

CULTURE **PERTH & KINROSS**

Culture Perth and Kinross Limited
(A company limited by guarantee)

Company number: SC518247

Trustees' Report and Consolidated Financial Statements
for the year ended 31 March 2019

Culture Perth and Kinross Limited (a company limited by guarantee)

Trustees' Report and Consolidated Financial Statements

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Chair's Report

It is my great pleasure to once again introduce this report on the activity of Culture Perth and Kinross for the year ended 31 March 2019. This report reflects our third full year of operation, one in which we have again seen innovation, positive impacts and meaningful engagement with local communities and tourists and visitors to the area.

Culture continues to remain central to local strategic development and is a key pillar in the Perth City Development Plan and Perth and Kinross Council's economic regeneration plans setting both challenge and opportunity for us as an organisation. The Board and staff teams are fully committed to maximising the potential of our considerable organisational resource to work with the Council to further these exciting and ambitious plans.

As always, we have had a busy 12 months with the Board continuing to work closely with Perth and Kinross Council on the development of three major capital developments which will transform the way we deliver museum and gallery services and the visitor's experience of our collections, recognised as being of national significance. Plans for the redevelopment of Perth City Hall are now well advanced and work is due to begin on site in late 2019. The Board have been discussing in detail how the new building will operate once open to ensure we bring the history and heritage of the area to greater national and international prominence and bring benefits, not just to Culture Perth and Kinross and Perth City, but to the wider Tay region.

The Tay Cities Deal was announced by the UK and Scottish Governments in November 2018 and the cultural transformation of Perth City sits at the heart of that programme. We are continuing to progress our request, together with Perth and Kinross Council, for the stewardship of the Stone of Destiny which we hope will move to City Hall from Edinburgh Castle. It would be free to view and in very wonderful purpose built surroundings. We believe that we have a compelling case and will be supporting wider public engagement on that in the coming months.

This year the Board reviewed governance structures including the role and remit of our committees through which our key strategic activity is scrutinised and advanced to ensure we, at all times, make best use of public funds and the collections and resources with which we have been entrusted.

As always, success is not mine or the Board's alone and all that we do and achieve is done so with a great deal of support from our excellent staff team. The Board has nothing but praise for all their efforts and thanks them warmly. Our thanks go also to our valued partners, notably National Galleries of Scotland, National Records of Scotland, National Museums of Scotland, Perth and Kinross Heritage Trust, Perth Civic Trust and the Perthshire Society of Natural Science and our supportive funders among them the Gannochy Trust, Museums and Galleries Scotland, National Fund for Acquisitions and the Scottish Book Trust. Our sincere thank you goes also to the 216 committed volunteers who gave just under 7,300 hours of their valuable time to us this year. We could not function in the way we all would like to without these committed local heroes and I hope that members of our community who come across any one of this important band will thank them for their efforts sincerely. Finally and most importantly our thanks go to you, our communities, visitors, customers and audiences. Whatever form your engagement with us takes I would like to offer our most sincere gratitude for your continued support and for making our work matter and I very much look forward to continuing to work in partnership with you all.

Finally, a note of particular thanks to our principal funder and supporter Perth and Kinross Council. The Council's ongoing commitment to us as an organisation both financial and logistical, along with their continued trust and faith in our work is greatly valued by all of us within Culture Perth and Kinross.

CHARLES KINNOULL
CHAIR

Culture Perth and Kinross Limited (a company limited by guarantee)

Report of the Trustees

The trustees, who are also the directors of the company for the purposes of company law, are pleased to present their annual report and audited financial statements for the year ended **31 March 2019**.

Objectives and Activities

The **Articles of Association** for Culture Perth and Kinross detail its objects as being:

- To advance the arts, heritage and culture;
- To provide recreational facilities, and organise recreational activities, with such facilities/activities being made available to members of the public at large, with the object of improving their conditions of life;
- To advance education;
- To advance citizenship and/or community development (which may include the promotion of civic responsibility, volunteering, the voluntary sector and/or the effectiveness or efficiency of charities);
- To relieve those in need by reason of age, ill health, disability, financial hardship or other disadvantage;
- To advance such similar charitable purposes as the directors may consider appropriate from time to time, through the provision of services (including those entrusted to it by Perth and Kinross Council), which contribute to advancing wellbeing (primarily the wellbeing of residents of the area served by Perth and Kinross Council) including:
 - a) the operation, management and development of Cultural Facilities (including arrangements to facilitate access to such facilities by those on lower incomes or with special needs and to encourage wider participation in Cultural Activities); and
 - b) the development and delivery of Cultural Activities and events directed towards wider participation in such activities.

These objects inform the **vision**, *'to be at the heart of a Cultural Community that connects people, ideas, knowledge and collections'* and **mission**, *'to develop and deliver a range of innovative and creative cultural services, public programmes and partnerships which engage a wide and diverse audience in the best of local, national and international culture'* for the organisation which in turn drive the annual activities of the organisation.

The charity delivers in key service areas set out below:

Libraries and Information Services

- **49.46** staff resources (FTE)
- **13** Libraries in locations across Perth and Kinross.
- A mobile library service with **3** vehicles making approx. **102** stops every two weeks to remote rural locations, targeted communities, schools and nurseries, residential care homes and sheltered housing complexes.
- A digital library service which includes e-book, e-audiobook, e- newspaper and magazines as well as comprehensive reference resources.
- A range of volunteering, outreach, learning and early years' services designed to support literacies, reader development, inclusion and health and well-being.

Museum and Galleries Services

- **25.86** staff resources (FTE)
- Three **4*** Museums and Galleries venues (Perth Museum and Art Gallery and the Fergusson Gallery in Perth and Alyth Museum) housing a collection of over **450,000** objects which is a Recognised Collection of National Significance to Scotland.
- Exhibitions and Public Programming including events, talks and workshops.
- Heritage Learning, Volunteering and Outreach programmes across Perth and Kinross.

Archives and Local and Family History Services

- **5.47** staff employed (FTE)
- The Perth and Kinross Archive holds the records of Perth & Kinross Council and its predecessors, and those of local individuals, estates, businesses and organisations. Records date back over 800 years and the service is an important resource for researchers and is currently based within the AK Bell Library in Perth.
- Family and Local History services primarily support individuals to find out more about their local area and in particular to discover their ancestry and local family connections. The service has a number of resources and collections which support such research including local books, pamphlets, historic local newspapers and maps.

Report of the Trustees

Objectives and Activities (continued)

Creativity

- **1.7 FTE** Project staff across all areas of the organisation work with partners, communities and individuals to support:
 - Training, development and employment opportunities for young people within the cultural and heritage sector
 - Employability and business growth within the cultural and heritage sector through Perthshire Creates and other creative industry networks

Following a review of our first year of operations (2017-18), **6 key strategic objectives** were identified. These compliment national and local priorities, as set out in the *National Improvement Framework* and the *Perth and Kinross Strategic Priorities for Culture 2018-2021* and support delivery of the key objects of Culture Perth and Kinross as set out in the Articles of Association. These inform the **Strategic Operating Plan** and **Team Plans**.

- 1. To increase access to, and develop new audiences for, our services and collections**
- 2. To support digital inclusion and innovation across all our services**
- 3. To use cultural experiences and services to help address inequalities and to promote personal growth and development**
- 4. To engage proactively and creatively with customers, communities and partners**
- 5. To contribute to cultural sector debate and development at a local and national level**
- 6. To increase the resilience and sustainability of the organisation**

Achievements and Performance

Through the scrutiny of the Board and actions of senior officers, Culture Perth and Kinross promotes an environment of continuous improvement using a combination of performance and demographic data, customer and visitor feedback, self-evaluation and where appropriate external scrutiny to identify improvement actions and development priorities. There are a number of key performance measures (KPIs) which are scrutinised by the Board and reported to Perth and Kinross Council as a key funder, on a quarterly basis. Sitting behind these are detailed management information reports which support the day to day running of the organisation.

The improvements and actions for the organisation are set out in an annual Strategic Operating Plan under which sits individual team and project plans. Through use of the 'Golden Thread', all plans are aligned to local and national strategic priorities including *The Perth and Kinross Priorities for Culture and Sport 2018 – 2021* and the *Perth and Kinross Community Plan (SOA) 2013 – 2023*.

CPK Strategic Objective 1: To increase access to, and develop new audiences for, our services and collections

We welcomed **666,845** visits to our venues in 2018/19 (Table 1), a small decrease of 1.3% on the previous year however there were 12 fewer operating days in Museums and Galleries and a spike of visitors attending for the hugely successful Monarch of the Glen exhibition that year as well as exceptional summer weather which saw reduced footfall across all our indoor venues.

Our programming saw the delivery of 37 exhibitions and displays across our Museums and Galleries and AK Bell exhibition spaces. These included work co-produced with community groups such as the successful *A Story of the Catearan Trail in 100 Objects* at our Alyth Museum. Inspired by Neil Macgregor's *History of the World in 100 Objects*, this exhibition invited people in the community to select objects, contemporary and historical, which they felt told important aspects of their local story. The exhibition drew the largest audiences of local people seen in recent years to the Museum and helped reconnect the service with that community.

We celebrated the 40th Anniversary of the Archive this year with a month long celebration. This included three exhibitions one of which *Treasures*, highlighted selection of some of our oldest, most important and unusual documents including an early fourteenth century copy of Perth's Burgh Charter by William I declaring generally the privileges and regulations of the Burgh of Perth, and Perth's 'new' city charter which was awarded in Queen Elizabeth II's diamond jubilee year, 2012. Curiosities included a silk handbill advertising 'The celebrated Comedy A Cure for the Heart-ache' which was performed in Perth in 1805 and 'The Bumbees Assembly', a satirical poem dated 10 May 1729 commenting on John Simpson's suspension by the General Assembly of the Church of Scotland, a year or two prior. **144** people attended a Civic Reception to mark the anniversary with **55** individuals participating in special behind the scenes tours of the Archive. "*Congratulations on a magnificent archive, a great tribute to 40 years of hard work. Best wishes for the next 40 – and more!*" George MacKenzie, former Keeper of the National Records of Scotland. "*An extremely enjoyable event to celebrate a fantastic archive service, the result of the labours of many talented archivists!*" Alison Rosie, Registrar, National Register of Archive for Scotland.

Report of the Trustees

Achievements and Performance (continued)

The profile of the Collections in Perth and Kinross has been further raised this year as we have made significant loans to other Museums and Galleries nationally and internationally. **189** items from the collection have gone out on loan to other organisations in the past year and in return we borrowed **32** items to support our own exhibitions. Loans were made to **187** organisations across Scotland and the UK, and **2** internationally extending the awareness of and engagement with our collections beyond regional boundaries.

We also continued to build our collections adding 48 items, or groups of items to the collections. Notable additions include the following:

- Archives relating to the life and work of the archaeologist, Mary Boyle. Born in Comrie, she was an important figure in prehistoric archaeology between the 1920s and the 1960s, working closely with eminent French archaeologist L'Abbé Breuil. The French state awarded her the Legion d'Honneur.
- A very rare Scottish Provincial gold pocket watch, case by James Stobie of Perth and movement by Martineau Jnr of London, circa 1825. Purchased jointly for the Museum with a 50% grant from the National Fund for Acquisitions and a 50% contribution from an individual donor.
- A Neolithic carved stone ball from Sherrifmuir. Purchased with support of a 50% grant from the National Fund for Acquisitions and 50% funds crowdsourced on behalf of the Museum by Perthshire Society of Natural Sciences (PSNS).

Supporting individual and academic research using our collections continues to be a key activity for us. This year we dealt with **2,963** research enquiries. These range from requesting information and records from the archive, family ancestry research and information on objects within the collection or artists and makers represented.

Table 1. Visits In Person to Culture Perth and Kinross Venues

	2016/17	2017/18	2018/19	2018/19 v 2017/18	2018/19 v 2016/17
Total number of visits in person	679,989	675,772	666,845	1.3% decrease	1.9% decrease
Number of visits in person to Libraries	614,000	595,923	600,320	0.7% increase *	2.2% decrease
Numbers of visits in person to Museums and Galleries	65,989	79,849	66,525	16.7% decrease	0.8% increase

*In 2018/19 there was a reduction of 1 mobile library from the service. The like for like comparison to 2017/18 for libraries shows a 1.8% increase.

Table 2. Library Lending Activity

	2017/18	2018/19	Percentage +/-
Loan items	503,531	505,028	+ 0.29%
e-books	6,742	7,398*	+9.73%
e-audio	5,694	7,936	+39.37%
e-magazines	9,043	15,931	+76.1%

CPK Strategic Objective 2: To support digital inclusion and innovation across all our services

As we move into an increasingly digital world, the provision of online services and resources continue to be of key importance and we continue to develop the ways in which we communicate with our audiences digitally. This year we launched new Instagram social media feeds to reach the younger audiences making use of this platform and following the appointment of a new Content and Communications Officer we saw considerable growth overall in our social media activity (Table 4.) We have also continued to further develop opportunities to support digital inclusion, in particular through our library offer which offers free internet and Wi-Fi access in each of our 13 venues housing a total of 101 free to use PC's and laptops. Free WiFi access was upgraded at Perth Museum and Art Gallery this year considerably enhancing connectivity and streaming capacity for visitors.

We continue to provide a programme of free digital skills training supported by our network of IT Volunteers. The programme supports basic skills acquisition and links in to "Learn My Way" which is a recognised online trainer for beginners and enables individuals to practice their skills at home between support sessions in their local library.

Achievements and Performance (continued)

We continue to support the development of young people’s digital skills through our Code Clubs and running a highly successful Robot Wars Summer School in the summer in partnership with Dundee and Angus College. 16 young people designed and built their own Robots over the course of the week which then did ‘battle’ to see a final Robot crowned champion. Young people developed their coding, engineering and project planning skills and parents and carers were invited to watch the final battles.

In Highland Perthshire, staff at Breadalbane Library worked with the School to deliver 16 digital research skills workshops to pupils in S1 and S2 and those studying Highers and Advanced Highers. The workshops introduced pupils to the skills and tools they can use to critically assess online sources and how to make best use of online resources offered by the Library such as SCRAM and Britannica Online to support their course work and exam portfolios. Staff will be continuing to develop the workshops and roll out across all year groups and subjects in the coming year. *“Opportunity to link pupils learning to the wonderful resources available. Search terms were very accurate and allowed for relevant information to be found quickly (for both pupils and staff).”*

Table 3. Number of Online Visits to Culture Perth and Kinross Services

	2016/17	2017/18	2018/19	2018/19 v 2017/18	2018/19 v 2016/17
Total Number of online visits to libraries, museums and galleries	861,668	1,064,866	1,444,257	35.6% increase	67.6% increase
Number of online visits to Libraries	789,406	848,653	890,023	4.9% increase	12.7% increase
Numbers of online visits to Museums and Galleries	72,262	174,840	554,234	217% increase	667% increase

Table 4. Number of Social Media Engagements

	2016/17	2017/18	2018/19	2018/19 v 2017/18	2018/19 v 2016/17
Total Number of social media engagements with all services	2,105,552	2,233,063	2,679,964	20% increase	27% increase
Number of social media engagements with Libraries	1,194,555	1,411,398	1,487,016	5.4% increase	24.5% increase
Total Number of social media engagements with Museums and Galleries	910,997	821,665	1,192,948	45% increase	31% increase

CPK Strategic Objective 3: To use cultural experiences and services to help address inequalities and to promote personal growth and development

Culture Perth and Kinross continues to be proactive in providing services and experiences which help address inequalities and to support this we have taken an active and collaborative role in a number of key strategic groups including the Perth and Kinross Corporate Parenting Board, Community Equalities Advisory Group (CEAG) and the LGBTi Strategic Group. These meetings have allowed a greater level of networking and instigated plans and activities such as Perthshire Pride, LGBTi History Month, Gypsy Traveller History Month and marking Holocaust Memorial Day.

Volunteering is a vital part of Culture Perth and Kinross and this year we worked with **216** volunteers (Table 5.) who gave **7,263** hours of their time to enhance the delivery and opportunities of our service. This contribution has a financial value to the organisation of **£110,064** however their contribution is valued by staff and service users much more highly. Personal development and growth is a key reason individuals chose to volunteer and we ensure we offer a range of opportunities through which our volunteers can achieve this. Volunteers have stated through feedback that their experience at Culture Perth and Kinross is both enjoyable and beneficial for future career direction and wellbeing. This year we launch a new volunteer initiative, City Hall Champions, to recruit a network of volunteers who will support a wide range of community engagement and collections related activities linked to the development of the new Museum in the City Hall. **28** Champions have been recruited to date with a broad range of ages, experience and skills.

Achievements and Performance (continued)

Table 5. Total Number of Volunteer Hours

	2016/17	2017/18	2018/19	2018/19 v 2017/18	2018/19 v 2016/17
Total Number Volunteers	210	190	216	13.7% increase	2.8% increase
Number of Volunteer Hours	6,135	5,937	7,263	22.3% Increase	18.4% increase
Financial Value	£77,494	£86,964	£110,064	26.6% increase	42% increase

CPK Strategic Objective 4: To engage proactively and creatively with customers, communities and partners

Partnership and collaborative working are at the heart of much of our activity. Work this year has strengthened local and national partnerships helping to embed Culture Perth and Kinross in the cultural community. Key partnerships included, National Museums of Scotland (Dress to Impress), The Jorvik Group (Fearsome Craftsmen), National Records of Scotland (Archive Anniversary) and Cateran Commonwealth (Alyth Museum).

We continue to offer support and guidance to community groups seeking to develop their own book and reading groups or heritage displays. Support to the Blairgowrie Heritage Group to plan a pop up museum saw over 600 people visit the event in a local Hall. Objects and materials were loaned from the Collections for the day to support the event. Through this project the Heritage Group have developed skills in customer care, events management and evaluation. We are continuing to offer support to the group as they plan their next key event and prepare longer term plans for locally based heritage displays.

We make use of national initiatives and events to draw people into our Libraries and again took part in Book Week Scotland this year. This annual celebration of books and reading allowed readers the opportunity to meet new authors and inspired and encouraged them to expand their reading choices and try different books and genres. **13,847** people visited our libraries during Book Week Scotland, **9,649** books were borrowed and **126** people attended the **6** author talks on offer as part of the programme of events. Comments from audiences suggested how much these talks had informed and broadened their understanding. *"I really enjoyed this. Wish it had been more than 2 hours! The author, Liz Mistry, was very good, explained well and moved the pace along. I'm so pleased I've got 5 of her books to read now (from the library). Thanks for this, it was great"* Audience Comment.

The Summer Reading Challenge for children is delivered in all our Libraries and continues to grow in popularity. **1,336** children signed up in 2018, of which **36** joined the library specifically to take part in the reading challenge. The challenge encourages regular attendance by children during the summer holidays as children must visit the library on at least 3 separate occasions to collect their rewards and complete the challenge. Evidence from parents and carer's feedback would suggest that children's reading, literacy, confidence and language skills develop by progressing through the challenge – children must discuss their reading choices with staff and are encouraged to submit book reviews for the books they have read. Activities were held in libraries to complement the challenge – **28** separate events were held throughout libraries with **387** children participating in these events. Participants report really enjoying the challenge, parents and carers report an increase in their child's reading for enjoyment and an increase in their reading confidence and reading choices as a result of taking part. **808** children received an award on completion of the Summer Reading Challenge which is an increase of **5.48%** on 2017/18 figure.

We continue to work on behalf of the Gannochy Trust to deliver the Living Communities Participation Fund, a small grants scheme to which schools can apply to support projects which develop pupils interest in, and understanding of, the heritage in their local area. This year **14** schools have been awarded funding through LCPF bringing the total number of projects funded since 2016 to **32**. A diverse range of projects were funded including Burrelton Heritage Trail Project, in which pupils worked with the community to establish a new heritage walking route around the Village, and World War One Inspirational Women, an inter-disciplinary project at Perth High School marking 100 years since the end of WW1 and centenary of the Women's Vote.

Achievements and Performance (continued)

Table 6. Total Number of Public Programme Events and Participants

	2016/17	2017/18	2018/19	2018/19 v 2017/18	2018/19 v 2016/17
Total Number Events	5,455	4,359	4,233	2.9% decrease	22.4% decrease
Number of Participants	78,462	68,847	62,314	9.5% decrease	20.6% decrease

Note: We have a target to reduce the number of events we offer by 20% and to focus on providing fewer, but higher quality experiences for audiences, which meet our objectives and so the decreases identified above are positive.

CPK Strategic Objective 5: To contribute to cultural sector debate and development at a local and national level

Culture Perth and Kinross is represented on a number of key local strategic groups and partnerships including the Perth and Kinross Advisory Group for Culture and Sport, the Perth City Development Board, the Cultural Transformation Programme Board, the Creative Exchange Project Board, the Tay Cities Regional Cultural Development Agencies Group, Community Access, the Community Equality Advisory Group, the LGBTi Strategic Group and the Perth and Kinross Child Protection Committee. Participation in these groups enables us to help inform wider debate, represent the views and interests of our service users and influence cultural development in the region. We also continue to support staff to take on strategic roles with national organisations and initiative seeing both the benefits to individuals and the wider organisation of this.

This year Culture Perth and Kinross led on the development of a new regional Cultural Collaborations Group bringing together representatives from funded arts, culture and heritage organisations operating across the region. The inaugural meeting, held at Perth Theatre, brought together representatives from Horsecross Arts, Birnam Arts, The Birks Cinema, Strathearn Artspace, Pitlochry Festival Theatre, Perth Festival of the Arts, Perth Chamber Orchestra and others to discuss opportunities for better collaboration and alignment of programming to reduce competition for audiences and enhance the visitor offer. As a result of this meeting a number of new collaborative activities are happening in the region including work between Perthshire Open Studios and Doors Open Day to increase the offer and exposure of both events through collaborative programming. A new online hub for collaboration has been established and a regional 'clash' diary is being populated.

Working with Arts and Business Scotland we held a joint event to promote the Arts and Culture Fund to local businesses and arts organisations to support improved business partnerships and maximise the opportunities of business sponsorship of the arts and culture in the region.

We are also working to strengthen our working relationships with the National Galleries, building on the success of the Monarch of the Glen collaboration in December 2017. This new, more strategic relationship will support a series of high profile loans for an exhibition series called ICONS. This will explore and debate what we mean by the term iconic, how work becomes iconic and how interpretations on who or what is an icon change through the years and within different cultures.

Our collaboration with National Museums of Scotland (NMS) as part of their Revealing Cultures Project supported our collections review and the upskilling of curatorial staff in our East Asian collections. This resulted in a new exhibition and engagement project in which we collaborated with textile artist Jill Skulina, Fife College Education staff based at Cornton Vale and Perth Prisons and a range of community groups including Care Home Activity Network, Murray Royal Art Group, Fairview School, and Perth Autism Teen Group. A new community robe was created with input from all the participants which was displayed in the Dress to Impress exhibition at Perth Museum and Art Gallery. Following the closing of the temporary exhibition in October 2018, the community created robe toured around 3 of the organisations who contributed to its creation. The tour element extended the longevity of the project beyond the exhibition, and took the project, and the museum, into the local Perth and Kinross community.

Culture Perth and Kinross also works with national agencies and organisations to both support quality development within our services and to work with, influence and inform national policy development and debate. Groups include, Heads of Public Libraries, Society of Antiquaries of Scotland, Local Studies Scotland, Recognised Collection Holders, Scottish Libraries Early Years Strategic Group and Scottish Prison Service Library Managers.

Report of the Trustees

Achievements and Performance (continued)

CPK Strategic Objective 6: To increase the resilience and sustainability of the organisation

We are continuing to develop our approach to fundraising to diversify our income to the organisation and reduce our reliance on core funding from Perth and Kinross Council. We introduced a number of new initiative to encourage donations to the organisation including a holiday money donation scheme which brought in 40 different currencies. We also made use of Charity Checkout and Give as You Live to promote awareness of our charitable status and bring in donations. Staff too have been working hard to fundraise for the organisations with a combination of Bingo Teas, Charity Runs and Pamper Nights raising £2,111.

We have been working to upskill staff in fundraising, with all extended management team members undertaking formal training on fundraising along with many other staff across the organisation. The increased confidence in making applications to Trusts and Foundations saw income to the service from this source of **£201,280**, a **43%** increase on the previous year.

Since the 1 April, Culture Perth and Kinross has received **£770,137** from trusts and foundations of which **£410,677** is money which would not have been received if services were not within an independent charitable trust.

We continue to work with staff to develop organisational effectiveness and resilience. As part of this we undertake an annual survey of all employees to gather data and evidence of any issues within the organisation impacting on staff and how staff feel about working for the organisation. This year there was a 64% response rate, compared to the 65% response rate in 2017-18. Although staff structures had been reviewed earlier in the year with some significant impacts on individuals and teams, overall staff remained very positive with over 70% of staff in agreement in 80% of questions. There was a 10% increase in the number of staff who felt they received recognition and praise at work (72%) and increases too on the number of staff who felt they had a voice within the organisation which counted (72%).

Trading Operations

Culture Perth and Kinross has one trading subsidiary which is a company limited by shares. This company, with **4.3 FTE** staff, looks after the commercial activity within our venues including:

Venue Hire

There are a number of spaces within key venues which are available for public hire, including;

- Soutar Theatre, Sandeman Meeting Room, McKenzie Room – AK Bell Library
- Lecture Theatre, Library Meeting Room – Perth Museum and Art Gallery
- Soutar House

Income from Venue Hire in 2018/19 was **£35,100**.

Catering

A limited catering offer is made available to support venue hire and events activity. A café is also run within the AK Bell Library.

Catering income contributed **£104,408** to the trading company in 2018/19.

Retail

There is a limited retail offer in Perth Museum and Art Gallery, Fergusson Gallery and Alyth Museum and includes sales of prints, postcards, stationery, books and gift items. Retail books (mostly locally produced and relevant titles) are offered for sale at AK Bell and other Libraries.

Retail sales totalled **£35,080** in 2018/19.

There is some other activity which generates income for the trading company including commercial event activity (ticketed, non-charitable).

Development

Culture Perth and Kinross is continuing to work with Perth and Kinross Council on a major programme of cultural development which includes refurbishment of Perth Museum and Art Gallery, the establishment of a new, additional museum venue within the former City Hall and the creation of new storage for the Collections. All these developments will significantly increase access to the museum and gallery collections and improve the visitor experience and opportunities for engagement with cultural activity.

Report of the Trustees

Development (Continued)

Work on the development and progression and implementation of the detailed brief, business case and operating plans for these projects will continue to be a significant work stream for the organisation over the next five years. To support this, a working group of the Board has been established to which additional capital development expertise has been co-opted and the project is a standing item at all Board Meetings.

A new **Strategic Operating Plan** is in place for 2019-21 which identifies the focus for development activity over the coming two year period aligned to our Strategic Objectives:

1. To increase access to, and develop new audiences for, our services and collections

We will do this by:

- Developing our understanding of who our audiences are, and who is not currently engaged with us
- Undertaking active promotion of collections and services in communities
- Developing our public programming approaches
- Continuing to develop collaborations and partnerships at a local, national and international level

2. To support digital inclusion and innovation across all our services

We will do this by:

- Ensuring the accessibility of our digital resources across the region
- Building on the Maker_Space model and offering innovative digital programmes linked to this
- Further developing our online offer to ensure our resources reflect the needs and interests of our customers and communities
- Using digital technologies to promote deeper engagement with and knowledge of collections

3. To use cultural experiences and services to help address inequalities and to promote personal growth and development

We will do this by:

- Engagement with stakeholder and community groups to explore their cultural identities and experiences and how these can be better reflected in our collections and services
- Working with partners to provide better access to information and resources to support self-directed care and well-being
- Offering pathway programmes to support young people develop skills and knowledge which will support employment in the cultural sector
- Further develop our volunteering offer to offer a more diverse range of opportunities
- Ensuring staff have the skills and knowledge to identify inequalities and address barriers to access within our services

4. To engage proactively and creatively with customers, communities and partners

We will do this by:

- Investing in the customer facing skills and knowledge of our staff
- Seeking collaborations and partnerships as part of all our project developments
- Further embedding our Community Engagement Strategy
- Further developing opportunities for customers and audiences to feed back to us and to use this information to influence service planning and development

5. To contribute to cultural sector debate and development at a local and national level

We will do this by:

- Further developing our national partnerships and collaborations
- Engaging in local, regional and community planning processes
- Contributing to a strong local network of cultural and heritage organisations
- Seeking to share our learning and contribution to innovative projects via national platforms

6. To increase the resilience and sustainability of the organisation

We will do this by:

- Ensuring excellent and rigorous performance and financial management
- Implementing an ongoing programme of supported self-evaluation and review
- Strengthening our Fundraising skills and revising fundraising targets accordingly
- Supporting our staff to develop the skills, knowledge and experience which will support organisational success

Culture Perth and Kinross Limited (a company limited by guarantee)

Report of the Trustees

Financial Review

The Group's financial results for the year 1st April 2018 to 31st March 2019 are shown on pages **17 to 45**.

Total Incoming group resources for the year were **£3.798 million** including restricted fund income of £205k.

Costs Incurred of **£3.551 million** has resulted in a surplus of £41k, prior to accounting for the loss on the defined benefit pension scheme, and transfers between funds. Group net liabilities as at 31 March 2019 were £1.459 million (2018- £756k). Unrestricted funds at the year end were £96.8k (2018 - £30k liability).

The restricted funds, of £275k (2018 - £362k), relates to funds which are not available for general purposes of the charity as they have been restricted by the donor to specific purposes (see note 24 of the financial statements)

Culture Perth and Kinross Trading Ltd

The results of the charity's wholly owned subsidiary company are consolidated with those of the charity in the group financial statements. Further details are provided at note 1. The principal activity of the trading company is the provision of catering, retail services and venue hire.

Culture Perth and Kinross Trading Limited's operating profit for the year 1st April 2018 to 31st March 2019 was **£10,261 (2018 - £4,975)**, which will be donated to the parent company.

Sources of finance

Core funding is provided through a service level agreement with Perth and Kinross Council. This provides 90.7% of operating Income for the group with other funds coming from trading activity, ticket sale income and donations. Grant funding of £205,203 was also received in the year but the majority of this is restricted. Detail of all Group donations (including grants and legacies) is provided on note 3 of the financial statements.

The entrance for the Museum and use of the Library is free to the public with small charges for additional services or late books. As well as the primary purpose charitable trading the charity has made some progress in attracting financial support for events and exhibitions through donations, ticket sales and sponsorship. Group Net Current Assets are £582k, of which £1.423m is held in cash at bank and in hand as at 31st March 2019. £1.349m of this is in a temporary deposit account in the name of Culture Perth and Kinross Limited, and is administered by Perth and Kinross Council as part of banking and treasury services agreement. Recognition of the group's share of the Tayside Pension Fund deficit has meant £2.049m recognised on the Balance Sheet, resulting in net liabilities of £1.460m.

Culture Perth and Kinross commenced operations on 1st April 2016, assets and the temporary book collections were transferred to the charity from Perth and Kinross Council. The internationally renowned Permanent Museum collection remains in the ownership of Perth and Kinross district council whilst Culture Perth and Kinross provide the curation, visitor experience and care of the collections. Charitable activity can be seen on note 4 of the financial statements.

Reserves Policy

Maintaining a level of reserves helps to meet unexpected events, and to provide funds for planning and development of cultural services. In 2019/20 we will continue to fundraise for unrestricted reserves and supportive trading opportunities. The Trustees believe that an appropriate level of unrestricted funds would be £500k. General Reserves at 31st March 2019 are in deficit of £1.735m, however this is after recognition of the company's share of the Tayside Pension Fund deficit of £1.832m. The charity will endeavour to build up its reserves over the next five years.

Going concern

Funding for 2019/20 has been agreed for the period to 31st March 2020. Anticipated funding reduction in 2018-19 was mitigated by a savings plan and tight operational control. The Pension Liability is underwritten and guaranteed by Perth and Kinross Council as part of the "TUPE" of staff to Culture Perth and Kinross Limited, which allows the Board to assess going concern at operational surplus, whilst working to reduce such liability. The Charity will respond to anticipated further reductions in core with plans to expand trading opportunities and new avenues open to this charity such as increased donations and fundraising. Directors along with the chief executive review the business strategy and are satisfied that they are able to prepare accounts on a going concern basis. The service level agreement with Perth and Kinross Council has been agreed for 2019-20.

Culture Perth and Kinross Limited (a company limited by guarantee)

Report of the Trustees

Risk Management

The major strategic, business and operational risks associated with the charity are identified. An Organisational Risk Register has been developed with risk review and mitigation systems which are reviewed by the management team. The Risk Register is discussed at the Finance and Resources Committee and then presented to the Board to allow Trustees to review these risks and satisfy themselves that adequate systems and procedures are in place to manage the risks identified. Where appropriate, risks are covered by insurance.

All significant activities undertaken are subject to a risk review as part of the initial activity assessment and implementation, for example as part of exhibition and project planning. Major risks are identified and ranked in terms of their potential impact and likelihood. The work has identified risks associated with financial sustainability and developed mitigation steps. Internal control risks are minimised by procedures for all transactions and projects. Attention also has been focussed on risks arising from fire, health and safety of staff and customers and security. Procedures are in place to ensure compliance with health and safety of staff, volunteers and customers.

Structure, Governance and Management

Culture Perth and Kinross Limited is a company limited by guarantee governed by its **Articles of Association** adopted on 6 November 2015. The company is registered with the Office of the Scottish Charity Regulator (OSCR). Culture Perth and Kinross is a sole member company with the sole member being Perth and Kinross Council. As such, a representative is in attendance at Board meetings, but does not have the right to vote at these meetings.

As set out in the Articles of Association the Chair and Vice-Chair are appointed by the Board, which can be up to twelve trustees, from within its membership. Perth and Kinross Council nominates three trustees from its standing elected Councillors. There can be up to nine independent trustees who are nominated by a **Nominations Committee** and appointed by the Sole Member. The roles of Chair and Vice-Chair can only be held by independent trustees. The trustees have the power to co-opt trustees where there is an identified need for additional specialist knowledge to support decision making.

When considering nominations to the Board use is made of a **Board Skills Matrix** which identifies the critical skills, knowledge and experience required to ensure the success of the charity.

There is a **Directors Code of Conduct** in place which is reviewed and signed up to by trustees on initial appointment and annually thereafter.

On appointment trustees are provided with background information on the charity, including copies of annual and performance reports and information on their role and responsibilities as a charity trustee. New trustees meet individually with the Chair of the Board and the Chief Executive as part of an induction programme and are given tours of key venues as an introduction to the staff, operations and key activities of the Charity. Following the first year of operation the induction process for new trustees is being reviewed with a view to developing a revised programme to support future appointments.

The board of trustees administers the charity and the Articles of Association outline what can and cannot be delegated. A **Scheme of Delegation** has been agreed which sets out the detail of tasks and principles which will be delegated by the Board and to whom. The Scheme of Delegation identifies key committees covering finance, resources, strategy and development and the terms of reference for each of these groups. The Chief executive is appointed to manage the day-to-day operations of the charity and has delegated authority, set out within the Scheme of Delegation for operational matters including finance, employment and programming.

None of the trustees receive remuneration or other benefit from their work with the charity. Any connection between a trustee and a senior manager must be disclosed to the full Board. All meetings are headed with an opportunity for trustees and others present to make a declaration of any interests and a register of any such interests is maintained. A conflict of interest policy and register of interests and hospitality are in place.

The Council commissions Culture Perth and Kinross to deliver services on their behalf and there is an annual Services Agreement in place. This agreement is monitored through quarterly contract monitoring meetings and by the Perth and Kinross Council Scrutiny Committee who oversee all large scale contractual arrangements undertaken by the Council to ensure Best Value and that the needs and interests of local communities are being met.

Culture Perth and Kinross Trading Limited, which is the trading subsidiary, has a Board which comprises three Directors drawn from the Board of Culture Perth and Kinross and including the chair of the Finance and Resources Committee. The business of the trading company is dealt with in the body of the Board meetings and subcommittee structures of the Charity.

Culture Perth and Kinross Limited (a company limited by guarantee)

Report of the Trustees

Statement of Trustees' Responsibilities

The Trustees, who are also the directors of Culture Perth and Kinross Limited for the purpose of company law, are responsible for preparing the Trustees' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these accounts, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in operation.

The Trustees are responsible for keeping adequate accounting records that disclose, with reasonable accuracy at any time, the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 2006, with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each of the persons who are trustees at the time when the Trustees' Report is approved:

- so far as the trustees are aware, there is no relevant information of which the charity's auditor is unaware; and
- each trustee has taken all the steps that he ought to have taken as a trustee in order to make himself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

Auditor

The auditor, Campbell Dallas Audit Services, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

This report has been prepared in accordance with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2016) and in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The report was approved by the board on **26 July 2019** and signed on its behalf by:

W J H Elles (Vice Chair)

Culture Perth and Kinross Limited (a company limited by guarantee)

Report of the Trustees

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number

SC518247 (Scotland)

Registered Charity number

SC046353

Registered office

A K Bell Library

2-8 York Place

Perth

PH2 8EP

Trustees (and Directors)

W J H Elles

A J Parrott

G D M Bullough

J D C Findlay

E K Grossart

C Kinnoull

S M Howie

Councillor C J Ahern

Councillor K M Baird

S Dawe

Auditors

Campbell Dallas Audit Services

Statutory Auditors

5 Whitefriars Crescent

Perth

Perthshire

PH2 0PA

Solicitors

Lindsays Solicitors

Caledonian Exchange

19A Canning Street

Edinburgh

EH3 8HE

Management Accounting

Scott Moncrieff

25 Bothwell Street

Glasgow

G2 6NL

Bankers

Royal Bank of Scotland

Perth chief office

12 Dunkeld Road

Perth

PH1 5RB

REFERENCE AND ADMINISTRATIVE DETAILS CONTINUED

Senior Officers

Helen Smout	- Chief Executive Officer	
Morag Kelly	- Head of Libraries and Information Services	(retired 31 March 2019)
Jenny Kinnear	- Head of Museums and Collections	(resigned 25 May 2018)
Gillian Findlay	- Interim Head of Museums and Collections	(appointed 16 August 2018)

Report of the Independent Auditors to the Trustees and Members of Culture Perth and Kinross Limited (a company limited by guarantee)

Opinion

We have audited the financial statements of Culture Perth and Kinross Limited ("the parent charitable company") for the year ended 31 March 2019 which comprise the Group and Parent Statement of Financial Activities, the Group and Parent Statement of Financial Position, the Group Statement of Cash Flows, and related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 March 2019 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Report Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Chair's Report and annual report, other than the financial statements and our Report of the Independent Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report of the Independent Auditors to the Trustees and Members of Culture Perth and Kinross Limited (a company limited by guarantee)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Trustees for the financial year for which the financial statements have not been received from branches not visited by us; and
- the Report of the Trustees has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Chair's Report and the Report of the Trustees.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the group has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Trustees.

Responsibilities of trustees

As explained more fully in the Statement of Trustees Responsibilities, the trustees (who are also the directors of the parent charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Independent Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Independent Auditors.

Neil Morrison (Senior Statutory Auditor)
for and on behalf of Campbell Dallas Audit Services
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
5 Whitefriars Crescent
Perth
PH2 0PA

Date:

Culture Perth and Kinross Limited (a company limited by guarantee)

**Consolidated Statement of Financial Activities (including consolidated income and expenditure account)
for the Year Ended 31 March 2019**

	Note	Unrestricted funds £	Restricted funds £	2019 Total funds £	2018 Total funds £
Income and endowments from:					
Donations and legacies	3	-	205,203	205,203	151,970
Charitable activities	4	3,343,893	-	3,343,893	3,580,525
Other trading activities	5	202,802	-	202,802	207,221
Investment income	6	2,558	-	2,558	2,439
Other income		43,688	-	43,688	10,223
Total		<u>3,592,941</u>	<u>205,203</u>	<u>3,798,144</u>	<u>3,952,378</u>
Expenditure on:					
Raising funds	7	81,383	-	81,383	101,230
Charitable activities	8	3,470,249	280,305	3,750,554	3,723,187
Total		<u>3,551,632</u>	<u>280,305</u>	<u>3,831,937</u>	<u>3,824,417</u>
Net income		41,309	(75,102)	(33,793)	127,961
Other financial costs	10	(32,000)	-	(32,000)	(103,000)
Gain/(loss) on defined benefit pension scheme		(638,000)	-	(638,000)	2,574,000
Transfer between funds	12	11,839	(11,839)	-	-
Net movement in funds	13	(616,852)	(86,941)	(703,793)	2,598,961
Reconciliation of funds					
Total funds brought forward		<u>(1,118,391)</u>	<u>362,383</u>	<u>(756,008)</u>	<u>(3,354,969)</u>
Total funds carried forward		<u>(1,735,243)</u>	<u>275,442</u>	<u>(1,459,801)</u>	<u>(756,008)</u>

CONTINUING OPERATIONS

All income and expenditure has arisen from continuing activities.

The notes form part of these financial statements

Culture Perth and Kinross Limited (a company limited by guarantee)

**Company Statement of Financial Activities (including income and expenditure account)
for the Year Ended 31 March 2019**

	Note	Unrestricted funds £	Restricted funds £	2019 Total funds £	2018 Total funds £
Income and endowments from:					
Donations and legacies	3	-	205,203	205,203	156,945
Charitable activities	4	3,343,893	-	3,343,893	3,572,168
Investment income	6	2,535	-	2,535	2,352
Other income		43,688	-	43,688	10,223
Total		<u>3,390,116</u>	<u>205,203</u>	<u>3,595,319</u>	<u>3,741,688</u>
Expenditure on:					
Charitable activities	8	3,359,068	280,305	3,639,373	3,613,727
Total		<u>3,359,068</u>	<u>280,305</u>	<u>3,639,373</u>	<u>3,613,727</u>
Net income		31,048	(75,102)	(44,054)	127,961
Other financial costs	10	(32,000)	-	(32,000)	(103,000)
Gain/(loss) on defined benefit pension scheme		(638,000)	-	(638,000)	2,574,000
Transfer between funds	12	11,839	(11,839)	-	-
Net movement in funds	13	(627,113)	(86,941)	(714,054)	2,598,961
Reconciliation of funds					
Total funds brought forward		<u>(1,118,391)</u>	<u>362,383</u>	<u>(756,008)</u>	<u>(3,354,969)</u>
Total funds carried forward		<u>(1,745,504)</u>	<u>275,442</u>	<u>(1,470,062)</u>	<u>(756,008)</u>

CONTINUING OPERATIONS

All income and expenditure has arisen from continuing activities.

The notes form part of these financial statements

Culture Perth and Kinross Limited (a company limited by guarantee)

**Consolidated Statement of Financial Position
At 31 March 2019**

	Notes	2019 £	2018 £
Fixed assets			
Tangible assets	16	7,257	9,892
Current assets			
Stocks		17,244	17,678
Debtors and prepayments	18	81,486	81,916
Cash at bank and in hand	19	1,423,636	1,324,883
		<u>1,522,366</u>	<u>1,424,477</u>
Liabilities			
Creditors: amounts falling due within one year	20	<u>(940,424)</u>	<u>(811,377)</u>
Net current assets		581,942	613,100
Pension liability	22	(2,049,000)	(1,379,000)
Total net liabilities		<u>(1,459,801)</u>	<u>(756,008)</u>
The funds of the charity			
Restricted funds	23	275,442	362,383
Unrestricted funds	23	96,757	(30,391)
Pension reserve	23	(1,832,000)	(1,088,000)
		<u>(1,459,801)</u>	<u>(756,008)</u>

The financial statements were approved by the Board of Trustees on and were signed on its behalf by:

W J H Elles

The notes form part of these financial statements

Culture Perth and Kinross Limited (a company limited by guarantee)

**Company Statement of Financial Position
At 31 March 2019**

	Notes	2019 £	2018 £
Fixed assets			
Investments	17	1	1
Tangible assets	16	5,958	7,943
		<u>5,959</u>	<u>7,944</u>
Current assets			
Debtors and prepayments	18	91,356	76,441
Cash at bank and in hand	19	1,401,506	1,330,383
		<u>1,492,862</u>	<u>1,406,824</u>
Liabilities			
Creditors: amounts falling due within one year	20	<u>(919,883)</u>	<u>(791,776)</u>
Net current assets		572,979	615,048
Pension liability	22	(2,049,000)	(1,379,000)
Total net liabilities		<u>(1,470,062)</u>	<u>(756,008)</u>
The funds of the charity			
Restricted funds	23	275,442	362,383
Unrestricted funds	23	86,496	(30,391)
Pension reserve	23	(1,832,000)	(1,088,000)
		<u>(1,470,062)</u>	<u>(756,008)</u>

The financial statements were approved by the Board of Trustees on and were signed on its behalf by:

W J H Elles

Culture Perth and Kinross Limited (a company limited by guarantee)

**Consolidated Statement of Cash Flows
for the Year Ended 31 March 2019**

	Notes	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash flows from operating activities:					
Net cash provided by operating activities	26	96,195	42,666	68,588	168,503
Cash flows from investing activities:					
Purchase of tangible fixed assets		-	(7,943)	-	(7,943)
Interest received		2,558	2,440	2,535	2,352
Change in cash and cash equivalents in the reporting period		98,753	37,163	71,123	162,912
Cash and cash equivalents at the beginning of the reporting period		1,324,883	1,287,720	1,330,383	1,167,471
Cash and cash equivalents at the end of the reporting period		1,423,636	1,324,883	1,401,506	1,330,383

The notes form part of these financial statements

1. ACCOUNTING POLICIES

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

Basis of preparing the financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 102, as issued by the Financial Reporting Council, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Companies Act 2006 and the Statement of Recommended Practice (SORP) – Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). They are prepared on the historical cost basis.

Culture Perth and Kinross Limited meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charity's transactions are denominated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires trustees to exercise their judgements in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Basis of consolidation

The financial statements consolidate the results of the charity and its wholly owned subsidiary Culture Perth and Kinross Trading Limited (company number SC526979, registered in Scotland) on a line by line basis. The company together with Culture Perth and Kinross Trading Limited comprises the Group.

As described in Note 26, Culture Perth and Kinross Limited is deemed to be a subsidiary undertaking of its ultimate parent, Perth and Kinross Council. Accordingly, the financial statements of Perth and Kinross Council will incorporate the results of Culture Perth and Kinross Limited and its trading subsidiary.

Going concern

These financial statements have been prepared on a going concern basis following assessment by the trustees of the group's financial position at the date of approval which included consideration of forward revenue and cash flow projections for the next 12 months.

Culture Perth and Kinross Limited is dependent on the continuance of financial support from its principal funders, Perth and Kinross Council, and on the adequacy of its income generating endeavours in relation to charitable trading activities (which are primarily cultural and educational) and other fund-raising.

The board has reviewed operating revenue and cash flow forecasts prepared by management on the basis of approved income and expenditure budgets, with due allowance made for timing factors associated with grants and other trading receipts.

Management's forecasts indicate the adequacy of working capital to allow the group to continue to pay its debts as they fall due for at least a year from the date of this report. Accordingly, and in view of the confirmed funding agreements in place for 2019/20 with Perth and Kinross Council, the board is satisfied that the group can continue to trade as a going concern for the foreseeable future.

1. ACCOUNTING POLICIES - continued

Recognition and allocation of income

Income is recognised when the charitable company has legal entitlement to the funds, it is probable that the income will be received, and the amount can be measured reliably. Where practicable, income is related to the operating activities of the charitable company. Where there are terms placed on income that limit the company's discretion over how the income can be used, that income is shown as restricted income in the accounts.

Income from grants, donations and legacies

Where there are performance conditions attached to any grants and donations, income is recognised when the conditions have been met or when meeting the conditions are within the company's control, and there is sufficient evidence that they have been met or will be met. Where a grant condition allows for the recovery of any unexpended grant, a liability is recognised when repayment becomes probable. Where donor-imposed conditions require that the resource is expended in a future accounting period, income is recorded as deferred income at the Balance Sheet date.

Entitlement to legacy income exists when the company has sufficient evidence that a gift has been left, the executor is satisfied that the gift will not be required to satisfy claims on the estate and any conditions are within the control of the company or have been met. Where legacies have been notified to the company and the criteria for income recognition have not been met, the legacy is treated as a contingent asset and disclosed if material. Legacy income is measured at fair value, generally the cash amount receivable, and discounted if deferred for more than 12 months. The unwinding of the discount is recognised as interest receivable.

Where incoming resources are given specifically to provide a fixed asset, or a fixed asset is donated, all of the incoming resource is recognised in the Statement of Financial Activities when receivable. Once the asset is acquired, the relevant fund is reduced over the useful economic life of the asset in line with its depreciation.

Income from charitable activities

Incoming resources from charitable activities: Perth and Kinross Council service fees; income derived from the operation of the museum and galleries services; library and other information services, and; arts and development programmes.

Income from investments

Income from investments is credited to income in the period in which it is receivable.

Expenditure

Expenditure is recognised when the company has entered into a legal or constructive obligation and related where practicable to the operating activities of the company. Where possible, expenditure is attributed directly to the function to which it relates. Where this is not possible, it is allocated on a percentage basis consistent with the function's use of resources. The allocation of support costs is shown in Note 9.

Resources expended are included in the Statement of Financial Activities on an accrual basis, inclusive of any Value Added Tax which cannot be recovered.

Costs of raising funds are those costs incurred in attracting voluntary income and those incurred in trading activities that raise funds, together with associated support costs.

Charitable activities include expenditure associated with the operation of the museums, galleries and library services, and cultural programmes undertaken to further the purposes of the charity and include both the direct costs and support costs relating to these activities.

Support costs are the costs of central functions that assist the work of the charity but do not directly undertake charitable activities. Governance costs relate to the costs associated with the governance of the charity and its assets and are primarily associated with the constitutional and statutory requirements and include in estimate of the cost of senior management time and other resources on long-term strategy and financial planning activities.

1. ACCOUNTING POLICIES - continued

Pensions

The charity is a member of the Tayside Superannuation Fund ('the Fund'), a defined benefit pension scheme. A defined benefit pension plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to: age, length of service, and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually, the company engages with independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts, together with the return on plan assets, less amounts included in net interest, are disclosed as 'Actuarial loss on defined benefit schemes'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from an employee service during the period, and;
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. The cost is recognised in profit or loss as 'Other finance costs'.

Taxation

Culture Perth and Kinross Limited is a partially exempt organisation under Schedule 9 of the VAT Act 1994. During the year, VAT returns have been submitted on a partially exempt basis.

Irrecoverable VAT is charged against the cost of activities where it is incurred.

Culture Perth and Kinross Limited is a registered charity, and therefore is not liable to income tax and corporation tax on income and gains derived from its charitable activities, as it falls within the various exemptions available for registered charities.

The subsidiary company has an obligation to covenant any available taxable profits up to Culture Perth and Kinross Limited under Gift Aid.

1. ACCOUNTING POLICIES - continued

Financial instruments

Financial instruments are recognised in the statement of financial position when the charity becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price, unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are accounted for as set out below. A financing transaction is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments are classified as either 'basic' or 'other', in accordance with Chapter 11 of FRS 102.

At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period, with the resulting changes recognised in income and expenditure. Where the fair value cannot be reliably measured, they are recognised at cost less impairment.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the charity has transferred substantially all the risk and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation, or expiry.

2. CRITICAL JUDGEMENTS AND ESTIMATES

In preparing the financial statements, trustees make estimates and assumptions which affect reported results, financial position, and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of these estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Critical judgements are made in the application of income recognition accounting policies, and the timing of the recognition of income in accordance with the Charities SORP (FRS 102).

Culture Perth and Kinross Limited (a company limited by guarantee)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2019**

3. INCOME FROM DONATIONS AND LEGACIES

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
Group and company				
Crockart Foundation Fund	-	84,000	84,000	50,000
Scottish Government Centenary Fund	-	3,230	3,230	-
Creative Learning Network	-	-	-	724
National Museum Scotland Acquisition Grant	-	4,475	4,475	4,303
Festival of Museums	-	1,003	1,003	-
Art Fund	-	-	-	1,925
Living Community Project Fund	-	-	-	25,000
Museum Gallery Scotland (Collection Review)	-	28,978	28,978	15,269
Young Designers Summer School	-	3,240	3,240	-
National Museum Scotland East of Asia Project	-	1,882	1,882	-
Diverse CiTay	-	3,107	3,107	-
Perth Theatre Archive Project	-	-	-	1,500
General Restricted Funds - Museums and galleries	-	2,369	2,369	-
Visual Arts and Crafts Makers Awards	-	3,000	3,000	-
Archives Appeal	-	3,530	3,530	-
Soutar Festival and Competition	-	4,000	4,000	-
Cultural Redevelopment Project	-	43,639	43,639	-
Sheriffmuir Neolithic Carved Stone Ball Acquisition	-	3,250	3,250	-
Picts & Pixels	-	-	-	4,267
Artist rooms	-	-	-	12,825
Monarch of the Glen	-	-	-	12,267
Pipeline Project	-	15,500	15,500	13,500
Guildry Incorporation	-	-	-	5,000
Donations	-	-	-	5,390
	-	205,203	205,203	151,970
Gift aid donation from subsidiary (company only)	-	-	-	4,975
	-	205,203	205,203	156,945

4. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
Group				
Perth and Kinross Council service fees	3,264,115	-	3,264,115	3,479,118
Donations and gifts	15,843	-	15,843	-
Arts development	-	-	-	9,693
Museums and galleries	8,681	-	8,681	46,456
Libraries and information	55,254	-	55,254	45,258
	3,343,893	-	3,343,893	3,580,525

Culture Perth and Kinross Limited (a company limited by guarantee)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2019**

4. INCOME FROM CHARITABLE ACTIVITIES - continued

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
Company				
Perth and Kinross Council service fees	3,264,115	-	3,264,115	3,470,761
Donations and gifts	15,843	-	15,843	15,071
Arts development	-	-	-	12
Museums and galleries	8,681	-	8,681	46,456
Libraries and information	55,254	-	55,254	39,868
	<u>3,343,893</u>	<u>-</u>	<u>3,343,893</u>	<u>3,572,168</u>

5. INCOME FROM OTHER TRADING ACTIVITIES

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
Group				
Cafeteria and trading activities	202,802	-	202,802	207,221
	<u>202,802</u>	<u>-</u>	<u>202,802</u>	<u>207,221</u>

6. INCOME FROM INVESTMENT

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
Group				
Perth and Kinross Council loan interest	2,558	-	2,558	2,439
	<u>2,558</u>	<u>-</u>	<u>2,558</u>	<u>2,439</u>
Company				
Perth and Kinross Council loan interest	2,535	-	2,535	2,352
	<u>2,535</u>	<u>-</u>	<u>2,535</u>	<u>2,352</u>

7. EXPENDITURE ON FUND RAISING ACTIVITIES

	Direct costs £	Support costs £	Governance costs £	Total 2019 £	Total 2018 £
Group					
Cafeteria and trading activities	81,383	-	-	81,383	101,230
	<u>81,383</u>	<u>-</u>	<u>-</u>	<u>81,383</u>	<u>101,230</u>

Culture Perth and Kinross Limited (a company limited by guarantee)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2019**

8. EXPENDITURE ON CHARITABLE ACTIVITIES

	Direct costs £	Support costs £	Governance costs £	Total 2019 £	Total 2018 £
Group					
Museums and Galleries (including Arts development)	912,704	486,121	139,325	1,538,150	1,423,100
Libraries and information	1,841,177	343,082	28,145	2,212,404	2,300,087
	<u>2,753,881</u>	<u>829,203</u>	<u>167,470</u>	<u>3,750,554</u>	<u>3,723,187</u>
Company					
Museums and Galleries (including Arts development)	912,704	486,121	28,144	1,426,969	1,417,777
Libraries and information	1,841,177	343,082	28,145	2,212,404	2,195,950
	<u>2,753,881</u>	<u>829,203</u>	<u>56,289</u>	<u>3,639,373</u>	<u>3,613,727</u>

9. SUPPORT COSTS ALLOCATED TO ACTIVITIES

	Museums and Galleries (including Arts development) £	Libraries and information £	Total 2019 £	Total 2018 £
Group and company				
Promotion, publicity and sales	19,717	19,717	39,434	67,972
Supplies and services	81,265	81,265	162,530	135,472
Support services	385,139	242,100	627,239	527,335
	<u>486,121</u>	<u>343,082</u>	<u>829,203</u>	<u>730,779</u>

The costs of advertising are included in promotion, publicity and sales.

Supplies and services incorporate other overhead costs relating to property, transport, materials/supplies, and various other office related costs.

Support services incorporate employment costs related to central finance and administration.

OTHER FINANCIAL ASSETS

10.

	2019 £	2018 £
Interest on pension scheme liabilities	(248,000)	(281,000)
Return on pension scheme liabilities	216,000	178,000
	<u>(32,000)</u>	<u>(103,000)</u>

Culture Perth and Kinross Limited (a company limited by guarantee)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2019**

11. GOVERNANCE COSTS ALLOCATED TO ACTIVITIES

	Museums and Galleries (including Arts development)	Libraries and information	Total 2019	Total 2018
	£	£	£	£
Group and company				
Accountancy and audit fees	6,470	6,470	12,940	15,694
Wages and salaries	20,714	20,715	41,429	39,620
Other	414	414	828	330
Irrecoverable VAT	546	546	1,092	(10,824)
	<u>28,144</u>	<u>28,145</u>	<u>56,289</u>	<u>44,820</u>

12. TRANSFER BETWEEN FUNDS

- (a) The sum of £11,839 has been transferred from Museum Gallery Scotland (Collection Review) to meet salary costs incurred in earlier periods which were charged to unrestricted general funds in error.
- (b) The sum of £74,000 has been transferred from designated pension reserve to unrestricted general funds to amend an incorrect allocation of pension costs to reserves in 2017.

13. NET MOVEMENT OF FUNDS

	Group 2019	Group 2018	Company 2019	Company 2018
				£
This is stated after charging: Auditor's remuneration	6,800	6,800	4,200	4,200
	<u>6,800</u>	<u>6,800</u>	<u>4,200</u>	<u>4,200</u>

14. BOARD MEMBERS

Trustees were not paid, nor did they receive any other benefits from employment with the charity or its subsidiary, nor did they receive payment for professional or other services supplied to the charity. Trustees were not reimbursed for travel expenses incurred in connection with their duties as a trustee during the year.

Culture Perth and Kinross Limited (a company limited by guarantee)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2019**

15. EMPLOYEES

Number of employees

The average number of employees, per head count, during the year was:

	Group 2019 number	Group 2018 number	Company 2019 number	Company 2018 number
Museums and Galleries (including Arts development)	31	39	31	39
Libraries and Information	86	80	86	80
Catering and Trading activities	4	4	-	-
	121	123	121	119

The average number of employees, on a full time basis, during the year was:

Museums and Galleries (including Arts development)	27	28	27	28
Libraries and Information	56	58	56	58
Catering and Trading activities	3	4	-	-
	86	90	86	86

Employment costs

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Wages and salaries	2,069,287	1,994,202	1,975,209	1,904,387
Social security costs	323,893	320,878	318,227	314,005
Pension costs	496,802	486,525	485,365	473,752
	2,889,982	2,801,605	2,778,801	2,692,144

The key management personnel of the group comprise the Chief Executive and the senior management team detailed on page 13. The employee benefits for key management, included within employment costs above, totalled £190,273 (2018 - £195,980).

16. TANGIBLE FIXED ASSETS

	Plant and machinery £	Total £
Group		
Cost		
At 1 April 2018	10,542	10,542
Additions	-	-
At 31 March 2019	<u>10,542</u>	<u>10,542</u>
Depreciation		
At 1 April 2018	650	650
Charge for year	2,635	2,635
At 31 March 2019	<u>3,285</u>	<u>3,285</u>
Net book value		
At 31 March 2019	<u>7,257</u>	<u>7,257</u>
At 31 March 2018	<u>9,892</u>	<u>9,892</u>
	Plant and machinery £	Total £
Company		
Cost		
At 1 April 2018	7,943	7,943
Additions	-	-
At 31 March 2019	<u>7,943</u>	<u>7,943</u>
Depreciation		
At 1 April 2018	-	-
Charge for year	1,985	1,985
At 31 March 2019	<u>1,985</u>	<u>1,985</u>
Net book value		
At 31 March 2019	<u>5,958</u>	<u>5,958</u>
At 31 March 2018	<u>7,943</u>	<u>7,943</u>

Culture Perth and Kinross Limited (a company limited by guarantee)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2019**

17. FIXED ASSET INVESTMENTS

Company	Unlisted investments £
At 31 March 2018 and 31 March 2019	<u>1</u>

Unlisted investments relate entirely to Culture Perth and Kinross Limited's beneficial interest in its trading subsidiary, Culture Perth and Kinross Trading Limited. It is represented by one £1 ordinary share held in Culture Perth and Kinross Trading Limited (company number: SC526979).

Culture Perth and Kinross Trading Limited, incorporated in Scotland, is a wholly-owned trading subsidiary of Culture Perth and Kinross Limited, established in order to operate catering services on behalf of the group.

Net assets of Culture Perth and Kinross Trading Limited at 31 March 2019 totalled £10,262 which comprised fixed assets of £1,299, current assets of £56,492, and liabilities of £47,529. Relevant financial information regarding Culture Perth and Kinross Trading Limited for the year ended 31 March 2019 is as follows:

	2019 £	2018 £
Turnover	202,802	207,221
Cost of sales	(68,648)	(89,575)
Gross profit	<u>134,154</u>	<u>117,646</u>
Administrative expenses	(123,916)	(126,091)
Other operating income	-	8,357
Interest receivable and similar income	23	88
Profit on ordinary activities before taxation	<u>10,261</u>	<u>-</u>
Tax on profit on ordinary activities	-	-
Profit for the financial period	<u>10,261</u>	<u>-</u>

18. DEBTORS

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade debtors	22,313	25,537	9,523	14,773
Sundry debtors	59,173	56,379	54,845	51,694
Due by group company	-	-	26,988	9,974
	<u>81,486</u>	<u>81,916</u>	<u>91,356</u>	<u>76,441</u>

Culture Perth and Kinross Limited (a company limited by guarantee)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2019**

19. CASH AND CASH EQUIVALENTS

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in hand	1,423,636	1,324,883	1,401,506	1,330,383
	<u>1,423,636</u>	<u>1,324,883</u>	<u>1,401,506</u>	<u>1,330,383</u>

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade creditors	736,126	598,959	732,472	595,289
Taxes and social security costs	159,637	163,601	150,909	156,966
Other creditors	44,661	48,817	36,502	39,521
	<u>940,424</u>	<u>811,377</u>	<u>919,883</u>	<u>791,776</u>

21. FINANCIAL INSTRUMENTS

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Financial assets				
Financial assets measured at amortised cost	81,486	81,916	91,356	76,441
	<u>81,486</u>	<u>81,916</u>	<u>91,356</u>	<u>76,441</u>
Financial liabilities				
Financial liabilities measured at amortised cost	780,787	647,776	768,974	634,810
	<u>780,787</u>	<u>647,776</u>	<u>768,974</u>	<u>634,810</u>

Financial assets measured at amortised cost comprise trade debtors, other debtors, amounts owed by related parties and gift aid debtor.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to related parties and accruals.

22. PENSION AND OTHER POST-RETIREMENT BENEFITS

Culture Perth and Kinross Limited is a member of the Tayside Superannuation Fund ('the Fund'), a defined benefit scheme with the assets held in separate trustee administered funds. This Local Government Pension Scheme ('LGPS') is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 2014 and currently provides benefits based on career average revalued earnings. The administering authority for the Fund is Dundee City Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate, some functions are delegated to the Fund's professional advisers.

As the administering authority to the Fund, Dundee City Council (after consultation with the Fund Actuary and other relevant parties) is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the fund will be carried out as at 31 March 2020 and will set contributions for the period from 1 April 2021 to 31 March 2024. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On the Employer's withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 62 of the LGPS (Scotland) Regulations 2014, which will determine the termination contributions due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and, while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cash flow. As the Fund holds assets such as equities, the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that assets are not linked to inflation, and;
- Longevity risk. In the event that the members live longer than assumed, a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Tayside Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations, so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the fund with excess assets which eventually get inherited by the remaining employers.

Perth and Kinross Council provides underwriting and a guarantee to Culture Perth and Kinross Limited's admitted employees' membership of the LGPS, Scotland, administered by Dundee City Council.

Culture Perth and Kinross Limited (a company limited by guarantee)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2019**

The estimated asset allocation for Culture Perth and Kinross as at 31 March 2019 is as follows:

Asset breakdown	31 Mar 2019		31 Mar 2018	
	£000s	%	£000s	%
Equities	6,158	69%	5,615	69%
Gilts	128	1%	431	5%
Other bonds	1,338	15%	941	12%
Property	1,113	12%	958	12%
Cash	157	2%	180	2%
Alternatives	21	0%	1	0%
Total	8,915	100%	8,126	100%

We have estimated the bid values where necessary. Please note that the individual percentages shown are to the nearest percentage point for each asset class and may not sum to 100%. The final asset allocation of the Fund assets as at 31 March 2019 is likely to be different from that shown due to estimation techniques. Based on the above, the Employer's share of the assets of the Fund is less than 1%.

The financial assumptions used to calculate the results are as follows:

Assumptions as at	31 Mar 2019	31 Mar 2018	31 Mar 2017
	% p.a.	% p.a.	% p.a.
Discount rate	2.45%	2.60%	2.80%
Pension increases	2.40%	2.30%	2.70%
Salary increases	3.40%	3.30%	3.70%

These assumptions are set with reference to market conditions as at 31 March 2019.

Our estimate of the Employer's past service liability duration is 25 years.

Culture Perth and Kinross Limited (a company limited by guarantee)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2019**

Net pension asset as at	31 Mar 2019	31 Mar 2018	31 Mar 2017
	£000s	£000s	£000s
Present value of the defined benefit obligation	10,964	9,505	9,981
Fair value of Fund assets (bid value)	8,915	8,126	6,131
Deficit / (Surplus)	2,049	1,379	3,850
Present value of unfunded obligation	-	-	-
Unrecognised past service cost	-	-	-
Impact of asset ceiling	-	-	-
Net defined benefit liability / (asset)	2,049	1,379	3,850

The amounts recognised in the profit and loss statement are:	Year to	Year to
	31 Mar 2019	31 Mar 2018
	£000s	£000s
Service cost	846	843
Net interest on the defined liability / (asset)	32	103
Administration expenses	4	2
Total loss / (profit)	882	948

Culture Perth and Kinross Limited (a company limited by guarantee)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2019**

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2019	Year to 31 Mar 2018
	£000s	£000s
Opening defined benefit obligation	9,505	9,981
Current service cost	728	843
Interest cost	248	281
Change in financial assumptions	636	-473
Change in demographic assumptions	-318	-426
Experience loss / (gain) on defined benefit obligation	-	-819
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	-78	-9
Past service costs, including curtailments	118	-
Contributions by Scheme participants and other employees	125	127
Unfunded pension payments	-	-
Closing defined benefit obligation	10,964	9,505

Culture Perth and Kinross Limited (a company limited by guarantee)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2019**

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to	Year to
	31 Mar 2019	31 Mar 2018
	£000s	£000s
Opening fair value of Fund assets	8,126	6,131
Interest on assets	216	178
Return on assets less interest	174	172
Other actuarial gains / (losses)	-	1,172
Administration expenses	-4	-2
Contributions by employer including unfunded	356	357
Contributions by Scheme participants and other employers	125	127
Estimated benefits paid plus unfunded net of transfers in	-78	-9
Settlement prices received / (paid)	-	-
Closing fair value of Fund assets	8,915	8,126

Remeasurement of the net assets / (defined liability)	Year to	Year to
	31 Mar 2019	31 Mar 2018
	£000s	£000s
Return on Fund assets in excess of interest	174	172
Other actuarial gains / (losses) on assets	-	1,172
Change in financial assumptions	-636	473
Change in demographic assumptions	318	426
Experience gain / (loss) on defined benefit obligation	-	819
Changes of effect of asset ceiling	-	-
Remeasurement of the net assets / (defined liability)	-144	3,062

Culture Perth and Kinross Limited (a company limited by guarantee)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2019**

23. MOVEMENT IN FUNDS (GROUP AND COMPANY)

	Balance at 31 March 2018 £	Net movement in funds £	Transfers between funds £	Balance at 31 March 2019 £
Unrestricted funds				
General funds	(30,391)	31,048	85,839	86,496
Pension reserve	(1,088,000)	(670,000)	(74,000)	(1,832,000)
	<u>(1,118,391)</u>	<u>(638,952)</u>	<u>11,839</u>	<u>(1,745,504)</u>
Restricted funds				
Crockart Foundation Fund	44,504	34,199	-	78,703
Creative Learning Network	3,413	-	-	3,413
National Museum Scotland Acquisition Grants	405	-	-	405
Museums and Galleries purchases	-	-	-	-
Small Grants - Library	768	-	-	768
Living Community Project Fund	33,750	(13,297)	-	20,453
Museum Gallery Scotland (Collection Review)	-	11,839	(11,839)	-
Cultural Redevelopment Project	84,321	(74,483)	-	9,838
Pipeline Project	7,255	(2,876)	-	4,379
Guildry Incorporation	5,000	(5,000)	-	-
General Restricted Funds - Museums and Galleries	123,628	(10,671)	-	112,957
General Restricted Funds - Library information services	58,739	(19,278)	-	39,461
Scottish Government Centenary Fund	-	824	-	824
Archives Appeal	-	3,530	-	3,530
Soutar Festival and Competition	-	111	-	111
Legacy – Mrs A Robertson	600	-	-	600
	<u>362,383</u>	<u>(75,102)</u>	<u>(11,839)</u>	<u>275,442</u>
TOTAL FUNDS (Company)	<u>(756,008)</u>	<u>(714,054)</u>	<u>-</u>	<u>(1,470,062)</u>
Unrestricted funds - subsidiary	-	10,261	-	10,261
TOTAL FUNDS (Group)	<u>(756,008)</u>	<u>(703,793)</u>	<u>-</u>	<u>(1,459,801)</u>

Culture Perth and Kinross Limited (a company limited by guarantee)

**Notes to the Financial Statements - continued
for the Year Ended 31 March 2019**

23. MOVEMENT IN FUNDS (GROUP AND COMPANY) continued

Net movement in funds, included in the above, are as follows:

	Incoming Resources £	Resources expended £	Gains and losses £	Movement In funds £
Unrestricted funds				
General funds	3,592,941	(3,551,632)	(670,000)	(628,691)
Restricted funds				
Crockart Foundation Fund	84,000	(49,801)	-	34,199
National Museum Scotland Acquisition Grants	4,475	(4,475)	-	-
Museums and Galleries purchases	2,200	(2,200)	-	-
Festival of Museums	1,003	(1,003)	-	-
Living Community Project Fund	-	(13,297)	-	(13,297)
Museum Gallery Scotland (Collection Review)	28,978	(17,139)	-	11,839
Young Designers Summer School	3,240	(3,240)	-	-
Scotland East of Asia Project	1,882	(1,882)	-	-
Cultural Redevelopment Project	43,639	(118,122)	-	(74,483)
Pipeline Project	15,500	(18,376)	-	(2,876)
Guildry Incorporation	-	(5,000)	-	(5,000)
General Restricted Funds - Museums and galleries	169	(10,840)	-	(10,671)
General Restricted Funds - Library information services	-	(19,278)	-	(19,278)
Diverse CiTay	3,107	(3,107)	-	-
Visual Arts and Craft Makers Awards	3,000	(3,000)	-	-
Scottish Government Centenary Fund	3,230	(2,406)	-	824
Archives Appeal	3,530	-	-	3,530
Soutar Festival and Competition	4,000	(3,889)	-	111
Sherriffmuir Neolithic Carved Stone Ball Acquisition	3,250	(3,250)	-	-
	<u>205,203</u>	<u>(280,305)</u>	<u>-</u>	<u>(75,102)</u>
TOTAL FUNDS	<u>3,798,144</u>	<u>(3,831,937)</u>	<u>(670,000)</u>	<u>(703,793)</u>

24. PURPOSES OF RESTRICTED FUNDS

The Crockart Foundation

The charity benefits from the net annual income of this Foundation of the late James Baird Crockart. The funds are to be used in the purchase of books on outdoor sports and handed over to public Library for use of the public both within and out with the county of Perth. Or other such activities as approved by the Foundation's trustees and chief librarian. The Foundations trustees have also approved the purchase of e-resources from this funding.

Creative Learning Network

This project received a grant from Education Scotland 2015/16 and 2016/17 to develop new and existing Creative Learning Networks to champion creativity, the arts, and culture in schools and communities.

National Funding for Acquisitions Grants

Grants received support the purchase of new acquisitions to Perth and Kinross permanent collections in line with the Collections Development Policy. These grants fund part of the acquisition costs with Culture Perth and Kinross providing the match funding.

24. PURPOSES OF RESTRICTED FUNDS - continued

Festival of Museums

Funds received from Museums Galleries Scotland, Festival Fund, designed to help museums to develop local or regional events, in order to increase their audience development potential. This fund assisted with the cost of staging two events linked to our summer exhibition, Dinosaurs, a fossil and dinosaur dig event for children and a late night after hours event for adults only.

Living Community Project Fund

Funds received from the Gannochy Trust to support the Living Communities Participation Fund, which aims to increase the engagement of schools in local heritage learning, and increase the involvement with Perth and Kinross Council Museum and Gallery collections. Culture Perth and Kinross pays small grants to the schools based on the fund criteria.

Museums Galleries Scotland (Collection Review)

Awarded from the Museums Galleries Scotland Recognition Fund, this project is a review of the broad range of Perth and Kinross Council collections. The aims are to review, document, share knowledge and engage with the community during the review process in order to unlock the potential of the collections held and to maximise their impact for public benefit. This project was completed in 2018-19.

Young Designers Summer School

Awarded from the Museums Galleries Scotland small project fund, this fund is designed to support museums to carry out small projects in line with their own continuous improvement goals and the aims of the National Strategy. The Young Designers Summer School targeted young people aged 11-18 years and involved them in a "virtual design" process, to find out about what they would like to see in the new museum and gallery venues.

East of Asia Project

Awarded by National Museums Scotland, through the Esmee Fairbairn Collections fund, to assist partner museums to engage harder to reach audiences with the East Asian collections. This project involved working with individuals in the Creative Pipeline project, to carry out a social enterprise project, where they produced products to sell at a Christmas Design Fair.

Cultural Redevelopment Project

This income represents additional funds received from Perth & Kinross Council, specifically for costs incurred in relation to supporting work on the Capital Developments projects.

Pipeline Project

Income to deliver the Pipeline project. Total value of the contract is £36,000 (2 year project). This programme aims to inspire young people to consider a career in the creative industries, and support establishing a creative business. It is open to all aged 16+, who are not currently in education, employment or training.

The Guildry Incorporation of Perth

Funding from the Guildry Incorporation of for the Perth Press Photo digitising project. The funds used towards digitising Louis Flood Senior photographs.

General Restricted Funds - Museums and galleries

The transfer of various trusts from Perth and Kinross Council's reorganisation of small trusts. This has been done via a formal application with the Office of the Scottish Charity Regulator, for a charity reorganisation scheme. This fund has been set up to recognise that the restriction of these trusts are for the promotion, improvement, purchase of items, and encouragement of engagement with fine arts, painting, sculpture, and museum collections.

General Restricted Funds - Library information services

The transfer of various trusts from Perth and Kinross Council's reorganisation of small trusts. This has been done via a formal application with the Office of the Scottish Charity Regulator, for a charity reorganisation scheme. This fund has been set up to recognise that the restriction of these trusts are for the promotion and improvement of libraries and the purchase of books/media to enhance the literature collection in the libraries.

24. RESTRICTED FUNDS (GROUP AND COMPANY) – continued

Diverse CiTay

This grant was awarded by Events Scotland for the Diverse CiTay Festival, with Perth and Kinross Council being the lead partner. Culture Perth and Kinross created a Flowers of the Forest Exhibition for the festival, with imagery and photography workshops and the decoration of a float for the Carnival event held in Perth on 23rd June 2018, as part of the Year of Young People.

Visual Arts and Craft Makers Awards

Part of a national programme run by Creative Scotland, to support visual artists and craft practitioners in their creative and professional development. Awards of amounts between £500 and £1,500 are made to support professional and creative practitioners living and/or working in Perth & Kinross, who have demonstrated a commitment to their work and to developing their practice. 50% of the costs of the project are funded by Creative Scotland, with the remaining 50% coming from Culture Perth and Kinross' own funds.

Scottish Government Centenary Fund

Funding was received from the Centenary Fund to hold an event to celebrate and commemorate the centenary of the women's suffragette movement in order to increase people's awareness of the suffrage movement. A panel discussion was held, on International Women's Day, focussing on Women's Leadership in Our Community.

Archives Appeal

As part of Perth & Kinross Archive's 40th anniversary celebrations, a fundraising campaign was launched in order to raise funds to purchase two museum quality display cases. The cases will allow our archive to develop a small exhibitions programme, showcasing regular displays and stories from our archive collections. The fundraising target for the campaign is £7,400.

Soutar Festival and Competition

The inaugural William Soutar Festival, "The Soutar Festival of Words", was held in April 2019. The festival provides a weekend highlighting a unique combination of events celebrating the life and works of William Soutar, contemporary Scottish Culture and the beauty of the Scots language. The winners of the Soutar Writing Competition were also awarded their prizes during the festival. Income represents contributions from various sources towards events and prizes.

Sherriffmuir Neolithic Carved Stone Ball Acquisition

A successful fundraising appeal was undertaken by Perthshire Society of Natural Science (PSNS), to purchase a 4,000 year old carved stone ball to add to our museum collection. Match funding was received from the National Funds for Acquisitions.

Legacy – Mrs Anne S Robertson

A bequest of artwork consisting of an oil painting of her father, John McMillan Marshall, by J D Fergusson and a £5,000 cash legacy. The artwork was added to the Council's permanent collection, which Culture Perth and Kinross administers. The expenditure to date has been on the conservation of the piece.

25. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
Group				
Fund balances as at 31 March 2019 are represented by:				
Tangible fixed assets	7,257	-	7,257	9,892
Current assets	1,246,924	275,442	1,522,366	1,424,477
Creditors: amounts falling due within one year	(940,424)	-	(940,424)	(811,377)
Pension scheme deficit	(2,049,000)	-	(2,049,000)	(1,379,000)
	<u>(1,735,243)</u>	<u>275,442</u>	<u>(1,459,801)</u>	<u>(756,008)</u>

Culture Perth and Kinross Limited (a company limited by guarantee)

Notes to the Financial Statements - continued for the Year Ended 31 March 2019

25. ANALYSIS OF NET ASSETS BETWEEN FUNDS - Continued

Company

Fund balances as at 31 March 2019 are represented by:

Tangible fixed assets	5,958	-	5,958	7,943
Investments	1	-	1	1
Current assets	1,217,420	275,442	1,492,862	1,406,824
Creditors: amounts falling due within one year	(919,883)	-	(919,883)	(791,776)
Pension scheme deficit	(2,049,000)	-	(2,049,000)	(1,379,000)
	<u>(1,745,504)</u>	<u>275,442</u>	<u>(1,470,062)</u>	<u>(756,008)</u>

26. RECONCILIATION OF NET INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Net income for the reporting period (as per the statement of financial activities)	(590,793)	2,598,961	(601,054)	2,598,961
Adjustments for:				
Movement in defined pension benefit liability	557,000	(2,471,000)	557,000	(2,471,000)
Interest received	(2,558)	(2,440)	(2,535)	(2,352)
Depreciation	2,635	650	1,985	-
(Increase)/Decrease in stocks	433	(3,538)	-	-
(Increase)/Decrease in debtors	430	(8,690)	(14,916)	92,808
Increase/(Decrease) in creditors	129,048	(71,277)	128,108	(49,914)
Net cash provided by operating activities	<u>96,195</u>	<u>42,666</u>	<u>68,588</u>	<u>168,503</u>

27. RELATED PARTIES

The parent and ultimate controlling party is Perth & Kinross Council.

Substantial funding is received from Perth & Kinross Council by way of grants and service level fees for general purposes and other activities.

Perth & Kinross Council is the sole member of Culture Perth and Kinross Limited. As sole member, Perth & Kinross Council has certain powers of control, which are set out in the Articles, including the right to nominate up to 3 elected members of the Council to serve on the board of directors, as well as to decide on the appointment and removal of all other directors.

Given the degree of control and influence which exists in the funding, operational and governance relationship, 100% of Culture Perth and Kinross Limited's general funds and net assets are consolidated in Perth & Kinross Council's annual group accounts, in accordance with financial reporting and accounting standards and other regulations applicable to local authorities delivering services through arm's length external organisations.

27. RELATED PARTIES – Continued

Related party transactions and balances with Perth & Kinross Council are exempted from disclosure in accordance with paragraph 33.11(a) of FRS 102.

Balances and transactions between the company and its wholly owned subsidiary, Culture Perth and Kinross Trading Limited, have been eliminated on consolidation in these group accounts and are exempted from disclosure in accordance with paragraph 1.12(e) of FRS 102.

28. COMPANY STATUS

Culture Perth and Kinross Limited is a company limited by guarantee, and the contribution of members to the liability of the Company is restricted by the Memorandum and Articles of Association to a maximum of £1. The company is registered in Scotland.

29. CONTINGENT LIABILITY

Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes".

On 22 January 2018, the Government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.

Our pension scheme actuaries valuation assumption for GMP is that the fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the actuaries have assumed that the fund will be required to pay the entire inflationary increase. Therefore, we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above.