consolidation pack for audit and the certified return was submitted to the National Audit Office by the 30 September deadline.

Submission of financial statements for audit

10. We received the unaudited financial statements on 23 June 2015, in accordance with the agreed timetable. The working papers were of a good standard and council staff provided good support to the audit team which assisted the delivery of the audit to deadline.

Overview of the scope of the audit of the financial statements

11. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Audit Committee on 1 April 2015.

12. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2014/15 agreed fee for the audit was set out in the Annual Audit Plan and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

13. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and impact on the financial statements and consequently had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. **Appendix I** sets out the significant audit risks identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

14. Our audit involved 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.

Materiality

15. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).

16. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

17. We summarised our approach to materiality in our Annual Audit Plan. Based on our knowledge and understanding of Perth & Kinross Council we set our planning materiality for 2014/15 at £4.1 million (1% of gross expenditure). We report all misstatements greater than £0.1 million. Performance materiality was calculated at £2 million, to reduce to an acceptable level the probability of

uncorrected and undetected audit differences exceeding our planning materiality level. For the audit of the Council's charitable trusts planning materiality was set at £237 (1% of gross expenditure and due to the size and nature of the investments held a separate materiality of £17,700 (1% of gross assets) was applied.

18. On receipt of the financial statements we reviewed our overall and performance materiality and concluded that our original audit approach remained appropriate.

Evaluation of misstatements

19. All misstatements identified during the audit, which exceeded our misstatement threshold, have been amended in the financial statements.

20. A number of presentational and monetary adjustments were identified within the council's financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements. These monetary adjustments had no impact on either the comprehensive income and expenditure statement or the balance sheet. There were some presentational adjustments made to the council's charitable funds but no monetary adjustments were required.

Significant findings from the audit in accordance with ISA260

21. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
    - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
    - Significant difficulties encountered during the audit.
    - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
    - Written representations requested by the auditor.
    - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.

22. During the course of the audit we identified the following significant issues that, in our view, require to be communicated to you.

Significant findings from the audit

Issue	Resolution
Tayside Contracts – Minute of Agreement: In 2011/12 it was agreed that the Minute of Agreement would be reviewed by March 2013 to ensure it reflected the actual operation and governance of Tayside Contracts. Legal representatives from the three councils have met at various points over the years, however, a revised Minute of Agreement has yet to be agreed.	The council had anticipated a signed agreement by August 2015 and although this target date was not achieved is hopeful of a conclusion being reached imminently
Council House Valuations: Local authority guidance issued by CIPFA/LASAAC in October 2010, specified that all Scottish local authorities should use the Beacon (Adjusted Vacant Possession) methodology to value council dwellings. Councils have until 2015/16 to reflect this in their financial statements.	The council adopted this approach in 2014/15 (previously a discounted cash flow approach was applied). This resulted in an increase of £194 million on the value of council houses.
Disposal of council house components: There was an adjustment to the unaudited accounts for the accounting treatment of its component replacement programme for council houses (windows, doors etc.). Following the move to the Beacon methodology council houses were revalued during 2014/15. As part of the revaluation accumulated depreciation on these assets was removed. However, during the year a number of components were replaced as part of the council's rolling programme and an adjustment was made to remove both the gross book value and accumulated depreciation of the assets being replaced. This duplicated the removal of the accumulated depreciation following revaluation.	An adjustment to remove £4 million from gross assets and accumulated depreciation was actioned to correct the position. Note 22 *property plant and equipment* to the annual accounts has been updated to correct this error.

Issue	Resolution
Non Domestic Rates Income Account: An error was noted during the audit relating to the impairment for bad and doubtful debt. This was caused by a formula error in the spreadsheet used to compile the account.	A correction was made which reduced the impairment by £0.4 million. This adjustment was contained within the NDRI Account.
Charitable Trusts Governance documentation: The governance documentation for several trusts could not be located as a consequence of the age of the trust, in some cases dating back over 100 years. As a result, classification of these funds between restricted, unrestricted and endowment funds can not readily be established and is it not possible to verify whether spend in these areas was in line with the original stated purpose for these individual trusts.	Disclosures in the accounts identified the trusts for which governance documentation is not held and on what basis the trustees account for and use these funds. All funds are treated as endowments and where there is an absence of governance documentation the council rely on custom and practice to inform any decisions by the trustees in respect of the trusts expenditure and use of assets. The process of amalgamating smaller charities with a view to streamlining the administrative requirements and establishing clearer governance arrangements is continuing. We are not aware of any matters which would materially impact the financial statements.

Future accounting and auditing developments

Revisions to the Code of Practice

23. The financial statements of the council are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which interprets and adapts International Financial Reporting Standards (IFRS) to the local authority context. The following paragraphs set out the most significant changes to accounting requirements introduced by the 2015/16 Code.

24. **(IFRS) 13 Fair value measurement:** Although the measurement requirements for operational property, plant and equipment will not change, enhanced valuation disclosures will be required. However, the 2015/16 Code requires surplus assets to be measured at fair value in accordance with IFRS 13. The council will need to make the necessary preparations to ensure that the new requirements are addressed for the 2015/16 financial statements.

25. **Transport infrastructure assets:** The council's roads assets are currently carried within infrastructure assets in the balance sheet at depreciated historic cost. The 2016/17 Code will require highways to be measured, for the first time, on a depreciated replacement cost basis. This is a major change in the valuation basis for highways and will require the availability of complete and accurate management information on highway assets.

Health and Social Care Integration

26. From 1 April 2016 Integrated Joint Boards (IJBs) will be accountable for the provision of health and social care. IJBs will be required to produce financial statements in compliance with the Code and the Accounts Commission will appoint auditors to audit the financial statements. We comment on the progress of the Perth and Kinross IJB at paragraphs 129 to 132.

Financial management and sustainability

Net service budget expenditure £320.8m

Service Outturn £309.9m

Service Budget Underspend £10.9m

Original planned capital expenditure £71.3m

Outturn Capital spend £73.0m

Additional capital spend £1.7m

Planned use of reserves £5.5m

Actual increase in usable reserves £9.4m

Outturn usable reserves £79.9m

Financial management

27. In this section we comment on the council's financial outcomes and assess its financial management arrangements.

28. The council sets an annual budget to meet its service and other commitments for the forthcoming financial year. The setting of the annual budget impacts directly on residents as it determines council tax and other fees and charges. Regular monitoring of expenditure and income against agreed budgets is central to effective financial management.

Financial outcomes

29. In cash terms, funding through taxation and grant income has increased in 2014/15 by 3.6% to £335.5 million. The council reported £309.9 million expenditure on the cost of services with an overall deficit of £3.1 million after funding and financing activity are deducted.

30. The council's budgeted deficit on provision of services was £16.0 million in 2014/15. The actual deficit of £3.1 million represents an underspend against budget of £12.9 million (4.2% of the cost of service). This difference is largely due to underspends across a number of its service departments as well as from extra income received in the year. Key variations in performance against budget are detailed in the Management Commentary within the Annual Accounts and include:

- underspends in employee costs across services due to vacancies and workforce planning measures estimated to be in the region of £3 million
- savings on property costs (energy, maintenance and other running costs) across services in the region of £1.9 million due to management of the council estate
- additional income generated of £2.1 million including £0.7 million additional council tax income
- £1.3 million savings for the Devolved School Management Scheme which will be carried forward by schools into 2015/16
- savings on individual care packages of £0.5 million
- reduced fuel costs of £0.5 million In addition there were £3.6 million of general underspends across services.

31. It can be difficult to assess which underspends represent efficiencies and which may have a detrimental impact on service delivery. However, the council through its 2014/15 annual efficiency statement assessed cash savings to be in the range of £17 million (Scottish Government target 3% of net budget expenditure: £10 million) and highlighted that there is no evidence to suggest that the efficiency gains reported led to a reduction in performance or service quality. The Annual Performance Report 2014/15 highlights that whilst 7 key performance indicators need attention, overall performance has been either maintained or improved in the year.

32. The management of the general services budget is, broadly, satisfactory. There are a number of underspends against budget as a result of the council actively accelerating the savings required.

Officers should continue to ensure that the budget approved is up to date and reflects the underlying cost of the service level approved by members (see also paragraph 40).

33. The council is required by legislation to maintain a separate housing revenue account (HRA) and to ensure that rents are set to at least cover the costs of its social housing provision. Rent levels are therefore a direct consequence of the budget set for the year. The HRA budget set a break even budget for 2014/15 in January 2014.

34. The annual accounts reported an overall HRA deficit of £0.05 million. Adjusting this deficit to remove the accounting entries required by the Code, the HRA balance decreased by £0.85 million before transfers from reserves. The council has previously agreed to reduce the level of council tax discounts on second homes and long term unoccupied dwellings to create funding to support the development of affordable housing. Approval to use £0.74 million of the affordable housing earmarked reserve within the general fund was agreed in October 2014. The closing earmarked HRA balance within the general fund was £0.8 million (prior year £0.9 million) which is in line with the level the council aims to maintain.

Financial management arrangements

35. As auditors, we need to consider whether councils have established adequate financial management arrangements. We do this by considering a number of factors, including whether:

- the proper officer has sufficient status within the council to be able to deliver good financial management
- financial regulations are comprehensive, current and promoted within the council
- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- monitoring reports do not just contain financial data but are linked to information about performance
- members provide a good level of challenge and question budget holders on significant variances.

36. We assessed the role and status of the proper officer against CIPFA's "Statement on the role of the Chief Financial Officer in Local Government" and concluded that the council complies with the statement's five principles.

37. We reviewed the council's financial regulations, which are revised biennially, and concluded that they are comprehensive and current. The council's financial regulations are available on the council's intranet site. The scheme of administration was updated in October 2014, however this does not contain reference to the Public Bodies Joint Working Scotland Act.

38. Financial monitoring reports (both revenue and capital) are submitted to the Strategic Policy & Resources Committee every second month from September to April. Reports are comprehensive and follow a consistent structure. Explanations for variances across individual budgets are detailed in the reports however the use of technical language may make these difficult for a member of the public to understand. The council should consider whether the

further improvements to the readability of the financial reports could be made.

39. As auditors we attend a number of council and committee meetings each year. Members provide a good level of challenge and question budget holders on significant variances and service performance issues.

Conclusion on financial management

40. We have concluded that the council's financial management arrangements are broadly satisfactory. However, services are consistently under spending against budgets which has resulted in significant increases in the level of reserves. The council should continue to review whether this pattern of underspending is due to sound financial management or whether there is scope to refine the budget setting process to more closely align service budgets with their anticipated spending (*refer paragraph 46*).

Financial sustainability

41. The council delivers a broad range of services, both statutory and discretionary, to its communities. Financial sustainability means that the council has the capacity to meet the current and future needs of its communities.

42. In assessing financial sustainability we are concerned with whether:
    - there is an adequate level of reserves
    - spending is being balanced with income in the short term
    - long term financial pressures are understood and planned for
    - investment in services and assets is effective.

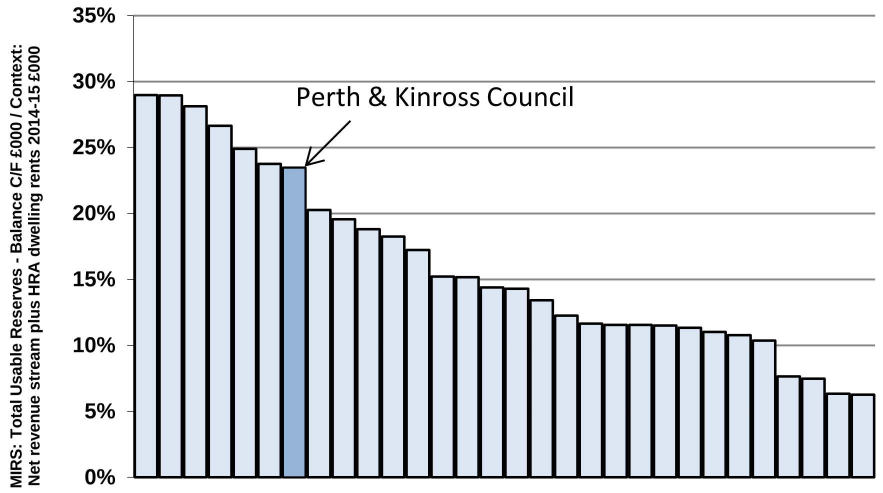
43. Effective long-term financial planning, asset management and workforce planning are crucial to sustainability.

Reserves

44. The council budgeted to use £5.5 million of useable reserves during 2014/15. Of this £3.2 million related to contributions to other usable reserves and £8.7 million taken from the general fund. After adjusting the revenue outturn position by £12.6 million to remove the accounting entries required by the Code, the council increased its general fund balance by £4.5 million.

45. The overall level of usable reserves held by the council continues to increase with the balance as at 31 March 2015 totalled £79.9 million. Exhibit 1 below presents the council's usable reserves position in relation to net revenue stream for the year in comparison to other Scottish councils, excluding Orkney and Shetland (net revenue stream being presented as general revenue grant, council tax, non domestic rates and dwelling rents). The council is one of eight councils where the usable reserves are over 20% of the net revenue stream.

Exhibit 1: Usable Reserves as a proportion of revenue



Source: Scottish councils' unaudited accounts 2014/15 (excluding Orkney/Shetland)

46. As demonstrated in Exhibit 2 and as reported as part of the council's reserve strategy, usable reserves have increased by 78.7% since 2010/11. This represents a significant strengthening of the council's financial position, which has been achieved during a sustained downturn in public sector spending.

Exhibit 2: Usable reserves

Description	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m
General fund	31.3	36.7	41.7	48.0	52.7
Housing revenue	0.8	0.8	0.8	0.9	0.8
Capital fund	8.3	10.4	12.8	15.8	19.3
Capital grants unapplied	0.2	1.0	0.7	0.1	0.1
Capital receipt reserve	2.7	2.9	2.1	1.8	1.8
Repair & renewal fund	0.5	0.5	0.5	0.5	1.4
Insurance fund	0.9	1.1	2.0	3.4	3.8
Total Usable Reserves	**44.7**	**53.4**	**60.6**	**70.5**	**79.9**

Source: Perth & Kinross Council 2014/15 financial statements

47. The balances held by the council are discussed by members as part of the regular budget monitoring processes and the council considers its reserve strategy on an annual basis with the most recent report considered in February 2015. The most significant increase outwith the general fund is within the capital fund which has more than doubled since 2011 to £19.3 million as part of an approved strategy for funding the capital programme over the medium term.

48. By definition the useable reserves, with the exception of part of the general fund, are earmarked for specific purposes. The principal purposes of holding a general fund reserve are to provide a contingency fund to meet unexpected events; as a working balance to help cushion the impact of uneven cash flows and a means of building up funds, referred to as earmarked portion of the general fund.

49. The council hold £13.3 million of unallocated general fund reserves. The council's planned commitments from the general fund balance amounted to £39.4 million covering 27 separate areas including the transformation programme (including workforce management), revenue budget flexibility, affordable housing strategy and devolved school management budgets.

50. The unallocated general fund balance at 31 March 2015 of £13.3 million represents 4% of budgeted net expenditure (2013/14: 4%). This position is in line with the council's policy of holding between 2% -4% and is in line with the approach taken by a number of other councils.

51. The council agreed as part of its reserve strategy in February 2015 that any amount of uncommitted reserves in excess of 4% of the net revenue budget is earmarked for future costs in relation to its transformation programme. The earmarked portion for the transformation programme increased by £4.1 million to £13.0 million (2013/14 increased by £4.8 million to £8.9 million). This represents the main reason for the continuing increase in earmarked reserves during 2014/15. We were not clear whether the year end transformation balance of £12.9 million reflects the amounts needed to deliver the programme. However, we understand that the £12.9 million was earmarked whilst officers developed business cases to determine the investment required. Officers are currently working on establishing firm costs in conjunction with the budget process. We intend to review the implementation of the transformation programme as part of our 2015/16 audit work.

Action plan no 1

Financial planning

52. The net service expenditure budget set for 2015/16 is £332.8 million and represents an increase of 0.8% on that set for 2014/15 (£330.2 million). The 2015/16 provisional budget approved in February 2014 incorporated savings of £4.6 million with a further £5.5 million savings agreed as part of the February 2015 budget consideration (overall savings £10.1 million). Some of the more significant measures include:

- workforce management savings – which has an impact on most saving areas outlined
- review of the delivery of Culture and Leisure Services with indicative savings of £0.5 million
- reduction in funding support for the local bus service network with proposed savings of £0.1 million

- free school meals P1 to P3 & early learning & childcare savings of £0.3 million
- mainstream care at home savings of £0.4 million
- budgeted energy price and volume reductions of £0.6 million
- property - recharge of additional staff time £0.5 million

53. The 2015/16 budget plans to reduce the council's useable reserves by £4.6 million during the year. The budget also highlights that £5.3 million budget flexibility will be used during 2015/16 (use of budget underspends from the previous year). It is of note that approximately £2.2 million of the savings outlined in the 2015/16 budget papers also relate to the use of budget flexibility or the use of reserves. Whilst the council holds a significant reserve balance the use of reserves on a recurring basis, as highlighted by the Head of Finance in the reserves strategy, is not sustainable in the long term.

54. The council agreed an update to the medium term financial plan in July 2015 which will informs the budget setting process for 2016/17. The medium term financial plan is comprehensive, drawing on a variety of authoritative sources and identifies the potential risks to its financial position. The council will continue to operate in a funding environment which is subject to sustained pressure to deliver more with less. The plan estimates savings of approximately £53 million will be required over the next five years which it aims to achieve partly via its transformation programme.

55. The medium term financial plan is subject to on-going review and following its approval in July 2015 officers have identified further changes which are expected to reduce the level of required savings. Revised figures will be reported to members shortly for consideration and approval.

Transformation programme

56. The *Building Ambition: The Council's Transformation Strategy 2015-2020* was approved in July 2015. This strategy identifies thirty-nine wide ranging review areas which the council will consider in terms of its seven transformation themes:

- **Efficiency** – embedding efficiency and productivity into the fabric of the organisation to make the best use of human, financial and other resources
- **Redesign** – generating innovative ideas to transform services, to deliver different ways of working, and to keep the council at the forefront of modern councils
- **Targeted savings/Increased income –** making the best use of financial resources, to prioritise services to areas of greatest need, avoid additional future costs and proactively pursue commercial opportunities as a means of generating income, to offset the need to make savings
- **Partnerships –** participating in effective place-based partnership and integrated service provision between public services, to deliver services which best meet customer needs
- **Tackling Inequality** – pursuing preventative approaches to tackle disadvantage, prejudice and discrimination.

- **Community co-production** - engaging with the energy, wisdom, experience, knowledge, skills and other assets of communities. Recognising the vital role that people have in shaping and improving their own areas – making a difference to the places that they know best
- **Technology** – maximise the opportunities for transforming customer services, and improving efficiency through technological advancements

57. In addition to this, a number of years ago the council introduced an approach to budgeting which set corporate savings targets in excess of the anticipated reductions in grant funding and agreed corporate pressures. This approach is intended to provide members with flexibility in choosing between different budget options and create capacity to:

- offset future budget pressures in the medium term
- allow for adverse movements in the council's overall financial position
- consider investment in regeneration projects, transformational change or severance costs.

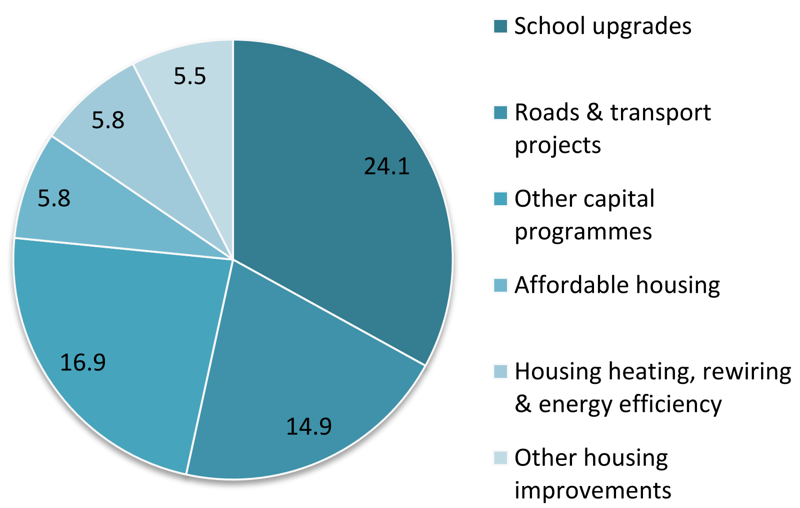
58. Whilst many of the more readily achievable savings have already been made, services are required to continue to identify recurring savings going forward. Through its transformation programme and the budget process the council continues to actively accelerate savings to enable it to manage the anticipated financial challenges faced by the public sector.

Capital programme 2014/15

59. The council in February 2014 approved its 2014/15 general services and housing capital programmes for £51 million and £20.3 million respectively. Actual capital expenditure for 2014/15 was £56 million and £17 million respectively. In previous years we have reported on significant underspends against the council's capital programme. The outturn for 2014/15 represents progress in delivering the original programme, although it was again unable to deliver fully on its housing capital programme.

60. The capital programme main expenditure in the year is detailed in the Management Commentary in the Annual Accounts and is outlined in Exhibit 3 below.

Exhibit 3: Capital programme expenditure (£'m)



Source: Perth & Kinross Council audited financial statements

61. Capital expenditure in 2014/15 was £73 million with the sources of funding, other than borrowing, totalling £48 million resulting in an increase of £25 million in the council's capital financing requirement (CFR). The CFR represents the council's need to borrow to finance capital expenditure.

62. The Prudential Code is a professional code of practice designed to support local authorities in taking capital investment decisions. The Code's objectives aim to ensure that, within a clear framework, the capital investment plans of local authorities are prudent and sustainable. The Head of Finance reviews the capital financing requirement on an annual basis and reports to the council on a series of prudential indicators as recommended by the Prudential Code. Performance against these indicators is reported to council quarterly and this helps the council to plan its capital investment.

Treasury Management

63. High levels of debt may reduce a council's budget flexibility going forward as revenue resource has to be set aside to service that debt. The impact that debt levels have on net revenue expenditure will be affected by interest rates and repayment periods.

64. The council's CFR at 31 March 2015 was £408.2 million (March 2014 £383.2 million) while the gross external debt was £33.1 million lower at £375.1 million (2013/14: £331 million).

65. The treasury management strategy agreed in February 2014 anticipated the need for further long term borrowing of £147.4 million over the seven years to 2020/21 with £20.4 million expected in 2014/15. The strategy highlighted that accelerating some borrowing to meet future requirements within the 7 year period may be required. During the year the council accelerated its borrowing with £55 million actually undertaken in the year.

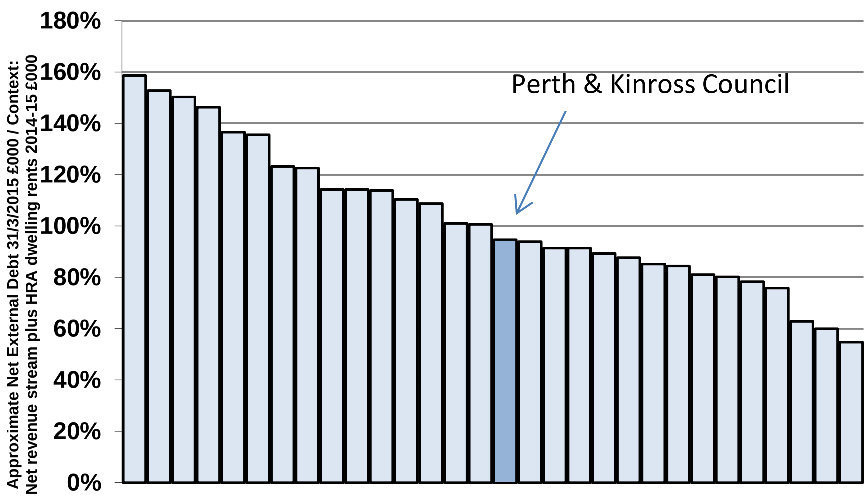
66. The council's net external debt of £318.4 million as at 31 March 2015 comprises three main areas:

- borrowing of £249.7 million (2013/14: £201.8 million), 80% of which is at fixed rate and is a repayable over the long term

- Public Finance Initiative (PFI) liability of £125.4 million (2013/14: £129.2 million) continues to paid over the life time of the agreements
- Deposits and investments held of £56.7 million (2013/14: £24.7 million)

67. The council's net external debt as a proportion of net revenue spend when compared to other Scottish councils is shown in Exhibit 4. In line with 14 other authorities the council's net borrowing is below its net revenue spend.

Exhibit 4: External debt as a proportion of revenue

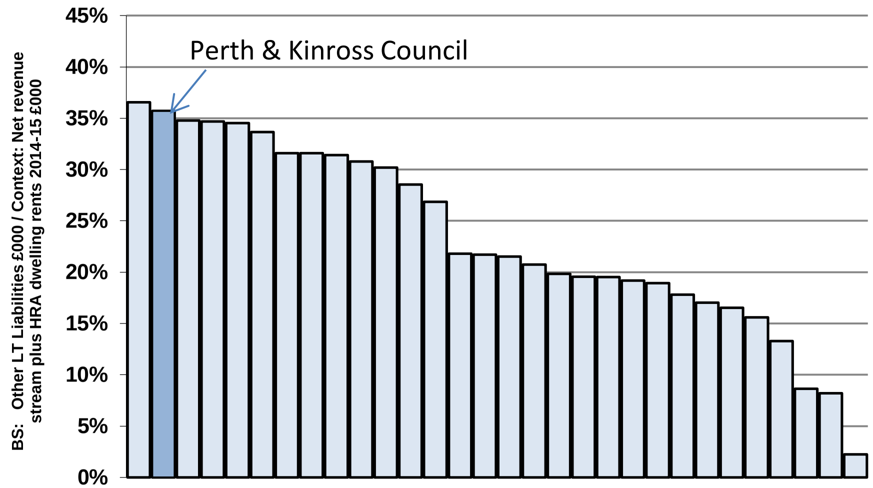


Source: Scottish councils' unaudited accounts 2014/15 (excluding Orkney/Shetland)

68. Interest payable to service debt in 2014/15 increased slightly to £17.5 million (2013/14: £16.2 million) mainly due to the increase in long term borrowing.

69. Exhibit 5 illustrates that the council has a high exposure to other long term liabilities as a proportion of total debt. This represents the council's three PFI projects (a schools project to deliver six school campuses, an office accommodation project and a car park project). Accounting requirements mean that the council must recognise both the asset acquired under the PFI scheme and the related liability in its balance sheet.

Exhibit 5: Other long term liabilities as a proportion of total debt



Source: Scottish councils' unaudited accounts 2014/15 (excluding Orkney/Shetland)

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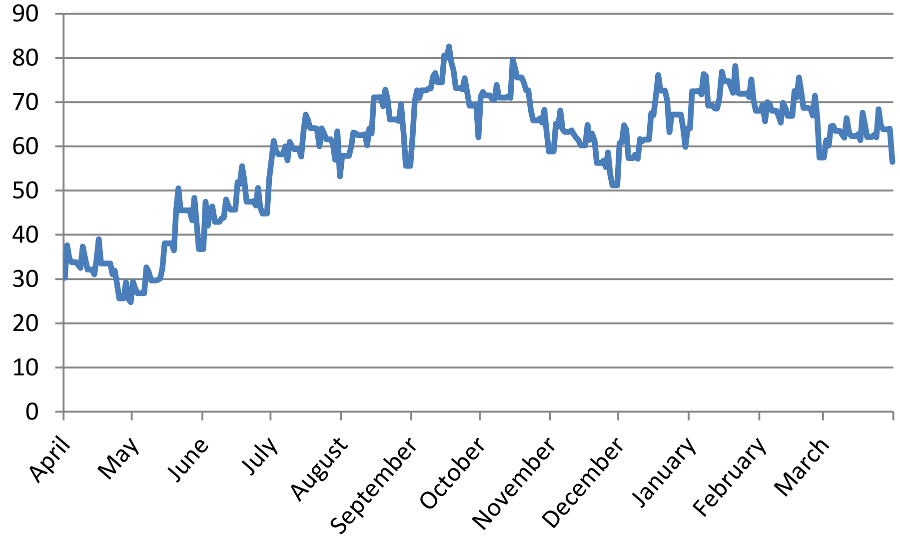
70. Exposure to PFI debt is of interest as many local authorities have also incurred high contingent rental increases in recent years making servicing this debt more expensive.

71. The council's contingent rental to service the PFI debt as at 31 March 2015 is projected to be £117.8 million over the remainder of the contracts (2013/14: £118.1 million). PFI obligations of this degree reduce the council's flexibility in dealing with future funding challenges that are likely to present themselves across the public sector.

72. The council's treasury management strategy anticipated that investments would not exceed £50 million during the year unless, for example, new borrowing was undertaken. New long-term borrowing was undertaken during the year and therefore the average investment balance held was £59.2 million (2013/14: £40 million). Exhibit 6 demonstrates the trend in investment held over the year.

Exhibit 6: Trend of deposits/Investments held (£million)



Source: Perth & Kinross Council's treasury management system

73. Audit Scotland published *Borrowing and treasury management in councils* in March 2015. This report concluded councils are meeting professional requirements but need to do more to set out the longer term implications of borrowing and other debt on their finances. The March 2015 report was considered as part of the Annual Treasury Report by the council in July 2015 with action being agreed to consider how the analysis of the impact of borrowing over the longer term could be better reported more widely and also to organise another treasury management training session for members.

Pension liability

74. The council is a member of the Tayside Pension Fund which is a multi employer defined benefit scheme. In accordance with pension accounting standard IAS19 'Retirement Benefits' the council has recognised its share of the net liabilities for the pension fund in the balance sheet. The pension liability represents the difference between expected future pension payments and the underlying value of pension fund assets available to meet this cost.

75. The valuation as at 31 March 2015 provided by the scheme's actuaries decreased the council's share of the deficit from £266 million last year to £178 million this year.

76. A small change to the actuarial assumptions applied can have a significant impact on the liability. The scale of the movements in the council's pension liability over the last 5 years, arising from the annual valuation, can be seen in Exhibit 7 below.

Exhibit 7: Movement in Net Pension liability 2010 to 2015

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Assets	420.1	418.8	492.5	531.6	593.8
Liabilities	(550.2)	(618.5)	(681.6)	(797.6)	(771.8)
Net	**(130.1)**	**(199.7)**	**(189.1)**	**(266.0)**	**(178.0)**

Source: Perth & Kinross Council audited financial statements

77. The council is one of only four councils where the pension liability has decreased (two of which are also in the Tayside Pension Fund). This decrease is mainly due to an experience gain of £117.9 million against the council's liabilities during 2014/15.

78. The actuary has explained *the experience gain is a result of the impact of using the 2014 triennial actuarial valuation as a base point for the accounting position. These experience items relate to updated individual member data, as the roll-forward methodologies used between triennial valuations to calculate IAS 19 figures use approximate methods which do not allow for individual member movements*. Whilst some movement would be expected the magnitude of this gain is significant.

79. We sought assurance from the auditors of Tayside Pension Fund on this and following their discussions with the Fund actuary we have received the necessary assurance on the assumptions used to calculate the experience gain.

80. Officers have confirmed that the assumptions used by the actuary were reasonable and have explained in Note 4 the impact of small changes in these assumptions. We have examined the assumption used in 2014/15 and these are all within expected parameters. We are satisfied, therefore, that the pension liability as at 31 March 2015 is reasonable.

81. At the last triennial valuation the Tayside Pension Fund was 99.8% funded and had assets of £2,396 million. The next valuation will take place in 2017. The 2014 triennial valuation reduced the actual

rate of contribution payable by the council for the period April 2015 to March 2018 to 17.0% of pensionable payroll.

Asset Management

82. The council recognises that there are likely to be difficult decisions ahead about prioritising services and allocating resources. Through its transformation work it has an on-going programme of service reviews. The programme approved in July 2015 identifies a few areas where specific property asset management reviews are planned including:

- **Corporate Property Asset Management Review** - Developing a portfolio strategy to ensure future investment areas are prioritised, providing fit for purpose accommodation.
- **Securing the Future of the School Estate** – Modernising the school estate by making efficiencies and more effective use of all existing resources.
- **Council Vehicle Fleet Utilisation and Optimisation Review** – Investigating the use of technology and telematics in the council's smaller fleet vehicles, and reviewing the use of personal vehicles for council business, to identify greater efficiency opportunities.
- **The Perth Office Programme** is designed to reduce the number of offices the council uses in the city centre, allowing customers to access services more easily. By the end of 2016, the programme is expected be complete and the council will vacate a further two properties (Blackfriars and the Atrium). This will reduce the number of leased properties, making savings of around £0.9 million per annum from reduced rental and service costs from 2017/18.

Workforce Management

83. In July 2013 the council agreed an approach to workforce management designed to reshape its workforce to meet the financial challenges and facilitate service redesign, transformation and efficiencies. This built on the existing workforce management measures approved in February 2010 and aimed to maximise the opportunities for workforce change over the medium term while safeguarding jobs, the need to manage change in a consensual way in partnership with employees and trade unions, and the importance of giving greater choice and support to employees.

84. The council consider its workforce management process annually through *Securing The Future Through Our People.* The latest report, considered in December 2014, highlighted that workforce management measures had contributed approximately £20.6 million to savings in 2011/12 to 2013/14.

85. As highlighted at paragraph 54 the council is anticipating it will need to make an estimated £53 million of savings in the next five years. A key part of how the council will deliver these saving as part of the transformation programme (refer paragraph 56) is through the organisational development framework approved in July 2015.

86. It is inevitable that the there will be a reduction in staffing costs as a result. A voluntary severance scheme has been in place for a number of years and the council are promoting this again. Exhibit 8

highlights there have been 348 exit package departures in the council since 2010. As at 31 March 2015 there were 5,793 employees (approx. 4,875 full time equivalents).

Exhibit 8: Exit packages 2010 to 2015

	No. of exit packages	Cost of exit packages (£'m)
2010/11	118	3.601
2011/12	31	0.670
2012/13	40	1.149
2013/14	135	2.002
2014/15	24	0.168
Total	**348**	**7.590**

Source: Perth & Kinross Council audited financial statements

Conclusion on financial sustainability

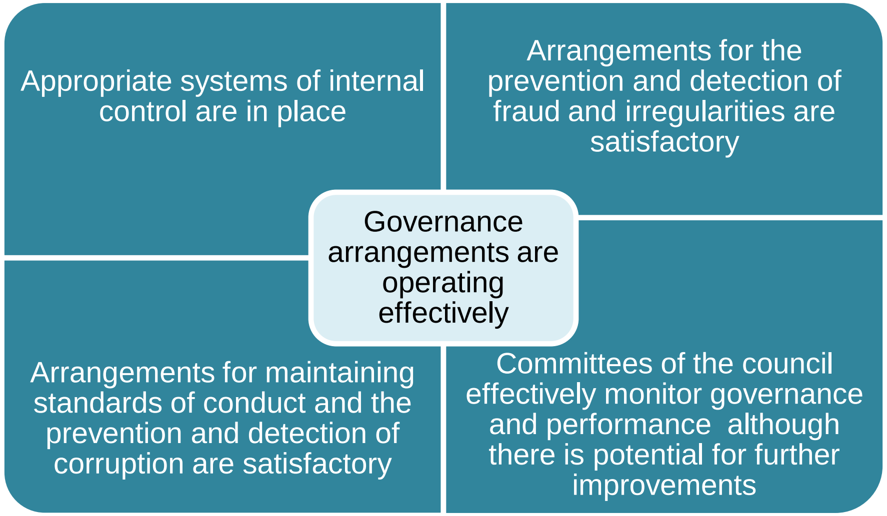
87. We have concluded that the council has an adequate level of reserves, is containing its expenditure within annual budgets and has a credible medium term financial plan in place. Overall we conclude that the financial position is sustainable currently and in the foreseeable future, although rising demand for and costs of services will continue to place a strain on the council's capacity to deliver services at the current levels.

Outlook

88. Councils face increasingly difficult financial challenges. Public sector budgets are reducing and demand for council services is increasing. Increased national insurance charges will create further cost pressures on the council.

89. In common with other councils, Perth & Kinross Council has highlighted the need to identify significant savings over the next few years. With further funding reductions expected, councils face tough decisions to balance their budgets. These decisions must be based on a clear understanding of the current financial position and the longer-term implications of decisions on services and finances.

Governance and transparency



90. Members and management of the council are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.

91. The corporate governance framework is centred around Perth & Kinross Council which is supported by a number of standing committees including:

- Scrutiny Committee responsible for monitoring overall performance at a council and service level and considering national reports from scrutiny bodies
- Audit Committee responsible for ensuring action is taken to improve controls and address concerns raised by both internal and external auditors (*refer paragraph 102*)
- Strategic Policy and Resources Committee which determines the strategic policy of the council and monitors the financial position.

92. There are also a number of theme related committees in place including, Lifelong Learning Committee, Housing & Health Committee, Enterprise & Infrastructure Committee and Environment Committee. The committee structure reflects the themes of the Perth & Kinross Community Plan and the council's Corporate Plan. However, this can result in individual reports being discussed by several committees, for example, the Environment Service Joint Business Management & Improvement Plan (for 2015/16) and Annual Performance Report (2014/15) was presented to:

- Community Safety Committee 20 May 2015
- Environment Committee 3 June 2015
- Enterprise and Infrastructure Committee 3 June 2015 and
- Scrutiny Committee 17 June 2015

93. Whilst it is acknowledged that each committee will cover specific elements of the reports the council should ensure that its governance arrangements remain fit for purpose and avoid unnecessary duplication of reporting wherever possible.

Action plan no 2

94. We note that the Head of Legal Services will undertake a review of the governance framework. This is expected to address changes required as a result of integration of health and social care services which will be in place by 1 April 2016 (*refer paragraph 129 to 132 below*). A review of the senior management structure has recently been undertaken with a view to increasing capacity, introducing more flexible arrangements and moving toward new models of management and delivery over the next two years. Implementation of the new structures will begin from October 2015.

95. We concluded that whilst the council's existing governance arrangements provide an appropriate framework for organisational decision making, further improvements could be achieved.

Corporate governance

96. The council's standing orders took effect from January 2013. The Scheme of Administration which sets out the membership, powers and responsibilities of the council's committees, sub-committees and working groups and lists the areas where the council has delegated decision-making to officers was updated in October 2014. The council also reviews its financial regulations every two years. The last review was in October 2014. The standing orders, scheme of administration and financial regulations taken together address all principal risk areas and are in line with our expectations.

Local code of corporate governance

97. The council developed and adopted a local code of corporate governance in 2012 which reflects the key components as set out in the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance. However, the local code has not been subject to review since its introduction but we have been advised that the Head of Legal will include this as part of the wider review of the governance framework in 2015/16.

Internal control environment

98. As part of our audit we reviewed the high level controls in a number of systems fundamental to the preparation of the financial statements. Our objective was to obtain evidence to support our opinion on the council's financial statements.

99. This audit work covered payroll, trade payables, trade receivables, general ledger, cash & banking, non-domestic rates, council tax, housing rents, treasury management, benefits, capital accounting and SWIFT. We reported our findings to the Audit Committee in September 2015. No material weaknesses in the accounting and internal control systems were identified which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements. Our findings included some recommendations to enhance the control system in operation.

100. In May 2014 we issued *Arm's-length external organisations (ALEOs) – are you getting it right? A follow-up* report. This report provided a

position statement on the use of ALEOs and found that overall the council demonstrated that many elements of good or best practice were evident in the governance arrangements in place.

101. An action plan containing three risk points was agreed with officers for further improvements:

- maintaining a record of national reports and action taken to respond to these. Services are required to present national reports to themed committees (*Implemented -refer paragraph 168*).
- developing a training programme by December 2014 to ensure the members appointed to ALEO's have the appropriate skills and training required for the role.
- developing written agreement with ALEOs where the council participates as a decision maker setting out roles and responsibilities by September 2014.

102. Two of the improvements points agreed last year have still to be actioned. We note that a revised date of September 2015 has been agreed for one (development of written agreements). Progress against both actions continues to be monitored by internal audit and reported to each meeting of the Audit Committee. This is one of a number of reports where agreed actions have not been delivered within the planned timescale and in some instances are more than a year behind schedule.

Action plan no 3

Internal audit

103. Internal audit provides members and management of the council with independent assurance on risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.

104. As part of our 2014/15 audit we undertook a review of internal audit and concluded that it generally operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place. An external quality assessment is planned for 2016/17, however, in the interim the chief internal auditor has undertaken a self assessment to highlight compliance with PSIAS. Areas internal audit plan to address include:

- improving documentation including an internal audit charter
- updating the audit manual; evidence of integrity & objectivity (conflicts of interest)
- formalising professional development records
- the lack of certain technical expertise (e.g. IT). Where technical expertise is required, this is externally sourced.

105. We placed formal reliance on the work of internal audit on general ledger and housing benefits this year.

ICT audit

106. In 2014/15 the council started looking at the strategic influences affecting its ICT and digital environment. A new digital strategy has been prepared which outlines how digital technologies and approaches will be used over the next five years to help deliver the strategic ambitions. The strategy is currently being considered by the executive officer team and is expected to be submitted to the Strategic Policy and Resource Committee for approval by December 2015.

107. Investigations are also underway to determine how the council can deliver quality ICT services more efficiently and at a reduced cost, through ‘cloud’ storage and partnering with neighbouring public bodies.

108. The council’s preparation for the Public Sector Network is nearing completion and is expected to be submitted for re-accreditation by the Cabinet Office in early Autumn. Various technological replacements and mitigation measures have been put in place during the year, and further work is ongoing, such as the replacement of the main firewall. Officers advised that an IT Health Check was recently carried out by an external consultant and this did not highlight any significant areas of risk.

Arrangements for maintaining standards of conduct and the prevention and detection of fraud and corruption

109. Our 2013/14 annual audit report highlighted that the council's Fraud and Corruption Policy had not been updated since 2006 and did not include specific reference to the requirements of the Bribery Act 2010. Following an internal review of its existing policies in relation to fraud and corruption, the Strategic Policy & Resources Committee approved a Counter Fraud and Corruption Strategy in February 2015. This addressed the requirements of both the 2010 Bribery Act and the CIPFA Code of Practice on Managing the Risk of Fraud issued in October 2014.

110. The internal review confirmed that adequate policies and procedures were in place in relation to gifts and hospitality, conflict of interest, employee and councillor codes of conduct and information security. Additional policies were required to specifically cover the risk of bribery and money laundering and the following three policy documents were approved at the same time as the updated strategy:

- Anti-bribery policy
- Anti-money laundering policy and
- Whistleblowing policy

111. The Strategic Policy and Resources Committee asked the Chief Internal Auditor to submit a further report to the Audit Committee within six months which will set out how the Strategy and related

policies are being implemented. This was submitted to the June meeting of the Audit Committee.

112. We have concluded that the council's arrangements in relation to the prevention and detection of fraud and corruption have been strengthened this year and will monitor progress with implementation of the new strategy and policies as part of our 2015/16 annual audit work.

National Fraud Initiative in Scotland

113. The National Fraud Initiative (NFI) in Scotland brings together data from councils, the police board, the fire and rescue board, health bodies and other agencies, to help identify and prevent a wide range of frauds against the public sector. Matching data obtained from the systems of participating bodies allows the identification of potentially fraudulent claims on the public purse including housing benefit fraud, occupational pension fraud and payroll fraud. If fraud or overpayments are not identified in a body, and the NFI exercise has been undertaken properly, assurances may be taken about internal arrangements for preventing and detecting fraud.

114. The NFI exercise identified 1,033 cases recommended for investigation and as at July 2015 the council had dealt with 446 of these. The total monies recovered or being pursued so far of £26,256 related to one duplicate payment (£10,605) and 7 housing benefit claims (£15,651). No frauds were identified and the council is continuing to progress matches identified. Officers have indicated that the council will complete its review of matches by September 2015.

115. Perth & Kinross Council is one of only two Scottish councils that do not submit the electoral register as part of the National Fraud Initiative submission. To ensure that the risk of fraud relating to council tax single occupancy discounts is minimised the council procured a data matching exercise.

116. A report to the June 2015 Audit Committee highlighted that 156 of the 2,162 matches identified for investigation were found to have claimed this discount incorrectly. Of those, 43 had a student or apprentice resident in the property and therefore there was no financial loss to the council. A further 113 declared that the single person discount no longer applied and as a result £72,011 has been billed. A further 72 claims were cancelled for the current and last financial year resulting in a further £50,186 being identified for collection.

117. Overall, we concluded that the council has satisfactory arrangements in place for investigating and reporting data matches identified by the NFI.

Correspondence referred to the auditor by Audit Scotland /Statutory objections to the accounts

118. During 2013/14 the council received correspondence relating to a potential loss on the part of a contractor and included a contingent liability in its 2013/14 annual accounts. This correspondence related to the Roads Maintenance Partnership (RMP) and implied

improper practices and improper relationships by employees of both organisations. The RMP is a partnering agreement between Perth & Kinross Council and Tayside Contracts for delivery of the council's roads maintenance service. The council had instructed a number of internal and external reviews on the issues raised and no evidence was found to support the allegations.

119. Part of Audit Scotland's duties as external auditors of Perth & Kinross Council is to consider concerns raised by members of the public about the council. We received a number of pieces of correspondence in relation to the allegations made and meetings were held to explore specific concerns raised by the complainants including:

- the allegation of alteration of quantities and values between initial measurements and final invoices
- use of sub-contracting of work by Tayside Contracts
- the inappropriate inclusion of a contractor on the RMP's contractors listings.

120. We carried out a review to evaluate whether there was any evidence available to support the allegations raised with us. We obtained details of how the RMP operated including reviewing its minute of agreement, the partnership agreement and relevant committee papers. We focussed specifically on:

- evaluating the process used from initial measurement of the work through to final payment
- evaluating the procedure by which sub-contracting is undertaken and assessing whether this process has been appropriately followed
- establishing how contractors are assigned to contractor's lists for works and evaluating whether this procedure has been applied in respect of the named contractor.

121. The findings from our review were reported to the Audit Committee in September 2015. Our overall conclusion was that the poor quality of files maintained by the council in relation to the awarding of contracts under the RMP and the lack of an audit trail makes it difficult to detect any manipulation of quantities and values between initial measurements and final invoices. Whilst our testing found no evidence on files, to suggest that quantities and values were being manipulated, we were unable to provide any assurance that this has not occurred.

122. Our review did not uncover any evidence to support the other allegations received.

Transparency

123. Local residents should be able to hold the council to account for the services it provides. Transparency means that residents have access to understandable, relevant and timely information about how the council is taking decisions and how it is using its resources. We have considered this under various headings including:

- Clarity and presentation of financial statements – a copy of the council's unaudited accounts was made available on the website. The format of the accounts complies with the Code and the narrative sections are written, as far as possible, in plain English to provide the reader with an understanding of the council's business

- Budget monitoring reports –*refer paragraph 38*
- Performance reporting - *refer paragraphs 151-154*
- Registers of interest – these are available on the website

124. Overall we have concluded that the council is open and transparent although further improvements could be made by ensuring the information on the website is kept up to date and improving the navigation/search facilities (*refer paragraph 164*).

Freedom of Information requests

125. The Freedom of Information (Scotland) Act 2002 (FOI) established a general public right of access to all information held by Scottish public authorities. The council's performance in relation to FOI requests is reported annually to the executive officer team and the Scrutiny Committee.

126. The report to the April 2015 committee confirmed that 1,385 FOI requests had been received in 2014. This was an increase of 10.3% on the 2013 figure of 1,249 and represented the highest number of requests received to date. Requests from individuals remain the largest category (43%) followed by requests from the media (24%) and businesses (14%). Officers anticipate that the number of requests will continue to grow.

127. The committee was advised that the statutory requirement to respond within 20 working days was met for 96.5% of requests and 84% of cases received at least some of the information requested. 49 requests for a review of the decision were received which equated to 3.5% of the total requests received. Three requestors subsequently withdrew and the council's decision on 31 of the remaining requests was upheld.

128. Overall the council's approach to managing the FOI requests it receives, is effective.

Integration of health and social care

129. The Public Bodies (Joint Working) (Scotland) Act received royal assent on 1 April 2014. The Act provides the framework for the integration of health and social care services in Scotland.

130. In Perth and Kinross Council, a Pathfinder Board was set up to lead on and oversee the transition to integrated services. The Board submitted the integration scheme to Scottish Ministers in March 2015 and received initial feedback. An amended scheme reflecting the feedback was approved by the Cabinet Secretary for Health Wellbeing and Sport on 27 August and laid before the Scottish Parliament on 4 September 2015. It is expected to be passed on 3 October at which point the Pathfinder Board will become the Perth and Kinross Integration Joint Board for Health and Social Care (IJB) with responsibility for delivering services that meet local and national outcomes.

131. The Chief Officer for the IJB took up post in September 2015 and will be responsible for a single budget to deliver a wide range of health and social care services in the area. A Chief Financial Officer is expected to be in post by November 2015. The Scottish Government has confirmed that IJBs will be expected to prepare annual accounts for 2015/16 and these will be subject to audit.

132. Overall the board is making progress in developing its integration arrangements across the area.

Welfare Reform

133. The council recognises the impact that the changes to the UK welfare system could have on resources and service provision. In previous years we have highlighted that the council has been effectively monitoring and planning ahead to mitigate against the impact of the reforms. Welfare reform changes have been well communicated through an extensive programme of awareness sessions which set out the changes and the financial impact on local residents. A virtual hub was developed on its website to help provide a single point of reference for those residents in need and to guide them on a wide range of welfare reform and welfare rights issues.

134. The further roll out of welfare reform, particularly around the implementation of universal credit, presents a significant risk to the council, particularly in relation to its charging policy. The roll out within selected areas has recently been expanded to cover different types of claim. However, at this stage there remains limited information as to how universal credit might be rolled out within Perth and Kinross.

135. As a result there is uncertainty for the council in terms of both the timing and the financial consequences of universal credit. The latest medium term financial plan approved in July 2015 included an additional £1.5 million for this cost but highlights the uncertainty of the implementation date will impact on the plan.

Local scrutiny plan

136. The 2015/16 Local Scrutiny Plan (LSP) prepared by the Local Area Network of scrutiny partners was submitted to the council on 13 May 2015.

137. The LSP identified nationally driven scrutiny work as well as the routine, scheduled audit and inspection work taking place through the annual audit process and the ongoing inspection of school and care establishments by Education Scotland and the Care Inspectorate respectively. Audit Scotland will carry out a programme of performance audits during 2015/16 and individual audit and inspection agencies will continue to monitor developments in key areas of council activity and will provide support and challenge as appropriate. This will help to inform future assessment of scrutiny risk.

138. On behalf of the Local Government Strategic Scrutiny Coordination Group, national scrutiny partners carried out a collaborative piece of work in partnership with Perth and Kinross Council and its community planning partners during 2015/16. This work aimed to

devise and assess a potential methodology for the evaluation and scrutiny of how community planning is operating at a local level, known as place-based scrutiny. This methodology focussed on the four pillars of public service reform – prevention, partnership, people and performance. The pilot was designed to address two specific questions

- what it's like to live in the local community?
- how well do public services collaborate to improve outcomes for people living there?

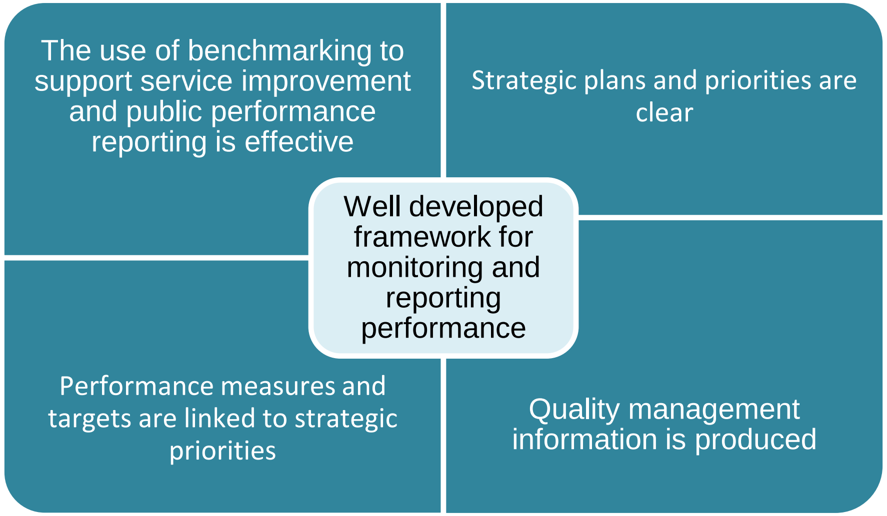
139. The fieldwork for this place-based scrutiny pilot was carried out in March/April 2015 and a presentation on the initial findings was presented to the Strategic Scrutiny Group in May 2015 and we understand it will be considered by the council in October 2015.

Outlook

140. Councils will continue to operate in a changing environment within continuing financial constraints. Under these circumstances councils will be obliged to consider the delivery of services by different means. Good governance will be particularly important where council resources and service delivery are devolved to third party organisations.

141. Partnership, joint working and arms length organisations have become increasingly popular vehicles for planning and delivering council services and there is a sustained national focus on their use. Where council services are being delivered by third party organisations it will be crucial that the council implements robust assurance and governance arrangements to deliver best value while at the same time ensuring an appropriate level of accountability for public money. Community planning and health and social care integration will require an ongoing focus on governance and assurance to ensure that the council's priorities are being achieved.

Best Value



142. Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. The council should have systems and processes to ensure that it can demonstrate that it is delivering best value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

143. The council has a strong track record of partnership working and the *Community Plan/Single Outcome Agreement 2013-2023* aims to continue this outlining an ambitious vision for the area centred around the five strategic objectives:

- Giving every child the best start in life
- Developing educated, responsible and informed citizens
- Promoting a prosperous, inclusive and sustainable economy
- Supporting people to lead independent, healthy and active lives
- Creating a safe and sustainable place for future generations.

144. The *Corporate Plan 2013-2018* sets out how the council will support the Community Plan and identifies the high-level strategic objectives the council is working towards to meet local needs.

145. The *Building Ambition: The Council's Transformation Strategy 2015-2020* was approved by the council in July 2015. This identified 39 transformation reviews designed to help address the continuing financial pressures.

146. The transformation programme is underpinned by the Medium Term Financial Plan, the latest update to which was approved by the council in July 2015. The plan sets out the likely savings targets over 5 years to 2020/21 using three scenarios low, mid-range and high level changes in the assumptions used (e.g. pay award, demographics, government settlements, council tax increases, fees and charges). The mid-range assumptions highlight that cumulative savings of approximately £53 million may be required in the next five years (low: £13 million; high: £92 million). This is put in the context of the cumulative savings achieved in the 5 years to 2014/15, which are estimated to be £56 million. (see also paragraph 55)

147. We will review progress against the transformation programme during 2015/16 and report our findings in next year's annual audit report.

Procurement

148. In 2009 the Scottish Government introduced an annual evidence-based assessment, the procurement capability assessment (PCA), to monitor public bodies' adoption of good purchasing practice and as a basis for sharing best practice.

149. The council did not take part in the December 2014 PCA assessment opting to focus on continuing to address the two lowest scoring areas in the 2013 PCA - contract & supplier management (38%) and key purchasing processes & systems (40%) whilst at the same time preparing a business case for the new transformation programme.

150. Due to legislative changes around procurement the assessment is in need of updating and a new assessment regime – the Procurement & Commercial Improvement Plan (PCIP) – will replace the PCA in 2015. PCIP focuses on policies and procedures driving procurement performance and the results delivered. As this approach adopts new assessment methods and scoring the results will not be comparable to the previous PCA. It is expected that all councils will be assessed in 2015/16 under the PCIP and then every two years thereafter. The council's first assessment is scheduled for June 2016.

Performance management

151. The council has a strong focus on performance management and has a sound framework for monitoring and reporting performance against the council's priorities.

152. There is good alignment between the *Community Plan/Single Outcome Agreement 2013*-2023 and the council's corporate plan. The *Corporate Plan 2013-2018* is supported by services' *Business Management and Improvement Plans* (BMIPs). This is a well established approach to planning and performance management within the council.

153. The council produces an Annual Performance Report based around the council's Corporate Plan and the Community Plan/Single Outcome Agreement (SOA) outcomes. The council's website also provides links to further details on specific performance at a service-level. The 2014/15 Annual Performance Report is expected to be considered by the Council in October 2015.

154. The council participates in the Local Government Benchmarking Framework (LGBF). It includes a checklist of these within its corporate guidance for BMIPs. The council provides comparison over time and against targets within its services annual performance reports, SOA performance reports and LGBF.

Overview of performance targets in 2014/15

155. The Annual Performance Report 2014/15 summarises the council performance against the Community Plan/SOA 2013/23. The report showed performance improvements in 40 of the local outcome areas with 15 demonstrating consistent performance and seven highlighted as needing attention. The report explains the reasons for the decline in performance and any remedial action being taken to address these areas.

156. The council reports the Scottish Local Government Benchmarking Framework (LGBF) indicators. It includes a checklist of these within its corporate guidance for BMIPs. The council provides comparison over time and against targets within its services' annual performance reports, SOA performance reports and LGBF.

157. In February 2015 the council considered its performance during 2013/14 against the LGBF indicators published by the Improvement Service in January 2015. Using the Improvement Service data the council has analysed its performance, across the thirty-one LGBF benchmarking indicators, when compared to Scotland:

- 29% are in the upper quartile (2012/13: 30%)
- 45% are in the upper middle quartile (2012/13: 30%)
- 19% are in the lower middle quartile (2012/13: 28%)
- 6% are in the lower quartile (2012/13: 12%)

158. The two areas where the council is classified in the lower quartile were the percentage of: A class roads that should be considered for maintenance treatment; people aged 65 or over with intensive needs receiving care at home. The council as part of its consideration of the LGBF indicators commented on the reasons the council were in the lower quartile and the improvements required and actioned.

159. A further comparison has also been undertaken of the movement in performance since 2011/12. This comparison allowed coverage of forty five indictors where data was comparable and highlighted that:

- 7 indicators have increased costs, 6 of which by more than 5%;
- 9 indicators have decreased costs, 6 of which by more than 5%;
- 20 indicators have improved performance, 4 of which by more than 5%;
- 8 indicators have declined performance, 1 of which by more than 5%;
- 1 indicator has remained the same

Statutory performance indicators (SPIs)

160. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report but expects councils to provide citizens with fair, balanced and engaging performance information reporting.

161. For 2014/15 three (SPIs) were prescribed:

- SPI 1: covering a range of information relating to areas of corporate management such as employees, assets and equalities and diversity
- SPI 2: covering a range of information relating to service performance
- SPI 3: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.

162. Overall we are satisfied that appropriate SPI arrangements were in place within the council for 2014/15

163. An evaluation of all Scottish councils' approaches to public performance reporting was carried out by Audit Scotland's Performance Audit and Best Value group during 2014/15 and reported to the Accounts Commission in June 2015. An individual assessment for Perth & Kinross Council was issued to the Leader and Chief Executive on 28 July 2015 and considered by the Scrutiny Committee in September 2015.

164. The results for the council were generally very positive with only one indicator – *Responsiveness to communities* – classed as an area for improvement. Improvements could be made by updating some of the information on the council's website which dated from before 2013/14. The website provides contextual information on how the council engages with communities and how the public can make complaints or FOI requests but it is difficult for the public to see how the council has reacted to feedback from communities to improve the design and delivery of front line services. In addition, some members of the public may be reluctant to search for performance information in committee reports. All other indicators met the requirements.

165. The review also highlighted areas of interesting practice that may be useful to other councils. Two examples were cited for Perth & Kinross Council:

- Structured approach to PPR, with clear presentation of information: a comprehensive approach to performance information incorporating a range of material for different audiences, for example there is a high-level newsletter and more detailed Annual Report and service-level reports should the reader require detailed information.
- Dialogue with the public: the council makes extensive use of social media, uses nine Twitter accounts – covering topics including libraries, sport and council jobs – and publicly reports its performance by publishing statistics under a dedicated hashtag #pkperforms.

National performance audit reports

166. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2014/15, a number of reports were issued which are of direct interest to the council. These are outlined in appendix III.

167. The council regularly report the findings from our national reports to members including an assessment of current practices against good practices and the agreement of actions to ensure further improvements.

Equalities

168. The Equality Act 2010 introduced a new public sector ‘general duty’ which encourages equality to be mainstreamed into public bodies’ core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the quality of outcomes it has set. The council’s 2015 report is available on its website. We understand that the council will be piloting an Innovation Forum which will inform a national action plan involving local communities. This is part of a Scottish Human Rights Commission and Scottish Government initiative to explore what a better human rights culture would look like in a local authority area.

Outlook

169. In common with other councils, Perth & Kinross Council faces the key challenges of reducing budgets, an aging population with higher levels of need and the public expectation of high quality services. Savings have been made in recent years largely by reductions in the workforce. However, as choices on how to address funding gaps become increasingly difficult, councils will have to focus on making the very best use of all available resources and to challenge existing ways of doing things. Maintaining a strong and effective performance management framework will be critical to the success of the council achieving its key priorities and achieving best value.

Appendix I – Significant audit risks

The table below sets out the financial statement audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
Risk of material misstatement in financial statements		
The Local Authority Accounts (Scotland) Regulations 2014 The regulations introduce new requirements for inclusion in the financial statements of a management commentary prepared in accordance with proper accounting practices and recognised guidance. **Risk:** Appropriate disclosures are not detailed in the financial statements.	• Officers are aware of the requirements of the regulations with a report considered by Council in February. • Officers will work with auditors to ensure all relevant information is prepared timeously to ensure that deadlines are met.	Draft accounts including management commentary received 23rd June 2015. The audited accounts comply with the new requirements
Control environment The council's processes to review its governance framework include a number of self assessments to inform the Annual Governance Statement (AGS). In 2013/14 this process was not followed and the council has agreed to revise its processes for 2014/15. **Risk:** The governance framework is not operating effectively to provide adequate assurance to members.	• Annual Governance Statement to be approved by the Scrutiny Committee in June 2015	AGS approved by Scrutiny Committee 17 June 2015. 2 of the 16 self assessment forms were outstanding when the AGS was approved. Draft versions of the outstanding assessments were available during the audit.

Audit Risk	Assurance procedure	Results and conclusions
Internal financial controls A robust system of internal financial controls is essential to reduce the risk of material error in the financial statements. In times of economic challenge, the council's financial systems may be exposed to increased risk of fraud or manipulation. For example: Auditing standards (ISA 240 *The auditor's responsibility to consider fraud in an audit of financial statements*) requires auditors to presume a risk of fraud where income streams are significant. The council receive a significant amount of income in addition to Scottish Government funding (approx. £166 million). The extent and complexity of these income streams introduces an increased risk of fraud. **Risk:** the council's financial position is exposed to error. Fraud and manipulation may not be detected.	• Regular budget monitoring and reporting. • Robust internal controls in financial systems to mitigate risks of error or manipulation. • Internal audit coverage of internal controls. • Participation in the National Fraud Initiative. • Annual Governance Statement and Local Code of Corporate Governance.	No significant issues were found in relation to controls in place across the key financial systems Audit testing also confirmed that income was properly accounted for in the financial year.

Audit Risk	Assurance procedure	Results and conclusions
Management override of controls As stated in ISA 240, management has the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. **Risk:** The accounts are materially misstated.	• Submission of a set of compliant Annual Accounts.	Satisfactory explanations for variances between income and expenditure were provided by officers. No outstanding issues. Significant journal adjustments were subject to specific testing and no issues were found. Random testing of lower value journals was also undertaken and no indications of management override of controls were found. Judgements and estimations applied in 2014/15 relating to accruals were tested to confirm they were appropriate and reasonable. Figures used were agreed to supporting documentation. No issues with the amounts applied were found.

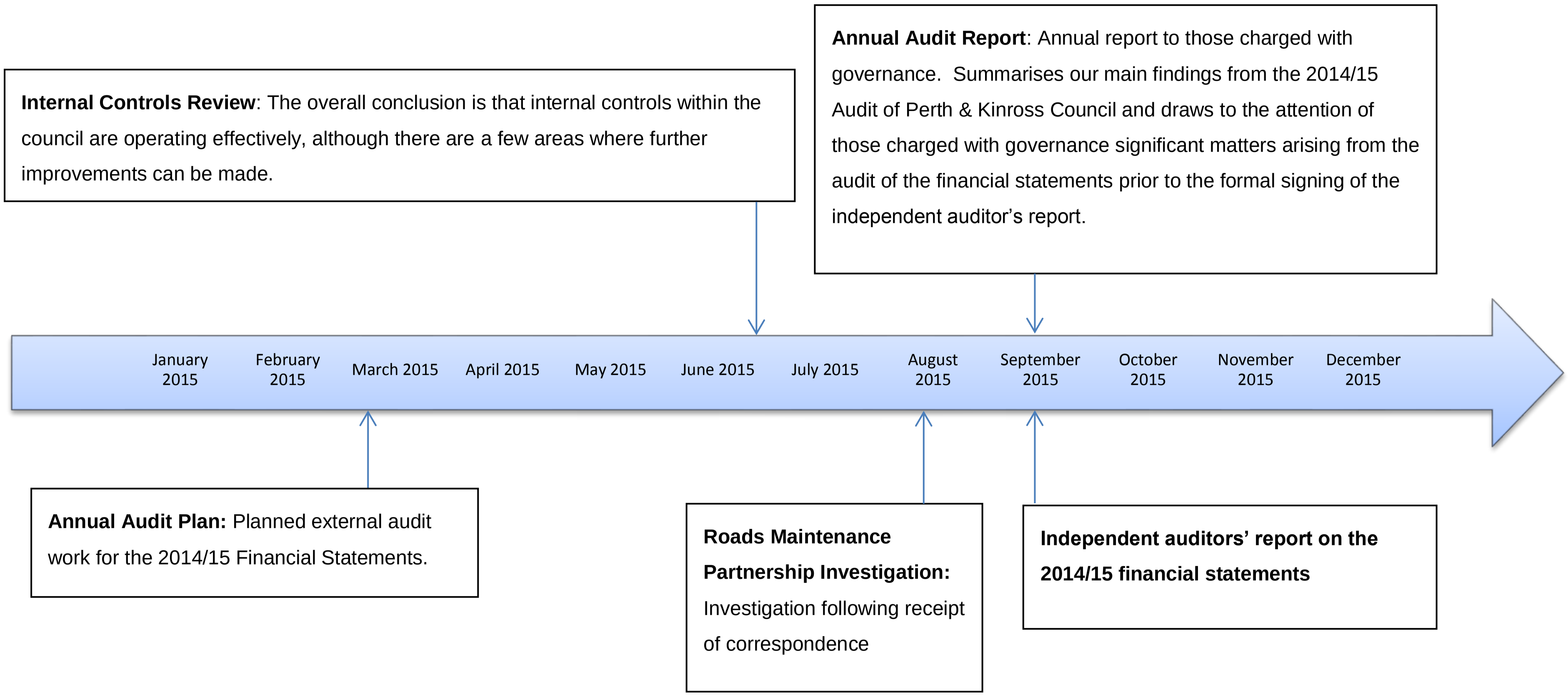
Audit Risk	Assurance procedure	Results and conclusions
Charities governance documentation The governance documentation for several trusts could not be located as a consequence of the age of the trust, in some cases dating back over 100 years. Therefore in 2013/14 we reported that we were unable to verify whether: • the classification of these funds between restricted, unrestricted and endowment funds was accurate • spend in these areas was in line with the original stated purpose for these individual trusts. **Risk:** The funds are not accounted for accurately or used for the appropriate purpose.	• All funds are treated as endowments and where there is an absence of governance documentation the council rely on custom and practice to inform any decisions by the trustees in respect of the trusts' expenditure and use of assets. • The Council is continuing to amalgamate smaller charities with a view to streamlining the administrative requirements and establishing clearer governance arrangements.	The 2014/15 accounts reflected which trusts have/do not have governance documentation and that all trusts are treated as endowments. A further three trusts were amalgamated into the Welfare Trust in 2014/15

Audit Risk	Assurance procedure	Results and conclusions
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
Financial management Along with all other public bodies in Scotland, the council is facing the prospect of having to make significant budget savings. At the same time as the council aims to support the local economy and maintain service provision, it is likely to face a reduction in resources. **Risk:** the council may not be able to secure the efficiencies required without impacting on services.	• The council's transformation programme Securing the Future Toward 2015 and Beyond sets out the path which will allow it to achieve the required modernisation and efficiencies to meet the financial challenges and future service demand. It is proposed that the transformation programme will be updated by the council in July 2015. • The medium term financial plan is updated on an on-going basis and used to inform the annual budget setting process. • The council's Workforce Plan 2013-18 is to be used to inform a review of the actions in support of the objectives set out in 'Our People Strategy (2010-2015)', and to support the council's transformation approach. There is an Annual workforce report to the Council each December. • IT & digital strategy to be agreed. • Budget monitoring reports are presented to members on a regular basis.	Updated transformation programme and medium term financial plan approved in July 2015. Promotion of the council's voluntary severance scheme began in August 2015 Digital strategy currently being considered by Executive Officer Team Four budget monitoring reports considered by members each year (refer paragraph 38).

Audit Risk	Assurance procedure	Results and conclusions
Performance management The council's performance indicates a relatively positive picture overall with only a few areas of performance declining. However, effectively managing performance will remain a key challenge as financial pressures increase. The council will need to use its performance information to understand and manage the impact of spending decisions. **Risk:** the council's resources are not directed at priority areas and outcomes are not demonstrated.	• A robust approach to performance management is in place and performance indicators which cover the wider community planning partnership area are regularly monitored.	The 2014/15 performance report provides a balanced view of the council's performance against key indicators in the year and highlights areas in need of attention along with priorities to be addressed in 2015/16.

Appendix II – Local reports

Summary of Perth & Kinross Council local audit reports 2014/15

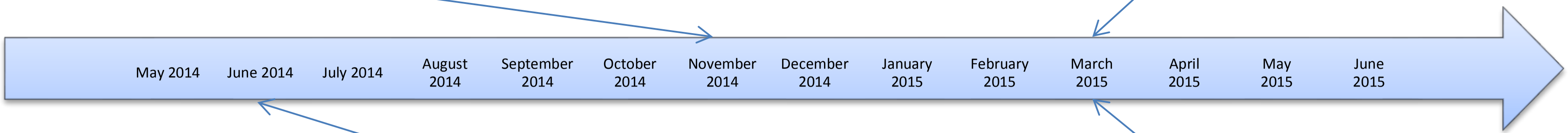


Appendix III – National reports

Summary of Audit Scotland national reports 2014/15

Community planning: Turning ambition into action – Many Community Planning Partnerships are still not clear about what they are expected to achieve. Local data should be used to help set relevant, targeted priorities for improvement that will address inequalities within specific communities. *(Discussed at CPP November 2014 and MOWG March 2015)*

Borrowing and treasury management in councils: Councils are meeting professional requirements but need to do more to set out the longer term implications of borrowing and other debt on their finances. *(Discussed at Council meeting July 2015)*



Scotland's public finances - a follow up: Progress in meeting the challenges – Leaders and managers must produce balanced budgets and hold people in their organisations to account for how the money is used and what is achieved. Councillors have an important role in ensuring that approved budgets are used to best effect. To do this they need good-quality and timely financial information. They need to take a longer-term view on: options available for services; services standards and affordability; and, the sustainability of financial plans. *(Discussed at SP&R meeting October 2014)*

An overview of local government in Scotland : A high level, independent view on the progress councils are making in managing their finances and achieving Best Value. *(Discussed at Council meeting May 2015)*

Appendix IV – Action Plan

Action plan

No. Page/para	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
1 **19/51**	**Issue:** The council's medium term financial plan identifies that it needs to make an estimated £53 million of savings over the next five years to maintain its financial balance. To support it in making these savings, the council has earmarked £12.9 million for the delivery of a transformation programme, some of which will be used to fund an extended voluntary severance scheme. **Risk:** The savings required over the next five years are not achieved and the medium term financial plan can not be delivered. **Recommendation:** The council should continually monitor and report on progress as it progresses through the transformation programme to evidence it is on target to deliver the medium term financial plan.	Progress with the transformation programme will be reported to: the Executive Officer Team (EOT) six weekly; the Modernising Governance Member Officer Working Group at each meeting; and annually to Council. In addition to these overall governance arrangements, individual project managers will report to their project board and relevant Service Committee at an agreed interval.	Head of Strategic Commissioning and Organisational Development	As per frequencies detailed in the Management Actions

No. Page/para	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
2 **29/93**	**Issue**: The current committee structure reflects the themes of the Perth & Kinross Community Plan and the council's Corporate Plan. This can result in individual reports being discussed by several committees. **Risk**: The current committee structure results in duplication of effort and inefficient use of member and officer time. **Recommendation**: Governance arrangements should be reviewed to ensure they continue to remain fit for purpose and avoid unnecessary duplication of reporting wherever possible.	The Council's decision-making arrangements are kept under review to ensure that it reflects changes required by new legislation etc. – a review of the entire decision-making structure will be undertaken in preparation for the local government elections in May 2017.	Chief Executive/Head of Democratic Services	November 2016
3 **30/102**	**Issue:** External audit reports generally contain an action plan for further improvements which are agreed with officers and include target implementation dates. We noted that not all target dates are being met and in some cases revised dates may be a year later than initially agreed. **Risk:** The council continues to carry a degree of unnecessary risk in its control environment. **Recommendation:** Realistic implementation dates should be agreed and all efforts made to deliver these to ensure weaknesses in the council's control environment are addressed timeously.	The Council takes a very proactive approach to all external audit reports. These are reported to the relevant committees with the Council's position against the findings of each report analysed with improvement areas and timescales agreed. Further work will be undertaken to ensure that the timescales are realistic and that all actions are delivered.	Head of Strategic Commissioning and Organisational Development	March 2016

Chief Executive's Service

PERTH & KINROSS COUNCIL

ANNUAL ACCOUNTS

2014/15

AUDITED

CONTENTS

MANAGEMENT COMMENTARY

1. Introduction

This publication contains the financial statements of both Perth and Kinross Council and its group for the year ended 31 March 2015.

This management commentary outlines the key messages in relation to the Council and the group's financial planning and performance for the year 2014/15 and how this has supported delivery of the Council's strategic objectives. This commentary also looks forward outlining the future financial plans for the organisation and the challenges and risks which we will face as we strive to meet the needs of the people of Perth and Kinross.

A glossary of terms is set out from page 94.

2. Our Vision and Strategic Objectives

Perth and Kinross is situated in a central location in Scotland. It covers a geographical area of around 5,286 km², and has an estimated population of 149,520. Over the past 10 years, the area has experienced the second highest population growth in Scotland (9.5%) which is more than three times the national average.

Our vision is of a confident and ambitious Perth and Kinross, to which everyone can contribute and in which all can share. Through our strategic objectives set out within the Corporate Plan 2013-18 and SOA/ Community Plan 2013-23 we aim to maximise the opportunities available to our citizens to achieve their potential. At the heart of our vision is a desire to see investment in early intervention and prevention focused on building success and reducing the costs of failure. The Corporate Plan 2013 – 2018 states that -

It is during our very earliest years and even pre-birth that a large part of the pattern for our future adult life is set. Giving every child the best start in life is a key opportunity to improve their chances of enjoying a positive future, regardless of their family circumstances. At the heart of our approach is a focus on enabling all children and young people to develop the skills and attributes required to be successful, take responsibility, make effective contributions to society and demonstrate a well-placed confidence about the things they do and say.

It is unacceptable that, because of a lack of income, families can be dragged into a cycle of deprivation or that older people can be deprived of the right to live in dignity. By removing barriers to employment, encouraging investment in business, skills and infrastructure and attracting new investment and employment into the area we are determined to address the root causes of poverty once and for all.

Reducing health inequalities is vital to achieving sustainable economic growth. If Perth and Kinross is to live up to its potential in terms of economic success, healthy life expectancy must increase – particularly among those whose lives are currently cut short due to deprivation or other inequalities.

Ensuring that Perth and Kinross is a place where everyone enjoys a pleasant and safe environment is important to the health and wellbeing of all our communities. We are committed to focusing our energies on tackling the issues which may negatively impact on communities and their environment to ensure they remain safe, strong and sustainable in the future.

3. The Annual Accounts 2014/15

The Annual Accounts report the financial performance of the Council and its main purpose is to demonstrate the stewardship of public funds which have been entrusted to us for the delivery of the Council's vision and strategic objectives. The requirements governing the format and content of the Councils' Annual Accounts are contained in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2014/15 Annual Accounts have been prepared in accordance with this Code.

4. The Financial Plan

As part of our medium term financial planning, Perth and Kinross Council originally approved a balanced revenue budget to support the delivery of our strategic objectives within the General Fund (£331.012m) on 13 February 2014 and Housing Revenue Account (£26.192m) on 29 January 2014. Councils need to account for their spending and income in a way which complies with our legislative responsibilities. Most day to day spending and income is recorded within the General Fund (page 12) and the costs and income in relation to the management of our housing stock is recorded within the Housing Revenue Account (pages 62 to 64).

Key to the delivery of Council Services is investment in the assets which are used to deliver these services (including schools, houses and infrastructure) and the utilisation of capital funding to stimulate regeneration in local areas. In 2014/15 the Council budgeted for capital investment of £52.584m on General Fund activities and £17.836m from the Housing Revenue Account. This expenditure is funded from prudential borrowing, government grants, external funding, capital receipts, revenue contributions and the further use of planned earmarked reserves to enhance the investment programme.

5. Performance Management

The Council continues to embed a performance management culture throughout the organisation. We use a wide range of comprehensive and diverse performance information to manage performance and target service improvements for the people of Perth and Kinross. This is supported by our performance management system which effectively analyses data, tracks progress of indicators and identifies actions to provide and communicate regular and robust performance information to Elected Members and Managers. Benchmarking is also used to compare our performance with other organisations to support change and improvement.

We monitor our performance against our strategic objectives on a frequent basis at all levels of the Council and report this information publicly via our public performance reporting mechanisms. These include the Annual Public Performance Report; Public Performance Summary; Service Annual and Six Month Performance Reports; online performance dashboards ('PK Performs') and the Council's evidence portal. By monitoring and reporting performance information in this way the Council is able to identify areas for improvement as well as celebrate key successes.

2014/15 Performance Highlights

The Annual Performance Report will be considered by the Council on 7 October 2015. This report will include comprehensive information on the Council's performance for 2014/15. The full range of performance information available for 2014/15 can be accessed online at http://www.pkc.gov.uk/performance. This includes the Council's Annual Performance Report, our online performance dashboard PK Performs, Service level performance reports, benchmarking and links to further information. The website is updated with performance reports and data as it becomes available.

For 2014/15 the top performance highlights were:

- Our results are above the national average for inspections of day care services for children
- We've reduced the number of homeless families by 12.5%
- S6 pupils achieved the best ever results with 27% achieving 1 or more Advanced Highers
- In S5, almost 1 in 5 pupils achieved 5 Highers, a 1% increase and the best result ever in Perth & Kinross
- 94% of our school leavers go on to positive destinations
- 73% achievement rate for full time students at Perth College
- 546 new jobs created and over 2,000 people assisted with finding work
- 21% increase in adults satisfied with social care / social work services
- 34% reduction in homeless single young people since 2011/12
- Top performing Council for recycling at rate of 53%
- Helped 1,250 homes to improve insulation and reduce fuel poverty
- Safer place to live with no fire fatalities and reduction in drug crime

Overview of our Key Performance Indicators for 2014/15:

- 40 (65%) are improving
- 15 (24%) remain steady
- 7 (11%) need attention

As we move forward the improvement themes into 2015/16 are:

- Supporting vulnerable families
- Growing our economy
- Helping older people to stay in their own homes
- Working with communities to make improvements at a locality level
- Encouraging a learning culture in our organisation and our communities
- Transforming and modernising the services we provide

In the Residents Survey that took place in December 2014 / January 2015, 71% of residents were happy with Council Services and 88% were satisfied with living in Perth and Kinross.

6. Financial Performance

Our financial performance is part of our performance management culture with regular reporting of financial performance to the Strategic Policy and Resources Committee. This section summarises the main elements of our financial performance for 2014/15.

a) *General Fund Revenue Expenditure for 2014/15*

In 2014/15 the Council incurred actual net expenditure on Services of £338.675m (which is the Deficit on Provision of Services before the inclusion of Taxation and Non-Specific Grant income disclosed in the Comprehensive Income and Expenditure Statement on page 12). The Council budgeted to utilise Reserves of £8.251m but actually returned £4.629m to Reserves, a variance of £12.880m.

The main reasons for this variance are as follows:

- Education and Children's Services (ECS) delivered savings of £5.9m. This was made up of £1.3m in respect of the Devolved School Management Scheme which will be carried forward by schools into 2015/16; staff slippage of £1.5m; property under spends of £0.9m; additional income (including grants) of £0.7m and other net under spends of £1.5m across the Service.

- Housing and Community Care (HCC) delivered savings of £2.7m. This was made up of staff slippage across the Service of £1m, the accelerated delivery of approved savings of £0.5m, additional income of £0.7m, savings on individual care packages of £0.5m and other miscellaneous under spends across the Service of £0.8m. This final under spend also reflected a £0.8m net over spend on older people as a consequence of a frailer, ageing population.

- The Environment Service (TES) delivered savings of £2.3m. This was made up of savings in Planning and Regeneration of £0.5m due in the main to staff slippage and additional income, on Operations of £0.5m due to reduced fuel costs and on corporate budgets including Property of £1m due to pro-active management of the Council estate (maintenance, energy and other running costs). In addition slippage across the Service delivered a further £0.3m of savings.

- Other budgets across the Council delivered under spends of £2m including additional Council Tax income (£0.7m) and under spends in the Chief Executive's Service.

Included within the Comprehensive Income and Expenditure Statement is the impact of the revaluation of Council Housing Stock, which has arisen as a result of a significant change in the approach to accounting estimates during 2014/15. The rolling revaluation programme for land and building assets required the revaluation of Council Dwellings during 2014/15. Council Dwellings continue to be valued at fair value measured by Existing Use Value for Social Housing (EUV-SH). However the Council changed its accounting estimate in arriving at fair value from Discounted Cash Flow to the Beacon method (Adjusted Vacant Possession) in accordance with mandatory LASAAC guidance. The change in estimation has resulted in revaluation losses (affecting the Revaluation Reserve) charged to the Housing Revenue Account in previous financial years being reversed in 2014/15, resulting in a credit to the Housing Revenue Account of £8.786m. In addition the Deficit / (Surplus) on revaluation of non-current assets disclosed in the Comprehensive Income and Expenditure Statement on page 12 includes a surplus of £185.302m.

b) *Composite Capital Budget 2014/15 & HRA*

A summary of the Council's capital expenditure is reflected within Note 36 to the Financial Statements on page 52. Total gross capital expenditure in 2014/15 was £73m (excluding capital financed from current revenue), comprising £17m on the Council's Housing Revenue Account (HRA) and £56m on the Council's Composite (General Fund) Programme. The gross expenditure includes:

- £24.1m on school upgrades, including new primary schools in Crieff and Oakbank.

- £14.9m on roads & transport projects, including structural maintenance, bridge refurbishments, road junction/access improvements and road safety measures.

- £16.9m on other programmes including various environmental improvements (£1.5m); community care projects (£1.1m) and property upgrades & energy efficiency schemes (£4.9m).

- £17m on the HRA including affordable housing (£5.8m), central heating, rewiring and energy efficiency schemes (£5.8m) and external works (£2.5m).

Capital expenditure is funded by borrowing, asset sales, grants, other capital receipts, and Revenue Budget contributions. The Capital Financing Requirement (CFR, i.e., the underlying requirement to borrow for capital purposes) as at 31 March 2015 was £408.201m. Actual debt was £368.459m, comprising borrowing (£243.045m at nominal value) and a PPP liability (£125.414m). The ratio of borrowing to the CFR for 2014/15 was therefore 90.3% (2013/14 85.1%). During the year the CFR increased by £25.031m, reflecting the capital expenditure above, less capital receipts, grants and contributions (£32.249m) and principal loan repayments (£15.762m).

c) ***General Fund Reserves***

As at 31 March 2015 the Council had uncommitted General Fund balances of £13.310m which represented 4% of the Council's annual budgeted net expenditure. Council policy is to retain uncommitted reserves of between 2% and 4%. The Council's Reserves Strategy will continue to be reviewed, particularly as the level of total reserves is expected to reduce due to the delivery of commitments over the next few years. Full details of the Council's General Fund Reserves are shown on page 11 and pages 48 to 51 of the Financial Statements, along with information on future commitments.

The Reserves position is summarised as follows:

	£'000		£'000
General Fund	(52,670)	Revaluation Reserve	(246,847)
Housing Revenue Account	(800)	Capital Adjustments Account	(242,550)
Capital Fund	(19,316)	Financial Instruments Adjustment Account	12,198
Renewal and Repair Fund	(1,426)	Pensions Reserve	178,054
Insurance Fund	(3,802)	Employee Statutory Adjustment Account	5,680
Capital Receipts Reserve	(1,832)	**TOTAL UNUSABLE RESERVES**	**(293,465)**
Capital Grants Unapplied	(102)		
TOTAL USABLE RESERVES	**(79,948)**	**TOTAL RESERVES**	**(373,413)**

d) ***The Balance Sheet***

The Balance Sheet on page 13 summarises the Council's assets and liabilities as at 31 March 2015 and explanatory notes are provided from page 16. Total net assets have increased by £291.499m to £373.413m. Within this headline figure, there have been significant changes in both asset values and liabilities. Property, plant and equipment have increased by £217.750m and investments have increased by £32.339m. The pensions liability has decreased by £87.944m and borrowing & lease finance has increased by £47.864m. The major changes in the Council's Balance Sheet between March 2014 and March 2015 are explained in more detail in the following paragraphs.

Non-Current and Current Assets

Property, Plant and Equipment have increased in value by £217.750m to £854.470m. Asset values have increased through a combination of major capital investment and the revaluation of some assets, including a change to the accounting estimate in arriving at fair value of Council Dwellings from Discounted Cash Flow to the Beacon method which resulted in an increased valuation of £194.088m. This was partly offset by depreciation charges for the year. Short term investments have increased by £31.068m and cash equivalents have reduced by £2.057m. This has arisen as a result of undertaking significant new borrowing to take advantage of low interest rates.

Pensions

International Accounting Standard 19 Revised (IAS19R) requires the disclosure of the Council's share of Tayside Pension Fund's assets and liabilities, both current and future. The information disclosed in the accounts is provided to the Council by the Pension Fund's actuaries following the annual valuation of the Fund. The position at 31 March 2015 indicates a net liability of £178.054m compared to a net pension liability of £265.998m on 31 March 2014. This liability is based on a snapshot valuation at 31 March 2015 and is a result of prevailing market conditions at that date. Triennial valuations of the Fund are carried out with the last valuation having taken place at 31 March 2014 and resulting in a reduction in employer's contributions from 18% to 17% of pensionable pay from 1 April 2015.

Long-Term and Short-Term Borrowing and Lease Finance

The Council's net borrowing (including finance leases) increased by £47.864m during the year. Short-term borrowing increased by £12.301m and long-term borrowing and lease financing increased by £35.563m. This reflected the maturity profile of existing debt and the new borrowing undertaken to fund the Capital Plan during 2014/15.

The Council's annual Treasury Management Strategy outlines the Council's policy in relation to borrowing and investment. This is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. The majority of the Council's borrowing comes from market loans and from borrowing from the Public Works Loan Board. Further details are provided at Note 40.

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 2014/15 Audited Annual Accounts.

Provisions, Contingencies and Write Offs

The Council made provision for a number of eventualities which may have a material effect on the financial position of the Council. The reasons for the provisions are outlined in Note 31 on page 48.

There were a number of write-offs during the year which were approved by the Strategic Policy and Resources Committee on 17 June 2015 - Authority to Write Off Debts and Obsolete Stock - June 2015. This included permission to write off £1.598m of debt in relation to the Community Charge following legislation passed by the Scottish Parliament.

e) Accounting Ratios

The following financial indicators have been developed to provide an indication of the sustainability and affordability of the Council's financial plans.

FINANCIAL INDICATOR	2014/15	2013/14	PURPOSE
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	4.0%	4.0%	Reflects the level of funding available to manage financial risk / unplanned expenditure.
Movement in the Uncommitted General Fund Balance	£(0.070)m	£1.115m	Reflects the extent to which the Council has increased / (decreased) its Uncommitted General Fund Reserve.
Council Tax – In Year Collection Rate	97.0%	97.2%	Demonstrates the Council's effectiveness in collecting council tax debt.
Ratio of Council Tax Income to Overall Level of Funding	20.1%	20.7%	This reflects the Council's capacity to vary expenditure by raising Council Tax Income.
Final Net Service Expenditure compared to Budgeted Net Service Expenditure (see Cost of Services – Page 12)	£(12.880)m	£(11.128)m	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 £8.251m Actual £(4.629)m	Budget £6.552m Actual £(6.322)m	Further measure of the effectiveness of financial management.
Capital Financing Requirement	£408.201m	£383.170m	Measurement of requirement to borrow for capital purposes.
External Debt Levels	£368.459m	£326.051m	Actual borrowing for capital investment purposes.
Capital Financing Requirement Ratio	90.3%	85.1%	Measurement of prudence in relation to borrowing levels – borrowing only to invest in capital.
Ratio of Financing Costs to Net Revenue Stream	9.0%	7.0%	Measurement of the Council's ability to fund borrowing costs.

f) *Financial Statements*

The primary financial statements presented within the Annual Accounts are as follows:

- 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 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 Code also requires the following to be included within the Annual Accounts:

- The **Statement of Responsibilities for the Annual Accounts** explains the responsibilities of the Council and of the Head of Finance as they relate to the Annual Accounts.

- The **Notes to the Financial Statements** provide further information on the above 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, taxable 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.

<u>Supplementary Financial Statements</u>

The supplementary financial statements are as follows:

- 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 **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** incorporate the share of the Council's Managed Funds, Subsidiaries and Associates into the Group Movement in Reserves Statement, Group Comprehensive Income and Expenditure Statement, Group Balance Sheet, Group Cash Flow Statement and include the Reconciliation of the Single Entity (Council) Surplus or Deficit for the year to the Group Surplus or Deficit.

7. Financial Outlook, Risks and Plans for the Future

The UK economy continues to show signs of recovery with inflation and unemployment falling and growth taking place in a number of sectors. However this does not lessen the pressures which continue to face public sector expenditure at a UK and Scottish level with further reductions in government funding predicted for 2016/17 to 2018/19. Other factors will also influence the availability of funding for the public sector including elections in each of the next two years, financial powers arising from the Scotland Act 2012, recommendations arising from the Smith Commission and the introduction of a Single Tier Pension Scheme in 2016.

The most significant risks faced by the Council over the medium to longer term include inflation; the impact of Welfare Reform; the increased demand for services; the wider financial environment and demographic changes including an ageing population.

It is anticipated that the Perth and Kinross Integrated Joint Board (IJB), with responsibility for social care and a range of health services, will come into effect during 2015/16. The IJB will be responsible for strategic and financial oversight of these services. Significant activity has taken place including submission of an Integration Scheme to the Scottish Government which sets out the terms and conditions of the integration and the relationship between the Council, the Health Board and the Partnership. Going forward the development of a strategic plan will commence which sets out the services which will be provided by the Partnership. Work will also continue to ensure effective financial stewardship for the Partnership and the Council and to ensure this new partnership is well placed to deliver integrated services.

Perth and Kinross Council has taken appropriate action to address the challenging financial climate and the reductions in financing that it anticipates over the next few years. This is underpinned by the regular updating of the Medium Term Financial Plan (MTFP) and by the availability of good quality financial information.

The Council's most recent MTFP, which was considered by the Council on 1 July 2015 (see Medium Term Financial Plan - July 2015) , provided an overview of the financial challenges, including demographic and other cost pressures and the uncertainty of future funding levels, over the 5 year period, allowing the Council to proactively develop longer-term mitigation strategies. The medium term financial plan reflects sound financial planning by the Council and is critical for the sustainability of key services and the financial stability of the Council. The Council's Reserves Strategy is another key element of its financial planning.

The Council approved the Composite Capital Budget 2015/16 - 2022/23 at its meeting on 12 February 2015 and the HRA Capital Budget for 2015/16 - 2019/20 was approved by the Housing & Health Committee on 28 January 2015.

The Council's capital plans include major refurbishments of various schools to address increasing school rolls, as well as a new school campus in North Perth. Also included are road network improvements (including the A9/A85 Road Junction Improvements), the Almondbank Flood Prevention Scheme, the redevelopment of Perth Theatre and other City Centre improvements. Other ongoing expenditure includes road safety measures, parks and public spaces improvements, waste reduction & recycling and property improvements. The HRA Investment Programme 2015/16 to 2019/20 continues to focus upon affordable housing provision and the enhancement of the existing housing stock, particularly in respect of Lock-ups and Garage Sites.

The Capital Financing Requirement is forecast to peak at £515.957m in 2017/18. The annual cost of servicing borrowing and PPP liabilities is contained within the Council's Revenue Budget strategy, and remains affordable, prudent and sustainable.

a) *Transformation*

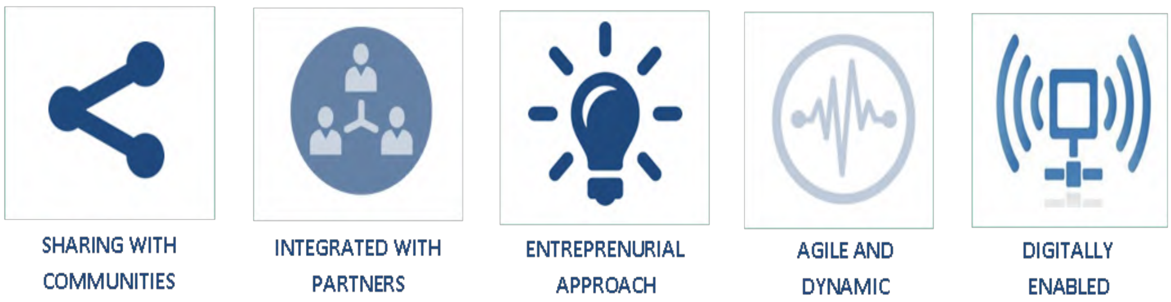
There are a host of challenges and opportunities facing the Council as we head towards the next decade. We face the greatest financial challenges in a generation; we are preparing for an unprecedented population increase in Perth and Kinross, alongside rising demand for our services; and we are managing the most significant change in public service since the creation of the welfare state – the integration of health and social care – as part of a larger public service reform agenda. The ways we deliver services are increasingly complex and require much greater leadership and flexibility from Elected Members and staff.

Scottish Government funding for Councils has reduced by 8.5% in real terms between 2010/11 and 2013/14. Between 2010 - 2015 the Council has delivered savings of £56m in its revenue budget, this includes £12m recurring savings delivered by the last transformation programme.

The Council's Transformation Programme 2015-2020 ensures we continue to be prepared to overcome these challenges and to deliver the vital services to those in our community who need them most. We know we must be more innovative, creative, flexible and entrepreneurial, to respond effectively to these challenges. The Council has earmarked £12.963m to support transformation.

We welcome a new age of working together with our Community Planning partners, with our communities and with the business/voluntary sector. We will jointly face the challenges, we will build a better place to live, work and visit, and we will protect the most vulnerable in our community.

VISION FOR 2020



b) ***Risk Management***

The ongoing challenges faced by the Council potentially increase the range and levels of risk that requires to be managed. The Council has a track record of being dynamic, innovative and ambitious and therefore will continue to rise to the challenges ahead. It also has a culture of proactively managing risks and uncertainties to reduce the likelihood and/or impact of negative consequences and as such is considered by Audit Scotland to be a low risk Council as confirmed by the Assurance and Improvement Plan 2014-17. The approach to risk management as set out in the Council's Risk Management Strategy is crucial to gain the greatest possible benefits from any changes that need to be made while delivering its ambition and commitment to best value and sustainability. For each key risk, the Council sets out the high level controls in place as well as any mitigating actions. The Council's key risks for 2015 - 2016 are:

- Support the most vulnerable in our society during welfare reform
- Protect adults at risk
- Protect vulnerable children and families
- Effectively manage changing financial circumstances
- Deliver the Council's capital programme
- Maintain security of information and prevent public sector fraud and corruption
- Health and safety
- Effective corporate governance
- Growing the economy
- Policy and legislative reform agenda

c) ***Workforce Management***

Financial pressures, demand for Council services, changing demographics and public service reform continue to drive efficiencies, service redesign and rationalisation which in turn determine workforce requirements. A corporate approach to workforce planning ensures that the Council maintains a balanced and skilled workforce. This involves creating opportunities for young people to join our workforce, developing and nurturing talent to meet future requirements.

Since 2009, the Council has implemented a range of workforce management measures which are designed to make the best use of opportunities to reshape the workforce on an on-going basis, enable service redesign and deliver a leaner workforce while avoiding compulsory redundancies as far as possible. This approach recognises the importance of managing staff costs in delivering the Council's Medium Term Financial Plan (see Medium Term Financial Plan - July 2015). It also recognises and values the contribution of our employees, as described within Our People Strategy 2010-15 (Our People Strategy - December 2010).

A significant strand of the workforce management measures is enhancing capacity and improving performance, which is focussed on the health and wellbeing of employees, and ensuring everyone is at work and being supported to perform to the best of their ability. Effectively, this recognises that as well as reducing the size and cost of our workforce, it is also important to maximise productivity. Engaged employees feel a stronger commitment to the organisation that employs them and this results in higher performance and lower absenteeism. The Council also recognises that to meet the financial challenges, it is reliant on the innovation and creativity of our employees as we explore opportunities through public service reform to transform our services.

In 2014/15 the average days lost to sickness absence per full time equivalent (fte) employee was 8.5 days (8.9 days in 2013/14) – a 4.5% reduction on 2013/14. This represented 4% of working time per fte employee (4% in 2013/14).

8. Supplementary Information

(a) Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom requires the Council to produce group financial statements where it has an interest in entities that meet the definition of subsidiary, associate or joint venture. The Group results are presented alongside the results for the Council on all the main statements. Further details of the associated entities that have been incorporated into the financial statements can be found on page 77.

The Council has an interest in four organisations (detailed on page 77) that do not form part of the main Accounts. Under accounting standards, the Council requires to include the results of these organisations in its Group Accounts due to the significant influence it has over their financial and operating practices. The Council also includes Charitable Trusts administered and controlled by the Council and Common Good Funds as managed funds within the Group Accounts.

In accordance with the Code, the 2014/15 Group Accounts Statements are included on pages 72 to 76. The basis for consolidation is set out in the Notes to the Group Accounts Statements on pages 77 to 79.

Tayside Contracts was previously included in the Group Accounts on a proportionate consolidation method. Following updates to the 2014/15 CIPFA Code, the accounting treatment of Tayside Contracts for group reporting purposes was reviewed and the entity is now included in the Group Accounts using the equity method. The corresponding restatement of the opening Group Balance Sheet has resulted in a £991,000 decrease in Group Reserves, and the movements on individual lines are detailed in the Group Balance Sheet on page 74.

The Group Reserves have also been restated by £1.643m to include the pension liability for Horsecross Arts Limited to realign accounting policies for entities included within the Group Accounts.

The effect of consolidation is to increase the Council's net assets by £11.467m resulting in a Group Balance Sheet showing net assets of £384.880m at 31 March 2015 as set out on page 74. This position reflects the Council's share of the pension liabilities of the Associate included within the Group Balance Sheet.

(b) Common Good and Trust Funds

Common Good Funds are administered by the local authority for the general benefit of its communities. Overall the Common Good Funds achieved an in year surplus of £0.051m which, when added to the surplus brought forward, results in an accumulated revenue surplus as at 31 March 2015 of £2.067m.

Details of income and expenditure accounts and balance sheets can be found on pages 70 & 71 of these accounts. These funds are subject to similar accounting policies and procedures to those that are applied to the Council's main accounts. The main source of income to Common Good Funds is rent.

The Council also administers a number of charitable Trust Funds. Details of income and expenditure accounts and balance sheets can be found on page 69 of these accounts. Overall the Trust Funds achieved an in year surplus of £0.337m which, when added to the surplus brought forward, results in an accumulated surplus as at 31 March 2015 of £3.185m.

Perth and Kinross Council's Trust Funds for which the Council is the sole trustee, also have to prepare their own Trustees' Annual Report and these are separately available on the Council website.

(c) *Public Private Partnerships*

In September 2000 the Council entered into a 25 year PPP contract for the construction, maintenance and operation of office accommodation and a carpark. In 2014/15 the Council paid £3.054m to the contractor under the terms of the contract.

Between 2009 and 2012 six school campuses were also brought into operation, Blairgowrie, Glenearn, Loch Leven, Strathearn, North Inch and Breadalbane. The contractor's obligation was to construct the schools and is to maintain them to a pre agreed standard. In 2014/15 the Council paid £15.167m to the contractor under the terms of the contract.

9. Conclusion

The Council has continued to demonstrate sound financial management in 2014/15 by delivering services with the resources which are available to us. The pressures being experienced by Services in relation to demand are known to us and plans are in place to mitigate them and these have been reflected in our medium and long term financial plans.

We know we will face many challenges in the future from the combined effect of reduced resources; increasing demands and expectations for our services. Yet we are confident that by working more creatively with all our residents and partners, we will not only embrace these challenges but will improve our performance and service delivery.

10. Acknowledgements

As in previous years, we would like to acknowledge the significant work of the finance team in producing the annual accounts and thank colleagues across the Council for their continuing support.

Bernadette Malone
Chief Executive

Perth & Kinross Council

Date: 16 September 2015

Alan Grant
Depute Leader of the Council

Perth & Kinross Council

Date: 16 September 2015

John Symon
Head of Finance

Perth & Kinross Council

Date: 16 September 2015

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 (Note 33) £'000	Total Authority Reserves £'000
Balance at 1 April 2013	(41,719)	(800)	(12,799)	(483)	(2,034)	(2,132)	(685)	(60,652)	(90,807)	(151,459)
<u>Movement in reserves during 2013/14</u>										
(Surplus) or deficit on the provision of services	3,843	(1,707)	0	0	0	0	0	2,136	0	2,136
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	67,409	67,409
Total Comprehensive Income and Expenditure	3,843	(1,707)	0	0	0	0	0	2,136	67,409	69,545
Adjustments between accounting basis & funding basis under regulations	(14,983)	2,080	0	0	0	299	583	(12,021)	12,021	0
Net (increase)/decrease before transfers to earmarked reserves	(11,140)	373	0	0	0	299	583	(9,885)	79,430	69,545
Transfers to/(from) Other Statutory Reserves	4,818	(480)	(3,033)	71	(1,376)	0	0	0	0	0
(Increase)/decrease in 2013/14	(6,322)	(107)	(3,033)	71	(1,376)	299	583	(9,885)	79,430	69,545
Balance at 31 March 2014	(48,041)	(907)	(15,832)	(412)	(3,410)	(1,833)	(102)	(70,537)	(11,377)	(81,914)
<u>Movement in reserves during 2014/15</u>										
Deficit on the provision of services	3,104	45	0	0	0	0	0	3,149	0	3,149
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(294,648)	(294,648)
Total Comprehensive Income and Expenditure	3,104	45	0	0	0	0	0	3,149	(294,648)	(291,499)
Adjustments between accounting basis & funding basis under regulations (note 5)	(13,363)	802	0	0	0	1	0	(12,560)	12,560	0
Net (increase)/decrease before transfers to earmarked reserves	(10,259)	847	0	0	0	1	0	(9,411)	(282,088)	(291,499)
Transfers to/(from) Other Statutory Reserves	5,630	(740)	(3,484)	(1,014)	(392)	0	0	0	0	0
(Increase)/decrease in 2014/15	(4,629)	107	(3,484)	(1,014)	(392)	1	0	(9,411)	(282,088)	(291,499)
Balance at 31 March 2015 carried forward	(52,670)	(800)	(19,316)	(1,426)	(3,802)	(1,832)	(102)	(79,948)	(293,465)	(373,413)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2013/14			2014/15			
Actual Net Expenditure £'000		Notes	Actual Gross Expenditure £'000	Actual Income £'000	Actual Net Expenditure £'000	Budgeted Net Expenditure £'000
	COUNCIL SERVICES					
144,318	Education Services		152,711	(6,383)	146,328	151,418
77,418	Social Work Services		96,694	(17,682)	79,012	78,613
15,903	Roads and Transport Services		24,671	(4,812)	19,859	20,541
5,245	Planning and Development Services		10,311	(5,398)	4,913	6,600
10,382	Housing Services (General Fund)		44,251	(35,824)	8,427	11,303
18,288	Cultural & Related Services		20,342	(1,356)	18,986	19,616
24,111	Environmental Services		27,896	(3,775)	24,121	24,122
2,471	Central Services	7	3,698	(1,624)	2,074	2,183
4,423	Other Expenditure	8	3,098	(404)	2,694	2,693
4,464	Corporate and Democratic Core		4,285	0	4,285	4,167
19	Non Distributed Costs		0	0	0	77
(2,334)	Housing Revenue Account		24,773	(25,578)	(805)	(491)
304,708	**COST OF SERVICES**		412,730	(102,836)	309,894	320,842
(1,597)	Other Operating Income	9			(1,255)	(1,102)
22,731	Financing and Investment Income and Expenditure	10			30,036	30,444
(323,706)	Taxation and Non-Specific Grant Income	11			(335,526)	(334,155)
2,136	**Deficit on Provision of Services**				3,149	16,029
4,647	Deficit/(surplus) on revaluation of non current assets				(185,698)	(185,698)
1,465	Impairment losses on non current assets				0	0
61,297	Remeasurement of the net defined benefit liability				(108,950)	(108,950)
67,409	Other Comprehensive Income and Expenditure				(294,648)	(294,648)
69,545	**Total Comprehensive Income and Expenditure**				(291,499)	(278,619)

BALANCE SHEET

31 March 2014 £'000		Notes	31 March 2015 £'000
636,720	Property, Plant & Equipment	22	854,470
24,059	Heritage Assets	23	24,059
16,428	Investment Property	24	17,699
28	Intangible Assets	25	43
2,525	Assets Held for Sale	26	2,116
657	Long Term Debtors	27	300
680,417	**Long Term Assets**		898,687
15,088	Short Term Investments		46,156
0	Assets Held for Sale	26	274
516	Inventories	28	466
27,264	Short Term Debtors	29	26,729
4,740	Cash and Cash Equivalents	45	2,683
47,608	**Current Assets**		76,308
(12,764)	Short Term Borrowing	40	(25,065)
(50,771)	Short Term Creditors	30	(50,841)
(961)	Provisions	31	(204)
(64,496)	**Current Liabilities**		(76,110)
(1,168)	Provisions	31	(1,130)
(189,035)	Long Term Borrowing	40	(224,598)
(391,412)	Other Long Term Liabilities	19,37	(299,744)
(581,615)	**Long Term Liabilities**		(525,472)
81,914	**NET ASSETS**		373,413
70,537	Usable Reserves		79,948
11,377	Unusable Reserves	33	293,465
81,914	**TOTAL RESERVES**		373,413

The unaudited accounts were issued on 23 June 2015 and the audited accounts were authorised for issue on 16 September 2015.

J A Symon ACA
Head of Finance
16 September 2015

CASH FLOW STATEMENT

2013/14		Notes	2014/15
£'000			£'000
(2,136)	**Net surplus/(deficit) on the provision of services**		(3,149)
48,294	Adjustments to net surplus or deficit on the provision of services for non cash movements		59,462
(15,051)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(22,103)
31,107	Net cash flows from Operating Activities		34,210
(28,205)	Investing Activities	43	(80,693)
(7,176)	Financing Activities	44	44,426
(4,274)	Net increase or (decrease) in cash and cash equivalents		(2,057)
9,014	Cash and cash equivalents at the beginning of the reporting period		4,740
4,740	Cash and cash equivalents at the end of the reporting period	45	2,683

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL 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 under Section 95 of the Local Government (Scotland) Act 1975. In this Council that officer is the Head of Finance.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- approve the Annual Accounts for signature.

I confirm that these annual accounts were approved for signature by those charged with governance at its meeting on 16 September 2015.

Alan Grant
Depute Leader of the Council

Date: 16 September 2015

The Responsibilities of the Head of Finance

The Head of Finance is responsible for the preparation of the Council's Annual 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 these Annual 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.

I certify that the Annual Accounts give a true and fair view of the financial position of the Council and its group at the reporting date and the transactions of the Council and its group for the year ended 31 March 2015.

J A Symon ACA
Head of Finance
Date: 16 September 2015

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

General

The Annual Accounts have been prepared in accordance with proper accounting practices as required by the Local Authority Accounts (Scotland) Regulations 2014 and 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 2014/15 and the Service Reporting Code of Practice (SeRCOP) 2014/15, supported by International Financial Reporting Standards (IFRS). The Annual Accounts are intended to present a true and fair view of the financial position and transactions of the authority and have been prepared in accordance with the fundamental accounting principles of relevance, reliability, comparability, understandability and materiality.

The accounting convention adopted in the Annual 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 (e.g. 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 or 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, i.e., 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 Assets and Liabilities

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. 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 Assets and 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 (e.g. 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 Employee Statutory 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 terminate the employment of an officer.

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 Pension 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 Pension 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 attributed 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 Pension 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 3.3% which is based on the indicative rate of return on the high quality corporate bond index (i Boxx AA).

The assets of the Tayside Pension 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 the following components:

- Service cost comprising:
  - 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 as a result of a scheme amendment or curtailment 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;
  - net interest on the net defined liability / (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability / (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability / (asset) at the end of the period – taking into account any changes in the net defined benefit liability / (asset) during the period as a result of contribution and benefit payments;
- Remeasurements comprising:
  - the return on plan assets - excluding amounts included in net interest on the net defined benefit liability / (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - the net defined benefit liability / (asset) – 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- contributions paid to the Tayside Pension 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.

Career Average Revalued Earnings Scheme (CARE)

The Local Government Pension Scheme changed from Final Salary to Career Average Revalued Earnings (CARE) on 1 April 2015, with a change of accrual rate from 1/60th to 1/49th. Employees who were previously paying into the Final Salary scheme were automatically transferred into the new CARE scheme on 1 April.

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 Annual 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 Annual Accounts are adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Annual 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 Annual 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 are 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 or 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.

However, the Council has made a loan to a charitable organisation at less than market rates (soft loan). When a soft loan is made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

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.

Foreign Currency

Where the Council enters into a transaction in foreign currency the transaction is converted into sterling at the exchange rate applicable on the date the transaction is effective.

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 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 knowledge, understanding and appreciation of the local area and its history. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's 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-minimus 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-minimus 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's 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 collection is 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 (e.g. 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.

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.

<u>The Council as Lessee</u>

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 (e.g. there is a rent-free period at the commencement of the lease).

<u>The Council as Lessor</u>

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 (e.g. 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 Service Reporting Code of Practice 2014/15 (SerCOP). 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 SerCOP 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 (e.g. 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). The Council has arrived at this valuation using the Beacon approach (Adjusted Vacant Possession) for the first time in 2014/15 in accordance with LASAAC guidance;
- 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 as follows:
- 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:
- 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 and Assets Held for Sale
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 (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. 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	3-5 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 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.

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 2014/15, the accounting standards that require to be reported relate to:

- IFRS 13 Fair Value Measurement.
- Annual Improvements to IFRSs (2011 – 2013 Cycle) :
    - IFRS 1: Meaning of effective IFRSs
    - IFRS 3: Scope exceptions for joint ventures;
    - IFRS 13: Scope of paragraph 52 (portfolio exception); and
    - IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property
- IFRIC 21 Levies.

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 Annual 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 Annual 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 items in the Council's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are in respect of the Council's Net Pensions Liability and Property and Plant and Equipment.

<u>Uncertainty</u>

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 0.1% increase in the discount rate assumption would result in a reduction in the pension liability of £14,487,000. However, the assumptions interact in complex ways. During 2014/15, the Council's actuaries advised that the net pension's liability had decreased by £87,944,000 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 £447,000 for every year that useful lives had to be reduced.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Total	*2013/14*
	£'000	£'000	£'000	£'000	*£'000*
Adjustments involving the Capital Adjustment Account					
Depreciation and impairment on non-current assets	(25,942)	(15,626)	0	(41,568)	*(28,876)*
Revaluation Losses on Property, Plant & Equipment	(2,241)	(1,068)	0	(3,309)	*(6,013)*
Reversal revaluation gains	529	8,785		9,314	*0*
Movements in Fair Value of Investment Properties	(2,137)	0	0	(2,137)	*376*
Amortisation of Intangible Assets	(33)	0	0	(33)	*(26)*
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	16,687	2,066	0	18,753	*12,269*
Amounts of non current assets written off on disposal as part of the gain/loss	(566)	(1,540)	0	(2,106)	*(1,501)*
Items not debited or credited to the Comprehensive Income & Expenditure Statement					
Statutory provision for repayment of debt	12,974	2,788	0	15,762	*15,542*
Capital expenditure charged to the General Fund and HRA balances	5,502	4,932	0	10,434	*8,506*
Adjustments involving the Capital Receipts Reserve					
Transfer of sale proceeds credited as part of the gain/loss on disposal	1,401	1,645	(3,046)	0	*0*
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	3,047	3,047	*2,918*
Adjustments involving the Capital Grants Unapplied Account	0	0	0	0	*583*
Adjustments involving the Financial Instruments Adjustment Account	464	125	0	589	*588*
Adjustments involving the Pensions Reserve					
Employer's pensions contributions and direct payments to pensioners payable in the year	16,101	1,080	0	17,181	*16,901*
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(35,780)	(2,407)	0	(38,187)	*(32,510)*
Adjustments involving Short Term Accumulated Absences Account					
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	(322)	22	0	(300)	*(778)*
Total Adjustments	(13,363)	802	1	(12,560)	*(12,021)*

6. Transfer (to)/from General Fund Reserves

	Balance as at 1 April 2014 £'000	Transfers In £'000	Transfers Out £'000	Balance as at 31 March 2015 £'000
Transformation Programme (including Workforce Management)	(8,893)	(4,070)	0	(12,963)
Revenue Budget Flexibility	(4,413)	(5,143)	4,413	(5,143)
Funding of Capital Expenditure at Perth Theatre	(3,400)	0	198	(3,202)
Affordable Housing (Resources accrued from reduced Council Tax Discounts)	(2,625)	(1,343)	800	(3,168)
Developer Contributions: Commuted Sums & Infrastructure	(2,196)	(612)	76	(2,732)
Car Parking	(2,101)	(103)	0	(2,204)
Devolved School Management Balances	(1,261)	(1,284)	1,261	(1,284)
Perth City Centre Regeneration	(1,200)	0	0	(1,200)
Developer Contributions: Affordable Housing	(943)	(243)	89	(1,097)
Revenue Grants	(944)	(1,054)	944	(1,054)
Essential Maintenance & Compliance Works	(860)	0	0	(860)
Investment in Improvement Funds	(1,076)	0	392	(684)
Perth Office Programme	(710)	0	100	(610)
Local Integration Reserve Fund	0	(500)	0	(500)
Public Service Network	(700)	0	310	(390)
Planning Appeals and Public Inquiries	(277)	(100)	33	(344)
Modern Apprentices/Graduate Trainees	0	(329)	0	(329)
Crematorium Abatement Levy	(200)	(100)	0	(300)
Environmental Initiatives	(220)	0	0	(220)
Energy and Water Management	0	(200)	0	(200)
Financial Assistance	(160)	(20)	0	(180)
Central Energy Efficiency Fund	(231)	(95)	147	(179)
Investment in Learning Programme	(135)	0	0	(135)
Contaminated Land	(162)	0	53	(109)
Local Government Elections	(53)	(53)	0	(106)
Events	0	(100)	0	(100)
Community Safety / Community Wellbeing Initiatives	(219)	0	152	(67)
Equal Pay Strategy	(500)	0	500	0
Zero Waste Fund Resources contribution to Loan Charges	(39)	0	39	0
Minibus Replacement Strategy	(283)	0	283	0
Ryder Cup	(500)	0	500	0
Kinross Curling Trust	(125)	0	125	0
Letham Community Sports Club	(85)	0	85	0
Tayside Contracts	(290)	0	290	0
Earmarked Balances at 31 March 2015	(34,801)	(15,349)	10,790	(39,360)

Total transfers out	10,790
Total transfers in	(15,349)
Net Increase in Earmarked Commitments in 2014/15	(4,559)

Purpose of Earmarked General Fund Balances

Transformation Programme (including Workforce Management) –The Reserves Strategy in February 2014 approved these resources as earmarked to support the Council's transformation programme including the costs of any workforce management measures required to respond to future financial challenges. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Revenue 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.

Funding of Capital Expenditure at Perth Theatre – these resources were earmarked in reserves to fund investment in Perth Theatre. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Affordable Housing (Resources accrued from reduced Council Tax Discounts) - 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.

Developer 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.

Car Parking – this balance is the accumulated surplus at 31 March 2015 which is restricted in its application under the Road Traffic Regulation Act 1984. Any proposals to utilise these resources will require approval by the Strategic Policy and Resources Committee.

Devolved School Management Balances – the amount shown is the accumulated sum available to be carried forward at 31 March 2015 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.

Perth City Centre Regeneration – this balance will be utilised for projects in Perth City Centre. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Revenue Grants – these grants are being carried forward in reserves as the grant conditions have been met but the expenditure has not been fully incurred.

Essential Maintenance and Compliance Works – these resources have been earmarked to fund the dilapidations works associated with the Perth Office Programme. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

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.

Perth Office Programme - these resources are earmarked in reserves to fund future expenditure on the Perth Office Programme. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Local Integration Reserve Fund – The Strategic Policy and Resources Committee approved the transfer of £500,000 during 2014/15 to a Local Integration Reserve Fund (Report No. 14/407 refers). These resources will be released in 2015/16 to assist the new Integrated Joint Health and Social Care Partnership Board to assess its priorities for service redesign and continued investment across all Board activities during the first year of operation.

Public Service Network – these resources are earmarked in reserves to fund any additional work that may be required beyond initial accreditation. 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 2014/15 and previous years 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.

Modern Apprentices/Graduate Trainees - The Strategic Policy and Resources Committee approved the transfer of the underspend on modern apprentices and graduate trainees during 2014/15 to fund future expenditure in this area.

Crematorium Abatement Levy – income from financial year 2012/13, 2013/14 and 2014/15 has been earmarked for future investment at Perth Crematorium to comply with mercury abatement legislation. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Environmental Initiatives – these resources are earmarked in reserves for future environmental initiatives. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Energy and Water Management – the Council approved the transfer of £200,000 to an Energy and Water Management Reserve as part of the Revenue Budget process in February 2014. This is to deal with any potential over spends on energy and water management associated with severe weather.

Financial Assistance – at its meeting on 9 February 2006 the Council approved the creation of a recurring budget to fund its anticipated contribution to the Mod and other events across Perth and Kinross.

Central 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.

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 years 2011/12; 2012/13 and 2013/14 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.

Local Government Elections – these resources are earmarked in reserves as a contribution to local elections. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Events – These resources were earmarked as part of the revenue budget approved in February 2013 for investment in outdoor and cultural events. These resources will be utilised in 2015/16 and 2016/17. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

Community Safety / Community Wellbeing Initiatives – reduced requisitions in 2011/12 from Tayside Fire and Rescue Board and Tayside Joint Police Board allowed the identification of resources to support preventative initiatives linked to community well being and safety. The balance of these resources will be utilised in 2015/16.

Equal Pay Strategy – in common with many other local authorities, the Council has previously recognised its potential liability under the Equal Pay Act 1970 in respect of inherited national and local pay structures which, in some instances, differentiated between male and female employees undertaking work of equal value. The Council's risk from claims has reduced and therefore resources are no longer being earmarked for this purpose.
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 were utilised in funding loan charges over the subsequent years in respect of additional waste strategy projects which were being promoted by the Environment Service with 2014/15 being the final year.
Minibus Replacement Strategy – these resources were applied during 2014/15 by Education and Children's Services.
Ryder Cup - these resources were earmarked in reserves to fund expenditure on Ryder Cup promotion and infrastructure in 2014/15.
Kinross Curling Trust - these resources were earmarked in reserves to fund the refurbishment of Kinross Curling Rink in 2014/15.
Letham Community Sports Hub – these resources were earmarked in reserves to support the project at Seven Acres Park in 2014/15.
Tayside Contracts – these resources were earmarked in reserves for Education and Children's Services to offset the additional cleaning and catering contract costs in 2014/15 in respect of Tayside Contracts increased costs from implementing the Living Wage.

7. Central Services

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

	2014/15 £'000	*2013/14 £'000*
Local Tax Collection	1,366	*896*
Registration of Births, Deaths and Marriages	96	*210*
Electoral Registration /Elections	495	*663*
Licensing	(118)	*158*
Emergency Planning	4	*25*
General Grants and Financial Assistance	231	*519*
	2,074	*2,471*

8. Other Expenditure

Other Expenditure is detailed as follows. In 2014/15 Valuation services were provided by a joint board on behalf of Perth & Kinross, Angus and Dundee City Councils.

	2014/15 £'000	*2013/14 £'000*
Valuation	1,162	*1,162*
Commercial Property	1,246	*2,746*
Irrecoverable Costs of Support to Outside Bodies	59	*239*
Harbour	227	*276*
Total	2,694	*4,423*

The harbour at Perth is a commercial port. Income from harbour dues during the year amounted to £87,000 (2013/14 £95,000) and the net deficit was £227,000 (2013/14 net deficit £276,000).

9. Other Operating Income

	2014/15 £'000	*2013/14 £'000*
Gains on the Disposal of Non Current Assets	(912)	*(1,118)*
Share of Tayside Contracts surplus	(343)	*(479)*
Total	(1,255)	*(1,597)*

10. Financing and Investment Income and Expenditure

	2014/15	*2013/14*
	£'000	*£'000*
Interest payable and similar charges	17,516	*16,176*
Pensions interest cost and expected return on pensions assets	11,809	*8,416*
Interest receivable and similar income	(391)	*(450)*
Income and expenditure in relation to investment properties and changes in their fair value	1,102	*(1,411)*
Total	30,036	*22,731*

11. Taxation and Non Specific Grant Incomes

	2014/15	*2013/14*
	£'000	*£'000*
Council Tax Income	(67,578)	*(67,083)*
Non Domestic Rates	(55,395)	*(50,759)*
Non Ringfenced Government Grants	(193,800)	*(193,595)*
Capital Grants and Contributions	(18,753)	*(12,269)*
Total	(335,526)	*(323,706)*

12. Material Items of Income and Expense

The revaluation of Council dwellings in 2014/15 resulted in the Council changing the accounting estimate in arriving at fair value for Council dwellings from the Discounted Cash Flow method to the Beacon approach (Adjusted Vacant Possession) in accordance with mandatory LASAAC guidance. The change in accounting estimate resulted in a significant increase in the value of Council Dwellings at 1 April 2014 of £194.088m, of which £8.786m was a reversal of previous valuation losses and was credited to the Housing Revenue Account; the remainder (£185.302m) is included within the Revaluation Reserve.

There have been no other material items of income and expenditure during 2014/15 which are not disclosed on the face of the Comprehensive Income and Expenditure Statement.

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 2014/15, there were no such debt modifications.

The net amount of premium and discount debited to the General Fund and HRA for transactions prior to 1 April 2012 (as permitted by statutory guidance) from the Financial Instruments Adjustment Account (FIAA) was £574,000 (2013/14 £574,823).

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 2014/15 a total of £9,885,000 (2013/14 £10,413,000) 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 £3,997,000 (2013/14 £3,556,000). Details of grants are shown below.

	2014/15	2014/15	*2013/14*	*2013/14*
	£'000	£'000	*£'000*	*£'000*
Education Services				
- Service Level Agreements with Voluntary Organisations		486		*450*
Social Work Services				
- Service Level Agreements with Voluntary Organisations		3,046		*3,336*
Housing Services (General Fund)				
- Churches Action for the Homeless	231		*440*	
- Perth and Kinross Community Mediation	55		*55*	
Sub Total Housing (General Fund)		286		*495*
Planning & Development Services				
- Visit Scotland	28		*132*	
- Perth & Kinross Countryside Trust	70		*55*	
- Perth & Kinross Heritage Trust	83		*83*	
Sub Total Planning & Development		181		*270*
Cultural & Related Services				
- Live Active Leisure Limited	3,997		*3,556*	
- Horsecross Arts Ltd: Perth Concert Hall	866		*1,225*	
- Horsecross Arts Ltd: Perth Repertory Theatre	321		*451*	
- Pitlochry Festival Theatre	220		*189*	
- Perth & Kinross Sports Council	15		*16*	
Sub Total Cultural & Related		5,419		*5,437*
Central Services				
- Citizens Advice Bureau	249		*149*	
- Perthshire Women's Aid	104		*54*	
- Other	114		*222*	
Sub Total Central Services		467		*425*
		9,885		*10,413*

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 Service Expenditure Reporting Code of Practice. However, decisions about resource allocation are taken by the Council 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 2014/15	Education & Children's Services	Housing & Community Care	The Environment Service	Total
	£'000	£'000	£'000	£'000
Fees, charges and other service income	(5,275)	(45,539)	(11,733)	(62,547)
Government Grants and contributions	(1,930)	(33,045)	(1,356)	(36,331)
Total Income	(7,205)	(78,584)	(13,089)	(98,878)
Employee expenses	105,386	39,351	23,506	168,243
Other service expenses	60,400	105,799	32,303	198,502
Support Service Recharges	6,328	3,720	2,822	12,870
Total Operating Expenses	172,114	148,870	58,631	379,615
Net Cost of Services	164,909	70,286	45,542	280,737

Reconciliation to Net Cost of Services in Group Comprehensive Income and Expenditure Statement	2014/15 £'000
Cost of Services in Service Analysis	280,737
Add services not included in main analysis	1,327
Add amounts not reported to management	27,830
Net cost of services in Comprehensive Income and Expenditure Statement	309,894
Group operating results	2,164
Net cost of services in Group Comprehensive Income and Expenditure Statement	312,058

Reconciliation to Subjective Analysis 2014/15	Service Analysis	Services not in Analysis	Not reported to management	Group Results in Cost of Services	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(62,547)	(1,579)	8	(26,206)	(90,324)	(1,141)	(91,465)
Surplus or deficit on associates and joint ventures	0	0	0	955	955	(379)	576
Interest and Investment Income	0	0	0	0	0	(562)	(562)
Income from council tax	0	0	0	0	0	(67,578)	(67,578)
Government grants and contributions	(36,331)	(543)	(1,844)	0	(38,718)	(267,948)	(306,666)
Total Income	(98,878)	(2,122)	(1,836)	(25,251)	(128,087)	(337,608)	(465,695)
Employee expenses	168,243	14,748	9,367	18,956	211,314	12,677	223,991
Other service expenses	198,502	(11,299)	(15,297)	7,241	179,147	2,244	181,391
Support Service Recharges	12,870	0	0	0	12,870	0	12,870
Depreciation, amortisation and impairment	0	0	35,596	1,218	36,814	0	36,814
Interest payments	0	0	0	0	0	17,632	17,632
Gain on disposal of non-current assets	0	0	0	0	0	(1,133)	(1,133)
Total Operating Expenses	379,615	3,449	29,666	27,415	440,145	31,420	471,565
(Surplus) / Deficit on the provision of services (Group Comprehensive I&E)	280,737	1,327	27,830	2,164	312,058	(306,188)	5,870

Segmental Analysis 2013/14	*Education & Children's Services*	*Housing & Community Care*	*The Environment Service*	*Total*
	£000	*£000*	*£000*	*£000*
Fees, charges and other Service income	*(5,586)*	*(44,076)*	*(12,076)*	*(61,738)*
Government Grants and contributions	*(1,634)*	*(34,001)*	*(1,496)*	*(37,131)*
Total Income	*(7,220)*	*(78,077)*	*(13,572)*	*(98,869)*
Employee expenses	*104,930*	*40,386*	*23,191*	*168,507*
Other Service expenses	*59,766*	*102,866*	*32,087*	*194,719*
Support Service Recharges	*5,258*	*4,513*	*1,498*	*11,269*
Total Operating Expenses	*169,954*	*147,765*	*56,776*	*374,495*
Total Net Cost of Services	*162,734*	*69,688*	*43,204*	*275,626*

Reconciliation to Net Cost of Services in Group Comprehensive Income and Expenditure Statement	*2013/14* *£'000*
Cost of Services in Service Analysis	*275,626*
Add services not included in main analysis	*2,242*
Add amounts not reported to management	*26,840*
Net cost of services in Comprehensive Income and Expenditure Statement	*304,708*
Group operating results	*1,628*
Net cost of services in Group Comprehensive Income and Expenditure Statement	*306,336*

Reconciliation to Subjective Analysis 2013/14 Restated	*Service Analysis*	*Services not in Analysis*	*Not reported to management*	*Group Results in Cost of Services*	*Net Cost of Services*	*Corporate Amounts*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Fees, charges and other service income	*(61,738)*	*(1,874)*	*12*	*(27,826)*	*(91,426)*	*(1,128)*	*(92,554)*
Surplus or deficit on associates and joint ventures	*0*	*0*	*0*	*154*	*154*	*0*	*154*
Interest and Investment Income	*0*	*0*	*0*	*0*	*0*	*(600)*	*(600)*
Income from council tax	*0*	*0*	*0*	*0*	*0*	*(67,083)*	*(67,083)*
Government grants and contributions	*(37,131)*	*(126)*	*(3,066)*	*0*	*(40,323)*	*(256,624)*	*(296,947)*
Total Income	*(98,869)*	*(2,000)*	*(3,054)*	*(27,672)*	*(131,595)*	*(325,435)*	*(457,030)*
Employee expenses	*168,507*	*14,108*	*7,906*	*17,562*	*208,083*	*8,575*	*216,658*
Other service expenses	*194,719*	*(9,866)*	*(12,927)*	*10,585*	*182,511*	*(359)*	*182,152*
Support Service Recharges	*11,269*	*0*	*0*	*0*	*11,269*	*0*	*11,269*
Depreciation, amortisation and impairment	*0*	*0*	*34,915*	*1,153*	*36,068*	*0*	*36,068*
Interest payments	*0*	*0*	*0*	*0*	*0*	*16,287*	*16,287*
Gain on disposal of non-current assets	*0*	*0*	*0*	*0*	*0*	*(1,117)*	*(1,117)*
Total Operating Expenses	*374,495*	*4,242*	*29,894*	*29,300*	*437,931*	*23,386*	*461,317*
(Surplus) / Deficit on the provision of services (Group Comprehensive I&E)	*275,626*	*2,242*	*26,840*	*1,628*	*306,336*	*(302,049)*	*4,287*

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 Comprehensive Income and Expenditure Account, are shown below.

	2014/15 Income	2014/15 Expenditure	*2013/14 Income*	*2013/14 Expenditure*
	£'000	£'000	*£'000*	*£'000*
Education Services				
Provision of Pupil Support Assistants to other local authorities	147	147	*136*	*136*
Roads and Transport Services				
Receipts from other local authorities for cross boundary bus services	29	29	*29*	*29*
Central Services				
Income from Scottish Water	444	444	*418*	*418*
Totals	620	620	*583*	*583*

17. External Audit Costs

In 2014/15 Perth and Kinross Council incurred the following fees relating to external audit services provided in accordance with the Code of Audit Practice:

	2014/15 £'000	*2013/14 £'000*
Fees payable to Audit Scotland	281	*281*

This includes £1,500 in respect of the audit of charitable trusts where the Council is the sole trustee (2013/14 £1,500).

18. Termination Benefits

The Council terminated the contracts of a number of employees in 2014/15, incurring liabilities of £168,000 (£2,002,000 in 2013/14). These were in relation to 24 officers (135 in 2013/14) from all Services across the Council throughout 2014/15 and will deliver 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 Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2014/15, the Council paid £7,763,452 to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.9% of pensionable pay. The figures for 2013/14 were £7,567,806 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 £253,846 (2013/14 £256,308).

Pension Schemes Accounted for as Defined Benefit Pension Schemes

Local Government Pension Scheme

The post-employment scheme for other employees, subject to certain qualifying criteria, is the Local Government Pension Scheme (LGPS) which is administered in this area by Dundee City Council in respect of all local authorities and admitted bodies in the former Tayside area. This is a multi-employer scheme in which it is possible for an employer to identify its share of the assets and liabilities on a consistent and reasonable basis. Employer's liabilities can be evaluated directly by the Actuary at any time on membership data.

Benefits

- It is a defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level to balance the pensions liability with investment assets.
- The pensions accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. 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 scheme's normal retirement age is 65. Pensions are increased annually in line with changes to the Pensions (Increases) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

Governance

- The Tayside Pension Fund is operated under the regulatory framework for the LGPS in Scotland and the governance of the scheme is the responsibility of the Tayside Pension Fund Committee. This committee is comprised solely of elected members of Dundee City Council. Employing authorities (including Perth & Kinross Council) are represented at the Tayside Pension Fund Representative Forum.
- Policy is determined in accordance with the Local Government Pension Scheme (Scotland) Regulations. Management of the Fund's investments is carried out by the Fund's Investment Advisory Panel which selects and appoints a number of external investment managers/partners and monitors their investment performance.
- Under the Regulations, employers fall into three categories, scheme employers (also known as schedule bodies) such as Perth & Kinross Council, community admission bodies and transferee admission bodies. Admission agreements are generally assumed to be open-ended. However, either party can voluntarily terminate the admission agreement by giving an appropriate period of notice to the other parties. Any deficit arising from the cessation valuation will usually be levied on the departing admission body as a capital payment.

Principal Risks

- The principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amount due by statute as described in the accounting policy note.

Discretionary Post-employment Benefits

- Discretionary post-retirement benefits on early retirements are an unfunded defined benefit arrangement, under which liabilities are recognised when an award is made. There are no plan assets built up to meet these pension liabilities.

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 Pension 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 pensions payments as they eventually fall due.

Career Average Revalued Earnings Scheme (CARE)

The Local Government Pension Scheme changed from Final Salary to Career Average Revalued Earnings (CARE) on 1 April 2015, with a change of accrual rate from 1/60th to 1/49th. Employees who were previously paying into the Final Salary scheme were automatically transferred into the new CARE scheme on 1 April.

Transactions Relating to Post-Employment Benefits

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 the Council is 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

	2014/15	*2013/14*
Comprehensive Income and Expenditure Statement	£'000	*£'000*
Cost of Services		
- Service Cost	26,378	*24,094*
Financing and Investment Income and Expenditure		
- Net Interest on the Defined Liability	11,613	*8,150*
Administration Expenses	196	*266*
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	38,187	*32,510*
Remeasurement of the net defined benefit liability comprising:		
Expected return on pension fund assets in excess of interest	(51,547)	*(14,482)*
Other Actuarial (Gains)/Losses on Assets	14,309	*0*
Changes in demographic assumptions	(29,962)	*18,616*
Changes in financial assumptions	76,199	*57,525*
Experience Gain on defined benefit obligation	(117,949)	*(362)*
Total Post Employment Benefit (Credited)/Charged to the Comprehensive Income & Expenditure Statement	(108,950)	*61,297*
Movement in Reserves Statement		
- Reversal of net charges made to the surplus or deficit on the Provision of Services for post-employment benefits in accordance with the code	(38,187)	*(32,510)*
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to Tayside Pension Fund	17,181	*16,901*

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit scheme is as follows:

	31 March 2015 £'000	*31 March 2014 £'000*
Present Value of the Defined Benefit Obligation	743,568	*769,231*
Present Value of Unfunded Obligation	28,242	*28,348*
Closing Defined Benefit Obligation	771,810	*797,579*
Fair Value of Pension Fund Assets (Bid Value)	(593,756)	*(531,581)*
Net Liability in Balance Sheet	178,054	*265,998*

A reconciliation of Perth & Kinross Council's share of the present value of Tayside Pension Fund's defined benefit obligation (liabilities) is as follows:

	31 March 2015 £'000	*31 March 2014 £'000*
Opening Defined Benefit Obligation	797,579	*681,549*
Current Service Cost	24,756	*22,050*
Interest Cost	35,561	*30,368*
Change in Financial Assumptions	76,199	*57,525*
Change in Demographic Assumptions	(29,962)	*18,616*
Experience (Gain) / Loss on Defined Benefit Obligation	(117,949)	*(362)*
Estimated Benefits Paid Net of Transfers In	(19,215)	*(17,565)*
Past Service Costs (including Curtailments)	1,622	*2,044*
Contributions by Scheme Particpants	5,133	*5,161*
Unfunded Pension Payments	(1,914)	*(1,807)*
Closing Defined Benefit Obligation	771,810	*797,579*

A reconciliation of the movements in Perth & Kinross Council's share of the fair value of Tayside Pension Fund's assets is as follows:

	31 March 2015 £'000	*31 March 2014 £'000*
Opening Fair Value of Scheme Assets	531,581	*492,457*
Interest on Assets	23,948	*22,218*
Return on Assets Less Interest	51,547	*14,482*
Other Actuarial Gains/Losses	(14,309)	*0*
Administration Expenses	(196)	*(266)*
Contributions by Employer Including Unfunded	17,181	*16,901*
Contributions by Scheme Particpants	5,133	*5,161*
Estimated Benefits Paid Plus Unfunded Net of Transfers In	(21,129)	*(19,372)*
Closing Fair Value of Scheme Assets	593,756	*531,581*

Perth & Kinross Council's share of Tayside Pension Fund's assets at 31 March 2015 comprised:

	31 March 2015		*31 March 2014*	
	£'000	%	*£'000*	*%*
Equities	420,464	70%	*377,423*	*71%*
Gilts	32,534	5%	*26,579*	*5%*
Other Bonds	75,036	13%	*69,105*	*13%*
Property	59,190	11%	*47,842*	*9%*
Cash	6,532	1%	*10,632*	*2%*
Total	593,756	100%	*531,581*	*100%*

A further breakdown of the assets as at 31 March 2015 is as follows:

	31 March 2015		31 March 2014	
Equities				
Consumer	11%		12%	
Financials	12%		12%	
Industrials	7%		8%	
Energy and Utilities	3%		4%	
Materials	2%		2%	
Healthcare	4%		4%	
Information Technology	5%		4%	
Telecommunications	1%		1%	
Pooled Investments	25%		24%	
		70%		71%
Gilts				
Government Bonds		5%		5%
Other Bonds				
Corporate Bonds	12%		12%	
Venture Capital / Partnerships	1%		1%	
		13%		13%
Property				
Retail	4%		3%	
Commercial	5%		4%	
Alternatives and Cash	2%		2%	
		11%		9%
Cash				
Forward Foreign Exchange Contracts		1%		2%
Total		100%		100%

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 Pension Fund are based on the latest full valuation of the scheme as at 31 March 2015.

The principal assumptions used by the actuary have been:

	2014/15	*2013/14*
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
- Men	21.2	*21.0*
- Women	23.2	*23.3*
Longevity at 65 for Future Pensioners:		
- Men	23.4	*23.2*
- Women	25.5	*25.6*
Rate of Inflation CPI	2.4%	*2.9%*
Rate of Inflation RPI	3.2%	*3.7%*
Rate of Increase in Salaries	4.2%	*5.1%*
Rate of Increase in Pensions	2.4%	*2.9%*
Rate for Discounting Scheme Liabilities	3.3%	*4.5%*
Take-up of Option to Convert Annual Pension into Retirement Lump Sum	50.0%	*50.0%*

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £178,054,000 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 2016 is £16,055,000.

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Adjustment to discount rate	+0.1%	0.0%	-0.1%
- Present value of total obligation as at 1 April 2015	£757,323,000	£771,810,000	£786,380,000
- Projected Service cost (2015/16)	£22,196,000	£22,713,000	£23,242,000
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
- Present value of total obligation as at 1 April 2015	£774,538,000	£771,810,000	£769,100,000
- Projected Service cost (2015/16)	£22,713,000	£22,713,000	£22,713,000
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
- Present value of total obligation as at 1 April 2015	£783,767,000	£771,810,000	£760,095,000
- Projected Service cost (2015/16)	£23,246,000	£22,713,000	£22,191,000
Adjustment to mortality age rating assumption	+ 1 year	None	-1 year
- Present value of total obligation as at 1 April 2015	£743,196,000	£771,810,000	£800,644,000
- Projected Service cost (2015/16)	£21,891,000	£22,713,000	£23,542,000

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.

<u>Scottish Government</u>
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 (e.g. Council Tax bills). Grants received from government departments are set out in the subjective analysis in Note 15 on amounts reported to decision makers.

<u>Tayside Valuation Joint Board</u>
The Tayside Valuation Joint Board provides services on behalf of Perth & Kinross, Angus and Dundee Councils. The Council does not have any direct control or influence over the board and the amount payable to this body for valuation services and electoral registration services was £1,417,000.

<u>Members</u>
Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in the Remuneration Report. During 2014/15, two councillors had an interest in businesses from which the Council commissioned works and services to the value of £22,861, and £22,446 respectively. Contracts were entered into in full compliance with the Council's standing orders and the Councillors' Code of Conduct.

<u>Live Active Leisure Ltd</u>
This organisation provides leisure services within the area served by the Council. A grant was provided in 2014/15 amounting to £3,997,000 (2013/14 £3,556,000). It is a sole member Company with the Council as that member.

<u>Horsecross Arts Ltd</u>
This organisation operates Perth Concert Hall and Perth Theatre. A grant was provided in 2014/15 amounting to £1,187,000 (2013/14 £1,676,000). It is a sole member Company with the Council as that member.

<u>Tayside Contracts Joint Committee</u>
This organisation provides roads maintenance; catering and cleaning services to the Council. Payments to Tayside Contracts in 2014/15 amounted to £21,288,000 (2013/14 £20,982,000). The Joint Committee is administered and controlled between Dundee City, Angus and Perth and Kinross Councils.

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 2015/16 to 2018/19.

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:

	2014/15	*2013/14*
	£'000	*£'000*
Not later than one year	797	*836*
Later than one year and not later than five years	1,235	*1,921*
Later than five years	733	*1,007*
	2,765	*3,764*

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

	2014/15	*2013/14*
	£'000	*£'000*
Minimum lease payments	792	*847*
Sublease payments receivable	(15)	*(20)*
	777	*827*

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:

	2014/15	*2013/14*
	£'000	*£'000*
Not later than one year	1,302	*1,362*
Later than one year and not later than five years	3,968	*4,214*
Later than five years	50,144	*50,424*
	55,414	*56,000*

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 2013/14 and 2014/15.

22 Property, Plant and Equipment

Movements on Fixed Assets 2014/15 in respect of Property, Plant & Equipment are shown below:

Movements in 2014/15	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 2014	88,303	435,014	36,581	194,882	14,286	769,066
Additions	13,544	11,534	6,881	16,426	1,187	49,572
Revaluation increases recognised in the Revaluation Reserve	166,657	457	0	0	0	167,114
Revaluation decreases recognised in the Revaluation Reserve	0	(146)	0	0	0	(146)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	7,907	195	0	0	0	8,102
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	0	(3,230)	0	0	0	(3,230)
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition - disposals	(2,000)	(40)	(5,920)	0	0	(7,960)
Asset reclassifications	4,154	8,047	0	0	0	12,201
As at 31 March 2015	278,565	451,831	37,542	211,308	15,473	994,719
Depreciation						
As at 1 April 2014	(19,524)	(30,920)	(23,818)	(74,676)	(5,186)	(154,124)
Depreciation charge for 2014/15	(15,522)	(12,503)	(4,799)	(7,804)	(925)	(41,553)
Depreciation written out to the Revaluation Reserve - revaluation gain	18,645	127	0	0	0	18,772
Depreciation written out to the Revaluation Reserve - revaluation loss	0	8	0	0	0	8
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	879	216	0	0	0	1,095
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	0	81	0	0	0	81
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0
Derecognition - disposals	520	2	5,817	0	0	6,339
Asset reclassifications	0	127	0	0	0	127
As at 31 March 2015	(15,002)	(42,862)	(22,800)	(82,480)	(6,111)	(169,255)
Net Book Value at 31 March 2015	263,563	408,969	14,742	128,828	9,362	825,464

Movements in 2014/15

	Sub total b/fwd £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	PFI Assets Included in PPE £'000
Gross Book Value					
As at 1 April 2014	769,066	803	21,007	790,876	132,735
Additions	49,572	8	21,827	71,407	343
Revaluation increases recognised in the Revaluation Reserve	167,114	0	0	167,114	0
Revaluation decreases recognised in the Revaluation Reserve	(146)	0	(53)	(199)	0
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	8,102	0	0	8,102	0
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(3,230)	(60)	(119)	(3,409)	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0
Derecognition - disposals	(7,960)	0	0	(7,960)	0
Asset reclassifications	12,201	(25)	(14,347)	(2,171)	0
As at 31 March 2015	994,719	726	28,315	1,023,760	133,078
Depreciation					
As at 1 April 2014	(154,124)	(32)	0	(154,156)	(13,375)
Depreciation charge for 2014/15	(41,553)	(15)	0	(41,568)	(3,225)
Depreciation written out to the Revaluation Reserve - revaluation gain	18,772	0	0	18,772	0
Depreciation written out to the Revaluation Reserve - revaluation loss	8	0	3	11	0
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	1,095	0	117	1,212	0
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	81	12	7	100	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0
Derecognition - disposals	6,339	0	0	6,339	0
Asset reclassifications	127	0	(127)	0	0
As at 31 March 2015	(169,255)	(35)	0	(169,290)	(16,600)
Net Book Value at 31 March 2015	825,464	691	28,315	854,470	116,478

Comparative Movements in 2013/14

	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 2013	73,759	453,967	33,414	178,302	12,277	751,719
Additions	12,378	8,883	5,842	16,580	2,009	45,692
Revaluation increases recognised in the Revaluation Reserve	0	5,725	0	0	0	5,725
Revaluation decreases recognised in the Revaluation Reserve	0	(18,481)	0	0	0	(18,481)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	0	244	0	0	0	244
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	0	(5,600)	0	0	0	(5,600)
Derecognition - disposals	(492)	(170)	(2,675)	0	0	(3,337)
Asset reclassifications	2,658	(9,554)	0	0	0	(6,896)
As at 31 March 2014	88,303	435,014	36,581	194,882	14,286	769,066
Depreciation						
As at 1 April 2013	(14,061)	(29,145)	(21,614)	(67,433)	(4,379)	(136,632)
Depreciation charge for 2013/14	(5,573)	(10,433)	(4,795)	(7,243)	(807)	(28,851)
Depreciation written out to the Revaluation Reserve - revaluation gain	0	643	0	0	0	643
Depreciation written out to the Revaluation Reserve - revaluation loss	0	6,422	0	0	0	6,422
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	0	237	0	0	0	237
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	0	217	0	0	0	217
Derecognition - disposals	110	5	2,591	0	0	2,706
Asset reclassifications	0	1,134	0	0	0	1,134
As at 31 March 2014	(19,524)	(30,920)	(23,818)	(74,676)	(5,186)	(154,124)
Net Book Value at 31 March 2014	68,779	404,094	12,763	120,206	9,100	614,942

Comparative Movements in 2013/14	Sub total b/fwd £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	PFI Assets Included in PPE £'000
Gross Book Value					
As at 1 April 2013	751,719	604	8,194	760,517	132,700
Additions	45,692	85	12,186	57,963	35
Revaluation increases recognised in the Revaluation Reserve	5,725	0	0	5,725	0
Revaluation decreases recognised in the Revaluation Reserve	(18,481)	0	(2,989)	(21,470)	0
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	244	0	0	244	0
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(5,600)	0	(398)	(5,998)	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(1,666)	0	(1,666)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(713)	0	(713)	0
Derecognition - disposals	(3,337)	(65)	0	(3,402)	0
Asset reclassifications	(6,896)	2,558	4,014	(324)	0
As at 31 March 2014	769,066	803	21,007	790,876	132,735
Depreciation					
As at 1 April 2013	(136,632)	(14)	0	(136,646)	(10,176)
Depreciation charge for 2013/14	(28,851)	(25)	0	(28,876)	(3,199)
Depreciation written out to the Revaluation Reserve - revaluation gain	643	0	36	679	0
Depreciation written out to the Revaluation Reserve - revaluation loss	6,422	0	575	6,997	0
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	237	0	0	237	0
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	217	0	0	217	0
Revaluation reserve	0	202	0	202	0
Derecognition - disposals	2,706	7	0	2,713	0
Asset reclassifications	1,134	(202)	(611)	321	0
As at 31 March 2014	(154,124)	(32)	0	(154,156)	(13,375)
Net Book Value at 31 March 2014	614,942	771	21,007	636,720	119,360

Capital Commitments

At 31 March 2015, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £9.042m. Similar commitments at 31 March 2014 were £9.800m. The total commitment is made up of the following:

	2014/15 £'000	*2013/14 £'000*
Education Projects	7,285	*3,663*
Roads & Bridges Improvement Schemes	1,052	*3,166*
Flood Prevention	94	*0*
Other Environmental Improvements	134	*184*
Fleet Vehicles	0	*788*
Provision and Upgrade of Commercial Sites	25	*698*
Other Capital Projects	452	*1,301*
	9,042	*9,800*

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 with the exception of Council Dwellings which were carried out by the District Valuer. 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	Surplus Assets £'000	Total £'000
Carried at historical cost	17,699	87,740	66	105,505
Values at fair value as at:				
31 March 2015	260,866	19,769	20	280,655
31 March 2014	0	82,714	180	82,894
31 March 2013	0	44,417	400	44,817
31 March 2012	0	172,987	60	173,047
31 March 2011	0	44,204	0	44,204
Total Cost or Valuation	278,565	451,831	726	731,122

Changes in Estimates

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued every five years. Valuations of land and buildings were carried out in accordance with the methodologies and basis for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors (RICS). In line with the rolling programme, revaluation of the Council Dwellings was required in 2014/15 and was undertaken externally by the Valuation Office in accordance with RICS professional standards, and CIPFA Code and LASAAC guidance. Council Dwellings continue to be valued at fair value measured by Existing Use Value for Social Housing (EUV-SH), however the accounting estimate in arriving at fair value was changed by the Council from Discounted Cash Flow to the Beacon method (Adjusted Vacant Possession) in accordance with mandatory LASAAC guidance.

With the Beacon principle, house types are valued to fair value on the assumption there is no potential residential redevelopment on the site or intensification of use. The values are adjusted by a factor to arrive to EUV-SH to reflect the fact that the sitting tenants enjoy rents lower than the open market rent and have tenants' rights. The revaluation of Council Dwellings at 1 April 2014 resulted in a revaluation increase of £194.088m, of which £8.786m was a reversal of previous valuation losses and the remaining balance of £185.302m was credited to the Revaluation Reserve.

The Council made no other material changes to accounting estimates for Property, Plant and Equipment in 2014/15.

23 Heritage Assets

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

	2014/15 Art Collection £'000	2014/15 War Memorials £'000	2014/15 Total £'000	*2013/14 Art Collection £'000*	*2013/14 War Memorials £'000*	*2013/14 Total £'000*
Cost or Valuation						
Balance at 1 April	24,013	46	24,059	*20,592*	*46*	*20,638*
Revaluations	0	0	0	*3,421*	*0*	*3,421*
Balance at 31 March	24,013	46	24,059	*24,013*	*46*	*24,059*

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. 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 £9.3m. Of note are paintings by John Everett Millais, Samuel John Peploe, and Francis Campbell Boileu which have a collective value of £6m. A further £1.1m was added to the value of Heritage Assets in 2012/13 following the curatorial valuation of watercolours and drawings, and the J D Fergusson works on paper. The 2013/14 revaluation programme included the curatorial valuation of the Margaret Morris archives, which resulted in £3.4m being added to the value of Heritage Assets. No revaluations were undertaken during 2014/15 and the rolling revaluation programme will recommence in 2015/16. The review of the Fine and Applied Art collection by the curators concluded that there was no individual item of significant value requiring valuation during the year and there has consequently been no change to the value of Heritage Assets from 2013/14.

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

	2014/15	*2013/14*
	£'000	*£'000*
Rental income from investment property	(1,141)	*(1,128)*
Direct operating expenses arising from investment property	137	*93*
Net gain	(1,004)	*(1,035)*

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 to undertake repairs, maintenance or enhancement.

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

	2014/15 £'000	*2013/14 £'000*
Balance at start of year	16,428	*16,224*
Additions	1,587	*0*
Disposals:	(176)	*(95)*
Net (losses)/gains from fair value adjustments	(2,138)	*376*
Reclassifications: from/(to) Property, Plant and Equipment	1,998	*(77)*
Balance at end of year	17,699	*16,428*

25 Intangible Assets

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

	2014/15 Assets £'000	*2013/14 Assets £'000*
Balance at start of year		
Gross carrying amount	136	*136*
Accumulated amortisation	(108)	*(82)*
Net carrying amount at start of year	28	*54*
Additions: Purchases	48	*0*
Amortisation for the period	(33)	*(26)*
Net carrying amount at end of year	43	*28*
Comprising:		
Gross carrying amounts	184	*136*
Accumulated amortisation	(141)	*(108)*
	43	*28*

Intangible Assets include the historic cost for the internal development of software for Resourcelink, the Council's integrated Human Resources Payroll system. The Council is custodian of Resourcelink software and data and continues to maintain control over the system; future economic benefits will therefore continue to flow to the council. Amortisation of Resourcelink expenditure commenced in 2008/09 and the historic cost has now been written down in full.

In addition to the above, other assets also includes the purchase of software licences which will provide future benefit to the Council, these are amortised over the three year licence term, which commenced in 2012/13.

Current year additions consist of the cost of the software license and additional development of Concerto, the Council's Corporate Asset Management software, which will provide future benefit to the Council; this is amortised over the seven year licence term, commencing in 2014/15.

26 Assets Held for Sale

	Current		Non Current	
	2014/15 £'000	*2013/14 £'000*	2014/15 £'000	*2013/14 £'000*
Balance outstanding at start of year	0	*717*	2,525	*2,445*
Assets newly classified as held for sale:				
- Property, Plant and Equipment	174	*0*	0	*80*
Revaluation Losses	0	*0*	0	*0*
Assets sold	0	*(717)*	(309)	*0*
Transfers from non-current to current	100	*0*	(100)	*0*
Balance outstanding at year end	274	*0*	2,116	*2,525*

27 Long Term Debtors

	2014/15	*2013/14*
	£'000	*£'000*
Other Entities & Individuals	300	*837*
Impairment	0	*(180)*
Total	300	*657*

28 Inventories

	Consumables & Maintenance Materials	
	2014/15	*2013/14*
	£'000	*£'000*
Balance outstanding at start of year	516	*565*
Purchases	2,971	*2,891*
Recognised as an expense in the year	(3,012)	*(2,937)*
Written off balances	(9)	*(3)*
Balance outstanding at end of year	466	*516*

29 Debtors

	2014/15	2014/15	*2013/14*	*2013/14*
	£'000	£'000	*£'000*	*£'000*
	Gross	Net	*Gross*	*Net*
Scottish Government		5,443		*9,758*
Central Government		5,817		*2,762*
Other Local Authorities		80		*53*
NHS Bodies		310		*438*
Other Entities & Individuals	14,955		*14,822*	
less Impairment	(9,270)		*(8,862)*	
		5,685		*5,960*
Trade	6,527		*6,065*	
less Impairment	(678)		*(562)*	
		5,849		*5,503*
Council Tax & Community Charge	15,792		*16,226*	
less Impairment	(12,247)		*(13,436)*	
		3,545		*2,790*
Total		26,729		*27,264*

30 Creditors

	2014/15	*2013/14*
	£'000	*£'000*
Scottish Government	(3)	*(107)*
Central Government	(4,683)	*(5,188)*
Other Local Authorities	(601)	*(1,045)*
NHS Bodies	(5)	*(15)*
Public Corporations and Trading Funds	0	*(230)*
Other Entities and Individuals	(20,623)	*(20,973)*
Trade Creditors	(24,926)	*(23,213)*
Total	(50,841)	*(50,771)*

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 2015.

Equal Pay Claims
The Council's provision for Equal Pay at 1 April 2014 has been used to settle claims in 2014/15 and re-classified as a creditor for payments to be made in 2015/16.

VAT
The Council initially received advice from its advisors that should it be identified that housing repairs are required to be undertaken on properties within the Council's portfolio that also had owned properties within the confines of the structure that on agreement from the owners the work could commence and any charges to the owners for the repairs would be exclusive of Value Added Tax (VAT). Therefore based on this advice a total of £106,000 of VAT was not included within invoices to the owners for repairs to their properties. This advice has now been contradicted by a communication received by Her Majesty's Revenue and Customs (HMRC) which stated that VAT should be charged in this circumstance. The Council's VAT advisors are currently appealing the HMRC decision.

As the Council entered into agreement with the owners based on any works being VAT exclusive then any potential costs would probably rest with the Council.

	Self Insured/ Uninsured Losses	Equal Pay Claims	VAT	Total
	£'000	£'000	£'000	£'000
Balance as at 1 April 2014	1,366	763	0	2,129
Additional provisions made in 2014/15	93	0	106	199
Amounts used in 2014/15	(231)	(35)	0	(266)
Re-classified as creditor in 2014/15	0	(596)	0	(596)
Unused amounts reversed in 2014/15	0	(132)	0	(132)
Balance as at 31 March 2015	1,228	0	106	1,334
Balance Sheet Disclosure:				
Less than 12 months	98	0	106	204
Over 12 months	1,130	0	0	1,130
	1,228	0	106	1,334

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

	2014/15	*2013/14*
	£'000	*£'000*
Revaluation Reserve	(246,847)	*(71,470)*
Capital Adjustments Account	(242,550)	*(224,072)*
Financial Instruments Adjustment Account	12,198	*12,787*
Pensions Reserve	178,054	*265,998*
Employee Statutory Adjustment Account	5,680	*5,380*
Total Unusable Reserves	(293,465)	*(11,377)*

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.

	2014/15	*2013/14*
	£'000	*£'000*
Balance at 1 April	(71,470)	*(78,563)*
Upward revaluation of assets	(185,886)	*(9,825)*
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	186	*15,937*
	(257,170)	*(72,451)*
Difference between fair value depreciation and historical cost depreciation	9,191	*915*
Accumulated gains on assets sold or scrapped	1,132	*66*
Amount written off to the Capital Adjustment Account	10,323	*981*
Balance at 31 March	(246,847)	*(71,470)*

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.

	2014/15	*2013/14*
	£'000	*£'000*
Balance at 1 April	(224,072)	*(219,313)*
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	41,568	*28,876*
Revaluation losses on Property, Plant and Equipment	(6,005)	*6,013*
Amortisation of intangible assets	33	*26*
Amounts of non current assets written off on disposal as part of the gain/loss	2,106	*1,501*
	(186,370)	*(182,897)*
Adjusting amounts written out of the Revaluation Reserve	(10,323)	*(981)*
	(196,693)	*(183,878)*
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(3,047)	*(2,918)*
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(18,753)	*(12,269)*
Application of grants to capital financing from Capital Grants Unapplied Account	0	*(583)*
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(15,762)	*(15,542)*
Capital expenditure charged against the general fund and HRA balances	(10,434)	*(8,506)*
	(244,689)	*(223,696)*
Movements in the fair value of the Investment Properties	2,139	*(376)*
Balance at 31 March	(242,550)	*(224,072)*

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 2015 in respect of the above provisions will be charged to the General Fund and HRA over the next 40 years. The movements on the FIAA during the year are shown below:

	2014/15	*2013/14*
	£'000	*£'000*
Balance at 1 April	12,787	*13,375*
Proportion of discounts incurred in previous financial years credited against the General Fund & HRA Balance in accordance with statutory requirements in the year	10	*10*
Proportion of premiums incurred in previous financial years charged against the General Fund & HRA Balance in accordance with statutory requirements in the year	(584)	*(584)*
Difference on restatement of Stepped Interest Rate Loans	(15)	*(14)*
Balance at 31 March	12,198	*12,787*

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.

	2014/15	*2013/14*
	£'000	*£'000*
Balance at 1 April	265,998	*189,092*
Actuarial Gains or Losses on Pensions Assets and Liabilities	(108,950)	*61,297*
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	38,187	*32,510*
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(17,181)	*(16,901)*
Balance at 31 March	178,054	*265,998*

Employee Statutory Adjustment Account

The Employee Statutory Adjustment 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.

	2014/15	*2013/14*
	£'000	*£'000*
Balance at 1 April	5,380	*4,602*
Settlement or cancellation of accrual made at the end of the preceding year	(5,380)	*(4,602)*
Amounts accrued at the end of the current year	5,680	*5,380*
Balance at 31 March	5,680	*5,380*

34 Impairment Losses

There was a £6.005m net loss following the revaluation of properties during the year, all 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.

35 Grants

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15.

	2014/15	*2013/14*
	£'000	*£'000*
Credited to Taxation and Non Specific Grant Income		
Scottish Government	17,578	*10,142*
Scottish Government Directorates (Historic Scotland, NHS)	0	*1,000*
Other Scottish Government Bodies	708	*302*
Developer Contributions	0	*250*
Other Third Party Contributions	467	*575*
	18,753	*12,269*
Credited to Services		
Scottish Government	4,098	*5,863*
Scottish Government Directorates (Historic Scotland, NHS)	375	*690*
Sport Scotland	523	*414*
Local Authority	40	*27*
Other Scottish Government Bodies	459	*362*
Other Third Party Contributions	867	*524*
	6,362	*7,880*

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.

	2014/15	*2013/14*
	£'000	*£'000*
Capital Financing Requirements b/fwd	383,170	*364,153*
Capital Expenditure		
Property, Plant and Equipment	73,042	*57,963*
Revenue Expenditure funded from Capital	1,845	*3,066*
	74,887	*61,029*
	458,057	*425,182*
Sources of Finance		
Capital Receipts	(3,062)	*(2,629)*
Government Grants and Contributions	(20,598)	*(15,335)*
Revenue Contributions	(10,434)	*(8,506)*
Loans Fund Principal Repayments	(15,762)	*(15,542)*
	(49,856)	*(42,012)*
Closing Capital Financing Requirement c/fwd	408,201	*383,170*
Movement	25,031	*19,017*
Analysed as:		
Increase in need to borrow	28,775	*22,741*
Net assets acquired under PPP contract	(3,744)	*(3,724)*
	25,031	*19,017*

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 2014/15 for the office accommodation was £2,649,000 (2013/14 £2,624,000).

The unitary charge for 2014/15 for the car park was £405,000 (2013/14 £403,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2015/16 for the office accommodation will be £2,707,000 and for the car park £410,000.

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. North Inch Primary was brought into operation in 2011/12. Breadalbane Campus at Aberfeldy was completed in 2010/11 and the campuses Blairgowrie, Glenearn at Perth South, Loch Leven at Kinross, Strathearn at Crieff and the North Inch Secondary School Campus 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 2014/15 for the campuses operating in the year was £15,167,000 (2013/14 £14,736,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2015/16 for all school campuses are estimated to be £15,499,000.

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

	2014/15	*2013/14*
	£'000	*£'000*
Net Book Value at 1 April 2014	119,360	*122,524*
Additions	343	*35*
Depreciation	(3,225)	*(3,199)*
Net Book Value at 31 March 2015	116,478	*119,360*

Movements in Public Private Partnership Liabilities during the year were:

	2014/15	*2013/14*
	£'000	*£'000*
Liabilities at 1 April 2014	129,158	*132,882*
Amounts repaid in year	(3,744)	*(3,724)*
Liabilities at 31 March 2015	125,414	*129,158*
Disclosed in the Balance Sheet as:		
Long Term Liabilities	121,690	*125,414*
Creditors	3,724	*3,744*
Liabilities at 31 March 2015	125,414	*129,158*

Future Public Private Partnership liabilities due to be met:

	Repayment of liability	Interest	Service Charges	Lifecycle Maintenance	Contingent Rentals	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Due within one year	3,724	6,581	5,931	1,069	1,312	18,617
Due in 2 to 5 years	16,944	23,915	25,433	4,855	7,638	78,785
Due in 6 to 10 years	23,406	23,446	36,011	12,220	13,976	109,059
Due in 11 to 15 years	17,046	16,292	36,317	17,909	18,162	105,726
Due in 16 to 20 years	22,761	12,061	40,996	15,470	26,702	117,990
Due in 21 to 25 years	30,828	6,163	46,788	12,877	36,839	133,495
Due in 26 to 30 years	10,705	507	15,587	4,252	13,142	44,193
Total	125,414	88,965	207,063	68,652	117,771	607,865

These figures are based on the actual cash amount estimated to be payable and not on prices at 31 March 2015.

38 Authorisation of Annual Accounts

The Unaudited Annual Accounts were authorised for issue by the Head of Finance on 23 June 2015 and the Audited Annual Accounts were authorised for issue on 16 September 2015. 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

39 Contingent Liabilities

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.

There is a contingent liability relating to Municipal Mutual Insurance (MMI), who were the insurers for Tayside Regional Council (TRC). Following a Supreme Court judgement in November 2012 a scheme of arrangement has been put in place where MMI will seek to recover, from the scheme members or successors, 15% of all claims paid out since 1993 on policies taken out by TRC (less an overall total reduction of £50,000). Perth and Kinross Council is one of the successor bodies of TRC. It is not currently clear whether the remaining assets of the TRC Insurance Fund will be sufficient to meet any liability.

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. Property titles are being reviewed when land and/or buildings are declared surplus to operational needs and, until all property titles for all former burghs are reviewed, 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 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 potential issue relating to the tax treatment of Councillors' expenses when travelling between home and Council offices. National guidance provided by the Scottish Local Authorities Remuneration Committee (SLARC) advised that such journeys were not taxable on the strength of Councillors having two places of work, their home, where they conduct some Council business and the Council chambers. Her Majesty's Revenues and Customs may not agree with this guidance. If the taxable treatment of Councillors' expenses changes, then arrears of taxation may fall due by the Council as the employer.

The Council operates services from a number of properties that it does not own. In the future there may be a liability in respect of property costs to reinstate buildings to their original specification and design.

The Council has a potential liability in respect of financial guarantees for the Tayside Pension Fund in respect of Scheduled Bodies and Admitted Bodies should they cease to exist, withdraw from the Pension Scheme or otherwise become unable to continue covering any unfunded liabilities. These include Tayside and Central Scotland Transport Partnership, Live Active Leisure Ltd, Horsecross Arts Limited, Perth & Kinross Countryside Trust, Perth & Kinross Society for the Blind and Perth Citizens' Advice Bureau. In addition the Council has a potential liability in respect of pensions for the Convention of Scottish Local Authorities (COSLA) should the organisation cease to exist.

The Council has identified a potential liability in respect of a claim intimated to it for loss of profit on the part of a third party. At this stage it is impossible to assess the chances of success of the claim.

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 2015	*31 March 2014*	31 March 2015	*31 March 2014*	31 March 2015	*31 March 2014*
	£'000	*£'000*	£'000	*£'000*	£'000	*£'000*
Borrowings						
Financial liabilities at amortised cost	224,598	*189,035*	25,065	*12,764*	249,663	*201,799*
Total borrowings	224,598	*189,035*	25,065	*12,764*	249,663	*201,799*
Investments						
Loans and receivables	254	*780*	49,093	*20,087*	49,347	*20,867*
Total investments	254	*780*	49,093	*20,087*	49,347	*20,867*

Lender Option Borrower Option (LOBO) borrowings of £39.84m have been included in long term borrowing as at 31 March 2015 but have a call date in the next 12 months.

The above long term figures are based on the 2014 Code which requires that in undertaking Effective Interest Rate (EIR) calculations, the maturity period for a LOBO is taken as being the contractual period to maturity.

Financial Instruments Gains / Losses

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

2014/15	**Financial Liabilities**	**Financial Assets**		
	Liabilities measured at amortised cost	Loans and receivables	Total 2014/15	*Total 2013/14*
	£'000	**£'000**	**£'000**	*£'000*
Interest expense	9,719	0	9,719	*8,442*
Losses on derecognition	0	25	25	*0*
Interest payable and similar charges	9,719	25	9,744	*8,442*
Interest income	0	(382)	(382)	*(450)*
Interest and investment income	0	(382)	(382)	*(450)*
Losses on revaluation	0	12	12	*21*
Losses arising on revaluation of financial assets	0	12	12	*21*
Net (gain)/loss for the year	9,719	(345)	9,374	*8,013*

Fair Value of 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 2015 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 2015, 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 125/15.
- 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 2015		*31 March 2014*	
	Carrying amount	**Fair value**	*Carrying amount*	*Fair value*
	£'000	**£'000**	*£'000*	*£'000*
Public Works Loans Board (PWLB)	196,430	235,881	*150,298*	*162,061*
Lender Option Borrower Option (LOBO)	44,863	57,220	*44,875*	*45,264*
Local Authority Bonds	5,001	5,020	*5,001*	*4,860*
Short term borrowing	1,346	2,183	*1,335*	*1,336*
Other (Special Loans)	1,734	1,737	*290*	*288*
Other Market Loans	289	280	*0*	*0*
Financial Liabilities	249,663	302,321	*201,799*	*213,809*

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 2015		*31 March 2014*	
	Carrying amount	**Fair value**	*Carrying amount*	*Fair value*
	£'000	**£'000**	*£'000*	*£'000*
Cash (including petty cash)	2,683	2,684	*4,740*	*4,742*
Deposits with Banks and Building Societies	46,156	46,182	*15,088*	*15,097*
Icelandic Deposit	0	0	*201*	*201*
Loans to Others	508	508	*838*	*836*
Financial Assets	49,347	49,374	*20,867*	*20,876*

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, Money Market Funds 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, building societies and Money Market Funds 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 2015	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2015	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with banks and other financial institutions	56,651	0	0	0
Loans to Others	508	0	0	0
Debtors	20,089	2.9	2.9	583
Total	77,248	-	-	583

The Council's overall exposure to credit risk in relation to its deposits in banks and other financial institutions of £56.651m 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 2015. The repayment profile of these deposits, including loans to others, is shown below:

	31 March 2015	*31 March 2014*
	£'000	*£'000*
Less than three months	38,110	*17,174*
Three to six months	18,541	*7,519*
Six months to one year	-	-
More than one year	-	*1,039*
Total	56,651	*25,732*

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 2015 in this category is £508,000, and experience of default is negligible.

Debtors

The Council does not generally allow credit for customers, such that £16.415m of the £20.089m balance is past its due date for payment.

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

	31 March 2015	*31 March 2014*
	£'000	*£'000*
Less than three months	13,002	*9,422*
Three to six months	195	*154*
Six months to one year	545	*398*
More than one year	2,673	*2,535*
Total	16,415	*12,509*

(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):

Loans outstanding	**On 31 March 2015**	***On 31 March 2014***
	£'000	***£'000***
Public Works Loans Board	194,532	*148,693*
Market debt	43,489	*43,200*
Local Authority Bonds	5,000	*5,000*
Temporary borrowing	1,346	*1,335*
Local bonds	1,734	*290*
Bank Overdraft	7,851	*4,903*
Total	**253,952**	***203,421***
Less than 1 year	30,643	*15,689*
Between 1 and 2 years	6,711	*19,661*
Between 2 and 5 years	30,644	*24,984*
Between 5 and 10 years	33,511	*34,426*
Between 10 and 15 years	10,172	*10,480*
More than 15 years	142,271	*98,181*
Total	**253,952**	***203,421***

In the more than 15 years category there are £38.2m of LOBO borrowings 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:

- Reductions 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 Account, but offset by increased investment returns.

- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the balance sheet for 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 any 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 2015.

- The fair value of fixed rate financial assets 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 may 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 2015, 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	491
Increase in interest receivable on variable rate investments	(590)
Impact on Comprehensive Income and Expenditure Statement	(99)
Share of overall impact credited to the HRA	(21)

The impact of a 1% fall in interest rates would have been an estimated cost of £380,000 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 £79,000 payable on other small loan balances.

Foreign Exchange Risk

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

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 £1 million deposited with Glitnir as follows:

Bank	Date Deposited	Original Maturity date	Amount Deposited	Interest Rate	Debtor as at 31 March 2015
Glitnir	19 March 2008	19 December 2008	£1,000,000	6.0%	£0

Since October 2010, the management of the affairs of Glitnir have been undertaken by the Winding-Up Board under Icelandic law. The Winding-Up Board made a distribution to the priority creditors in March 2012. As the cash balances held by Glitnir at that time were held in a variety of currencies, the repayment was made 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 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. In February 2015, the Icelandic Central Bank lifted the controls which had prevented local authorities participating in currency auctions in Iceland, whereby the ISK could be converted to Euros. Accordingly the Council participated in the auction and was successful in converting the balance of ISK held to Euros, and then ultimately repaid to its UK bank account in sterling. After the deduction of fees, the amount received in February 2015 was £155,350 resulting in an exchange rate loss of £49,700.

In addition, in May 2014, the Winding-Up Board of Glitnir had made a claim for an overpayment against the Council. This arose as a result of a ruling of the Icelandic Supreme Court in October 2013 which determined the exchange rates to be applied on any distribution of funds in cases of bankruptcy. Applying these exchange rates retrospectively showed that a net overpayment has arisen, amounting to £18,073 (at current exchange rates). Following the negotiations on this claim, a final overpayment of £11,481 was agreed with the Winding-Up Board and settled in March 2015.

As a result of all the movements outlined above, the Council has received a total of £971,000 from the Glitnir Winding-Up Board since the bank went into administration. This represents a net exchange rate loss on recovering the initial deposit (including interest) of £29,000, and as all amounts due to the Council have now been paid, the carrying value of the funds held in Iceland amount to nil.

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

The accumulated balance on the General Fund at 31 March 2015 includes net surplus funds of £1,284,000 (31 March 2014 £1,261,000) in respect of schools participating in the Devolved School Management scheme. There are a number of schools with surpluses totalling £1,317,000 and a number of schools carrying forward deficits amounting to £33,000. These surpluses and deficits are earmarked in 2015/16 for the individual schools concerned.

42. Operating Activities

The cash flows for operating activities include the following items**:**

	2014/15	*2013/14*
	£'000	*£'000*
Interest received	(306)	*(790)*
Interest paid	16,991	*16,066*
	16,685	*15,276*

43. Investing Activities

	2014/15	*2013/14*
	£'000	*£'000*
Purchase of property, plant and equipment, investment property and intangible assets	(71,424)	*(55,432)*
Purchase of short-term and long-term investments	(73,656)	*(20,088)*
Proceeds from the sale of of property, plant and equipment, investment property and intangible assets	3,046	*2,619*
Proceeds of short-term and long-term investments	42,588	*32,427*
Other receipts for investing activities	18,753	*12,269*
	(80,693)	*(28,205)*

44. Financing Activities

	2014/15	*2013/14*
	£'000	*£'000*
Cash receipts of short and long-term borrowing	76,020	*42,048*
Cash payments for the reducation of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(3,744)	*(3,724)*
Repayments of short and long-term borrowing	(27,850)	*(45,500)*
Net cash flows from financing activities	44,426	*(7,176)*

45. Cash and Cash Equivalents

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

	2014/15	*2013/14*
	£'000	*£'000*
Cash held by officers	34	*36*
Bank current accounts	(7,846)	*(4,901)*
Short-term deposits with banks	10,495	*9,605*
Total cash and cash equivalents	2,683	*4,740*

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 69.

These funds include 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 March 2015	*31 March 2014*
	£'000	*£'000*
Education Trust - Financial Assistance		
Net assets	899	*860*
Net Incoming Resources before other recognised gains and losses	(3)	*1*
Education Trust - Endowments		
Net assets	57	*61*
Net Incoming Resources before other recognised gains and losses	(3)	*(3)*
Other Charitable Trusts		
Net assets	2,229	*1,927*
Net Incoming Resources before other recognised gains and losses	137	*5*
TOTAL Net Assets	**3,185**	***2,848***
TOTAL Net Incoming Resources before other recognised gains and losses	**131**	***3***

Detailed Accounts for the Charities are available from the Head of Finance, Blackfriars, North Port, Perth, PH1 5LU.

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 that 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.

2013/14		2014/15		
£'000		£'000	£'000	£'000
	Income			
(22,925)	Dwelling Rents	(24,068)		
194	less Voids	191		
			(23,877)	
(719)	Non-Dwelling Rents	(719)		
188	less Voids	232		
			(487)	
(1,451)	Other Income		(1,214)	
(24,713)	**Total Income**			(25,578)
	Expenditure			
8,036	Repairs & Maintenance		7,651	
7,316	Supervision & Management		7,645	
5,706	Depreciation, impairment and revaluation losses on non current assets		7,909	
225	Movement in the Impairment of Debtors		321	
1,096	Other expenditure		1,247	
22,379	**Total Expenditure**			24,773
(2,334)	**Net Income for HRA Services as included in the Comprehensive Income and Expenditure Statement**			(805)
412	HRA services' share of Corporate and Democratic Core			295
(1,922)	**Net Income for HRA Services**			(510)
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(517)	Gain on sale of HRA Non-Current Assets			(105)
1,655	Interest payable and similar charges			1,991
(12)	Interest and investment income			(9)
523	Net Interest on the net defined benefit liability/ (asset)			744
(1,434)	Capital Grants and Contributions Receivable			(2,066)
(1,707)	**(Surplus)/Deficit for the year on HRA services**			45

STATEMENT OF 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.

2013/14		2014/15	2014/15
£'000		£'000	£'000
(800)	Balance on the HRA at the end of the Previous Year		(907)
(1,707)	Deficit/(Surplus) for the year on the HRA Income and Expenditure Account	45	
2,080	Adjustments between Accounting Basis and Funding Basis Under Statute	802	
373	Net Decrease before Transfers to or from Reserves	847	
(480)	Transfer from Reserves	(740)	
(107)	Decrease/(Increase) in Year on the HRA		107
(907)	Balance on the HRA at the end of the Current Year		(800)

Note to the Statement of Movement on the HRA Balance

2013/14		2014/15	2014/15
£'000		£'000	£'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
517	Gain on sale of HRA Non-current assets	105	
(5,706)	Depreciation and impairment of non current assets	(15,626)	
0	Revaluation Losses on Property, Plant and Equipment	(1,068)	
0	Reversal revaluation gains	8,785	
1,434	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	2,066	
(20)	Adjustments involving Short Term Accumulated Absences Account	22	
(2,021)	Reversal of items relating to retirement benefits credited to the Comprehensive Income and Expenditure Statement	(2,407)	
(5,796)			(8,123)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
1,125	Employer's pension contributions and direct payments to pensioners payable in the year	1,080	
121	Adjustments involving the Financial Instruments Adjustment Account	125	
2,554	Statutory provision for the repayment of debt	2,788	
4,076	Capital expenditure charged to the HRA balances	4,932	
7,876			8,925
2,080	**Net additional amount required by statute to be debited to the HRA Balance for the year**		802

NOTES TO THE HOUSING REVENUE ACCOUNT

1. **Housing Stock** at 31 March 2015

	No. of Dwellings 31 March 2015	*No. of Dwellings 31 March 2014*
Sheltered accommodation	291	*496*
Detached/Semi-Detached/Terraced	3,590	*3,504*
High Rise Flats	134	*135*
Tenement Flats/Other Flats/Maisonettes	3,400	*3,265*
Total	7,415	*7,400*

A reclassification of sheltered accommodation was undertaken during 2014/15 in line with revised Scottish Government definitions which resulted in properties being re-classified as amenity housing within the other categories disclosed.

2. **Rent Arrears** at 31 March 2015

	Gross Arrears 31 March 2015		*Gross Arrears 31 March 2014*	
	£'000	% of Income	*£'000*	*% of Income*
Houses	2,252	9.4	*1,789*	*7.9*
Other Subjects	96	13.4	*99*	*13.3*
Totals	2,348	9.5	*1,888*	*8.1*

3. **Impairment of Debtors**

In 2014/15 an impairment of £1,656,275 has been provided in the Balance Sheet an increase of £320,797 from the impairment in 2013/14.

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.

2013/14			2014/15	
£'000			£'000	£'000
83,999	**Gross Charge**			84,603
(2,776)	Deduct -	Exemptions		(2,750)
(109)		Disabled Relief		(110)
(7,037)		Discounts and Reductions		(6,871)
(6,867)		Council Tax Reduction Scheme		(6,535)
67,210	**Net Council Tax**			68,337
	Deduct -			
(6)		Ministry Of Defence Properties	(6)	
6		Contribution Received	6	
				0
(1,082)	Impairment of Bad and Doubtful Debts			(1,191)
66,128	**Total Council Tax Income**			67,146
955	Adjustments for prior years for Council Tax and Community Charge			432
67,083	**Total Council Tax / Community Charge Income to Comprehensive I&E Statement**			67,578

NOTES TO THE COUNCIL TAX INCOME ACCOUNT

1. CALCULATION OF THE COUNCIL TAX BASE

	A	B	C	D	E	F	G	H	2014/15 TOTAL	*2013/14 TOTAL*
No. of Properties	8,958	14,608	11,572	10,271	11,305	7,111	5,724	666	70,215	*70,072*
Exemptions	(615)	(659)	(448)	(316)	(225)	(129)	(108)	(26)	(2,526)	*(2,576)*
Disabled Relief	68	23	(3)	32	(42)	(1)	(69)	(8)	0	*0*
Discounts	(1,476)	(1,900)	(1,312)	(1,048)	(910)	(458)	(313)	(68)	(7,485)	*(7,487)*
Effective No. of Properties	6,935	12,072	9,809	8,939	10,128	6,523	5,234	564	60,204	*60,009*
Ratio	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9		
Band D Equivalents	4,623	9,389	8,719	8,939	12,379	9,422	8,723	1,128	63,322	*63,117*
Contributions in lieu									6	*6*
TOTAL									63,328	*63,123*
Provision for non-payment at 2.5% (2013/14 - 2.5%)									(1,583)	*(1,578)*
COUNCIL TAX BASE									61,745	*61,545*

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 the dwelling is occupied by only one adult. Discounts of 10% are awarded for second homes, some second homes such as tied accommodation and purpose built holiday homes may be entitled to a discount of 50%. During 2014/15 long term empty dwellings, i.e. those empty for more than 12 months, received no discount under discretionary powers available to the Council. For future financial years a premium is to be introduced for such dwellings. A discount of 10% is retained for a maximum of 24 months where dwellings are actively being marketed for sale or let. Persons in detention, full-time students, those who are severy mentally impaired, some carers and certain others are disregarded when counting the number of adult residents for Council Tax purposes. Reductions in Council Tax may also be granted where the dwelling contains special facilities required to meet the needs of a disabled resident.

The valuation bands, the fractions used in calculating the Council Tax payable for each valuation band and the actual charges determined for 2014/15 are set out below:

Valuation Band	Property Valuation Range	Fraction of band D	2014/15 Actual Charge	*2013/14 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.

2013/14			2014/15	
£'000			£'000	£'000
68,530	**Gross Rate Levied**			71,420
	Deduct:			
(2,426)		Rate Rebates	(2,462)	
0		Interest on Overpaid Rates	(34)	
(14,817)		Reliefs, Charities etc.	(15,141)	
(232)		Impairment for Bad and Doubtful Debts	(342)	
				(17,979)
	Adjustments to Previous Years:			
(3,975)		Gross Rate Levied	(1,898)	
0		Transitional Surcharge/Relief	780	
202		Rate Rebates	37	
(64)		Reliefs, Charities etc.	(59)	
(970)		Impairment for Bad and Doubtful Debts and Abatements	(589)	
				(1,729)
46,248	**Net Non Domestic Rate Income**			51,712
(46,417)	Contribution to National Non Domestic Rate Pool		(51,880)	
50,928	Contribution from National Non Domestic Rate Pool		55,415	
4,511	Net contribution from/(to) National Non Domestic Rate Pool			3,535
50,759	**Total Non Domestic Rate Income (before Council retentions)**			55,247
0	Non-Domestic Rate Income Retained by Council (Business Rates Incentivisation Scheme			148
50,759	**Total Non Domestic Rate Income to Comprehensive Income and Expenditure Statement**			55,395
169	Discretionary Relief funded by the Council			168

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 2014/15 was 47.1p (2013/14 46.2p).

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 1.1p (2013/14 for 0.9p) was charged on properties with a rateable value of over £35,000 (£35,000 for 2013/14) to contribute towards the additional cost of the scheme.

2. RATEABLE SUBJECTS AND VALUES

No. of Subjects at 1 April 2013	*Rateable Value £'000 at 1 April 2013*		No. of Subjects at 1 April 2014	Rateable Value £'000 at 1 April 2014
1,663	*38,908*	Shops	1,673	38,741
98	*1,702*	Public Houses	96	1,701
925	*15,984*	Offices (including banks)	950	15,578
229	*10,092*	Hotels etc.	225	10,057
1,525	*21,145*	Industrial Subjects etc.	1,532	21,098
1,402	*9,064*	Leisure, Entertainment, Caravans etc.	1,465	9,111
161	*3,355*	Garages and Petrol Stations	161	3,337
56	*948*	Cultural	59	1,100
425	*1,343*	Sporting Subjects	428	1,332
128	*14,131*	Education and Training	124	13,525
400	*7,123*	Public Service Subjects	393	6,851
3	*0*	Communications	2	0
28	*717*	Quarries, Mines etc.	28	709
3	*4,120*	Petrochemical	3	4,119
248	*1,741*	Religious	246	1,742
117	*6,964*	Health, Medical	117	6,555
711	*1,532*	Other	722	1,528
72	*3,009*	Care Facilities	71	2,999
21	*87*	Advertising	19	81
33	*7,612*	Undertaking	40	7,327
8,248	*149,577*	Total	8,354	147,491

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 2015.

INCOME AND EXPENDITURE ACCOUNT
FOR YEAR TO 31 MARCH 2015

	2014/15	2014/15	*2013/14*
	£'000	£'000	*£'000*
INCOMING RESOURCES			
Incoming resources from generated funds:			
Investment Income	121		*89*
Other incoming resources	141		*0*
Total Incoming Resources		262	*89*
RESOURCES EXPENDED			
Costs of generating funds:			
Costs of generating voluntary income	3		*5*
Investment management costs	12		*14*
Charitable activities	61		*59*
Governance costs	7		*6*
Other Resources Expended	48		*2*
Total Resources Expended		131	*86*
Net Incoming Resources Before Other Recognised Gains & Losses		131	3
OTHER RECOGNISED GAINS			
Gain on Investment assets		206	*67*
Net Movement in Funds for the Year		337	*70*
RECONCILIATION OF FUNDS			
Total Funds Brought Forward at 1 April 2014		2,848	*2,778*
TOTAL FUNDS CARRIED FORWARD AT 31 MARCH 2015		3,185	*2,848*

BALANCE SHEET AS AT 31 MARCH 2015

	31 March 2015	31 March 2015	*31 March 2014*
	£'000	£'000	*£'000*
FIXED ASSETS			
Tangible Assets		50	*0*
Investments		2,609	*2,457*
CURRENT ASSETS			
Debtors	24		*6*
Investments - Amounts due by Perth & Kinross Council Loans Fund	509		*393*
LIABILITIES			
Creditors: amounts falling due within one year	(7)		*(8)*
NET CURRENT ASSETS		526	*391*
NET ASSETS		3,185	*2,848*
TOTAL FUNDS		3,185	*2,848*

Notes to Charitable Trusts

1. The market value of Investments at 31 March 2015 was £2,609,000 (31 March 2014 £2,457,000).
2. The unaudited accounts were issued on 23 June 2015 and the audited accounts were authorised for issue on 16 September 2015

J A Symon ACA
Head of Finance
16 September 2015

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 2015.

INCOME AND EXPENDITURE ACCOUNT
FOR YEAR TO 31 MARCH 2015

	2014/15	2014/15	*2013/14*
	£'000	£'000	*£'000*
EXPENDITURE			
Grants to Voluntary Organisations	163		*106*
Christmas Lighting	86		*80*
Property Costs	54		*27*
Supplies & Services	7		*10*
		310	*223*
INCOME			
Rents, Fees, Charges etc.	277		*260*
Interest on Loans	11		*6*
Gain on Disposal of Assets	70		*173*
Other	3		*5*
		361	*444*
SURPLUS FOR THE YEAR		51	*221*
Balance Brought Forward		2,016	*1,795*
Balance Carried Forward		2,067	*2,016*

BALANCE SHEET AS AT 31 MARCH 2015

	31 March 2015	31 March 2015	*31 March 2014*
	£'000	£'000	*£'000*
FIXED ASSETS		4,598	*4,523*
CURRENT ASSETS			
Debtors	6		*26*
Investments	1,735		*297*
Revenue Advances to Perth & Kinross Council Loans Fund	679		*1,960*
	2,420		*2,283*
CURRENT LIABILITIES			
Creditors and Accruals	(109)		*(30)*
NET CURRENT ASSETS		2,311	*2,253*
TOTAL NET ASSETS		6,909	*6,776*
RESERVES			
Revenue		2,067	*2,016*
Capital		386	*386*
Capital Adjustment Account		73	*67*
Revaluation Reserve		4,383	*4,307*
		6,909	*6,776*

The unaudited accounts were issued on 23 June 2015 and the audited accounts were authorised for issue on 16 September 2015.

J A Symon ACA
Head of Finance
16 September 2015

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 14	Income 2014/15	Expenditure 2014/15	Balance at 31 March 15
	£'000	£'000	£'000	£'000
Perth City	1,392	265	289	1,368
Aberfeldy	80	70	3	147
Alyth	21	0	0	21
Auchterarder	332	23	18	337
Blairgowrie	21	0	0	21
Coupar Angus	2	0	0	2
Crieff	5	2	0	7
Kinross	156	1	0	157
Pitlochry	7	0	0	7
TOTAL	2,016	361	310	2,067

3. **Common Good Fixed Assets**

Some of the fixed assets included in the Council Balance Sheet should potentially be included in the Balance Sheet of the Common Good Funds instead.

A review of property and land titles is undertaken once an asset has been declared surplus to operational needs. Until all property titles of the former burghs are reviewed there remains the possibility that some assets may require to be transferred between the Balance Sheets of the Council and Common Good Funds.

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 31 March 2013	(41,719)	(800)	(12,799)	(483)	(2,034)	(2,132)	(685)	(60,652)	(90,807)	(151,459)	(16,801)	4,121	(164,139)
Opening restatements (Note 1)	0	0	0	0	0	0	0	0	0	0	939	(992)	(53)
Balance at 1 April 2013 restated	**(41,719)**	**(800)**	**(12,799)**	**(483)**	**(2,034)**	**(2,132)**	**(685)**	**(60,652)**	**(90,807)**	**(151,459)**	**(15,862)**	**3,129**	**(164,192)**
<u>Movement in reserves during 2013/14</u>													
(Surplus) or deficit on the provision of services	3,843	(1,707)	0	0	0	0	0	2,136	0	2,136	755	1,396	4,287
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	67,409	67,409	3,589	5,704	76,702
Total Comprehensive Income and Expenditure	3,843	(1,707)	0	0	0	0	0	2,136	67,409	69,545	4,344	7,100	80,989
Adjustments between accounting basis & funding basis under regulations	(14,983)	2,080	0	0	0	299	583	(12,021)	12,021	0	0	0	0
Net (increase)/decrease before transfers to earmarked reserves	(11,140)	373	0	0	0	299	583	(9,885)	79,430	69,545	4,344	7,100	80,989
Transfers to/(from) Other Statutory Reserves	4,818	(480)	(3,033)	71	(1,376)	0	0	0	0	0	0	0	0
(Increase)/decrease in 2013/14	(6,322)	(107)	(3,033)	71	(1,376)	299	583	(9,885)	79,430	69,545	4,344	7,100	80,989
Balance at 31 March 2014	**(48,041)**	**(907)**	**(15,832)**	**(412)**	**(3,410)**	**(1,833)**	**(102)**	**(70,537)**	**(11,377)**	**(81,914)**	**(11,518)**	**10,229**	**(83,203)**
<u>Movement in reserves during 2014/15</u>													
Deficit on the provision of services	3,104	45	0	0	0	0	0	3,149	0	3,149	1,208	1,513	5,870
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(294,648)	(294,648)	(3,175)	(9,724)	(307,547)
Total Comprehensive Income and Expenditure	3,104	45	0	0	0	0	0	3,149	(294,648)	(291,499)	(1,967)	(8,211)	(301,677)
Adjustments between accounting basis & funding basis under regulations	(13,363)	802	0	0	0	1	0	(12,560)	12,560	0	0	0	0
Net (increase)/decrease before transfers to earmarked reserves	(10,259)	847	0	0	0	1	0	(9,411)	(282,088)	(291,499)	(1,967)	(8,211)	(301,677)
Transfers to/(from) Other Statutory Reserves	5,630	(740)	(3,484)	(1,014)	(392)	0	0	0	0	0	0	0	0
(Increase)/decrease in 2014/15	(4,629)	107	(3,484)	(1,014)	(392)	1	0	(9,411)	(282,088)	(291,499)	(1,967)	(8,211)	(301,677)
Balance at 31 March 2015 carried forward	(52,670)	(800)	(19,316)	(1,426)	(3,802)	(1,832)	(102)	(79,948)	(293,465)	(373,413)	(13,485)	2,018	(384,880)

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Restated 2013/14 Actual Net Expenditure £'000		Note	2014/15 Actual Gross Expenditure £'000	2014/15 Actual Income £'000	2014/15 Actual Net Expenditure £'000
	SERVICES				
144,318	Education Services		152,711	(6,383)	146,328
77,418	Social Work Services		96,694	(17,682)	79,012
15,903	Roads and Transport Services		24,671	(4,812)	19,859
5,245	Planning and Development Services		10,311	(5,398)	4,913
10,382	Housing Services (General Fund)		44,251	(35,824)	8,427
19,097	Cultural & Related Services		29,843	(9,598)	20,245
24,111	Environmental Services		27,896	(3,775)	24,121
2,471	Central Services		3,698	(1,624)	2,074
4,423	Other Expenditure		3,098	(404)	2,694
4,464	Corporate and Democratic Core		4,285	0	4,285
19	Non Distributed Costs		0	0	0
(2,334)	Housing Revenue Account		24,773	(25,578)	(805)
86	Charitable Trusts		131	(141)	(10)
(215)	Common Good		310	(350)	(40)
948	Associates accounted for on an equity basis		17,473	(16,518)	955
306,336	**COST OF SERVICES**		440,145	(128,087)	312,058
(1,607)	Other Operating Income				(1,292)
23,264	Financing and Investment Income and Expendtiure	4			30,630
(323,706)	Taxation and Non-Specific Grant Income				(335,526)
4,287	**Deficit on Provision of Services**				5,870
5,354	Deficit/(surplus) on revaluation of non current assets				(185,781)
1,465	Impairment losses on non current assets				0
69,876	Remeasurement of the net defined benefit liability/(asset)				(120,669)
7	Other (gains) and losses				(1,097)
76,702	Other Comprehensive Income and Expenditure				(307,547)
80,989	Total Comprehensive Income and Expenditure				(301,677)

GROUP BALANCE SHEET

	Tayside Contracts		Subsidiaries	Adjusted Opening Balance			
31 March 2014	remove 2013/14 entries	Equity method	Realign Accounting Policies	1 April 2014		Notes	31 March 2015
£'000	£'000	£'000	£'000	£'000			£'000
657,717	(3,269)			654,448	Property, Plant & Equipment		871,710
24,059				24,059	Heritage Assets		24,059
16,428				16,428	Investment Property		17,699
28				28	Intangible Assets		43
2,525				2,525	Assets Held for Sale		2,116
657				657	Long Term Debtors		300
701,414	(3,269)	0	0	698,145	**Long Term Assets**		915,927
17,842				17,842	Short Term Investments	5	50,500
0				0	Assets Held for Sale		274
1,485	(916)			569	Inventories		521
31,037	(2,763)			28,274	Short Term Debtors	6	27,794
12,308	861			13,169	Cash and Cash Equivalents		11,835
62,672	(2,818)	0	0	59,854	**Current Assets**		90,924
(13,160)	396			(12,764)	Short Term Borrowing		(25,065)
(54,069)	3,646			(50,423)	Short Term Creditors	7	(52,157)
(1,169)	208			(961)	Provisions		(204)
(68,398)	4,250	0	0	(64,148)	**Current Liabilities**		(77,426)
(43)	43			0	Long Term Creditors		0
(1,265)	96			(1,169)	Provisions		(1,130)
(190,959)	1,924			(189,035)	Long Term Borrowing		(224,598)
(3,261)		(16,592)		(19,853)	Liabilities in associates and joint ventures		(12,112)
(416,305)	17,357		(1,643)	(400,591)	Other Long Term Liabilities		(306,705)
0				0	Capital Grants Receipts in Advance		0
(611,833)	19,420	(16,592)	(1,643)	(610,648)	**Long Term Liabilities**		(544,545)
83,855	17,583	(16,592)	(1,643)	83,203	**NET ASSETS**		384,880
70,537				70,537	Usable Reserves		79,948
11,377				11,377	Unusable Reserves		293,465
(7,683)	17,583	(16,592)	(1,643)	(8,335)	Group Reserves		1,373
9,624				9,624	Charitable and Common Good Reserves		10,094
83,855	17,583	(16,592)	(1,643)	83,203	**TOTAL RESERVES**		384,880

Note

Tayside Contracts was previously included in the Group Accounts using a proportionate consolidation method. Following updates to the 2014/15 CIPFA Code, the accounting treatment of Tayside Contracts for group reporting purposes was reviewed and the entity is now included in the Group Accounts using the equity method. The corresponding restatement of the opening Group Balance Sheet has resulted in a £991,000 increase in Group Reserves, and the the movements on individual lines are detailed above.

In addition, the CIPFA Code requires the realignment of accounting policies for entities included within the Group Accounts and the £1.643m reduction in Group Reserves relates to restatement of the Group Balance Sheet to include the pension liability for Horsecross Arts Ltd. The pension liability at 31 March 2015 is included within the Group Reserves balance at 31 March 2015.

The unaudited Accounts were issued on 23 June 2015 and the audited accounts were authorised for issue on 16 September 2015.

J A Symon ACA
Head of Finance
16 September 2015

GROUP CASH FLOW STATEMENT

Restated 2013/14		Notes	2014/15
£'000			£'000
(4,287)	**Net deficit on the provision of services**		(5,870)
50,359	Adjustments to net deficit on the provision of services for non cash movements		62,859
(15,051)	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities		(22,104)
31,021	Net cash flows from Operating Activities		34,885
(28,327)	Investing Activities	10	(80,695)
(7,122)	Financing Activities	11	44,476
(4,428)	Net increase or (decrease) in cash and cash equivalents		(1,334)
17,597	Cash and cash equivalents at the beginning of the reporting period		13,169
13,169	Cash and cash equivalents at the end of the reporting period		11,835

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

Restated 2013/14 £'000		2014/15 £'000
2,136	Deficit on the single entity Comprehensive Income & Expenditure Statement for the year	3,149
	Add:	
(291)	• Managed Funds - Charitable Trusts & Common Good	(388)
1,687	• Associates	1,901
755	• Subsidiaries	1,208
4,287	Deficit for the year on the Group Comprehensive I & E Statement	5,870

NOTES TO THE GROUP ACCOUNTS

1. **Combining Entities**

The results of Tayside Valuation Board which is jointly administered with Dundee and Angus City Councils have been included in the Group Accounts. The Council is exempt from including the Board as a subsidiary under the “rebuttable presumption” which recognises that the Scottish Government exercises a dominant influence on the Board evidenced particularly by its ability to reconstitute or abolish statutory bodies or otherwise influence their operating and financial policies.

A number of Councillors have voting rights on the Board. The Council has an obligation to contribute to the Joint Board losses or deficits and the ability to exercise significant influence over it. The Joint Board has 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 Tayside Valuation Board, which in 2014/15 was 40.29% (2013/14 40.29%). The accounting period for the Board is the year to 31 March 2015 and the Board Statements of Accounts presents fairly its individual financial position.

The individual accounts relating to Tayside Valuation Joint Board are published separately, and can be obtained from the Director of Corporate Services, Dundee City Council, Dundee House, 50 North Lindsay Street, Dundee, DD1 1QE.

In addition, the Council has also included Live Active Leisure Ltd. and Horsecross Arts Ltd. as Subsidiaries within its Group Accounts in accordance with IAS 27 Consolidated and Separate Financial Statements, and in particular SIC 12 Consolidation – Special Purpose Entities. 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. 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.

During 2013/14 both Live Active Leisure Ltd. and Horsecross Arts Ltd. became arms length companies with sole member status with the Council being the sole member in both companies.

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.	Perth Concert Hall, Mill Street, Perth, PH1 5HZ.

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 69 of the Annual 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 70 of the Annual Accounts.

Perth & Kinross Council’s share of the assets and liabilities of Tayside Contracts Joint Committee which is jointly administered and controlled with Dundee City Council and Angus Council was previously included in the Group Accounts using a proportionate consolidation method. Updates to the 2014/15 CIPFA Code required the accounting treatment of Tayside Contracts for group reporting purposes to be reviewed. The review of the arrangements for the Joint Committee concluded that unanimous agreement from all three constituent Councils is not required for the approval of business matters and there is therefore no joint control. As the entity is outwith the scope of IFRS 11 – Joint Ventures, Tayside Contracts has been included in the Group Accounts for 2014/15 using the equity method for an associate due to the Council having significant influence rather than joint control over the entity. The Council’s investment in Tayside Contracts for 2014/15 is 33.1% (2013/14 35.5%) and the restatement of the opening Group Balance Sheet at 1 April 2013 and 2014 has resulted in an increase in opening Group Reserves of £992,000 as detailed on page 75. 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.

In addition the CIPFA Code requires the realignment of accounting policies for entities included within the Group Accounts and the £1.643m reduction in Group Reserves relates to restatement of the Group Balance Sheet to include the pension liability for Horsecross Arts Ltd. The pension liability at 31 March 2015 is included within the Group Reserves balance at 31 March 2015.

Tayside and 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 Council’s Group accounts on the grounds of materiality.

2. **Nature of Combination**

The Council inherited its interest in the Tayside Valuation Board following the reorganisation of local government in 1996. It is considered that the Council's interest 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 increase both reserves and net assets by £11,467,000 (2013/14 £1,289,000).

All Subsidiaries and the Associate have prepared their accounts on a 'going concern' basis. 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**

	2014/15	*2013/14*
	£'000	*£'000*
Council Financing and Investment Income & Expenditure	30,036	*22,731*
Subsidiaries	(50)	*(54)*
Charitable Trusts	(327)	*(156)*
Common Good	(11)	*(6)*
Tayside Contracts Joint Committee	832	*643*
Associates	150	*106*
	30,630	*23,264*

5. **Group Balance Sheet - Investments**

	2014/15	*2013/14*
	£'000	*£'000*
Council Investments	46,156	*15,088*
Charitable Trusts Investments	2,609	*2,457*
Common Good Investments	1,735	*297*
Total Group Investments	50,500	*17,842*

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

	2014/15	*Restated 2013/14*
	£'000	*£'000*
Net Debtors Balances - Note 29 to the Financial Statements	26,729	*27,264*
Subsidiary Debtors	1,035	*978*
Charitable Trusts Debtors	24	*6*
Common Good Debtors	6	*26*
Total Group Debtors	27,794	*28,274*

7. **Group Balance Sheet – Creditors**

	2014/15	2014/15	*Restated 2013/14*
	£'000	£'000	*£'000*
Net Creditors Balance - Note 30 to the Financial Statements		(50,841)	*(50,771)*
Charitable Trust			
Creditors	(7)		*(8)*
Inter-company elimination	509		*393*
		502	
Common Good			
Creditors	(109)		*(30)*
Inter-company elimination	679		*1,960*
		570	
		(49,769)	*(48,456)*
Subsidiary Creditors		(2,388)	*(1,967)*
Total Group Creditors		(52,157)	*(50,423)*

8. **Pension Liability**

	2014/15 £'000	*Restated 2013/14 £'000*
Net Pensions Liability at 31 March - Note 19 to the Financial Statements	(178,054)	*(265,998)*
Subsidiaries	(6,961)	*(9,179)*
Group Pension Liability at 31 March	(185,015)	*(275,177)*

9. **Group Cash Flow Statement**

There has been no impact on the Group Cash Flow Statement from the inclusion of the Tayside Valuation Joint Board or Tayside Contracts Joint Committee. Cash transactions between the Joint Board 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 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 £9,152,000 (2013/14, increase of £8,429,000). A cash increase of £8,232,000 represents the Council's 100% share of Live Active Leisure Ltd. and a cash increase of £920,000 represents the Council's 100% share of Horsecross Arts Ltd.

10. **Group Cash Flow – Investing Activities**

	2014/15 £'000	*Restated 2013/14 £'000*
Council Investing Activities	(80,693)	*(28,205)*
Subsidiaries	(2)	*(122)*
	(80,695)	*(28,327)*

11. **Group Cash Flow – Financing Activities**

	2014/15 £'000	*Restated 2013/14 £'000*
Council Financing Activities	44,426	*(7,176)*
Subsidiaries	50	*54*
	44,476	*(7,122)*

12. **Related Party Transactions**

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

	From 31.3.15 £'000	To 31.3.15 £'000	*From 31.3.14 £'000*	*To 31.3.14 £'000*
Tayside Valuation Joint Board	15	7	*0*	*0*

ANNUAL GOVERNANCE STATEMENT 2014/15

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 or a copy can be obtained from the Head of Legal Services at Perth & Kinross Council, Blackfriars Development Centre, North Port, Perth, PH1 5LU.

1.5 This statement must also cover the four organisations that are included in the Council's Group Accounts.

For Live Active Leisure Ltd and Horsecross Arts Ltd, reliance has initially been placed upon the unaudited financial statements of the companies with the audited accounts to be scrutinised when they become available. 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. This includes quarterly minuted contract monitoring meetings at which they are required to provide performance information. Horsecross Arts Ltd is also required to provide monthly financial updates including cash flow analysis.
For Tayside Contracts Joint Committee and Tayside Valuation Joint Board, reliance has been placed upon each organisation's Annual Governance Statement.

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

2. 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. The Council has 13 committees and a number of sub committees, 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 Depute Chief Executive. Each Service is split into functional areas led by Heads of Service.

4. Perth & Kinross Council's Governance Framework

4.1 The Council's Scheme of Administration sets out the role of committees in decision-making and the delegated decision-making powers of individual officers. The Chief Executive or any Executive Director is able to make any urgent decision provided all such decisions outwith their normal delegated powers are reported to the next available meeting of the Council or relevant Committee.

4.2 The Chief Executive and Executive Directors meet regularly as the Executive Officer Team with the Monitoring and Section 95 Officers having access to papers and attending when required. An extended Executive Officer Team with relevant Heads of Service meet regularly as both the Strategic Investment Group and the Public Protection Group to deal respectively with capital programme issues and public protection issues. The Executive Officer Team continues to develop the concept of subject specific meetings in order to deal with corporate issues as effectively as possible. Individual Services have their own Service Management Teams. Depute 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 high level strategic objectives and priorities are set out in its Corporate Plan for 2013-18 which was approved by Council on 27 February 2013. 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 by exception every month by the Executive Officer Team.

4.4 As part of the Perth and Kinross Community Planning Partnership the Council works to deliver local services with other public sector organisations in the area. Its objectives are set out in the Community Plan/Single Outcome Agreement 2013-23. 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 prevention, people, partnership, performance and building the community asset base. Corporate improvement actions are led and monitored by the Corporate Management Group.

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 which are monitored by the Executive Officer Team on a monthly basis via the Performance and Risk Report. The Scrutiny Committee and Senior Management Teams also scrutinise the risks on a regular 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 Transformation Programme which is monitored by the Executive Officer Team and the Modernising Governance Member Officer Working Group. Services also carry out 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 and Community Plan/Single Outcome Agreement. The Council also publishes an "at-a-glance" scorecard on its website showing the Council's performance against its key performance indicators. Service Business Management and Improvement 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 every six months.

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. The Chief Executive also carries out monthly one-to-one meetings with each Executive Director. 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. A biennial Residents Survey ensures that views are sought about the Council from a wide range of communities and individuals.

4.15 The Council's Chief Financial Officer is a key member of the Senior Management of the Council helping it to develop and implement strategy and to maintain strong financial management underpinned by effective financial controls. This ensures that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The Chief Financial Officer contributes to corporate management and leadership and supports and advises officers in their operational roles. The Chief Financial Officer supports and advises elected members on the adequacy of financial reserves and other related financial matters.

4.16 The Council believes that the authority's financial management arrangements conform with the governance requirements of the 'CIPFA Statement on the Role of the Chief Financial officer in Local Government (2010) as set out in the Application Note to 'Delivering Good Governance in Local Government Framework'.

4.17 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 Action Plan that details the action agreed for each audit finding, the priority, the accountable manager and agreed implementation date. Audit reports are considered by the Audit Committee.

4.18 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 and the assessed strength of the internal controls in place.

4.19 The Council has arrangements in place for the management of information risk including an information security policy and standards. The Council also currently complies with the Government requirements to operate as a public service network (PSN). Government policy as regards the identification and assessment of threats to local authorities has changed recently and current measures have been reviewed to ensure continuing compliance with PSN requirements. All policies, procedures and systems are monitored and regularly reviewed to ensure legal compliance and the integrity of the Council's information management systems.

4.20 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 improve its 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 Committee approves the annual audit plan and receives the annual audit report.

5.5 Internal Audit has completed its 2014/2015 Audit plan and issued 26 planned audits during the period covered by this statement.

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 Executive Director (Environment) as the Senior Information Risk Owner with the Head of Legal Services as Depute. An information security management forum meets on a regular basis.

5.9 The Local Area Network comprising key scrutiny bodies which engage with the Council (including Audit Scotland) have assessed Perth and Kinross within their Assurance and Improvement Plan 2014-17 as a "low risk council which shows good self- awareness and demonstrates a positive response to external scrutiny". In addition the risk assessment notes that "currently for 2014 to 2017 no additional specific scrutiny activity has been identified".

6. Significant Governance Issues

6.1 The Annual Internal Audit report for 2014/15, notes that reasonable reliance can be placed on the Council's systems of internal control for 2014/15, subject to management implementation of the agreed actions detailed in Internal Audit reports and summarised within section 2 of the report.

6.2 The Governance Framework has been in place for the financial year ended 31 March 2015 and up to the date of approval of the Annual Report and statement of accounts. The review of the Council's governance systems carried out for this statement did not identify any new issues for the Financial Year 2014/15.

6.3 The actions from the Annual Governance Statement for 2013/2014 are detailed in the table below with progress noted.

ISSUE	Issue Identified	Source of Evidence (2013-14)	Evidence / Action taken to date	Issue Identified 2014-15
1	The management of Information Risk requires further development.	Executive Officer Team & Audit Scotland Report: Review of Data Management (August 2013, recommendation 2).	Information Management Strategy, policies and procedures are in place. Systems currently comply with requirements of PSN however government policy regarding identification and assessment of risk will require a review of current systems, policies and procedures going forward.	Review relevant information risk management systems, policies & procedures to ensure continuing compliance with PSN requirements Head of Legal Services October 2015
2	The governance of ALEOs (External Organisations) requires improvement.	Audit Scotland Report (May 2014, recommendation 3) & EOT Action. (NB-Recommendation related to clarifying roles and responsibilities for Members sitting on the cultural and leisure trusts - Horsecross and Live Active Leisure)	Both trusts are subject to a formal service level agreement. Elected Members are given training as part of induction as regards distinguishing their roles and responsibilities of members whilst sitting on external bodies and ALEOs	In accordance with the Council's Code in relation to ALEOs and Following the Public Pound – a written agreement will be drafted setting out roles, responsibilities and how conflicts of interest should be managed Head of Legal Services October 2015
3	Housing Benefit accuracy performance is below target and as a result subsidy was lost in 2012-13.	Audit Scotland Report: Audit of housing and council tax benefit (December 2013) and letter of 6 February 2014 from Russell Frith, Assistant Auditor General.	Audit Scotland letter from Russell Frith dated, 7 November 2014 'stating no further scrutiny is required at this stage'. Internal Audit Report 14-18 assigning Strong/Moderately Strong Controls and having no reported 'High' Action Points	**No further action required**

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.

6.5 It is anticipated that there could be a number of governance challenges in the course of the next Financial Year which the Council will have to deal with. These include the integration of Health and Social Care, the sharing of personal information especially in relation to GIRFEC, implementing Community Justice Arrangements and Community Empowerment.

6.6 In regard to the integration of Health and Social Care the Council's Internal Audit Team will be providing reports on the assurance process including financial due diligence. This will include the adequacy of the proposed process and the suitability of the proposed timescales.

Signed:

Bernadette Malone
Chief Executive

Perth & Kinross Council

Date: 16 September 2015

Alan Grant
Depute Leader of the Council

Perth & Kinross Council

Date: 16 September 2015

REMUNERATION REPORT FOR FINANCIAL YEAR 2014/15

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 will be audited by the Council's appointed auditor Audit Scotland. The other sections of the Remuneration Report will be 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 considered the recommendations of the former Scottish Local Authority Remuneration Committee (SLARC). SLARC was 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. The Committee was stood down in February 2013.

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 2014/15 the maximum salary for the Leader of Perth & Kinross Council is £33,123 and the Council has agreed that the Civic Head be paid 75% of the salary of the Leader, which for 2014/15 is a maximum of £24,842. Please refer to Table 1.

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 £24,842 and a maximum yearly amount payable for all Senior Councillors of £286,958 in 2014/15 (excluding the Council Leader, Civic Head, Conveners and Vice Conveners of Joint Boards and the Tayside Community Justice Authority). 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 2014/15 was to pay Senior Councillors up to 90% of the maximum of £24,842 as prescribed by SLARC.

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 Tayside Valuation Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convener or Vice-Convener is a member. Joint Board Conveners and Vice-Conveners are considered to be Senior Councillors for remuneration disclosure purposes. In financial year 2014/15, Councillors from Perth & Kinross Council served as Convener of the Tayside Valuation Joint Board and Vice-Convener of the Tayside Community Justice Authority. The remuneration paid by the Council to these Councillors in their roles as Convener and Vice-Conveners was not recharged by the Council to the Tayside Valuation Joint Board or the Tayside Community Justice Authority.

3.6 During 2014/15 Perth & Kinross Council had 12 Senior Councillors and 2 Councillors serving as Conveners and Vice-Conveners of Joint Boards and the Community Justice Authority 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 £366,898. The individual amounts payable to the Leader of the Council, the Provost, Senior Councillors of Perth & Kinross Council and Conveners and Vice-Conveners of Joint Boards and the Tayside Community Justice Authority in 2014/15 are set out in table 1. 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 1a: Remuneration of Existing Senior Councillors, Conveners and Vice-Conveners of Joint Boards and Vice Convener of the Tayside Community Justice Authority for Financial Year 2014/15

Name and Post Title	Salary, Fees & Allowances 2014/15 £	Taxable Expenses 2014/15 (Note:1) £	Total Remuneration 2014/15 £	*Total Remuneration 2013/14 £*
Ian Miller Council Leader & Convener Strategic Policy and Resources Committee	33,123	131	**33,254**	*32,954*
Elizabeth Grant Provost (Civic Head)	24,842	21	**24,863**	*24,596*
Henry Anderson Convener Licensing Board	22,295	109	**22,404**	*22,211*
Robert Band Convener Lifelong Learning Committee	22,295	163	**22,458**	*22,253*
Jack Coburn Convener Licensing Committee (resigned 24/3/15)	21,903	29	**21,932**	*22,128*
Dave Doogan Convener Housing & Health Committee	22,295	111	**22,406**	*22,193*
Alan Grant Convener Environment Committee	22,295	0	**22,295**	*22,074*
Tom Gray Convener Development Management Committee	22,295	109	**22,404**	*22,175*
John Kellas Convener Enterprise & Infrastructure Committee	22,295	137	**22,432**	*22,230*
Murray Lyle Convener Local Review Body	22,295	67	**22,362**	*22,122*
Elspeth MacLachlan Convener Tayside Valuation Board	20,702	143	**20,845**	*20,617*
Archibald MacLellan Vice Convener Tayside Community Justice Authority	19,667	32	**19,699**	*19,502*
Douglas Pover Convener Community Safety Committee	22,295	117	**22,412**	*22,219*
Mac Roberts Leader Largest Opposition Party	22,295	101	**22,396**	*22,155*
Alexander Stewart Convener Scrutiny Committee	22,295	55	**22,350**	*22,109*
Barbara Vaughan Convener Audit Committee	22,295	91	**22,386**	*22,188*
TOTAL (Note: 2)	**365,482**	**1,416**	**366,898**	*363,726*

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 and the Community Justice Authority, the total salary paid to Senior Councillors in 2014/15 was £267,148 which compares with the maximum under Regulations of £286,958.

(3) The Council has identified a potential issue relating to the tax treatment of Councillors' expenses when travelling between home and Council offices as detailed further in note 39 on page 54.

3.7 The arrangements for political decision making structures within Perth & Kinross Council as at 31 March 2015, which encompassed the salaries of all Elected Members including the Council Leader, Civic Head and Senior Councillors were agreed at the meeting of the full Council on 23 May 2012 (Report No.12/193 refers) and are available on the Council's website at Political Decision Making Structures . Prior to this the arrangements were governed by Report 07/330 which was considered at the full Council meeting on 16 May 2007.

3.8 The Council paid the following salaries and expenses to all Councillors (including those listed in Table 1 above) in financial year 2014/15:

Table 2: Remuneration Paid to Councillors 1 April 2014 to 31 March 2015

Type of Remuneration	2014/15 £	*2013/14 £*
Salaries	787,125	*764,505*
Taxable Expenses	2,746	*2,740*
Total	789,871	*767,245*

3.9 The annual return of Councillors' salaries and expenses for 2014/15 is available for any member of the public to view at Perth & Kinross Council, Blackfriars, North Port, Perth; Council libraries and Council local area offices during normal working hours and is also available on the Council's website at Councillors' Allowances

3.10 The information in the annual return of Councillors' salaries and expenses for 2014/15 differs from the information presented within the Remuneration Report as the Remuneration Report excludes the payment 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 2014/15.

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 2014/15:

- 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 Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities.

4.4 The remuneration of Senior Employees of Perth & Kinross Council and its Subsidiaries for 2014/15 is detailed in table 3 below:

Table 3: Remuneration of Senior Employees of the Council and its Subsidiaries for Financial Year 2014/15

Name and Post Title	Salary, Fees & Allowances 2014/15 £	Total Remuneration 2014/15 £	*Total Remuneration 2013/14 £*
Bernadette Malone Chief Executive (Note 1)	132,075	**132,075**	*122,898*
David Burke (Left 04/04/2014) Depute Chief Executive & Executive Director (Housing & Community Care)	1,723	**1,723**	*112,641*
John Fyffe Depute Chief Executive & Executive Director (Education & Children's Services)	113,766	**113,766**	*112,641*
John Walker Executive Director (Housing & Community Care)	108,519	**108,519**	*53,720*
James Valentine Executive Director (Environment)	108,519	**108,519**	*107,445*
William Atkinson Depute Director (Education & Children's Services)	87,486	**87,486**	*86,619*
Ian Innes Head of Legal Services	85,734	**85,734**	*84,885*
John Symon Head of Finance	85,734	**85,734**	*84,885*
Gillian Taylor Head of Democratic Services	78,717	**78,717**	*77,937*
Colin McMahon (to 16/01/15) Horsecross Arts Limited – Chief Executive	53,493	**53,493**	*30,493*
Gwilym Gibbons (from 19/01/15) Horsecross Arts Limited – Chief Executive	13,324	**13,324**	***0***
Jacqueline McKay (to 31/10/13) Horsecross Arts Limited – Chief Executive	0	**0**	*38,704*
James Moyes Live Active Leisure – Chief Executive	72,546	**72,546**	*70,415*
TOTAL	**941,636**	**941,636**	*983,283*

Note 1:

The substantive salary for the Chief Executive is laid down in COSLA Circular CO/146. The Chief Executive's remuneration in 2014/15 included a fee of £3,887 for acting as Returning Officer for the European Parliamentary Election 2014 and £4,060 for acting as the Counting Officer for the Scottish Referendum 2014.

4.5 No other taxable benefits or bonuses were received by the above named Senior Employees of Perth & Kinross Council in 2014/15.

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 (including teachers) whose annual remuneration in 2014/15 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 2014/15

Remuneration Bands	Number of Employees 2014/15	2013/14
£50,000-£54,999	59	*61*
£55,000-£59,999	40	*32*
£60,000-£64,999	5	*6*
£65,000-£69,999	4	*3*
£70,000-£74,999	5	*1*
£75,000-£79,999	12	*12*
£80,000-£84,999	0	*2*
£85,000-£89,999	5	*2*
£90,000-£94,999	0	*0*
£95,000-£99,999	0	*1*
£100,000-£104,999	0	*0*
£105,000-£109,999	2	*1*
£110,000-£114,999	1	*2*
£115,000-£119,999	0	*0*
£120,000-£124,999	0	*1*
£125,000-£129,999	0	*0*
£130,000-£134,999	1	*0*
Total	134	*124*

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	
	2014/15	*2013/14*	2014/15	*2013/14*	2014/15	*2013/14*	2014/15 £'000	*2013/14 £'000*
£0 - £20,000	0	*2*	19	*98*	19	*100*	42	*565*
£20,001 - £40,000	0	*0*	5	*20*	5	*20*	126	*571*
£40,001 - £60,000	0	*0*	0	*10*	0	*10*	0	*479*
£60,001 - £80,000	0	*0*	0	*3*	0	*3*	0	*194*
£80,001 - £100,000	0	*0*	0	*1*	0	*1*	0	*81*
Over £100,000	0	*0*	0	*1*	0	*1*	0	*112*
Total	**0**	***2***	**24**	***133***	**24**	***135***	**168**	***2,002***

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 All of the individual exit packages included within table 5 above have been subject to a full business case outlining the implications for the Council. In terms of the financial assessment for each business case, the maximum payback 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 2014/15, the Head of Legal Services and Head of Democratic Services served as proper officers to the Tayside and Central Scotland Transport Partnership (TACTRAN). No remuneration was paid to Councillors and Senior Employees of Perth & Kinross Council by subsidiary bodies of the Council in 2014/15.

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. 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 2014/15

Full Time Equivalent (FTE) Pensionable pay	Contribution Rate 2014/15
On earnings up to and including £20,335	5.5%
On earnings above £20,335 and up to £24,853	7.25%
On earnings above £24,853 and up to £34,096	8.5%
On earnings above £34,096 and up to £45,393	9.5%
On earnings above £45,393	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 pertaining 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 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 2015 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, Conveners and Vice-Conveners of Joint Boards and Vice-Convener of the Tayside Community Justice Authority for Financial Year 2014/15

Name and Post Title	In-year pension contributions			Accrued Pension Benefits		
	For Year to 31/03/2015 £	*For Year to 31/03/2014 £*		**For Year to 31/03/2015 £**	*For Year to 31/03/2014 £*	**Difference from 31/03/2014 £**
Ian Miller Council Leader & Convener Strategic Policy and Resources Committee	5,962	*5,845*	Pension Lump Sum	4,520 2,563	*3,780* *2,526*	740 37
Elizabeth Grant Provost (Civic Head) (Note 1)	0	*0*	Pension Lump Sum	0 0	*0* *0*	0 0
Henry Anderson Convener Licensing Board	4,013	*3,934*	Pension Lump Sum	1,080 0	*699* *0*	381 0
Robert Band Convener Lifelong Learning Committee	4,013	*3,934*	Pension Lump Sum	3,274 1,765	*2,765* *1,738*	509 27
Jack Coburn (Note 1) Convener Licensing Committee	0	*0*	Pension Lump Sum	0 0	*0* *0*	0 0
Dave Doogan Convener Housing & Health Committee	4,013	*3,934*	Pension Lump Sum	743 0	*364* *0*	379 0
Alan Grant (Note 1) Convener Environment Committee	0	*0*	Pension Lump Sum	0 0	*0* *0*	0 0
Tom Gray Convener Development Management Committee	4,013	*3,934*	Pension Lump Sum	1,910 0	*1,384* *0*	526 0
John Kellas Convener Enterprise & Infrastructure Committee	4,013	*3,934*	Pension Lump Sum	3,068 1,760	*2,627* *1,753*	441 7
Murray Lyle Convener Local Review Body	4,013	*3,934*	Pension Lump Sum	2,456 1,420	*2.065* *1,380*	391 40

Name and Post Title	In-year pension contributions			Accrued Pension Benefits		
	For Year to 31/03/2015 £	*For Year to 31/03/2014 £*		For Year to 31/03/2015 £	*For Year to 31/03/2014 £*	Difference from 31/03/2014 £
Elspeth Maclachlan Convener Tayside Valuation Board	3,726	*3,653*	Pension Lump Sum	2,363 1,322	*1,998* *1,293*	365 29
Archibald MacLellan Vice Convener Tayside Community Justice Authority	3,540	*3,470*	Pension Lump Sum	4,497 1,802	*3,277* *1,819*	1,220 (17)
Douglas Pover Convener Community Safety Committee	4,013	*3,934*	Pension Lump Sum	1,080 0	*699* *0*	381 0
Mac Roberts Leader Largest Opposition Party	4,013	*3,934*	Pension Lump Sum	6,569 10,884	*5,639* *10,691*	930 193
Alexander Stewart Convener Scrutiny Committee	4,013	*3,934*	Pension Lump Sum	6,999 13,663	*6,553* *13,533*	446 130
Barbara Vaughan (Note 1) Convener Audit Committee	0	*0*	Pension Lump Sum	0 0	*0* *0*	0 0
TOTAL	**49,345**	***48,374***				

Notes:

(1) 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 Jack Coburn, Alan Grant, Elizabeth Grant, and Barbara Vaughan 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 2015 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 of the Council and its Subsidiaries for Financial Year 2014/15

Name and Post Title	In-year pension contributions			Accrued Pension Benefits		
	For Year to 31/03/2015 £	*For Year to 31/03/2014 £*		For Year to 31/03/2015 £	*For Year to 31/03/2014 £*	Difference from 31/03/2014 £
Bernadette Malone Chief Executive	23,043	*22,122*	Pension Lump Sum	45,597 98,790	*43,139* *97,929*	2,458 861
David Burke (Left 04/04/14) Depute Chief Executive & Executive Director (Housing & Community Care) (To 30/09/2013)	310	*20,275*	Pension Lump Sum	n/a n/a	*58,521* *147,402*	n/a n/a
John Fyffe Depute Chief Executive & Executive Director (Education & Children's Services)	20,478	*20,275*	Pension Lump Sum	58,399 141,066	*55,944* *139,671*	2,455 1,395
John Walker Executive Director (Housing & Community Care) (From 01/10/13) (Note 2)	19,533	*9,670*	Pension Lump Sum	43,040 96,563	*36,867* *86,342*	6,173 10,221
James Valentine Executive Director (Environment)	19,533	*19,340*	Pension Lump Sum	43,095 96,731	*40,878* *95,773*	2,217 958
William Atkinson Depute Director (Education & Children's Services)	15,748	*15,591*	Pension Lump Sum	46,616 113,603	*44,711* *112,477*	1,905 1,126
Ian Innes Head of Legal Services	15,432	*15,279*	Pension Lump Sum	44,984 109,232	*43,124* *108,150*	1,860 1,082
John Symon Head of Finance	15,432	*15,279*	Pension Lump Sum	26,560 58,249	*24,883* *57,672*	1,677 577
Gillian Taylor Head of Democratic Services	14,169	*14,029*	Pension Lump Sum	35,407 83,179	*33,758* *82,354*	1,649 825

Name and Post Title	In-year pension contributions			Accrued Pension Benefits		
	For Year to 31/03/2015 £	*For Year to 31/03/2014 £*		For Year to 31/03/2015 £	*For Year to 31/03/2014 £*	Difference from 31/03/2014 £
Colin McMahon (left 16/1/15) Horsecross Arts Limited – Chief Executive	4,432	*5,489*	Pension Lump Sum	473 0	*473* *0*	n/a n/a
Gwilym Gibbons (start 19/1/15) (Note 4) Horsecross Arts Limited – Chief Executive	1,159	*0*	Pension Lump Sum	214 n/a	*0* *0*	n/a n/a
Jacqueline McKay (Note 3) (to 31/10/13) Horsecross Arts Limited – Chief Executive	0	*6,839*	Pension Lump Sum	n/a n/a	*12,238* *21,930*	n/a n/a
James Moyes Live Active Leisure - Chief Executive	13,058	*12,628*	Pension Lump Sum	35,930 86,027	*33,580* *83,201*	2,350 2,826
TOTAL	**162,327**	***176,816***				

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) Pension Figures quoted relate to the full pension and lump sum entitlements of the post holder.

(3) Previously accrued benefits were transferred to Tayside Pension Fund prior to leaving date.

(4) These figures do not include transfer values.

Signed:

Bernadette Malone
Chief Executive

Perth & Kinross Council

Date: 16 September 2015

Alan Grant
Depute Leader of the Council

Perth & Kinross Council

Date: 16 September 2015

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 2015 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, the Non Domestic Rate Account, 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 2014/15 (the 2014/15 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 circumstances of the authority and its group 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 Annual Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 2014/15 Code of the state of the affairs of the group and of the local authority as at 31 March 2015 and of the income and expenditure of the group and the authority 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 2014/15 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, 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 2014; and
- the information given in the Management Commentary 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 has not been prepared in accordance 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.

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16 September 2015

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.

BEACON METHOD (ADJUSTED VACANT POSSESSION METHOD)
Based on the (vacant possession) market value of the asset which is the adjusted to reflect the assets' use for social housing with a sitting tenant.

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

DISCOUNTED CASH FLOW METHOD Quantifies the cash-generating potential, stated at present value, of the housing operation taking into account the estimated future income and expenditure streams.

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.

EXISTING USE VALUE FOR SOCIAL HOUSING (EUV-SH) Is the estimated amount for which a property should exchange on the date of valuation, between a willing buyer and a willing seller in an arm's length transaction.

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.