



# **PERTH & KINROSS COUNCIL**

## **ANNUAL ACCOUNTS**

**2021/22**

**AUDITED**

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# MANAGEMENT COMMENTARY

## 1. Introduction

These Annual Accounts contain the financial statements of Perth & Kinross Council and its group for the year ended 31 March 2022.

This management commentary outlines the key messages in relation to financial planning and performance for the year 2021/22 and how this has supported delivery of the Council's strategic objectives. This commentary also looks forward, outlining the future financial plans for the organisation and the challenges and risks which it will face as it strives to meet the needs of the people of Perth and Kinross.

A glossary of terms is set out from page 102.

## 2. Our Vision and Strategic Objectives

The Council is situated in a central location in Scotland. It covers a geographical area of around 5,286 km<sup>2</sup> and has an estimated population of 151,910. Between 1998 and 2020, the population of Perth and Kinross has increased by 12.9%. This is the 7th highest percentage change out of the 32 council areas in Scotland. Over the same period, Scotland's population rose by 7.7%. The latest population projections over the next 10 years show a 1% increase compared to 1.8 % across Scotland.

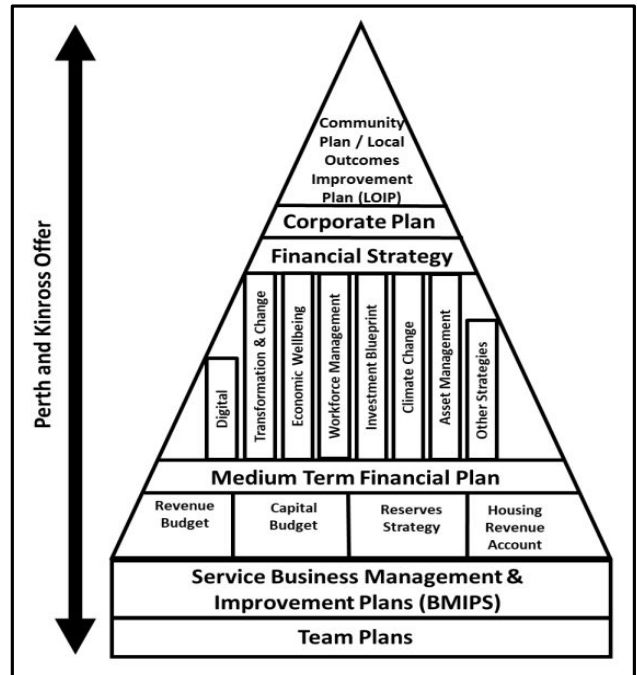
The Council's vision is to *create a confident, ambitious and fairer Perth and Kinross, for all those who live and work here.* Through its five strategic objectives, set out within the Community Plan (Local Outcomes Improvement Plan) 2017-27 and Corporate Plan 2018-2022, the Council aims to maximise the opportunities available to our citizens to achieve their potential. These objectives will be refreshed at the Council meeting in late September 2022. At the heart of the vision is a desire to see investment in early intervention and prevention focused on building success and reducing the costs of failure.

The five Strategic Objectives which support the delivery of the Council's vision are:

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

The Corporate Plan does not stand alone. Rather, it forms part of a robust strategic framework that connects the vision of the Council and its partners to the detailed plans that guide the delivery of our services.

This framework ensures that all Council plans and strategies are driven by and focused towards the delivery of a single shared vision for the area and our services connecting everything we do by a "golden thread" leading from the Community Plan, to individual Services' Business Management and Improvement Plans, through to day to day service delivery by our people.



## 3. Covid-19

Covid-19 continued to have a significant impact across Perth and Kinross during 2021/22.

The Council continued to work alongside communities and partners to support those affected and further strengthen these relationships and ensure effective working is maintained. This will support and guide the Council as it builds on the Perth and Kinross Offer.

While this has been a uniquely difficult time, the Council recognised the need to support its residents and businesses across Perth and Kinross. It is a testament to the character and spirit of the people across the communities of Perth and Kinross that there are many positive stories and new ways of working together.

- an ability to come together in times of crisis.
- the willingness of volunteers to step up and help their communities.
- the flexibility of people to adapt to new and challenging environments.
- the kindness and understanding shown in personal sacrifices for the sake of community safety.
- the determination shown by front line staff, individuals and organisations to adapt and overcome the incredible challenges they faced in delivering vital support and services to people in need of help.

In 2021/22, the Council received in the region of £40 million of additional funding from the Scottish Government to address the challenges of Covid-19. Much of this additional funding was for onward distribution to businesses and individuals.

In terms of the Council's financial statements these resources have either been treated as agent or principal. As an agent, the Council acts as an intermediary and therefore excludes these transactions from the Comprehensive Income and Expenditure Statement. Details are included in Note 15 with the main agency expenditure being in respect of business grants.

Where the Council acts as a principal, it is acting on its own behalf and therefore the transactions are included within the Comprehensive Income and Expenditure Statement. The Council received approximately £10.73 million through the Scottish Government Revenue Support Grant. Further funding was provided for areas such as education recovery. There is significant funding set aside for future commitments within the Council's earmarked Reserves to address ongoing challenges faced from the pandemic.

#### **4. The Annual Accounts 2021/22**

The Annual Accounts report the financial performance of the Council. Their main purpose is to demonstrate the stewardship of public funds which have been entrusted to it for the delivery of the Council's vision and strategic objectives. The requirements governing the format and content of the Council's Annual Accounts are contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021 Code). The 2021/22 Annual Accounts have been prepared in accordance with this Code.

#### **5. The Financial Plan**

To support the delivery of the strategic objectives during 2021/22, Perth & Kinross Council approved a balanced gross revenue budget of **£486.02 million** for the General Fund (March 2021). In addition, the Housing and Communities Committee approved a gross revenue budget of **£30.917 million** for the Housing Revenue Account (February 2021). As part of its consistent approach to longer term financial planning, the Council has in place a Medium Term Financial Plan through to 2027/28 and a Final Revenue Budget for 2022/23. The HRA Budget was also updated in February 2022. In June 2022, the Council also approved its Financial Strategy.

Councils need to account for their spending and income in a way which complies with our legislative requirements. Most day to day spending and income is recorded within the General Fund and the costs and income in relation to the management of our housing stock are recorded within the Housing Revenue Account.

Key to the delivery of Council Services is investment in the assets which are used to deliver these services (including schools, houses and transport infrastructure) and the utilisation of capital funding to stimulate development and regeneration in local areas. In 2021/22 the Council budgeted for gross capital investment of **£124.4 million** on General Fund activities and **£11.5 million** in respect of the Housing Revenue Account. This expenditure is funded from borrowing, government grants, other external contributions, capital receipts, revenue contributions and earmarked reserves. The Council approved a new 6-year delivery programme for 2022/23 to 2027/28 at its meeting on 23 February 2022.

#### **6. Performance Management**

Delivery of services and improvement across the Council is managed within a well-established performance framework. This supports the delivery of the Council's strategic objectives by making clear connections between its strategic vision, values and aims through to operational delivery of services. Annual reports, as well as six monthly updates are produced by each Service, which detail the achievements contributing towards the delivery of priorities as well as identifying areas for improvement. The Scrutiny and Performance Committee also provides further assurance on the performance and effectiveness across all of the Council's work.

Throughout the organisation, performance is routinely managed and reported within teams, Senior Management Teams, the Executive Leadership Team, and the Extended Executive Leadership Team as well as elected members and the wider public.

The Council has a statutory duty to publish performance information for comparison and benchmarking purposes to its citizens and communities. It does this through the annual report to Council and the Scrutiny and Performance Committee on the Local Government Benchmarking Framework and the online performance dashboard "PK Performs", which is kept up to date on the Council's website. An Annual Performance Report is also published and a short video was introduced during 2021/22 to accompany this which provides a snapshot of the report and makes information more accessible.

There were still residual impacts on reporting arrangements in 2021/22 due to the Covid-19 pandemic. Service annual reports were considered later in the year, which impacted upon the provision of six-monthly updates. Year-on-year comparison data was not included within Local Government Benchmarking Framework and Annual Performance Reports, reflecting that data available was not necessarily comparable with that of previous years.

There are several key strategies being revised or developed in 2022/23, including the Local Outcomes Improvement Plan, new Corporate Plan, the Transformation & Change Strategy and the Financial Strategy all underpinned by the Perth and Kinross Offer. In addition, the Council has purchased a performance management software solution which will be rolled out throughout 2022/23. It is anticipated that these developments will assist in enhancing current arrangements, providing further understanding of how well the Council is performing, whilst making information more accessible and offering a balanced view of our overall performance.

Service Annual Performance Reports were presented to the Scrutiny and Performance Committee on 8 June 2022 and then to relevant Committees throughout the remainder of June 2022. It is anticipated that the Council's Annual Performance Report will be considered by Scrutiny and Performance Committee in early September 2022 and then to Council later in 2022. These reports provide comprehensive information on the Council's performance for 2021/22. The full range of performance information for 2021/22 will be available online. This includes the Council's Annual Performance Report, the online performance dashboard "PK Performs", Service performance reports, benchmarking, and links to further information. The website is updated with performance reports and data as it becomes available.

For 2021/22 a selection of performance highlights are set out in the following table:

<b>Objective</b>	
<b>Giving every child the best start in life</b>	<ul style="list-style-type: none"> <li>• The expansion of the provision of Early Learning and Childcare to 1,140 hours per year has continued, to deliver high quality, flexible, accessible early learning and childcare for 3–5-year-olds and eligible 2-year-olds, with places provided for nearly 3,000 children over the course of the year.</li> <li>• External inspections of service by the Care Inspectorate have been very positive, with over 80% of ratings being 'Good' or better.</li> <li>• The principle of supporting children and young people within the community continues to be effectively managed, with 94% of looked after children in community placements.</li> <li>• The Council co-ordinated and supported the response to child poverty delivering on the actions outlined in the Local Child Poverty Action Report. Work to mitigate child poverty meant £5.5m of additional financial support for struggling families through the provision of welfare rights advice to 1,309 families with dependent children and 113 minority ethnic families.</li> <li>• The Council provided £256,000 to support food security across Perth and Kinross and ran a "Feeling the Pinch" campaign to raise awareness of the wide variety and range of support both locally and nationally.</li> <li>• The Council delivered year one of the new Community Learning and Development Plan 2022/25 as part of the wider recovery and renewal approach for individuals, families and communities impacted by Covid-19.</li> </ul>
<b>Objective</b>	
<b>Developing educated, responsible and informed citizens</b>	<ul style="list-style-type: none"> <li>• Overall attainment remains strong, with the achievement of Curriculum for Excellence levels across P1 to S3 remaining steady in 2021, with an improvement in relation to comparator authorities. In the senior phase, overall average tariff points increased again in 2021. However, deprivation-related outcome gaps remain stubborn, and this remains a key focus of improvement activity across the Service.</li> <li>• Developed in collaboration with children and young people, "Our Promise to You" - the Perth and Kinross Corporate Parenting Plan 2021-24, outlines a clear ambition to ensure that all children and young people with care experience will have all they need to thrive in their school and home environments.</li> <li>• A Digital Participation Working Group was established to increase levels of digital participation and it supported 11 community-led projects in 2021/22 with £20,000 of funding.</li> <li>• The Council supported 279 adult learners to improve their employability or digital skills by delivering a range of courses exclusively online throughout 2021/22. Although this was an increase on the previous year of 110, the aim is to improve and exceed pre-Covid levels.</li> <li>• Three Local Action Partnerships developed new Locality Action Plans and have distributed funding to support priorities which include investment in community assets and sports facilities, and funding for local youth outreach work.</li> </ul>
<b>Objective</b>	
<b>Promoting a prosperous, sustainable and inclusive economy</b>	<ul style="list-style-type: none"> <li>• The Perth and Kinross Economic Wellbeing Plan was approved in March 2021. It sets out an ambitious economic development programme that will assist people, businesses, and places to recover from the Covid-19 pandemic and reposition the local economy to respond to other challenges and opportunities.</li> <li>• The percentage of working age unemployed has reduced from 4.6% to 2.7% and is lower than the Scotland figure of 3.8%. Since 2020 there has been limited opportunity for face-to-face engagement with clients. However, the Council continues to support people into employment through a range of initiatives such as the Skills Passport which was launched in December 2021 and assists with funding for training or equipment and has distributed £30,000 to date.</li> </ul>

	<ul style="list-style-type: none"> <li>• Throughout the pandemic over £85 million was distributed to over 7,000 businesses affected by Covid-19 restrictions and, during 2021/22, 220 businesses started up with support from Business Gateway.</li> <li>• The Council teamed up with Crowdfunder to launch the £150,000 Crowdfund Perth and Kinross Business Fund to support individuals, businesses, and communities to establish and grow businesses, projects, and services to make a real difference to the local economy.</li> <li>• The Micro Enterprise Fund was launched in May 2021, to support businesses that employ fewer than 10 people, and has since supported a diverse range of businesses and ambitions.</li> <li>• Through the “Adapt Your Property Grants” scheme, 8 commercial properties were brought back into use and 5 premises converted to residential use.</li> <li>• The Open for Business Fund was fully committed during 2021/22, with 51 retail, hospitality and customer facing business premises receiving support.</li> <li>• The Council connected 136 Council buildings to gigabit capable full fibre broadband as part of the £5m Local Full Fibre Network programme, completed in November 2021, and turned on free public Wi-Fi in the main streets in Kinross, Alyth and Pitlochry.</li> </ul>
<b>Objective</b>	
<b>Supporting people to lead independent, healthy and active lives</b>	<ul style="list-style-type: none"> <li>• The impact of Covid-19 is more significant for the most vulnerable children and families, and the Council’s recovery planning and implementation recognises this. The Council will continue to provide additional support for those who will need it into the longer term.</li> <li>• The Scottish Government Health and Wellbeing Census was completed successfully across schools, with over 7,500 responses received from P5 to S6 pupils. An analysis of results will inform planning at school and authority level, including the development of a refreshed Health and Wellbeing Strategy Action Plan.</li> <li>• The Council continued to provide funding for community groups who worked closely with it during the pandemic in supporting communities and for specific communities themselves, to enable them to be sustainable and self-sufficient. This included the allocation of funding to Pink Saltire, Perthshire Welfare Society, Perth Chinese Community Association and a Gypsy/Traveller community empowerment project.</li> <li>• The Council is supporting people from Ukraine to settle into accommodation and schools including undertaking a range of activities such as property and disclosure checks to ensure that appropriate hosting arrangements are in place for everyone who arrives under the sponsorship schemes. To date, the Council has worked with its communities to welcome over 93 people from Ukraine and is aware of a further 267 looking to come to the area once their visas are processed.</li> <li>• The average number of days spent in temporary accommodation remains the lowest in Scotland at 51 days against a national average for 2020/21 of 199 days.</li> <li>• 227 disabled adaptations were completed during 2021/22 and the Council continues to improve and exceed its performance target in this area.</li> <li>• The £90 million PH2O leisure development project outline business case was approved, and capital funding approved in February 2022.</li> <li>• For information about the Health and Social Care Partnership, please see the Perth and Kinross Integration Joint Board Annual Accounts 2021/22 (Un-audited).</li> <li>• 183 new affordable houses were built, exceeding the target of 150. It is recognised, however, that there is work which can still be done to improve overcrowding for tenants.</li> <li>• The ‘Share the Square’ project engaged over 50 community members reducing social isolation, improved mental health and creating working links with new partners including the Scottish Refugee Council.</li> </ul>

Objective	
<p><b>Creating a safe and sustainable place for future generations</b></p>	<ul style="list-style-type: none"> <li>• The promotion of the national strategy on Equally Safe which aims to protect women and girls from domestic abuse has introduced training on 'Safe and Together' which is an initial step in achieving the necessary cultural change in the workforce to recognise and respond to domestic abuse.</li> <li>• The Evolve service is being enhanced, specifically aimed at supporting men who are open to Criminal Justice Social Work and subject to Community Payback Orders, and those being released on a Licence from custody.</li> <li>• The Council approved its Climate Change Strategy and Action Plan on 15 December 2021 and, in February 2022, committed to fund the top-priority actions in the plan. A new Perth and Kinross Climate Action website has also been published to provide a one-stop climate change resource hub, as requested by residents.</li> <li>• The Council has increased the amount of municipal waste collected that is recycled or composted from 47.5% in 2020/21 to 50% in 2021/22.</li> <li>• There was a slight reduction in the percentage of properties meeting Energy Efficiency in Scottish Social Housing (EESH) targets from 82.2% to 82.0%. This was due to delays with the internal energy efficient programmes and an inability to refurbish some building elements due to the impact of Covid-19 with material and labour shortages.</li> <li>• Eleven Cycling Walking Safer Routes projects were delivered during 2021/22 and over 70 20mph speed limits were introduced to encourage active travel and contribute towards a safer environment.</li> <li>• The Perth and Kinross Offer Framework was approved in December 2021 and, through the implementation of the 5-year plan, the Council will continue to work with local communities to encourage and enable local decision making.</li> <li>• The Council delivered the largest roads maintenance programme in recent years, with an investment of £14 million of improvements to the network. In 2021/22 it achieved a 3.5% improvement in road condition against a targeted improvement of 0.5% per annum.</li> </ul>

## 7. Financial Performance

Financial performance is part of the Council's performance management culture with regular reporting during 2021/22 to elected members at the Strategic Policy & Resources Committee as well as regular briefings. This section summarises the main elements for 2021/22.

The Expenditure and Funding Analysis brings local authority performance reported on the basis of expenditure measured under proper accounting practices together with statutorily defined charges to the General Fund and Housing Revenue Account. Both the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis include a segmental analysis which requires Councils to report performance on the basis of how they are structured and how they operate, monitor and manage financial performance.

The 2021 Code requires that Councils present the segmental analysis on the basis of the organisational structure under which they operate. Additionally, the Code requires that if a local authority changes the presentation or classification of items in its financial statements, the authority shall reclassify comparative amounts unless reclassification is impracticable. The prior year figures in the Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis and Group Comprehensive Income and Expenditure Statement have been restated to reflect the transfer of the planning and culture functions in 2021/22 from Corporate and Democratic Services to Communities and the property function from Communities to Corporate and Democratic Services.

Although the Expenditure and Funding Analysis reflects the main variances, for operational reporting the Council's Comprehensive Income and Expenditure reflects proper accounting practice. The Comprehensive Income and Expenditure Statement movements are not directly comparable with the movements in the Expenditure and Funding analysis.

### a) *General Fund Revenue Expenditure for 2021/22*

In 2021/22 the Council incurred actual net expenditure on Services of **£418.532 million** (which is the Cost of Services disclosed in the Comprehensive Income and Expenditure Statement on page 24). When Taxation and Non-Specific Grant Income, Financing and Investment Income and Expenditure and Other Operating Income and Expenditure are included there was a net Deficit on the Provision of Services of **£16.625 million**.

The Expenditure and Funding Analysis information on pages 40 and 41 sets out adjustments between the net Deficit on the Provision of Services of **£16.625 million** included in the Comprehensive Income and Expenditure Statement and the net expenditure (surplus) charged to the General Fund & HRA in the table below of **£9.540 million**. The adjustments of **£26.165 million** represent the difference between the net expenditure of the Council that is chargeable to taxation and



rents and the figures reported in the Comprehensive Income and Expenditure Account. The surplus in the Expenditure and Funding Analysis is set out in the way in which the Council organises itself and manages and reports on financial performance.

The following table sets out adjustments to the most recently approved Revenue Budget to ensure that budget and actual figures are comparable. These include the Public Finance Initiative, external income and capital accounting adjustments. On a comparable basis the table shows a net variance (under spend/additional income) of **£13.693 million** which is explained in further detail.

	Updated Budget Per Revenue Monitoring Report No.5 £ '000	Virements £ '000	Capital Accounting Adjustments £ '000	Revised Budget £ '000	Net Expend. Charged to the General Fund & HRA Balances per Expend. & Funding Analysis £ '000	Variance £ '000
<b>SERVICES</b>						
Education & Children's Services	213,777	(16,263)	(12,428)	185,086	175,145	(9,941)
Health & Social Care	69,227	90	0	69,317	69,033	(284)
Communities	71,988	(767)	(3,998)	67,223	61,496	(5,727)
Corporate & Democratic Services	39,098	(4,464)	0	34,634	31,648	(2,986)
Housing Revenue Account	0	(8,107)	(1,459)	(9,566)	(8,107)	1,459
Valuation Joint Board	1,319	0	0	1,319	1,307	(12)
Non Distributed Costs	1,565	0	0	1,565	1,528	(37)
<b>NET COST OF SERVICES</b>	<b>396,974</b>	<b>(29,511)</b>	<b>(17,885)</b>	<b>349,578</b>	<b>332,050</b>	<b>(17,528)</b>
Taxation & Non-Specific Grant	(398,218)	21,258	0	(376,960)	(378,350)	(1,390)
Finance / Investment / Other	10,681	8,253	17,885	36,819	36,760	(59)
<b>Use of General Fund per Comprehensive Income &amp; Expenditure Statement</b>	<b>9,437</b>	<b>0</b>	<b>0</b>	<b>9,437</b>	<b>(9,540)</b>	<b>(18,977)</b>
Contributions from other Reserves	(2,688)	0	0	(2,688)	(4,153)	(1,465)
<b>Use of / (Increase in) General Fund Balances</b>	<b>6,749</b>	<b>0</b>	<b>0</b>	<b>6,749</b>	<b>(13,693)</b>	<b>(20,442)</b>

The contribution to the General Fund of **£13.693 million**, which is made up of additional income and service under spends, is comparable with the revenue monitoring positions that have been presented regularly to the Strategic Policy & Resources Committee throughout the financial year. The Contribution to the General Fund includes significant funding from the Scottish Government relating to revenue grants which will be carried forward in earmarked Reserves. The following section provides a more detailed explanation of the final year end outturns.

**Education & Children's Services** delivered net under spends / additional income of **£9.9 million**. The main reasons for this are -

- In respect of the **Devolved School Management (DSM)** Scheme there was an under spend (**£1.2 million**) reflecting savings on staff costs (teachers and support staff) (£600,000) and other costs including property (maintenance), supplies & services (educational materials) and transport (£600,000). These resources will be carried forward by schools into 2022/23.
- In 2021/22 schools were awarded **Pupil Equity Funding** direct from the Scottish Government to contribute towards raising attainment (£2.0 million). Expenditure from this Fund is incurred by academic year rather than financial year. On that basis the under spend (**£1 million**) has been earmarked within Reserves to be utilised by schools in 2022/23.
- In terms of non-DSM budgets there were further budget variances / additional income as follows:
  - There was an under spend on **staff** related budgets across the whole Service of **£3.1million**. The main reason for this was that the actual 2021/22 pay award was less than the amount budgeted. In addition, there are ongoing recruitment issues in certain professions.
  - There was a net under spend on **property** related budgets of **£400,000** due to a non-domestic rates refund (£300,000), rentals and Investment in Learning deductions (£100,000).

- Across **supplies and services** there was a net under spend of **£800,000** due primarily to savings on indirect school expenditure (£500,000). Further under spends (£300,000) were delivered from across the Service including criminal justice and hybrid working.
- On **home to school transport** and **third party payments** there were net under spends of **£300,000** and **£200,000** respectively.
- There was a net over spend on **Residential Schools / Foster Care and Kinship Care** of **£600,000** based on activity for this specialist type of service provision.
- In addition, significant grant funding to support education recovery was also received in 2021/22 (**£3.5 million**).

**Health and Social Care** delivered an under spend of **£300,000** from within the non-delegated areas of social care in 2021/22. The Perth and Kinross Integration Joint Board 2021/22 Unaudited Annual Accounts are available separately.

**Communities** delivered a net under spend / additional income of **£5.7 million**, which is made up variances across the Services as follows:

- Within **Planning & Development** there was an under spend / additional income of **£2 million**. The main reasons for this variance were additional income (£500,000), staff slippage (£400,000) and a rephasing of expenditure to match activity (£1.1 million).
- **Housing** delivered an under spend / additional income of **£600,000** due, primarily, to additional staff slippage and a rephasing of expenditure on care and repair schemes.
- In **Roads** there was an under spend of **£500,000** due to additional staff slippage, reduced energy costs and additional income partially offset by an over spend on winter maintenance.
- Across the remainder of the Service, there was a further net under spend of **£300,000**.
- In addition, significant grant funding was also received across the Service in 2021/22 (**£2.3 million**).

**Corporate & Democratic Services** delivered net under spends / additional income of **£2.9 million** as follows:

- Net additional **income** of **£800,000** was generated from licensing, recharges and grants.
- **Property** costs were over spent by **£300,000** (net) which included additional maintenance expenditure partially offset by savings on energy and facilities management.
- There was a net underspend on **staff** costs of **£400,000** due to slippage in excess of budget.
- In addition, significant grant funding was also received across the Service in 2021/22 (**£2 million**).

In addition, **Taxation and Non-Specific Grant** achieved additional income of **£1.4 million**, primarily due to Council Tax collection levels that exceeded the budgeted amount.

General Fund and Housing Revenue Account Balances increased by £13.693 million to **£89.182 million** in line with the budget adjustments approved throughout the year by the Strategic Policy & Resources Committee and following the application of final outturns. When the Housing Revenue Account Balance of **£3.282 million** and the earmarked Reserves of **£69.322 million** that are set out on page 43 are excluded this leaves an uncommitted General Fund Balance of **£16.578 million** or **3.8%** of the net 2022/23 Revenue Budget.

#### **b) Composite Capital Budget and Housing Revenue Account Investment Programme 2021/22**

A summary of the Council's capital expenditure in 2021/22 is reflected within Note 35 to the Core Financial Statements on page 67. Total gross capital expenditure was **£90.841 million**, comprising **£15.364 million** on the Council's Housing Revenue Account (HRA) and **£75.477 million** on the Council's Composite (General Fund) Programme. The Covid-19 pandemic and lock down measures in the previous year has had a knock-on effect on many projects in 2021/22 which were again impacted, particularly construction works. The Council's gross expenditure includes:

- £13.724 million on various school upgrade projects, including the Early Learning & Childcare programme, the development of the replacement of Perth High School, North Muirton/Balhousesie Primary Schools into the new Riverside Primary School and technology upgrades.
- £29.780 million on roads & transport projects, including structural maintenance, road safety measures, bridges and the further development of the Perth Transport Futures project.
- £10.547 million on cultural attractions (Perth City Hall) and community projects (Letham Wellbeing Hub).
- £21.426 million on other works, including flood protection measures (£858,000); placemaking projects (£353,000); planning schemes (£3.623 million); and property & infrastructure upgrades (£4.911 million). The balance of £11.681 million relates to expenditure on various waste initiatives, greenspace, property, equipment, vehicles and IT-related works.
- £15.364 million on the HRA including affordable housing new builds & buy backs (£8.747 million), central heating and rewiring (£1.216 million), external fabric (£1.326 million) and fire precaution measures (£1.659 million).

Capital expenditure is funded by borrowing, asset sales, grants, other capital receipts, and Revenue Budget contributions. The Capital Financing Requirement (CFR, i.e. the underlying requirement to borrow for capital purposes) as at 31 March 2022 was **£618.39 million**. Actual capital debt was **£738.391 million**, comprising long-term borrowing (£611.2 million) and a Public Private Partnership (PPP) liability (£127.191 million). The ratio of borrowing to the CFR for 2021/22 has increased to **119.4%** (2020/21 111.6%). During the year the CFR increased by **£21.471 million**, reflecting the capital expenditure above, less capital receipts, grants and contributions and principal loan repayments, whilst the ratio to borrowing increased as a consequence of new borrowing being undertaken in the year.

### c) General Fund Reserves

As at 31 March 2022 the Council had uncommitted General Fund balances of **£16.578 million** which represented **3.8%** of the Council's 2022/23 Revenue Budget approved in April 2022. Council policy, as set out in the Reserves Strategy approved by Council on 23 February 2022, is to retain uncommitted reserves of between 2% and 4% of net revenue expenditure over the medium term. The Council's Reserves Strategy will continue to be reviewed and updates will be considered by the Finance & Resources Committee and the Council as part of the revenue monitoring cycle. Full details of the Council's General Fund Reserves are shown on page 23 and page 64 of the Financial Statements, along with information on future commitments.

The Reserves position is summarised as follows:

	£'000		£'000
General Fund	(85,900)	Revaluation Reserve	(332,433)
Housing Revenue Account	(3,282)	Capital Adjustments Account	(372,978)
Capital Fund	(24,817)	Financial Instruments Adjustment Account	17,650
Insurance Fund	(1,366)	Pensions Reserve	55,995
Capital Statutory Funds	(2,556)	Employee Statutory Adjustment Account	8,003
Capital Grants Unapplied	(87)		
<b>TOTAL USABLE RESERVES</b>	<b>(118,008)</b>	<b>TOTAL UNUSABLE RESERVES</b>	<b>(623,763)</b>
		<b>TOTAL RESERVES</b>	<b>(741,771)</b>

### The Balance Sheet

The Balance Sheet on page 25 summarises the Council's assets and liabilities as at 31 March 2022 and explanatory notes are provided from page 28. Total net assets have increased by £90.664 million to **£741.771 million**. Long Term Assets increased by £10.002 million, current assets increased by £63.593 million, current liabilities reduced by £44.656 million and long-term liabilities increased by £27.587 million. The major changes in the Council's Balance Sheet between 31 March 2021 and 31 March 2022 are explained in more detail in the following paragraphs.

#### Long Term Assets

The value of Property, Plant and Equipment increased by **£53.041 million** primarily due to the continuation of the major capital investment being undertaken by the Council described above. Long term investments were nil at the year-end (2020/21 £45.115 million) due to investments in 2021/22 being fixed over shorter terms in order to capitalise on increasing interest rates as and when they materialise.

#### Current Assets

The level of Short-Term Investments increased by **£47.724 million** with an increase of £11.216 million in the level of Cash or Cash Equivalents. This was as a result of new long-term borrowing undertaken in the year, with a large proportion of cash being kept in Short Term Investments to maximise future returns as noted above and according to liquidity requirements. Short term debtors increased during the year by **£4.453 million** due to an increase in the receivables from the Scottish Government, Other Local Authorities, NHS Bodies and Council Tax Entities; this being slightly offset by a reduction in receivables from Central Government.

#### Current Liabilities

Short Term Borrowing reduced by **£52.992 million** as a result of a higher level of liquidity being maintained to meet short term cashflow requirements rather than undertake further borrowing over the year end period at less than favourable interest rates. Short Term Creditors increased by **£4.704 million** primarily due to higher amounts payable to Central Government, Other Local Authorities, Other Entities and Trade Creditors; this is slightly offset by a reduction in the amount payable to the Scottish Government.

#### Long Term Liabilities

Other Long-Term Liabilities reduced by **£55.207 million** primarily due to a reduction in the net pension liability of £49.339 million and a reduction in the liability for public private partnerships of £4.997 million in line with the remaining contract. Also within Long Term Liabilities is a net increase in Long Term Borrowing of **£81.984 million** undertaken at interest rates more favourable than expected in the near future.

The Council's annual Treasury Management Strategy outlines the Council's policy in relation to borrowing and investment. This is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. The majority of the Council's borrowing comes from the Public Works Loan Board and market loans. Further details are provided at Note 39.

#### *Pensions Reserve*

International Accounting Standard 19 Revised (IAS19R) requires the disclosure of the Council's share of Tayside Pension Fund's assets and liabilities, both current and future. The information disclosed in the accounts is provided to the Council by the Pension Fund's actuaries following the tri-annual valuation of the Fund. The position at 31 March 2022 indicates a net liability of **£55.995 million** compared to a net pension liability of £105.334 million on 31 March 2021 due to changes in the assumptions. This liability is based on a snapshot valuation at 31 March 2022 and is a result of prevailing market conditions at that date. Triennial valuations of the Fund are carried out with the last valuation having taken place at 31 March 2020. Employer's contributions are currently 17% of pensionable pay. For more information see Note 18.

#### *Provisions, Contingencies and Write Offs*

The Council made provision for a number of eventualities which may have an effect on the financial position of the Council. The reasons for the provisions are outlined in Note 30 on page 63.

There were a number of write-offs of debt and stock during the year which were approved by the Finance and Resources Committee on 15 June 2022 – Authority to Write Off Debts and Obsolete Stock.

#### **d) Accounting Ratios**

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

FINANCIAL INDICATOR	2021/22	2020/21	PURPOSE
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	3.8%	2.0%	Reflects the level of funding available to manage financial risk / unplanned expenditure.
Movement in the Uncommitted General Fund Balance	£8.378m	(£4.721m)	Reflects the extent to which the Council has increased its Uncommitted General Fund Reserve including unspent covid grant funding.
Council Tax – In Year Collection Rate	97.7%	96.6%	Demonstrates the Council's effectiveness in collecting council tax debt.
Ratio of Council Tax Income to Overall Level of Funding	21.0%	22.0%	This reflects the Council's capacity to vary expenditure by raising Council Tax Income.
Capital Financing Requirement	£618.39m	£596.919m	Measurement of requirement to borrow for capital purposes.
External Debt Levels	£738.391m	£665.913m	Actual borrowing for capital investment purposes.
Capital Financing Requirement Ratio	119.4%	111.6%	Measurement of prudence in relation to borrowing levels – borrowing only to invest in capital.
Ratio of Financing Costs to Net Revenue Stream	5.6%	6.2%	Measurement of the Council's ability to fund borrowing costs.

#### **e) Financial Statements**

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

- The **Movement in Reserves Statement** reports movements on the different Reserves held by the Council analysed into Usable Reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and Unusable Reserves.
- The **Comprehensive Income and Expenditure Statement** reports the accounting cost of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- The **Balance Sheet** brings together all the assets and liabilities of the Council. It is a statement of the resources of the Council and the means by which they have been financed. It is also a report on the Council's financial position at

a particular point in time and represents a snapshot of its financial affairs at the close of the year expressed in accounting terms.

- The Cash Flow Statement summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties on both day to day revenue transactions and capital activities. Cash is defined for the purpose of this statement as cash in hand and deposits repayable on demand less overdrafts repayable on demand. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with an insignificant risk of change in value.

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

- The **Statement of Responsibilities for the Annual Accounts** explains the responsibilities of the Council and of the Head of Finance as they relate to the Annual Accounts.
- The **Notes to the Financial Statements** provide further information on the above financial statements.
- The Notes include an **Expenditure and Funding Analysis** which compares the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Account. The service analysis for both the Expenditure and Funding Analysis and the Comprehensive Income and Expenditure Statement are now both provided in the way in which the Council organises itself and manages financial performance.
- The **Annual Governance Statement** explains how the Council has complied with the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) standard for good corporate governance and meets the requirements of relevant legislation and current good practice.
- The **Remuneration Report** provides details of the Council's remuneration of its senior councillors and senior officers with regard to salary, taxable expenses and pension benefits and states how remuneration arrangements are managed. The report also provides information on exit packages agreed by the Council during the financial year.

#### Supplementary Financial Statements

The supplementary financial statements are as follows:

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

## **8. Financial Outlook, Risks and Plans for the Future**

The local government landscape has never been more complex or challenging. As we try to recover from the global health pandemic, we are also experiencing increased levels of poverty across our communities, rapid growth in our elderly population and the impact of poor mental health and wellbeing. Added to that we have an ambitious policy agenda to regenerate our economy, reduce the impact of climate change, raise educational attainment, and to increase and optimise the use of digital technology; all of which will come with a significant cost attached.

At the same time, the Council is experiencing unprecedented financial and other resource pressures because of real terms reductions in funding, significant cost increases due to inflation and an increasing demand for services.

This has created a "funding gap" or structural deficit in our Revenue Budget which needs to be addressed as a matter of urgency, given our legal requirement to set a balanced budget each year, whilst maintaining sufficient Reserves to deal with any unexpected events.

Through the Perth and Kinross Offer ("the Offer") and our Transformation and Change Strategy, we must rethink how both our front line and internal services are designed and delivered so that we can better meet the needs of our communities, now and in the future, within the resources that are available to us. Our Financial Strategy will be key in supporting that outcome.

The Financial Strategy is the link between the Council's long term strategic objectives and its financial capacity. Our strategic objectives are set out in the Council's Corporate Plan. These objectives are determined by elected members and will reflect political priorities, legal requirements, national policy and reflect the particular needs of our communities in terms of both our people and place. Priorities and key objectives may therefore change over time.

The aim of the Financial Strategy is therefore, to build financial resilience and ensure that we have an affordable and sustainable Medium Term Financial Plan and Revenue Budget, which directs our resources to where they are most needed, in line with our agreed priorities and strategic objectives at any given time.

At present, the Council's recurring Revenue expenditure is, in part, funded from Reserves. The application of non-recurring resources to meet ongoing expenditure is not sustainable and is referred to as a structural (recurring) deficit which requires to be addressed.

The Financial Strategy is predicated on the Council taking corrective action to manage its expenditure and income to return to a position of long-term financial sustainability.

Financial sustainability will be achieved and maintained through prudent financial management, targeted investment and dis-investment, increasing income, reducing costs and developing more efficient and effective ways of working.

A set of principles have been developed which will assist the Council in bringing forward a Medium-Term Financial Plan and Revenue Budget that is sustainable over the longer term.

Meaningful communication and engagement will be key to the successful implementation of this Strategy. The Perth & Kinross Offer represents the Council's commitment to engage with our communities and partners in shaping service delivery and addressing need at a local level. This engagement with our communities will be central in framing how best to allocate the limited resources available in a period of increasing financial challenge.

Maintaining effective dialogue with our staff, communities, public, private and third sector partners will help strengthen the understanding of what the Council may or may not be able to continue to deliver and allow us to draw on local knowledge and experience in shaping future service delivery.

In line with the Council's agreed strategic priorities and objectives, we will, as far as possible:

- direct resources to where they are most needed;
- protect the most vulnerable in our community;
- prioritise the delivery of services which we must provide by law;
- deliver services in the most efficient, and cost-effective manner;
- prioritise upfront investment in prevention and early intervention;
- prioritise transformation investment on cost mitigation activities;
- not fund recurring activity from General Fund Reserves;
- contain spending within approved budgets;
- minimise unnecessary expenditure and maximise income;
- take a planned and sustainable approach to Capital investment;
- reflect the full cost of Capital investment in future budgets;
- over plan for the delivery of savings.

The need for transformation and change is not unique to Perth and Kinross. All public and private sector services and organisations are facing significant challenges and rethinking how they will operate in the future to address these challenges and meet new and emerging demands. In its Covid-19 Recovery Strategy - for a fairer future, the Scottish Government sets out its vision for recovery and the actions it will take to address systemic inequalities made worse by Covid-19, make progress towards a wellbeing economy, and accelerate inclusive person-centred public services. The Scottish Government's strategy highlights the need to re-build public services and sets out how it will work differently with partners to deliver change.

As well as the financial challenges that the Council faces in delivering a lawful, balanced budget, there are several other reasons why change is necessary:

- new and emerging priorities, including social, economic, health & wellbeing and climate change;
- a growing, ageing population and increasing demand for services;
- delivery of the Perth and Kinross Offer will require a new way of working with communities and a rethink of how the Council is organised to deliver.

The Transformation & Change Strategy, which was approved by Council on 22 June 2022, is a 5-year strategy that sets out our next phase of transformation and sits within the Council's wider strategic framework and acts as an enabler to deliver on our corporate objectives.

- The revised **Corporate Plan 2022/23 - 2027/28** will set our vision and corporate objectives, aligned with our values, and will be designed to address, or mitigate, the impact of the many challenges our organisation and our communities are facing. These objectives will be underpinned by themes including the cost of living crisis including poverty/child poverty, economic wellbeing, climate change, affordable/rural housing and the Perth and Kinross Offer.
- The **Financial Strategy** details the financial challenges we face, the extent of the structural deficit and measures we must take now and over the next 5 years to identify savings, reduce our budgets and support the Council to become financially sustainable.
- The **Local Outcomes Improvement Plan** will detail new priorities and the actions that the Community Planning Partnership will take in the coming years to focus on inequalities which are stubborn and require new collaborative approaches.
- The **Perth and Kinross Offer Framework** details the actions that we will take over the next 5 years to deliver and embed the Perth and Kinross Offer and the programme of cultural change that will transform how we work with colleagues, communities and our partners.

The Transformation and Change Strategy sets out our commitment to develop an organisation for the future which:

- places people at the heart of all that we do and working in partnership with, and within, our communities is embedded as a way of working across the organisation;
- has a value led culture with ambition, compassion, and integrity at its core;
- is effectively organised to deliver to meet current and emerging challenges;
- delivers a balanced budget and has long term financial sustainability;
- fully utilises technology and data to enable access to services and to understand and reduce demand;
- is a more agile organisation with a well-trained, flexible, and empowered workforce committed to serving communities and individuals.

Aligned with our corporate objectives and priorities the programme will be categorised into three key themes:

- **People and Place** – we will change and transform how we work with people, both inside and out with our organisation.
- **Partners** – change and transform our engagement and work with partners and local businesses to strengthen our ability to meet priorities.
- **Perth & Kinross Council (our organisation)** – Change the shape of the organisation to transform and meet our ambitions, increase our flexibility with our people, finances and assets.

Due to the size and complexity of the organisation and the nature of challenges we face, the Transformation and Change programme will require a range of approaches as detailed below. No two projects will be the same and for larger scale projects of a more complex nature, it is likely that many of the approaches will be adopted to deliver the required outcomes.

- **Transforming our customer's experience** – the things we do that will be different for those who receive our services. Focus on the Offer and communities at the heart of shaping, delivering, managing services and operating and owning assets.
- **Transforming the shape and structure of our organisation** – restructure/consolidation but also look at the merits of other models of insourcing, outsourcing, sharing services and commercialisation.
- **Transforming our systems and processes** – led by services and teams, these changes will deliver better outcomes for people in our communities through improvements in efficiency and productivity. These improvements will be made possible by streamlining processes and greater use of digital solutions.
- **Transforming our spending and response to demand** – this is the budget cuts, reviewing demand across the organisation, focusing on need and re-allocating resources.

### **Capital**

The Council approved a revised 6-year Composite Capital Budget for 2022/23 – 2027/28 on 23 February 2022. The Housing & Communities Committee approved the Housing Revenue Account (HRA) Capital Budget for 2022/23 - 2026/27 on 24 January 2022. Both these Capital plans were subsequently updated by the Strategic Policy & Resources Committee on 20 April 2022.

The Council's Composite Capital Budget includes major transport infrastructure improvements, including the Perth Transport Futures project to create a third crossing over the River Tay. Significant investment in improvements to existing infrastructure is also included within the Capital Budget, particularly within annual rolling programmes and road network improvements. Also included is the replacement of Perth Leisure Pool and replacements of the existing Perth High School and North Muirton and Balhousie Primary Schools. There are also various school refurbishments under the Early Learning & Childcare programme. There is significant investment included in relation to new technologies such as a replacement for the existing SWIFT Social Work database and investment in the Microsoft Estate, as well as the upgrading and replacement of School Audio Visual equipment and other technology upgrades. Other expenditure is planned in relation to various flood protection schemes, the development of Perth City Centre cultural attractions, economic development and planning initiatives, parks and public spaces improvements, waste reduction & recycling and property improvements.

The HRA Investment Programme 2022/23 to 2026/27 continues to focus upon increasing the affordable housing stock with the provision of new affordable housing and Council house buy-backs, as well as the enhancement of the existing housing stock, including energy efficiency and external fabric maintenance.

The Capital Financing Requirement is estimated to peak at £1.160 billion in 2027/28 under current approved plans. The annual cost of servicing the borrowing and Public Private Partnership liabilities is being managed through the Capital Fund Strategy within the Medium-Term Financial Plan. This ensures the Council's plan remains affordable, prudent and sustainable.

### **Risk Management**

Effective risk management is an essential element of good governance and integral to the Council's ability to deliver positive outcomes for its communities.

The Council undertook a wholesale review of its approach to risk and developed and approved a new risk Management Framework in 2017. Since then it has been reviewed and further refined to ensure that it remains fit for purpose and reflects the complex risk landscape of local government in these changing and challenging times.

The risk management framework has been developed based on best practice industry standards including the International Standard in Risk Management – ISO: 31000 and the Office of Governance & Commerce (OGC) Management of Risk Guidance (MoR) and guidance from the Association of Local Authority Risk Managers, (ALARM) and comprises:

- Risk Management Policy – statement of the Council's commitment to effective risk management;
- Risk Management Strategy – articulates our overall approach to risk and provides a detailed risk hierarchy;
- Risk Management Appetite Statement – describes the levels of risk the Council is prepared to tolerate in pursuit of our objectives; and
- Risk Management Process Guide – provides a toolkit of techniques and processes to ensure that risk is managed effectively and that our approach to risk management is consistent across the organisation.

Within the Council there is a cross Service cohort of trained risk practitioners who provide technical guidance and support to ensure that a consistent approach to risk management is taken across the whole organisation. Extensive work has been further undertaken throughout 2021/22 to embed the risk management framework to ensure that risk management activities are integrated with key business process and aligned to the delivery of the Council's objectives and defined outcomes. Strategic and operational risks are regularly monitored and reported in accordance with the principles of the framework.

The framework has also been implemented effectively to manage the Council's response to the Covid-19 pandemic.

### **Workforce Management**

The Council values its employees, their skills, dedication and passion to ensure it delivers essential services to the people, businesses and communities of Perth and Kinross. Our people continue to be our most important asset and remain at the heart of everything we do. The Corporate Workforce Plan (2021-2023), together with the Medium-Term Financial Plan, Organisational Development Plan, Digital Strategy and Health and Wellbeing Plan set the direction for our internal recovery from the pandemic and highlight how our workforce needs to develop, within available resources, to ensure our people are prepared and resilient to deliver our future goals and aspirations.

The Council's purpose, values, culture and ethos to transform services and deliver efficiencies to prepare for the future are pivotal. Investment in building the capability and capacity in the workforce through learning and development opportunities, boosting productivity, encouraging innovation and creativity, embracing agility, digital technology and promoting wellbeing and resilience continue to be key to our future plans. These commitments will enable it to match its ambition for transforming services, growing the economy, reducing inequalities, protecting vulnerable people and supporting young people to be all they can be.

Financial pressures, changing priorities and demand for Council services continue to inform the Council with a focus on multi-disciplinary teams, integrated working and more locality-based decision-making. The Council in recognition of the inter-connectedness of workforce, digital and use of property are taking a proactive approach in working with communities, its partners and other stakeholders to deliver and prepare for new influences to ensure our workforce supports the delivery of the Perth and Kinross Offer. Some of the enabling project underway is to work smarter, being more flexible about when we work, where we work and how we use space and technology to find new and more effective ways of doing things.

The Council's workforce management strategy gives a strong basis for developing the workforce of the future helping us create the conditions to meet the future workforce, financial and demographic challenges and requirements of the organisation. Adopting a more effective and consistent approach to workforce management, leadership development and talent management will enable us to provide versatile people solutions to support the future strategic direction of the organisation. We continue to invest in training and development opportunities for young people via Apprenticeship and Graduate Programmes. A focus on health and wellbeing and resilience are key to sustaining a healthy working environment and positive wellbeing culture and we continue to offer a wide range of health and wellbeing initiatives and support to our workforce. The Council is proud to be a Fair Work employer and continues to consult and engage with employees and their trade union representatives on improvements in our employment practices and arrangements. Equalities and fairness will continue to be core principles in its workforce strategy. This will ensure we have the right skills in the right place when we need them and will contribute to building an even better Perth and Kinross working together to ensure everyone can live life well.



## 9. Supplementary Information

### (a) Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom requires the Council to produce group financial statements where it has an interest in entities that meet the definition of subsidiary, associate or joint venture. The Group results are presented alongside the results for the Council in the Annual Accounts. Further details of the associated entities that have been incorporated into the financial statements can be found on page 92.

The Council has an interest in six organisations (detailed on page 92) that do not form part of the main Accounts. The Council includes the results of these organisations in its Group Accounts due to the significant influence it has over their financial and operating practices. The Council also includes Charitable Trusts administered and controlled by the Council and Common Good Funds as managed funds within the Group Accounts.

In accordance with the Code, the 2021/22 Group Accounts Statements are included on pages 87 to 91. The basis for consolidation is set out in the Notes to the Group Accounts Statements on pages 92 to 94. The effect of consolidation is to increase the Council's net assets by **£35.86 million** resulting in a Group Balance Sheet showing net assets of **£777.631 million** at 31 March 2022 as set out on page 89. This position reflects the Council's share of the pension liabilities of the Associate included within the Group Balance Sheet.

### (b) Common Good and Charitable Trust Funds

Common Good Funds are administered by the local authority for the general benefit of the relevant communities. Overall, the Common Good Funds recorded an in-year surplus of **£157,000** which, when applied to the surplus brought forward, results in an accumulated revenue surplus as at 31 March 2022 of **£2.109 million**.

Details of income and expenditure accounts and balance sheets can be found on pages 85 and 86 of the Annual Accounts. These funds are subject to similar accounting policies and procedures to those that are applied to the Council's main accounts. The main source of income to Common Good Funds is rent.

The Council also administers several Charitable Trust Funds. Details of income and expenditure accounts and balance sheets can be found on page 84 of these Annual Accounts. Overall, the Trust Funds recorded an in-year surplus of **£668,000** which, when applied to the surplus brought forward, results in an accumulated surplus as at 31 March 2022 of **£3.610 million**.

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

### (c) Public Private Partnerships / Design Build Finance Maintain

In September 2000 the Council entered into a 25-year PPP contract for the construction, maintenance and operation of office accommodation and a car park. In 2021/22 the Council paid **£2.817 million** to the contractor under the terms of the contract.

Between 2009 and 2012 six school campuses were also brought into operation at Blairgowrie, Glenearn, Loch Leven, Strathearn, North Inch and Breadalbane. The contractor's obligation was to construct the schools and is to maintain them to a pre agreed standard. In 2021/22 the Council paid **£17.684 million** to the contractor under the terms of the contract. In addition, in 2021/22, the Council paid **£3.057 million** in relation to Bertha Park High School.

## 10. Conclusion

The Council has continued to demonstrate sound financial management in 2021/22 by delivering services and responding to Covid-19 with the resources which are available to it. The pressures being experienced by Services in relation to demand are known and plans are in place to mitigate them. They have also been reflected in the medium and long term financial plans.

The Council will face many challenges in the future from the combined effect of reduced resources; increasing demands and expectations for our services. It is confident that by working more creatively with all its residents and partners, it will not only embrace these challenges but will maintain its performance and service delivery.

## 11. Acknowledgements

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

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Thomas Glen  
Chief Executive  
Perth & Kinross Council

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Councillor Grant Laing  
Leader of the Council  
Perth & Kinross Council

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Stewart MacKenzie  
Head of Finance  
Perth & Kinross Council

# **ANNUAL GOVERNANCE STATEMENT 2021/22**

## **1 Introduction**

- 1.1 2021/22 continued to be extremely challenging for the Council as it sought to maintain effective service provision whilst still undertaking new tasks in response to the ongoing global Covid-19 pandemic. The continued requirement for many officers and elected members to work remotely from home brought with it both risks and opportunities in terms of governance. Systems, processes, tools and technology were deployed differently and innovatively; ensuring that democratic decision-making continued in an open and transparent manner and that an appropriate level of service provision was maintained as we worked with our partners and our communities to manage the public health crisis.
- 1.2 As a public body, the Council must always act in the public interest. We must behave with integrity, conduct our business in an open and transparent manner, demonstrate a strong commitment to ethical values and comply with the law. We must use public money economically, efficiently, and effectively to provide sustainable services which make life better for the people of Perth and Kinross. A comprehensive and robust governance framework is integral to the success of Perth & Kinross Council's ability to discharge these responsibilities.
- 1.3 The purpose of the Annual Governance Statement is to give assurance to the people of Perth and Kinross, our elected members, staff, partner agencies and other stakeholders that our governance arrangements are adequate and effective and that our system of internal control is robust.

## **2 Scope of Responsibility**

- 2.1 As well as providing assurance as to the effectiveness of the governance arrangements in place for the Council, this Annual Governance Statement also covers the six organisations that are included in the Council's Group Accounts.
- Live Active Leisure Limited (subsidiary)
  - Horsecross Arts Limited (subsidiary)
  - Culture Perth & Kinross Limited (subsidiary)
  - Tayside Valuation Joint Board (associate)
  - Tayside Contracts (associate)
  - Perth & Kinross Integration Joint Board (joint venture)

## **3 Our Governance Framework**

- 3.1 Our governance framework comprises our culture, values, rules, resources, systems, tools and processes which we have in place to help us achieve our strategic objectives. We recognise that the following are fundamental elements of good governance within public sector organisations: -
- Leadership, Culture & Values
  - Vision, Direction & Purpose
  - Stakeholder Engagement
  - Organisational Development
  - Effective Decision Making
  - Internal Controls
  - Scrutiny & Accountability
- 3.2 These fundamental elements of our governance framework reflect and seek to embed the principles of good governance within the 2016 CIPFA Framework for Delivering Good Governance in Local Government, namely:
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law;
  - Defining outcomes in terms of sustainable economic, social and environmental benefits;
  - Ensuring openness and comprehensive stakeholder engagement;
  - Developing the entity's capacity, including the capability of its leadership and the individuals within it;
  - Determining the interventions necessary to optimise the achievement of the intended outcomes ;
  - Managing risks and performance through robust internal control and strong public financial management;
  - Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 3.3 A crucial part of the framework is the system of internal control which is designed to manage and mitigate risk in relation to the achievement of our intended outcomes.
- 3.4 The Council manages risk through a continuous process of identification, assessment, evaluation, prioritisation, and mitigation. We evaluate risk based on likelihood and impact in both financial and non-financial terms. We do however need to mitigate and manage risk proportionately; recognising that risk can never be eliminated completely and that only reasonable assurance can ever be given.

## 4 Our governance arrangements

- 4.1 Our culture and values are reflected in our behaviour and our decision-making. Our policies, processes and procedures including Elected Member and Employee Codes of Conduct, Whistleblowing and Anti-fraud and Corruption policies, Elected Member Register of Interests, Gifts & Hospitality Policy ensure that as a Council, we respect the rule of law, behave with integrity, promote a culture of good governance and demonstrate a strong commitment to ethical values.
- 4.2 There are appropriate and effective arrangements in place for the discharge of the following statutory functions:
- Head of Paid Service
  - Monitoring Officer
  - Chief Finance Officer
  - Chief Social Work Officer
  - Data Protection Officer
- 4.3 Leadership within the organisation is effective with good communication between elected members and senior management through leaders meetings, conveners meetings, Member Officer Working Groups and all-member briefings where appropriate. There are also regular pre-agenda discussions in respect of each scheduled Council and Committee meeting.
- 4.4 Our Local Outcomes Improvement Plan and Corporate Plan set out our vision and purpose and the approved Revenue and Capital budgets prioritise how our financial resources are to be deployed. Key strategic documents such as the Perth & Kinross Offer Framework, Capital Investment Blueprint, Housing Investment Programme, Economic Wellbeing Plan and Climate Change Strategy provide the necessary direction to the organisation to enable it to deliver on its vision and achieve its purpose.
- 4.5 We recognise the importance of good stakeholder engagement and will continue to engage and work in partnership with our communities, partners and other stakeholders to ensure that we design and deliver the public services that our communities need and value. The Council has a strategy for engaging with communities and has agreed a Statement of Intent with its Community Planning Partners to support a co-ordinated approach to community engagement. Our approach to consultations is based on the National Standards for Community Engagement and we have established a wide range of consultation processes and procedures. The Community Empowerment (S) Act 2015 provides a framework for improving the quality of engagement and participation which will be reflected in the Local Outcome Improvement Plan.
- 4.6 We are operating in an increasingly complex and financially challenging public sector landscape and must be able to adapt and evolve our services and workforce to continue delivering cost-efficient, high-quality services. Our people remain our most valuable asset and as an organisation we will secure the best outcomes for our communities by investing in the development of our workforce and of our leaders to ensure that they have the right skills and have sufficient capacity to deliver. Our approach is outlined in our Corporate Workforce Plan – Resourcing PKC, Everyone Has Something To Offer and our “Learn, Innovate, Grow” philosophy is embedded across the organisation to create a highly motivated, skilled and agile workforce. There is a programme of leadership development in place for our managers and an extensive programme of induction and continuous development for elected members.
- 4.7 The Council's Scheme of Administration sets out the Council's decision-making structure setting our roles, remits and responsibilities to ensure transparency and accountability.
- 4.8 We have a robust suite of policies, procedures and management processes to ensure that there are appropriate internal controls in place in respect of: -
- Workforce planning & management
  - Financial planning & management
  - Risk & Performance Management
  - Change management
  - Procurement
  - Major Investment Project Management
  - Health & Safety
  - Information Management & Security
  - Civil Contingencies & Business Continuity
  - Anti-Fraud & Corruption
  - Conflicts of interests
  - Gifts & Hospitality
  - Whistleblowing and reporting concerns
  - Complaints handling
  - Officer and elected member conduct

- 4.9 As a public body we must be open, transparent and accountable for our decisions, actions and performance. Our management and democratic structures and processes are designed to facilitate effective decision making and the proper scrutiny of those decisions and their impact in terms of performance and the achievement of our intended outcomes.
- 4.10 The Council set a budget for the year 2022/23 in February 2022. Each budget is allocated to a named budget holder. Budgets are monitored regularly by Service Management Teams and overall financial performance is monitored regularly by the Executive Leadership Team. Council through previously, the Strategic Policy & Resources Committee and now Finance and Resources Committee receives regular financial monitoring information as part of the budgetary control framework and provides the required political scrutiny of our financial management and performance.
- 4.11 Capital spend is monitored by the Executive Leadership Team through the Transformation Board reported regularly to the Strategic Policy & Resources Committee (now Finance & Resources Committee) as part of the budgetary control framework. The Capital Programme Office monitors project milestones.
- 4.12 The service planning process ensures that Services meet the needs of customers, and that targets for quality improvements are set and monitored. Individual Business Management & Improvement Plans set out detailed actions and outcomes for each Service and include performance indicators. Service performance is reported regularly to the Executive Leadership Team and publicly through the Council's themed committees and the Scrutiny committee. Financial performance is publicly reported through the Strategic Policy & Resources Committee (now Finance & Resources Committee) and relevant service committees.
- 4.13 The Council publishes an Annual Performance Report on its performance against the objectives set out within the Corporate Plan and Local Outcome Improvement Plan.
- 4.14 The Council has a published process for dealing with the following and annually reports on performance in this respect of these areas: -
- complaints from members of the public;
  - requests for access information under the Freedom of Information legislation;
  - access information under the Data Protection legislation.

## **5 Covid-19 Pandemic Governance Arrangements**

- 5.1 In light of the Covid-19 pandemic, the Council implemented effective and appropriate civil contingencies arrangements. These have ensured: -
- an effective operational command structure to deliver essential services and key activities to protect the health and wellbeing of our communities during this time;
  - adequate and effective risk management at both a strategic and operational level of existing, new and emerging risks.
- 5.2 Planning has continued for recovery and renewal in line with the published Scottish Government framework and a key part of that will be ensuring appropriate governance arrangements are in place. These have been flexible to respond to the changing environment during the year to ensure a proportionate response to the impact of the pandemic on our communities and our workforce.

## **6 Governance Assurance Process**

- 6.1 The Council utilises a robust process of gathering assurance information from Service Management Teams which concludes with Certificates of Assurance being signed by each Executive Director and the Chief Operating Officer.
- 6.2 Corporate assurance has also been provided as regards the adequacy of the internal controls from the following Officers:
- Chief Finance Officer (S 95 Officer)
  - Head of Legal & Governance Services /Monitoring Officer
  - Chief Internal Auditor
  - Data Protection Officer
  - Records and Information Security Manager
  - Corporate Procurement Manager
  - Senior HR Manager
  - Head of Innovation
- 6.3 For Arm's Length External Organisations, reliance has been placed upon:
- unaudited financial statements of the companies (audited accounts will be scrutinised when available)
  - assurance self-assessment evaluations;
  - terms and conditions of Service Level Agreements ;

- contract monitoring meetings with Service;
- performance information and financial monitoring reports to Service ;
- presentations to Scrutiny Committee.

6.4 For Tayside Contracts Joint Committee, Tayside Valuation Joint Board and Perth & Kinross Integration Joint Board, reliance has been placed upon each organisation's own Annual Governance Statement.

6.5 The draft Annual Governance Statement is considered by the Executive Leadership Team and the Council's Scrutiny Committee prior to inclusion within the unaudited Annual Accounts.

6.6 The Annual Governance Statement is considered by the Audit Committee as part of the Annual Accounts.

## **7 Effectiveness of Governance Arrangements for 2021/22**

7.1 Based on the assurance process outlined above, in terms of effectiveness, the Council's governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework, subject to the areas identified for review or improvement set out in section 9.

7.2 Our financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). Financial risks arising from the continuing response to the Covid-19 pandemic are highlighted and managed through our effective processes, with regular reporting to elected members.

7.3 Our assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

7.4 The Council has designated the Head of Legal & Governance Services as the Senior Information Risk Owner with the Head of Corporate IT and Revenues as Depute. Our information security measures have been reviewed in 2021/22 to ensure continuing compliance with the Public Service Network (PSN) requirements.

7.5 The Chief Internal Auditor is the Council's nominated Money Laundering Reporting Officer. There has been no relevant activity in respect of Council and its group during the year.

7.6 We have structures in place which support constructive challenge and effective scrutiny to our system of internal control and our broader governance arrangements. In particular: -

- Audit & Risk Committee
- Scrutiny & Performance Committee
- Finance & Resources Committee
- Themed Committees
- Executive Leadership Team / Extended Executive Leadership Team
- Policy & Governance Group
- Transformation Board
- Internal Audit
- External Audit (presently KPMG)

## **8 Opinion of the Chief Internal Auditor**

8.1 Audit activity and performance will be detailed in the Annual Report by the Chief Internal Auditor for the year 2021/22 when it is presented to the Council's Audit & Risk Committee. The draft report contains the Chief Internal Auditor's opinion in respect of the effectiveness of the governance arrangements in place, as follows: -

*"In the Chief Internal Auditor's opinion, reasonable reliance can be placed on the Council's risk management and governance arrangements, and systems of internal control for 2021/22, subject to management implementation of the agreed actions detailed in Internal Audit reports."*

## **9 Areas for review/continued improvement action**

9.1 The last two years have demonstrated our reliance on technology and the way in which technology can shape and influence how we deliver services and work as an organisation in the future. We will therefore review our cyber resilience and information governance arrangements to ensure that they are fit for purpose and robust.

9.2 The Council's financial management: governance and reporting arrangements have been assessed against the financial management standards set out within the CIPFA Financial Management Code (2019). The Code is largely based upon the standards set out elsewhere within the Annual Governance Statement and the Council is considered to be compliant with the Code. Improvement actions arising from the review include consideration of how the Council can build upon existing practice in its budget consultation with stakeholders and strengthening existing reporting arrangements through the submission of a Financial Strategy report to Council in June.

- 9.3 The adoption of our Climate Change Strategy in December 2021 will require all strategies and policies to be reviewed for their impact in this area. An Integrated Assessment Tool is being developed which captures these considerations for future reports and existing strategies and policies will be subject to a similar process for ensuring their consistency with the Climate Change Strategy.
- 9.4 In addition to these areas, there are some specific areas which will be held under review:
- Leadership and senior management structure and capacity;
  - Capacity and resources to lead, develop and deliver transformation and change programme;
  - Development and implementation of a new Financial Strategy to address financial deficits and support transformation activity;
  - Our approach to community engagement as we develop the Perth & Kinross Offer;
  - Resource implications of ongoing response/recovery from Covid-19 pandemic;
  - Leadership capacity and corporate support to Integration Joint Board.

### **STATEMENT**

The Council is legally required to review the effectiveness of its governance arrangements and to publish an Annual Governance Statement, with its Annual Accounts. The governance framework and in particular the system of internal control, has been assessed in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA).

The review of the effectiveness of the Council's system of internal control and overall governance framework has been informed by different sources assessing risk and providing assurance: -

- Executive Leadership Team/ Service Management Teams
- Chief Finance Officer
- Monitoring Officer
- Chief Internal Auditor/ Internal Audit
- Data Protection Officer
- Policy & Governance Group
- External Audit
- External agencies and inspectorates.

#### **The Council's Governance Framework is considered robust and effective.**

Each Director, who has responsibility within the Scheme of Delegation for the development and maintenance of the system of internal control, has reviewed the current governance arrangements and internal controls within their service area and provided assurance that these are effective.

The Chief Finance Officer has provided assurance that the financial arrangements in place conform to the relevant CIPFA requirements and that our expenditure is lawful. The Monitoring Officer has provided assurance that our governance arrangements ensure compliance with relevant laws, regulations, internal policies and procedures.

The Chief Internal Auditor has provided assurance for the year 2021/22 and an Internal Audit plan will be developed for 2022/23 that will focus on areas which have been identified as corporate or service specific risks in relation to core business and any additional risks which have arisen as a result of the Covid-19 pandemic.

We are satisfied that our governance arrangements and in particular, our system of internal control, continue to be regarded as fit for purpose. Any identified improvement actions will continue to be delivered and monitored through existing improvement plans, audit plans and change programmes to avoid duplication of effort.

We have been reassured by the way in which this Council has adapted to the challenges presented by the Covid-19 pandemic. Our governance framework and understanding of key risks have not only ensured that essential services have been maintained but that innovative arrangements could be implemented to meet new and emerging needs as these arose. As we support our communities to recover from the impact of Covid-19, our governance framework will continue to be reviewed and adapted where necessary to ensure that it remains robust and effective.

Signed:

Signed:

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Thomas Glen  
Chief Executive

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Councillor Grant Laing  
Leader of the Council

## **Independent auditor's report to the members of Perth and Kinross Council and the Accounts Commission**

### **Reporting on the audit of the financial statements**

#### **Opinion on financial statements**

We certify that we have audited the financial statements in the annual accounts of Perth and Kinross Council and its group for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account, the Charitable Trusts Income and Expenditure Account, the Charitable Trusts Balance Sheet, the Common Good Income and Expenditure Account, the Common Good Balance Sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code). In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the council and its group as at 31 March 2022 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### **Basis for opinion**

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed under arrangements approved by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is six years. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. 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 basis of accounting**

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, we report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

#### **Risks of material misstatement**

We report in our Annual Audit Report, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

#### **Responsibilities of the Head of Finance and Perth and Kinross Council for the financial statements**

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Head of Finance determines 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 Head of Finance is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The council is responsible for overseeing the financial reporting process.

### **Auditor's 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 an auditor's report 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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the council and its group is complying with that framework;
- identifying which laws and regulations are significant in the context of the council and its group;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skillfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Reporting on other requirements**

#### **Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report**

We have audited the part of the Remuneration Report described as audited. In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

#### **Other information**

The Head of Finance is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

Our responsibility is to read all 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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.



## **Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement**

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

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### **Matters on which we are required to report by exception**

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

### **Use of our report**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Michael Wilkie, (for and on behalf of KPMG LLP),  
Chartered Accountants  
KPMG LLP  
319 St Vincent Street  
Glasgow  
G2 5AS

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Fund £'000	Insurance Fund £'000	Capital statutory funds £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves (Note 32) £'000	Total Authority Reserves £'000
<b>Balance at 1 April 2020</b>	(49,296)	(1,000)	(31,640)	(2,970)	(2,648)	(2,189)	(89,743)	(467,932)	(557,675)
<u>Movement in reserves during 2020/21</u>									
Total Comprehensive Income and Expenditure	(6,582)	1,739	0	0	0	0	(4,843)	(88,589)	(93,432)
Adjustments from income & expenditure charged under the accounting basis to the funding basis (Note 5)	(15,431)	(645)	0	0	119	(541)	(16,498)	16,498	0
<b>(Increase)/ Decrease in 2020/21</b>	(22,013)	1,094	0	0	119	(541)	(21,341)	(72,091)	(93,432)
Transfers to/(from) Other Statutory Reserves	(1,174)	(3,100)	3,696	578	0	0	0	0	0
Balance at 31 March 2021 carried forward	(72,483)	(3,006)	(27,944)	(2,392)	(2,529)	(2,730)	(111,084)	(540,023)	(651,107)
<u>Movement in reserves during 2021/22</u>									
Total Comprehensive Income and Expenditure	11,478	5,147	0	0	0	0	16,625	(107,289)	(90,664)
Adjustments to Usable Reserves permitted by accounting standards	(4,459)	(2,995)	0	0	0	0	(7,454)	7,454	0
Adjustments from income & expenditure charged under the accounting basis to the funding basis (Note 5)	(16,483)	(2,228)	0	0	(27)	2,643	(16,095)	16,095	0
<b>(Increase) or Decrease in 2021/22</b>	(9,464)	(76)	0	0	(27)	2,643	(6,924)	(83,740)	(90,664)
Transfers to/(from) Other Statutory Reserves	(3,953)	(200)	3,127	1,026	0		0	0	0
<b>Balance at 31 March 2022 carried forward</b>	(85,900)	(3,282)	(24,817)	(1,366)	(2,556)	(87)	(118,008)	(623,763)	(741,771)



## BALANCE SHEET

<u>31 March 2021</u> £'000		Notes	<u>31 March 2022</u> £'000
1,202,540	Property, Plant & Equipment	21	1,255,581
51,788	Heritage Assets	22	51,814
13,140	Investment Property	23	14,060
321	Intangible Assets	24	1,674
550	Assets Held for Sale	25	403
45,115	Long Term Investments		0
<u>689</u>	Long Term Debtors	26	<u>613</u>
<u>1,314,143</u>	<b>Long Term Assets</b>		<u>1,324,145</u>
161,577	Short Term Investments		209,301
126	Assets Held for Sale	25	273
525	Inventories	27	578
41,599	Short Term Debtors	28	46,052
<u>27,221</u>	Cash and Cash Equivalents	44	<u>38,437</u>
<u>231,048</u>	<b>Current Assets</b>		<u>294,641</u>
(67,746)	Short Term Borrowing	39	(14,754)
(68,866)	Short Term Creditors	29	(73,570)
<u>(272)</u>	Provisions	30	<u>(3,904)</u>
<u>(136,884)</u>	<b>Current Liabilities</b>		<u>(92,228)</u>
(2,149)	Provisions	30	(2,959)
(522,523)	Long Term Borrowing	39	(604,507)
<u>(232,528)</u>	Other Long Term Liabilities	18,36	<u>(177,321)</u>
<u>(757,200)</u>	<b>Long Term Liabilities</b>		<u>(784,787)</u>
<u>651,107</u>	<b>NET ASSETS</b>		<u>741,771</u>
111,084	Usable Reserves		118,008
540,023	Unusable Reserves	32	623,763
<u>651,107</u>	<b>TOTAL RESERVES</b>		<u>741,771</u>

The Unaudited Annual Accounts were issued on 28 June 2022 and the Audited Annual Accounts were authorised for issue on 27 September 2022.

The accompanying notes form an integral part of these financial statements.

Stewart MacKenzie CPFA  
Head of Finance

## CASH FLOW STATEMENT

<u>2020/21</u>		Notes	<u>2021/22</u>
<i>£'000</i>			<i>£'000</i>
4,843	<b>Surplus/(Deficit) on the provision of services</b>		(16,625)
60,104	Adjustments to net surplus or deficit on the provision of services for non cash movements		99,842
(26,750)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(47,236)
<u>38,197</u>	Net cash flows from Operating Activities		<u>35,981</u>
(100,509)	Investing Activities	42	(48,326)
21,922	Financing Activities	43	23,561
<u>(40,390)</u>	Net (decrease)/increase in cash and cash equivalents		<u>11,216</u>
67,611	Cash and cash equivalents at the beginning of the reporting period		27,221
<u><u>27,221</u></u>	Cash and cash equivalents at the end of the reporting period	44	<u><u>38,437</u></u>

# STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

## The Council's Responsibilities

The Council is required:

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

I confirm that the Annual Accounts were approved for signature by those charged with governance at the meeting of the Audit Committee on 27 September 2022.

Councillor Grant Laing  
Leader of the Council

## The Responsibilities of the Head of Finance

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

In preparing these Annual Accounts, the Head of Finance has:

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

The Head of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.
- used the going concern basis of accounting on the assumption that the Council will continue in operational existence for the twelve months following the approval of the Annual Accounts.

I certify that the Annual Accounts give a true and fair view of the financial position of the Council and its group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2022.

Stewart MacKenzie CPFA  
Head of Finance

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies

### General

The Statement of Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and adapted to the Code of Practice as required by the Local Authority Accounts (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and supported by International Financial Reporting Standards. The Statement of Accounts are intended to present a true and fair view of the financial position and transactions of the authority and have been prepared in accordance with the fundamental accounting principles of relevance, reliability, comparability, understandability and materiality.

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

### Accruals of Income and Expenditure

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

In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods and services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Council's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where the Council is acting as an agent for another party (e.g. in the collection of Non Domestic Rates and Water & Wastewater), income and expenditure are recognised only to the extent that commission is receivable by the Council for the agency services rendered or the Council incurs expenses directly on its own behalf in rendering the services.

### Cash and Cash Equivalents

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

### Changes in Accounting Policies and Estimates and Errors

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

Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with the Statutory Repayment of Loans Fund Advances. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting

transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Contingent Assets and Liabilities**

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

Contingent Assets and Liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Employee Benefits**

#### Benefits Payable During Employment

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

#### Termination Benefits

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

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

#### Post-Employment Benefits

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

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

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

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

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the Tayside Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 2.00% which is based on the indicative rate of return on the high quality corporate bond index (i Boxx AA).



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

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

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

- Service cost comprising:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - net interest on the net defined liability / (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability / (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability / (asset) at the end of the period – taking into account any changes in the net defined benefit liability / (asset) during the period as a result of contribution and benefit payments;
- Remeasurements comprising:
  - the return on plan assets - excluding amounts included in net interest on the net defined benefit liability / (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- Contributions paid to the Tayside Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

#### Discretionary Benefits

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

#### Career Average Revalued Earnings Scheme (CARE)

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

#### **Events after the Reporting Period**

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

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

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

#### **Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an

orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

### **Financial Liabilities**

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

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

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

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

### **Financial Assets**

Financial assets are classified based upon a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:-

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where cash flows do not take the form of a basic debt instrument).

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

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

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

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

### **Foreign Currency**

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

### **Going Concern**

The Head of Finance is responsible for making an annual assessment of whether it is appropriate to prepare the accounts on a going concern basis. In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, an authority's financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for at least twelve months from the date of approval of the financial statements and it can only be discontinued under statutory prescription. The Council has significant net assets, investments and cash and a track record of preparing a balanced budget which incorporates significant savings that are subsequently achieved. The Covid pandemic continues to have an impact on the finance and operations of the Council. The Council has put in place robust measures to ensure the continuing strong financial management of its activities which demonstrates its ability to continue as a going concern. Work continues to assess the impacts of the pandemic and the mitigating actions taken to return to a balanced budget. Taken together, the Head of Finance has determined that it remains appropriate to prepare the financial statements on a going concern basis.

### **Government Grants and Contributions**

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

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

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

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

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

### **Heritage Assets**

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage Assets include museum and gallery collections and works of art. These assets are held by the Council in pursuit of its overall objectives in relation to the maintenance of the heritage. Since 1 April 2016 Culture Perth & Kinross has responsibility for the delivery and development of museum and library services in Perth & Kinross. The Trust manages the museum and gallery collections on behalf of the Council, however the Council will continue to be custodian of the collections.

#### Tangible Heritage Assets

The Council's Heritage Assets are held in the Perth Museum & Gallery, Fergusson Gallery and Alyth Museum. The collections include Art, History and Natural History and are held in support of Council objectives i.e. to increase knowledge, understanding and appreciation of the local area and its history. Heritage Assets are recognised and

measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment.

However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council has embarked upon a revaluation programme for all collection items deemed to have significant value, these being mainly items within Fine and Applied Art collections. In recognition of the key qualitative characteristics of the financial statements, i.e. understandability, relevance, reliability and comparability, the Council has chosen to apply a £10,000 de-minimus level for which items will be recognised within the balance sheet. The exclusion of individual items having a value of less than £10,000 does not impact upon the characteristics of the financial statements and a summary of the main collections and applicable accounting treatment is as follows.

#### Art Collection

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

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

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

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

#### History Collection

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

#### Natural History Collection

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

#### Heritage Assets – General

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

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

The Culture Perth & Kinross Collections Management Framework provides guidance on the collection, disposal or lending of heritage assets.

### **Intangible Assets**

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital statutory funds reserve.

### **Interests in Companies and Other Entities**

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

### **Inventories**

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

### **Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

### **Leases**

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

#### The Council as Lessee

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

#### The Council as Lessor

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

### **Overheads and Support Services**

The costs of overheads and support services are only charged to the HRA and charities in accordance with the total absorption costing principle.

### **Property, Plant and Equipment**

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

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not

add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred.

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- infrastructure and community assets – depreciated historical cost;
- assets under construction – historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH). The Council values these assets using the Beacon approach (Adjusted Vacant Possession)
- other land and buildings – current value based on existing use value (EUV) for operational assets where there is an active market, or if there is no market based evidence of current value because of the specialist nature of the asset and/or the asset is rarely sold, depreciated replacement cost (DRC) using the instant build approach;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets – current value, determined by the amount that would be paid for the asset in its existing use (existing use value – EUV).

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the surplus or deficit on the provision of services where they arise from the reversal of a loss previously charged to a service.

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

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

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

#### Impairment

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

Where impairment losses are identified, they are accounted for:

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

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

#### Disposals and Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a

subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

### Depreciation

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

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

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

### **Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

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

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

### **Provisions**

The Council is required to make provisions where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provision has been made for bad and doubtful debts in

respect of Council Tax, Housing Rents and other items of income, where appropriate. In all cases the level of provision is based on experience and an assessment of the prospects of recovering the related debt.

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

### **Reserves**

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

### **Revenue Expenditure Funded from Capital under Statute**

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

### **VAT**

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

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

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by The Code:

- IFRS 1 First-time Adoption of International Financial Reporting Standards has been amended to permit a subsidiary to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRS.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets has been amended to clarify the costs an entity should include as the cost of fulfilling a contract when assessing whether a contract is onerous.
- IAS 41 Agriculture has been amended to remove the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. The update will ensure consistency with the requirements in IFRS 13 Fair Value Measurement.
- IFRS 16 Leases will require the Council as lessee to recognise leases on the Balance Sheet as right-of-use assets along with the corresponding lease liabilities, except for low value and short-term leases. CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2024.

## **3. Critical Judgements in Applying Accounting Policies**

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

### **Public Sector Funding**

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

### **Public Private Partnership (PPP)**

The Council is deemed to control the services provided under the agreement for the provision of educational establishments. The accounting policies for PPP schemes and similar arrangements have been applied and the assets under the contract are included within Property, Plant and Equipment on the Council's Balance Sheet. Note 36 provides further details.



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

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

The items in the Council's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are in respect of the Council's Net Pensions Liability, and the estimated useful lives and valuation of Property, Plant and Equipment.

##### **Net Pensions Liability**

###### Uncertainty

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. This is further detailed in Note 18 to the Accounts which includes a table setting out the potential sensitivity of change in assumptions on the Pension Liability. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

###### Effect if Actual Results Differ from Assumptions

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a reduction in the pension liability of £21.212 million. However, the assumptions interact in complex ways. During 2021/22, the Council's actuaries advised that the net pension liability had reduced by £49.339 million following an updating of assumptions.

##### **Property, Plant & Equipment – Estimated Useful Lives**

###### Uncertainty

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

###### Effect if Actual Results Differ from Assumptions

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £580,000 for every year that useful lives had to be reduced.

##### **Property, Plant & Equipment - Valuations**

###### Uncertainty

The Royal Institution of Chartered Surveyors (RICS) global Covid-19 valuation practice alert was withdrawn and with it the material uncertainty in relation to Covid-19 on 3 March 2022.

Markets are functioning and transaction volumes are at levels where there is sufficient evidence on which to base opinions on value. However, uncertainties due to worldwide events such as the war in Ukraine do remain and continue to influence pricing.

The valuation reports have been used to inform the measurement of non-current assets in these financial statements. The valuers have continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to Council as at 31 March 2022 and can be relied upon.

Of the £627,922,000 net book value of Other Land & Buildings at 31 March 2022 and subject to valuation on a five year cycle, £531,074,000 relates to specialised assets valued on a depreciated replacement cost basis. Here the valuer bases their assessment on the cost to the Council of replacing the service potential of the assets; the uncertainty relates to the estimated costs of, rather than the extent of, service potential to be replaced.

The valuer has provided estimates for the range of uncertainty attached to the valuation of Council dwellings. The valuation of Council dwellings requires the use of an Adjustment Factor which is applied to the vacant possession value of the housing stock to arrive at the reported Existing Use Value – Social Housing (EUV-SH). The Adjustment Factor is based on the ratio of private and public sector rents and yields. Rental ratios are established from data provided by the Council and from Local Housing Allowances, HM Rent Service, RICS, and using information on private sector rents from research including local letting agents. Information on yields is derived from the RICS, Building Society and Chartered Surveyor firm publications, and government publications.

In addition, the valuers have provided estimates for uncertainty which may apply to Investment property yields, however, there is limited market evidence to suggest that the yields used for valuation purposes may change.

###### Effect if Actual Results Differ from Assumptions

A sensitivity analysis has been undertaken by the valuer to examine the potential impact if the Adjustment Factor was increased or decreased by 5%, this being the tolerance listed within the valuation guidance published by the Ministry

for Housing Communities and Local Government (MHCLG). The EUV-SH for the Council housing stock at 30 September 2019 is £294,573,740. A 5% increase or decrease to the Adjustment Factor would result in an increase or decrease of £34,893,830 (11.85%) to the value of the Council housing stock.

The sensitivity analysis for Investment property yields assumes a +/- 0.5% potential movement for the average yield across the total investment property portfolio. A 0.5% decrease in the average yield would result in an increase of £1,004,000 in the value of Investment property. If the average yield was to increase by 0.5%, the value of investment property would reduce by £879,000.

## 5. Adjustments between Accounting Basis and Funding Basis under Regulations

	General Fund Balance	Housing Revenue Account	Usable Reserves		Total	2020/21
			Capital Receipts Reserve	Capital Grants Unapplied		
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adjustments involving the Capital Adjustment Account</u>						
Depreciation and impairment on non-current assets	(34,453)	(9,580)	0	0	(44,033)	(51,167)
Revaluation Losses on Property, Plant & Equipment	(20,917)	(13)	0	0	(20,930)	(553)
Reversal revaluation gains	15,230	2	0	0	15,232	6,645
Movements in Fair Value of Investment Properties	1,065	0	0	0	1,065	(75)
Amortisation of Intangible Assets	(888)	0	0	0	(888)	(675)
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	43,288	3,339	0	0	46,627	25,282
Amounts of non current assets written off on disposal as part of the gain/loss	(879)	(39)	0	0	(918)	(877)
<u>Items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>						
Statutory provision for repayment of debt	10,691	3,653	0	0	14,344	14,553
Capital expenditure charged to the General Fund and HRA balances	2,411	2,347	0	0	4,758	6,769
<u>Adjustments involving the Capital Receipts Reserve</u>						
Transfer of sale proceeds credited as part of the gain/loss on disposal	930	89	(1,019)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	992	0	992	1,136
<u>Adjustments involving the Capital Grants Unapplied Account</u>						
	0	0	0	2,643	2,643	(541)
<u>Adjustments involving the Financial Instruments Adjustment Account</u>						
	539	187	0	0	726	725
<u>Adjustments involving the Pensions Reserve</u>						
Employer's pensions contributions and direct payments to pensioners payable in the year	18,316	1,343	0	0	19,659	19,111
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(51,608)	(3,574)	0	0	(55,182)	(35,421)
<u>Adjustments involving Short Term Accumulated Absences Account</u>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(208)	18	0	0	(190)	(1,410)
<b>Total Adjustments</b>	<b>(16,483)</b>	<b>(2,228)</b>	<b>(27)</b>	<b>2,643</b>	<b>(16,095)</b>	<b>(16,498)</b>

## 6. Expenditure and Funding Analysis - 2021/22

	Net Expenditure charged to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Education & Children's Services	175,145	30,350	205,495
Health & Social Care	69,033	6,757	75,790
Communities	61,496	28,770	90,266
Corporate and Democratic Services	31,648	9,646	41,294
Housing Revenue Account	(8,107)	12,487	4,380
Valuation Joint Board	1,307	0	1,307
Non Distributed Costs	1,528	(1,528)	0
<b>Cost of Services</b>	<b>332,050</b>	<b>86,482</b>	<b>418,532</b>
Other Income and Expenditure	(341,590)	(60,317)	(401,907)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(9,540)</b>	<b>26,165</b>	<b>16,625</b>
Opening General Fund and HRA Balance	(75,489)		
Surplus on General Fund and HRA Balance in Year	(9,540)		
Transfers from other Statutory Reserves	(4,153)		
<b>Closing General Fund and HRA Balance at 31 March 2022</b>	<b>(89,182)</b>		

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between Reserves are explained in the Movement in Reserves Statement.

### Notes to the Expenditure and Funding Analysis - adjustments between funding and accounting basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net change for the			Total Adjustments £ '000
	Adjustments for Capital Purposes Note A £ '000	Pensions Adjustments Note B £ '000	Other Differences Note C £ '000	
<b>COUNCIL SERVICES</b>				
Education & Children's Services	17,756	12,276	318	30,350
Health & Social Care	929	5,893	(65)	6,757
Communities	19,966	8,822	(18)	28,770
Corporate and Democratic Services	4,225	5,448	(27)	9,646
Housing Revenue Account	10,439	2,066	(18)	12,487
Non Distributed Costs	0	(1,528)	0	(1,528)
<b>Cost of Services</b>	<b>53,315</b>	<b>32,977</b>	<b>190</b>	<b>86,482</b>
Other Operating Expenditure and Income	(13)	0	0	(13)
Financing and Investment Income and Expenditure	(15,497)	2,546	(726)	(13,677)
Taxation and Non-Specific Grant Income	(46,627)	0	0	(46,627)
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(62,137)</b>	<b>2,546</b>	<b>(726)</b>	<b>(60,317)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(8,822)</b>	<b>35,523</b>	<b>(536)</b>	<b>26,165</b>

## Expenditure and Funding Analysis - 2020/21

	Net Expenditure charged to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Restated Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Education & Children's Services	161,025	17,671	178,696
Health & Social Care	60,475	3,716	64,191
Communities	66,855	18,276	85,131
Corporate and Democratic Services	33,739	5,326	39,065
Housing Revenue Account	(9,452)	10,355	903
Valuation Joint Board	1,308	0	1,308
Non Distributed Costs	1,561	(1,561)	0
<b>Cost of Services</b>	<b>315,511</b>	<b>53,783</b>	<b>369,294</b>
Other Income and Expenditure	(336,430)	(37,707)	(374,137)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(20,919)</b>	<b>16,076</b>	<b>(4,843)</b>
Opening General Fund and HRA Balance	(50,296)		
Surplus on General Fund and HRA Balance in Year	(20,919)		
Transfers to other Statutory Reserves	(4,274)		
<b>Closing General Fund and HRA Balance at 31 March 2021</b>	<b>(75,489)</b>		

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between Reserves are explained in the Movement in Reserves Statement.

### Notes to the Expenditure and Funding Analysis - adjustments between funding and accounting basis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net change for the			Total Adjustments £ '000
	Adjustments for Capital Purposes Note A £ '000	Pensions Adjustments Note B £ '000	Other Differences Note C £ '000	
<b>COUNCIL SERVICES</b>				
Education & Children's Services	11,676	5,215	780	17,671
Health & Social Care	920	2,632	164	3,716
Communities	14,672	3,474	130	18,276
Corporate and Democratic Services	2,232	2,815	279	5,326
Housing Revenue Account	9,481	817	57	10,355
Non Distributed Costs	0	(1,561)	0	(1,561)
<b>Cost of Services</b>	<b>38,981</b>	<b>13,392</b>	<b>1,410</b>	<b>53,783</b>
Other Operating Expenditure and Income	(121)	0	0	(121)
Financing and Investment Income and Expenditure	(14,497)	2,918	(725)	(12,304)
Taxation and Non-Specific Grant Income	(25,282)	0	0	(25,282)
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(39,900)</b>	<b>2,918</b>	<b>(725)</b>	<b>(37,707)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(919)</b>	<b>16,310</b>	<b>685</b>	<b>16,076</b>

## Note 6 cont'd

### Explanation to the Expenditure and Funding Analysis

#### Adjustments for Capital Purposes

Note A Adjustments for Capital Purposes adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for conditions which were satisfied in the year.

#### Net Change for the Pensions Adjustments

Note B Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement

#### Other Differences

Note C Other differences between the amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts and stepped interest rate loans
- **For services** this represents the removal of the increase or decrease in the employee statutory adjustment account.

## 7. Transfer (to)/from General Fund Reserves

The Reserves Strategy that the Council approved in March 2022 earmarked funding towards specific or known future commitments. The following table sets out the updated balances as at 31 March 2022 for these Earmarked Reserves taking cognisance of the final year-end position.

	1 April 2021 £'000 Balance as at	(In)/Out £'000 Transfers	31 March 2022 £'000 Balance as at
Revenue Grants	(15,206)	(4,325)	(19,531)
Covid-19	(25,727)	7,384	(18,343)
Non recurring pressures c/f from 2021/22	0	(5,242)	(5,242)
Developer Contributions: Commuted Sums & Infrastructure and Affordable Housing	(5,478)	512	(4,966)
Affordable Housing (Resources accrued from reduced Council Tax Discounts)	(3,416)	(865)	(4,281)
Workforce Management (including transformation)	(4,275)	161	(4,114)
Car Parking	(1,183)	(396)	(1,579)
Perth High School	(1,565)	10	(1,555)
Devolved School Management (DSM)	(1,536)	345	(1,191)
Insurance Fund	0	(1,000)	(1,000)
Culture	(659)	(275)	(934)
REACH project	(1,255)	512	(743)
Decant schools	0	(700)	(700)
School Counsellors	(628)	(53)	(681)
Financial Insecurity	0	(638)	(638)
Perth & Kinross Offer	(499)	22	(477)
Bertha Park High School	(813)	359	(454)
Ventilation Measures	0	(437)	(437)
Modern Apprentices/Graduate Trainees	(403)	(31)	(434)
Property Maintenance	0	(305)	(305)
Works Maintenance	(200)	(100)	(300)
Primary School at Bertha Park	0	(270)	(270)
PH2O	(267)	55	(212)
Local Government Elections	(159)	(53)	(212)
Financial Assistance	(176)	(20)	(196)
North Inch Golf	0	(155)	(155)
Grounds Maintenance	(210)	75	(135)
Local Action Partnerships	(127)	20	(107)
Salix Fund	(72)	(20)	(92)
Community Investment Fund	(304)	266	(38)
Revenue Budget Flexibility	(125)	125	0
<b>Earmarked Balances</b>	<b>(64,283)</b>	<b>(5,039)</b>	<b>(69,322)</b>

### Purpose of Earmarked General Fund Balances

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

**Covid-19** – the Council approved the creation of the Covid-19 earmarked Reserve on 27 January 2021 (report 21/8 refers) to address the ongoing impact of Covid-19.

**Non-Recurring Pressures c/f from 2021/22** – the 2022/23 Revenue Budget includes non recurring expenditure of £5.242 million approved as part of the Council's Revenue Budget 2022/23 and Reserves Strategy which is funded by the Council's underspend in 2021/22 and is earmarked for this purpose.

**Developer Contributions: Commuted Sums & Infrastructure and Affordable Housing** - the Enterprise & Infrastructure Committee approved supplementary guidance on 3 September 2014 for developer contributions covering community greenspace, primary education, Auchterarder A9 junction improvements, affordable housing and transport infrastructure. These sums are held in the Council's Reserves until they are applied to relevant schemes. The application of these resources will be reported to the Finance & Resources Committee through the revenue and capital monitoring process.

**Affordable Housing (Resources accrued from reduced Council Tax Discounts)** - these reserves have been generated as a result of the Council's policy on varying the level of council tax charged for long term empty properties and second homes. These resources can only be used for the provision of affordable housing. The application of these resources will be reported to the Finance & Resources Committee through the revenue monitoring process.

**Workforce Management (including transformation)** – the majority of these resources are earmarked for workforce management and cultural change measures required to respond to future financial challenges. There continues to be a small amount earmarked for projects which are still operational under the transformation programme. The application of these resources will be reported to the Finance & Resources Committee through the revenue monitoring process.

**Car Parking** – this balance is the accumulated surplus at 31 March 2022 which is restricted in its application under the Road Traffic Regulation Act 1984. Any proposals to utilise these resources will require approval by the Finance & Resources Committee.

**Perth High School** - these resources were earmarked as part of 2016/17 Revenue Monitoring Report 1 to the Strategic Policy and Resources Committee (Report No. 16/400 refers) for future maintenance works at Perth High School and is being phased over a number of years.

**Devolved School Management (DSM)** – the amount shown is the accumulated sum available to be carried forward at 31 March 2022 under the approved scheme for managing these budgets. The purposes for which the earmarked amount can be used and the procedures for its management and control are detailed in the Council's approved DSM scheme.

**Insurance Fund** – the Council's Revenue Budget 2022/23 and Reserves Strategy approved a contribution to the Insurance Fund in 2022/23 following the next actuarial review covering the period to 31 March 2023.

**Culture** – there was £363,000 approved for developing the cultural offer from the final under spend in the 2018/19 Revenue Budget and reported to Strategic Policy & Resources Committee during the year. This was further increased by £55,000 during 2019/20 and £241,000 during 2020/21. The application of these resources will be reported to the Finance & Resources Committee through the revenue monitoring process.

**REACH project** – The Council meeting of 16 August 2017 approved the review and remodelling of residential care (children and young people) and the financial resources to fund this transformation project (Report No.17/262 refers). The Council approved £500,000 from transformation funding and £500,000 from uncommitted Reserves and up to £700,000 from the Education and Children Services budget. 2017/18 Revenue Monitoring Report 3 to the Strategic Policy & Resources Committee approved £300,000 to be transferred from Education and Children Services to this earmarked balance (Report No.18/41 refers) and a further £400,000 as part of the year end position. These resources are being phased over a number of years.

**Decant Schools** – Revenue Budget Report 2021/22 No 4 to the Strategic Policy & Resources Committee on 2 February 2022 approved the earmarking of £300,000 of resources in respect of expenditure on temporary decant expenditure in terms of progressing the Education & Children's Services capital programme.

**School Counsellors** – Revenue Budget 2020/21 Update No 2 to the Strategic Policy & Resources Committee approved the earmarking of resources received from the Scottish Government in respect of counselling in schools which are anticipated to be spent during 2023/24 due to the awarding of a 3 year contract (Report 20/225).

**Financial Insecurity** – Revenue Budget Report 2021/22 No 4 to the Strategic Policy & Resources Committee on 2 February 2022 approved the earmarking of £638,000 resources in respect of financial insecurity for future years.

**Perth & Kinross Offer** – The Strategic Policy and Resources Committee approved the transfer of £262,000 as part of Revenue Monitoring Report 3 to fund future expenditure on Perth & Kinross Offer (Report No 20/22). This was augmented by further underspends in Report 4 of £200,000 and a final year end underspend of £37,000. The application of these resources will be applied in future years.

**Bertha Park High School** – £649,000 of these resources were earmarked as part of the 2015/16 Revenue Monitoring Report 1 to the Strategic Policy & Resources Committee (report 15/395 refers) to equip the new secondary school at Bertha Park. A further £650,000 was approved as part of the 2016/17 and 2017/18 Revenue Budget processes as budget flexibility and £100,000 transferred from the amount earmarked for Investment and Learning. The 2017/18 Revenue Monitoring Report 3 (report 18/41 refers) approved a further £400,000 from the Education and Children's Services budget towards this project. The remaining £813,000 will be phased over a number of years.

**Ventilation Measures** – Revenue Budget Report 2021/22 No 4 to the Strategic Policy & Resources Committee on 2 February 2022 approved the earmarking of resources of £323,000 in respect of ventilation measures to fund works in future years.

**Modern Apprentices/Graduate Trainees** - the Strategic Policy and Resources Committee approved the transfer of the final under spend on modern apprentices and graduate trainees during 2021/22 to fund future expenditure in this area.

**Property Maintenance** – Revenue Budget Report No 3 to the Strategic Policy & Resources Committee on 21 November 2021 approved the earmarking of £250,000 resources in respect of property maintenance to be utilised in future years.

**Works Maintenance** - The Council continues to earmark a remaining £200,000 for future works maintenance approved as part of the 2018/19 – 2020/21 revenue budget. The application of these resources will be reported to the Finance & Resources Committee through the revenue monitoring process.

**Primary School at Bertha Park** – Revenue Budget Report 2021/22 No 4 to the Strategic Policy & Resources Committee on 2 February 2022 approved the earmarking of resources of £270,000 in respect of non recurring set up costs of the new primary school at Bertha Park.

**PH2O** – The Strategic Policy and Resources Committee approved the transfer of £350,000 from a budget of £500,000 as part of 2019/20 Revenue Monitoring Report 3 to the Strategic Policy & Resources Committee to fund the future design and business operating model of the PH2O project (Report No 20/22 refers). This was augmented by a further underspend of £57,000. The balance of resources will be utilised in future years.

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

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

**North Inch Golf** – Revenue Budget Report 2021/22 No 4 to the Strategic Policy & Resources Committee on 2 February 2022 approved the earmarking of resources of £155,000 in respect of the new starter's hut due to delays in installation.

**Grounds Maintenance** – The Strategic Policy and Resources Committee approved the transfer of £225,000 as part of 2018/19 Revenue Monitoring Report 4 to fund road safety measures around the A9/A85 project. (Report No 19/110 refers). This continues to be utilised over the financial years.

**Local Action Partnership** – £232,000 was approved for earmarking for Communities in the 2017/18 Revenue Monitoring Report 3 by the Strategic Policy & Resources Committee (Report No.18/41 refers), with a further £70,000 approved in Revenue Monitoring Report 4 (Report 18/133 refers), and a further increase of £10,000 as part of the year end position. During 2019/20 a further £95,000 increased the amount to be earmarked. The application of the balance of these resources will be reported to the Finance & Resources Committee through the revenue monitoring process.

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

**Community Improvement Fund** – The Council earmarked £600,000 as part of the 2018/19 Revenue Budget and a further £600,000 was approved to be earmarked during 2019/20. These resources will be reported to the Finance &

Resources Committee. The remaining balance of £38,000 continues to be earmarked.

**Revenue Budget Flexibility** – the balance earmarked under the Council's approved budget flexibility scheme was utilised in 2021/22.

## 8. Other Operating Expenditure / Income

	2021/22 £'000	2020/21 £'000
Gains on the Disposal of Non Current Assets	(13)	(121)
Share of Tayside Contracts surplus	(521)	(804)
Total	<u>(534)</u>	<u>(925)</u>

## 9. Financing and Investment Income and Expenditure

	2021/22 £'000	2020/21 £'000
Interest payable and similar charges	24,146	24,350
Pensions interest cost and expected return on pensions assets	2,546	2,918
Interest receivable and similar income	(1,032)	(1,618)
Income in relation to investment properties and changes in their fair value	(2,056)	(814)
Total	<u>23,604</u>	<u>24,836</u>

## 10. Taxation and Non Specific Grant Income

	2021/22 £'000	2020/21 £'000
Council Tax Income	(89,364)	(87,424)
Non Domestic Rates	(34,655)	(37,670)
Non Ring-fenced Government Grants	(254,331)	(247,672)
Capital Grants and Contributions	(46,627)	(25,282)
Total	<u>(424,977)</u>	<u>(398,048)</u>

## 11. Material Items of Income and Expense

In 2021/22 the Council received additional grant funding of £29.908 million (£60.757 million in 2020/21) from the Scottish Government in relation to the Covid-19 pandemic which was treated as agency income and expenditure and does not impact upon the figures in the Comprehensive Income and Expenditure Statement (see Note 15 for further details). The Council also received £10.73 million from the Scottish Government in relation to the Covid-19 pandemic which was treated as principal and received as part of Non Ring-fenced Government Grants.

## 12. Premiums and Discounts on Debt Rescheduling Written Down

The Code requires that any premiums or discounts arising from debt rescheduling should be written off in the year they were incurred, except in limited circumstances where they would qualify as a 'modification' of debt. During 2021/22, there were no such debt modifications.

The net amount of premium and discount debited to the General Fund and HRA, including for transactions prior to 1 April 2007 (as permitted by statutory guidance), from the Financial Instruments Adjustment Account was £707,000 (2020/21 £707,000).



### 13. General Grants, Bequests and Donations

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

During 2021/22 a total of £16,467,000 (2020/21 £15,456,000) was paid out in support of these organisations ranging from remission of hall rents of a few pounds to the contribution towards the operational and other costs of Live Active Leisure Limited of £4,863,000 (2020/21 £4,709,000). Details of grants are shown below.

	2021/22	2020/21
	£'000	£'000
Service Level Agreements with Outside Organisations	4,375	4,179
Live Active Leisure Limited	4,863	4,709
Culture Perth & Kinross	3,175	3,079
Horsecross Arts Ltd	1,062	1,176
Community Investment Fund	566	0
Perth Money Advice Service	414	414
Commercial Property Regeneration Grants	309	330
Churches Action for the Homeless	262	258
Pitlochry Festival Theatre	220	220
Food Initiatives Grant	152	0
Open for Business	115	0
Support for Businesses	101	0
Perth & Kinross Heritage Trust	100	97
Perthshire Women's Aid	98	78
Vacant Property Grants	61	49
Perth & Kinross Countryside Trust	30	30
Perth & Kinross Sports Council	11	11
Other Miscellaneous Grants	553	826
	<u>16,467</u>	<u>15,456</u>

### 14. Expenditure and Income Analysed by Nature

The Council's expenditure and income is analysed as follows:

<b>Expenditure/Income</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>		
Employee benefits expenses	258,067	228,025
Other services expenses	244,709	234,454
Net Contribution to Integration Joint Board	65,458	56,743
Support service recharges	2,140	2,077
Depreciation, amortisation, impairment	58,073	45,806
Interest payments	24,146	24,350
<b>Total Expenditure</b>	<u>652,593</u>	<u>591,455</u>
<b>Income</b>		
Fees, charges and other service income	151,040	141,489
Interest and investment income	2,019	2,595
Taxation and Non-Specific Grant Income	424,977	398,048
Government grants and contributions	57,919	54,045
Gain on the disposal of assets	13	121
<b>Total Income</b>	<u>635,968</u>	<u>596,298</u>
<b>Deficit/(Surplus) on the Provision of Services</b>	<u>16,625</u>	<u>(4,843)</u>

## 15. Agency Services

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

	2021/22 Income £'000	2021/22 Expenditure £'000	2020/21 Income £'000	2020/21 Expenditure £'000
<u>Education &amp; Children's Services</u>				
Provision of Pupil Support Assistants to other local authorities	216	216	211	211
<u>Communities</u>				
Receipts from other local authorities for cross boundary bus services	18	18	17	17
<u>Corporate and Democratic Services</u>				
Income from Scottish Water	445	445	445	445
Totals	<u>679</u>	<u>679</u>	<u>673</u>	<u>673</u>

The Council issued Covid-related grants on behalf of the Scottish Government during 2021/22 to the value of £29.908m (£60.757m in 2020/21).

	2021/22 Income £'000	2021/22 Expenditure £'000	2020/21 Income £'000	2020/21 Expenditure £'000
<u>Education &amp; Children's Services</u>				
Covid-related Grants to Partner Providers on behalf of Scottish Government	165	165	353	353
Covid-related Grants to Individuals on behalf of Scottish Government	462	462	0	0
<u>Corporate and Democratic Services</u>				
Covid-related Grants to Partner Providers on behalf of Scottish Government	1,821	1,821	0	0
Covid-related Grants to Businesses on behalf of Scottish Government:				
Business Support Fund Grant	0	0	37,024	37,024
Strategic Framework Business Support Fund	18,653	18,653	13,270	13,270
Strategic Framework Business Support Fund Top Up	0	0	8,020	8,020
Other	4,729	4,729	1,128	1,128
Covid-related Grants to Individuals on behalf of Scottish Government:	3,787	3,787	962	962
<u>Health &amp; Social Care</u>				
Covid-related Grants to Individuals on behalf of Scottish Government:	291	291	0	0
	<u>29,908</u>	<u>29,908</u>	<u>60,757</u>	<u>60,757</u>

## 16. External Audit Costs

In 2021/22 Perth and Kinross Council incurred the following fees relating to external audit services provided in accordance with the Code of Audit Practice:

	2021/22 £'000	2020/21 £'000
External Audit Fees	<u>302</u>	<u>290</u>

This includes £6,700 in respect of the audit of charitable trusts where the Council is the sole trustee (2020/21 £4,000).

## 17. Termination Benefits

The Council terminated the contract of one employee in 2021/22, incurring liabilities of £2,000.

## 18. Post-Employment Benefits

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

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

### Pensions Schemes Accounted for as Defined Contribution Schemes

#### *Teachers*

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

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

In 2021/22, the Council paid £15.085 million to the Teachers' Pensions scheme in respect of teachers' retirement benefits, representing 23% of pensionable pay. The figures for 2020/21 were £14.552 and 23%. There were no contributions remaining payable at the year-end. Additional payments relating to added year's benefits, which the Council has inherited from predecessor authorities or awarded itself, together with related increases, amounted to £184,293 (2020/21 £197,797).

### Pension Schemes Accounted for as Defined Benefit Pension Schemes

#### *Local Government Pension Scheme*

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

#### Benefits

- It is a Career Average Revalued Earnings scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level to balance the pension's liability with investment assets.
- The pension's accrual rate guarantees a pension based on 1/49th of career average revalued earnings and years of pensionable service. There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. Pensions are increased annually in line with changes to the Pensions (Increases) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

#### Governance

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

## Principal Risks

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

## Discretionary Post-employment Benefits

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

The contributions paid into the scheme by employees and member pension benefits are prescribed, for the period to which the accounts relate, by the Local Government Pensions Scheme (Scotland) Regulations 1998 as amended. Perth & Kinross Council's contributions, as an employer, into the Tayside Pension Fund are subject to the advice of the Fund actuary.

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

## 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 has 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.

The Council's 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 Council has assumed that the Fund will be required to pay the entire inflationary increase. Therefore, the Council has not made any adjustments to the value placed on the liabilities as a result of the above outcome.

## McCloud Judgement

On 20 December 2018 the Court of Appeal ruled that transitional arrangements offered to some public sector pension scheme members amounted to unlawful discrimination. This related to new schemes set up in 2015 which typically meant older workers could stay in the existing, more generous schemes, while younger workers had to transfer to the new schemes. In June 2019, the Supreme Court upheld the ruling.

## Career Average Revalued Earnings Scheme (CARE)

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

## **Transactions Relating to Post-Employment Benefits**

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

## Local Government Pension Scheme

	2021/22 £'000	2020/21 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- Service Cost	52,636	32,503
Financing and Investment Income and Expenditure		
- Net Interest on the Defined Liability	2,132	2,645
Administration Expenses	414	273
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	<u>55,182</u>	<u>35,421</u>
Remeasurement of the net defined benefit liability comprising:		
Expected return on pension fund assets in excess of interest	(36,421)	(224,110)
Other actuarial (gains)/losses on assets	0	(48,885)
Changes in demographic assumptions	0	(19,288)
Changes in financial assumptions	(50,896)	236,850
Experience Gain on defined benefit obligation	2,455	23,025
Total Post Employment Benefit Credited to the Comprehensive Income & Expenditure Statement	<u>(84,862)</u>	<u>(32,408)</u>
Movement in Reserves Statement		
- Reversal of net charges made to the surplus or deficit on the Provision of Services for post-employment benefits in accordance with the code	<u>(55,182)</u>	<u>(35,421)</u>
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions and direct payments payable to Tayside Pension Fund	<u>19,659</u>	<u>19,111</u>

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	31 March 2022 £'000	31 March 2021 £'000
Present Value of the Defined Benefit Obligation	1,114,919	1,105,952
Present Value of Unfunded Obligation	<u>25,304</u>	<u>27,100</u>
Closing Defined Benefit Obligation	1,140,223	1,133,052
Fair Value of Pension Fund Assets (Bid Value)	<u>(1,084,228)</u>	<u>(1,027,718)</u>
<b>Net Liability in Balance Sheet</b>	<u>55,995</u>	<u>105,334</u>

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

	31 March 2022 £'000	31 March 2021 £'000
Opening Defined Benefit Obligation	1,133,052	862,223
Current Service Cost	52,453	31,866
Interest Cost	22,304	20,017
Change in Financial Assumptions	(50,896)	236,850
Change in demographic assumptions	0	(19,288)
Experience Gain on Defined Benefit Obligation	2,455	23,025
Estimated Benefits Paid Net of Transfers In	(24,040)	(26,331)
Past Service Costs (including Curtailments)	183	637
Contributions by Scheme Participants	6,531	6,104
Unfunded Pension Payments	<u>(1,819)</u>	<u>(2,051)</u>
Closing Defined Benefit Obligation	<u>1,140,223</u>	<u>1,133,052</u>

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

	31 March 2022 £'000	31 March 2021 £'000
Opening Fair Value of Scheme Assets	1,027,718	740,791
Interest on Assets	20,172	17,372
Return on Assets Less Interest	36,421	224,110
Other actuarial gains/ (losses)	0	48,885
Administration Expenses	(414)	(273)
Contributions by Employer Including Unfunded	19,659	19,111
Contributions by Scheme Participants	6,531	6,104
Estimated Benefits Paid Plus Unfunded Net of Transfers (Out)/In	<u>(25,859)</u>	<u>(28,382)</u>
Closing Fair Value of Scheme Assets	<u>1,084,228</u>	<u>1,027,718</u>

Perth & Kinross Council's share of Tayside Pension Fund's assets at 31 March 2022 comprised:

	31 March 2022		31 March 2021	
	£'000	%	£'000	%
Equities	767,767	71%	735,891	72%
Gilts	51,052	5%	40,638	4%
Other Bonds	129,435	12%	134,143	13%
Property	118,232	11%	93,932	9%
Cash	16,647	1%	21,648	2%
Alternatives	1,095	0%	1,466	0%
Total	<u>1,084,228</u>	<u>100%</u>	<u>1,027,718</u>	<u>100%</u>

A further breakdown of the assets is as follows:

	28 February 2022	29 February 2021
Equities		
Consumer	8%	8%
Manufacturing	3%	3%
Energy and Utilities	2%	2%
Financial Institutions	8%	9%
Health and Care	6%	5%
Information Technology	8%	9%
Others	10%	12%
Industrials	<u>n/a</u>	<u>n/a</u>
	45%	48%
Debt Securities		
Corporate Bonds	13%	12%
UK Government Bonds	1%	1%
Others	<u>0%</u>	<u>1%</u>
	14%	14%
Property		
UK Property	<u>11%</u>	<u>10%</u>
	11%	10%
Investment Fund Unit Trusts		
Equities	26%	24%
Bonds	<u>2%</u>	<u>2%</u>
	28%	26%
Cash & Cash Equivalents	2%	2%
Total	<u>100%</u>	<u>100%</u>

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham Public Sector Consulting, an independent firm of actuaries. Estimates for the Tayside Pension Fund are based on the latest full valuation of the scheme as at 31 March 2022.

#### The principal assumptions used by the actuary have been:

	2021/22	2020/21
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
- Men	18.9	18.9
- Women	22.3	22.2
Longevity at 65 for Future Pensioners:		
- Men	20.3	20.4
- Women	23.9	23.8
Rate of Inflation CPI	3.2%	2.8%
Rate of Increase in Salaries	4.2%	3.8%
Rate of Increase in Pensions	3.2%	2.8%
Rate for Discounting Scheme Liabilities	2.6%	2.0%

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £55,995,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains sound.

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

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2023 is £17,454,000.

### Sensitivity Analysis

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

Adjustment to discount rate	+0.1%	0.0%	-0.1%
- Present value of total obligation	£1,119,011,000	£1,140,223,000	£1,161,858,000
- Projected Service cost	£42,342,000	£43,735,000	£45,168,000
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
- Present value of total obligation	£1,143,179,000	£1,140,223,000	£1,137,291,000
- Projected Service cost	£43,759,000	£43,735,000	£43,711,000
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
- Present value of total obligation	£1,158,754,000	£1,140,223,000	£1,122,046,000
- Projected Service cost	£45,146,000	£43,735,000	£42,353,000
Adjustment to mortality age rating assumption	+ 1 year	None	-1 year
- Present value of total obligation	£1,196,876,000	£1,140,223,000	£1,086,409,000
- Projected Service cost	£45,785,000	£43,735,000	£41,765,000

### Inflation Assumptions

The Fund Actuary has changed the standard approach to setting the CPI assumption, to take account of RPI reform which has been accounted for in the tables above.

## 19. Related Parties

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

### Scottish Government

The Scottish Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills). Grants received from government departments are set out in the subjective analysis in Note 14 on expenditure and income analysed by nature.

### Tayside Valuation Joint Board

The Tayside Valuation Joint Board provides services on behalf of Perth & Kinross, Angus and Dundee Councils. The Council does not have any direct control or influence over the board and the amount payable to this body for valuation services and electoral registration services was £1,583,000 (2020/21 £1,596,000). £1,307,000 is disclosed in the Comprehensive Income and Expenditure Statement under Valuation Joint Board and £276,000 under Corporate and Democratic Services for electoral and registration services.

### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021/22 is shown in the Remuneration Report. During 2021/22, two councillors had an interest in businesses from which the Council commissioned works and services to the value of £4,500 and £6,705 respectively. Contracts were entered into in full compliance with the Council's standing orders and the Councillors' Code of Conduct.

In addition the Council makes revenue and capital payments to a large number of organisations on which Council members are represented.

### Chief Officers

There are no significant related party transactions with Chief Officers of the Council.

### Live Active Leisure Ltd

This organisation provides leisure services within the area served by the Council. A grant was provided in 2021/22 amounting to £4,863,000 (2020/21 £4,709,000). It is a sole member Company with the Council as that member.

### Horsecross Arts Ltd

This organisation operates Perth Concert Hall and Perth Theatre. A grant was provided in 2021/22 amounting to £1,062,000 (2020/21 £1,176,000). It is a sole member Company with the Council as that member.

### Culture Perth & Kinross Ltd

This organisation has operated libraries, museums and arts galleries in Perth & Kinross since 1 April 2016. A grant was provided in 2021/22 amounting to £3,175,000 (2020/21 £3,079,000). It is a sole member Company with the Council as that member.

### Tayside Contracts Joint Committee

This organisation provides roads maintenance; catering and cleaning services to the Council. Payments to Tayside Contracts in 2021/22 amounted to £33,851,000 (2020/21 £28,086,000). The Joint Committee is administered and controlled by Dundee City, Angus and Perth & Kinross Councils.

### Health and Social Care Partnership

This organisation is a joint venture between Perth & Kinross Council and Tayside Health Board and has since 1 April 2016 provided an integrated Health and Social Care service. Payments to the Health & Social Care Partnership in 2021/22 amounted to £87,105,000 (2020/21 £78,831,000) and receipts amounted to £21,647,000 (2020/21 £22,088,000).

## 20. Leases

### Council as Lessee

The Council operates a Lease Car Scheme which is available to eligible employees and lease rental payments are recovered from employees. The car leasing agreements are due to expire during the financial years 2022/23 to 2024/25.

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



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

	2021/22	2020/21
	£'000	£'000
Not later than one year	149	153
Later than one year and not later than five years	309	348
Later than five years	563	601
	<u>1,021</u>	<u>1,102</u>

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

	2021/22	2020/21
	£'000	£'000
Minimum lease payments	156	167
Sublease payments receivable	(17)	(13)
	<u>139</u>	<u>154</u>

#### Council as Lessor

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

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

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

	2021/22	2020/21
	£'000	£'000
Not later than one year	1,321	1,272
Later than one year and not later than five years	4,600	4,384
Later than five years	49,029	48,721
	<u>54,950</u>	<u>54,377</u>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were no material adjustments in respect of contingent rents during the years 2020/21 and 2021/22.

## 21. Property, Plant and Equipment

Movements on Fixed Assets 2021/22 in respect of Property, Plant & Equipment are shown below:

<b>Movements in 2021/22</b>	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Community Assets £'000	Sub Total c/fwd £'000
<u>Gross Book Value</u>					
As at 1 April 2021	320,016	672,763	53,298	23,567	1,069,644
Additions	10,550	11,373	13,112	1,173	36,208
Revaluation increases recognised in the Revaluation Reserve	0	19,466	0	0	19,466
Revaluation decreases recognised in the Revaluation Reserve	0	(13,663)	0	0	(13,663)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	0	8,140	0	0	8,140
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	0	(34,190)	0	0	(34,190)
Derecognition - disposals	(652)	(350)	(4,441)	0	(5,443)
Asset reclassifications	16,081	(1,433)	0	0	14,648
Other Movements	0	(2)	0	0	(2)
As at 31 March 2022	<u>345,995</u>	<u>662,104</u>	<u>61,969</u>	<u>24,740</u>	<u>1,094,808</u>
<u>Depreciation</u>					
As at 1 April 2021	(15,957)	(54,403)	(35,017)	(12,746)	(118,123)
Depreciation charge for 2021/22	(12,484)	(17,074)	(7,447)	(1,230)	(38,235)
Depreciation written out to the Revaluation Reserve - revaluation gain	0	14,032	0	0	14,032
Depreciation written out to the Revaluation Reserve - revaluation loss	0	2,474	0	0	2,474
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	0	6,891	0	0	6,891
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	0	13,432	0	0	13,432
Derecognition - disposals	612	17	4,322	0	4,951
Asset reclassifications	0	449	0	0	449
As at 31 March 2022	<u>(27,829)</u>	<u>(34,182)</u>	<u>(38,142)</u>	<u>(13,976)</u>	<u>(114,129)</u>
Net Book Value at 31 March 2022	<u>318,166</u>	<u>627,922</u>	<u>23,827</u>	<u>10,764</u>	<u>980,679</u>

**Property, Plant and Equipment cont'd**

**Movements in 2021/22**

	Sub total b/fwd £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	PFI & DBFM Assets Included in PPE £'000
<u>Gross Book Value</u>					
As at 1 April 2021	1,069,644	1,770	19,723	1,091,137	174,027
Additions	36,208	1	20,953	57,162	21
Revaluation increases recognised in the Revaluation Reserve	19,466	119	0	19,585	0
Revaluation decreases recognised in the Revaluation Reserve	(13,663)	0	0	(13,663)	0
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	8,140	201	0	8,341	0
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(34,190)	(620)	0	(34,810)	(485)
Derecognition - disposals	(5,443)	(283)	0	(5,726)	0
Asset reclassifications	14,648	685	(15,333)	0	0
Other Movements	(2)	0	0	(2)	0
As at 31 March 2022	<u>1,094,808</u>	<u>1,873</u>	<u>25,343</u>	<u>1,122,024</u>	<u>173,563</u>
<u>Depreciation</u>					
As at 1 April 2021	(118,123)	0	0	(118,123)	(4,976)
Depreciation charge for 2021/22	(38,235)	0	0	(38,235)	(4,751)
Depreciation written out to the Revaluation Reserve - revaluation gain	14,032	0	0	14,032	0
Depreciation written out to the Revaluation Reserve - revaluation loss	2,474	0	0	2,474	0
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	6,891	449	0	7,340	218
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	13,432	0	0	13,432	0
Derecognition - disposals	4,951	0	0	4,951	0
Asset reclassifications	449	(449)	0	0	0
As at 31 March 2022	<u>(114,129)</u>	<u>0</u>	<u>0</u>	<u>(114,129)</u>	<u>(9,509)</u>
Net Book Value at 31 March 2022	<u>980,679</u>	<u>1,873</u>	<u>25,343</u>	<u>1,007,895</u>	<u>164,054</u>

The reporting of book values for Infrastructure assets is amended following the issue of the Local Government Finance Circular 09/2022. The Finance Circular outlines historic issues for the consistent accounting treatment of derecognised infrastructure components and the reporting of book values by local authorities. A CIPFA task group is progressing a remedy and the CIPFA Code will be updated in due course. To satisfy the audit of the 2021/22 accounts, the following statutory overrides are provided in the Circular: -

Statutory Override 1: For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.

Statutory Override 2: For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.

The Council has elected to adopt both statutory overrides. The total for all PPE in table below.

	£'000
Total PPE (above)	1,007,895
Infrastructure Assets	247,686
Total PPE at 31 March 2022 (including Infrastructure Assets)	<u>1,255,581</u>

## Property, Plant and Equipment cont'd

### Comparative Movements in 2020/21

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Sub Total c/fwd £'000
<u>Gross Book Value</u>						
As at 1 April 2020	304,598	647,950	51,275	360,167	22,753	1,386,743
Additions	7,075	13,973	8,193	12,880	814	42,935
Revaluation increases recognised in the Revaluation Reserve	0	11,164	0	0	0	11,164
Revaluation decreases recognised in the Revaluation Reserve	0	(3,489)	0	0	0	(3,489)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	0	4,344	0	0	0	4,344
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	0	(474)	0	0	0	(474)
Derecognition - disposals	(403)	(160)	(6,170)	0	0	(6,733)
Asset reclassifications	8,746	(545)	0	0	0	8,201
Other Movements	0	0	0	0	0	0
As at 31 March 2021	<u>320,016</u>	<u>672,763</u>	<u>53,298</u>	<u>373,047</u>	<u>23,567</u>	<u>1,442,691</u>
<u>Depreciation</u>						
As at 1 April 2020	(4,983)	(61,377)	(34,576)	(131,366)	(11,531)	(243,833)
Depreciation charge for 2020/21	(11,377)	(20,020)	(6,400)	(12,155)	(1,215)	(51,167)
Depreciation written out to the Revaluation Reserve - revaluation gain	0	24,357	0	0	0	24,357
Depreciation written out to the Revaluation Reserve - revaluation loss	0	147	0	0	0	147
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	0	2,279	0	0	0	2,279
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	0	154	0	0	0	154
Derecognition - disposals	403	0	5,959	0	0	6,362
Asset reclassifications	0	57	0	0	0	57
As at 31 March 2021	<u>(15,957)</u>	<u>(54,403)</u>	<u>(35,017)</u>	<u>(143,521)</u>	<u>(12,746)</u>	<u>(261,644)</u>
Net Book Value at 31 March 2021	<u>304,059</u>	<u>618,360</u>	<u>18,281</u>	<u>229,526</u>	<u>10,821</u>	<u>1,181,047</u>

## Property, Plant and Equipment cont'd

### Comparative Movements in 2020/21

	Sub total b/fwd £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	PFI Assets Included in PPE £'000
<u>Gross Book Value</u>					
As at 1 April 2020	1,386,743	1,735	13,708	1,402,186	171,315
Additions	42,935	13	14,761	57,709	300
Revaluation increases recognised in the Revaluation Reserve	11,164	15	0	11,179	3,984
Revaluation decreases recognised in the Revaluation Reserve	(3,489)	(20)	0	(3,509)	(3,210)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	4,344	(10)	0	4,334	1,683
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(474)	(258)	0	(732)	(45)
Derecognition - disposals	(6,733)	(250)	0	(6,983)	0
Asset reclassifications	8,201	545	(8,746)	0	0
Other Movements	0	0	0	0	0
As at 31 March 2021	<u>1,442,691</u>	<u>1,770</u>	<u>19,723</u>	<u>1,464,184</u>	<u>174,027</u>
<u>Depreciation</u>					
As at 1 April 2020	(243,833)	0	0	(243,833)	(23,779)
Depreciation charge for 2020/21	(51,167)	0	0	(51,167)	(4,799)
Depreciation written out to the Revaluation Reserve - revaluation gain	24,357	0	0	24,357	21,436
Depreciation written out to the Revaluation Reserve - revaluation loss	147	0	0	147	0
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	2,279	33	0	2,312	2,166
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	154	24	0	178	0
Derecognition - disposals	6,362	0	0	6,362	0
Asset reclassifications	57	(57)	0	0	0
As at 31 March 2021	<u>(261,644)</u>	<u>0</u>	<u>0</u>	<u>(261,644)</u>	<u>(4,976)</u>
Net Book Value at 31 March 2021	<u>1,181,047</u>	<u>1,770</u>	<u>19,723</u>	<u>1,202,540</u>	<u>169,051</u>

### Capital Commitments

At 31 March 2022, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22 and future years budgeted to cost £142.43m. Similar commitments at 31 March 2021 were £37.975m. The total commitment is made up of the following:

	2021/22 £'000	2020/21 £'000
Cultural Attractions	12,310	22,381
Education Projects	21,347	11,270
Roads & Bridges Improvement Schemes	101,203	1,569
Flood Protection	0	361
Council Dwellings	2,653	1,714
Community Assets	3,869	0
Other Capital Projects	1,048	680
	<u>142,430</u>	<u>37,975</u>

Education Projects include Riverside Primary School. Roads & Bridges Improvement Schemes includes the Cross Tay Link Road.

## Valuation of Assets

### Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at its current value is revalued at least every five years.

The Council commissioned a valuation for a selection of schools which was performed during the last quarter of financial year 2021/22. In addition, the Council's internal valuers performed valuations for a number of assets, including investment properties, other schools and properties requiring revaluation due to redevelopment or a change of use, during the last quarter of financial year 2021/22. In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), the valuation reports include an explanatory note which provides an update on market conditions and confirms that some markets have started to function again and there is adequate evidence on which to base an opinion of value. However, uncertainties do remain and there is the potential for markets to move rapidly in response to future changes in the control Covid-19 and the effects of conflict in Eastern Europe.

The valuation reports have been used to inform the measurement of non-current assets in these financial statements. The valuers have continued to exercise professional judgement in preparing the valuations and, therefore, this is the best information available to Council as at 31 March 2022 and can be relied upon.

Note 4 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty provides additional information.

Surplus Assets are valued annually on a fair value basis. In terms of the fair value hierarchy, all Surplus Assets are valued at Level 2 and there were no transfers between Levels during the year.

	Council Dwellings £'000	Other Land and Buildings £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	51,641	16,889	798	69,328
Values at current value as at:				
31 March 2022	0	303,662	785	304,447
31 March 2021	0	208,818	290	209,108
31 March 2020	294,354	4,071	0	298,425
31 March 2019	0	87,245	0	87,245
31 March 2018	0	41,421	0	41,421
Total Cost or Valuation	<u>345,995</u>	<u>662,106</u>	<u>1,873</u>	<u>1,009,974</u>

### Changes in Estimates

The Council has made no material changes to accounting estimates for Property, Plant and Equipment in 2021/22.

## 22. Heritage Assets

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

	Art Collection £'000	War Memorials £'000	Other £'000	Total £'000
<i>Cost or Valuation</i>				
Balance at 1 April 2020	27,733	48	0	27,781
Additions	0	0	0	0
Revaluations	24,007	0	0	24,007
Balance at 31 March 2021	<u>51,740</u>	<u>48</u>	<u>0</u>	<u>51,788</u>
<i>Cost or Valuation</i>				
Balance at 1 April 2021	51,740	48	0	51,788
Additions	0	0	26	26
Revaluations	0	0	0	0
Balance at 31 March 2022	<u>51,740</u>	<u>48</u>	<u>26</u>	<u>51,814</u>

## Art Collection

The collection of Fine Art maintained and preserved by Culture Perth and Kinross, on behalf of Perth & Kinross Council is varied and includes oil paintings (approx 1,225 items), watercolours (900), drawings (4,000), prints (1,500), and sculptures (150). The Fine Art collection also includes J D Fergusson and Margaret Morris archives which number approximately 30,000 items and include a number of significant works.

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

Curators within Culture Perth & Kinross, commenced in 2011/12, a rolling programme of valuation for items and collections having significant value. The valuation programme is complete and the curators review, on an annual basis, the value of items within the collection which may be influenced by market trends.

There were no significant additions to Heritage Assets in 2020/21 or 2021/22.

### *Additions and Disposals of Heritage Assets*

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

### **Fine and Applied Art**

The Fine Art collection owes its existence largely to the 1,926 bequests of local patrons Robert Hay Robertson and Robert Brough, although the first painting entered the collection as early as 1785.

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

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

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

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

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

The museum collection also includes History and Natural History collections for which an amount of insurance cover has been obtained. These objects and collections, in most instances, are rare and irreplaceable and there is insufficient evidence on which to place a reliable estimate of value. There are in excess of 289,000 items within the History and Natural History collections and the cost of obtaining valuations would be disproportionate in terms of any benefit derived to the user of the financial statements. On this basis, the History and Natural History collections are, therefore, excluded from the carrying value of Heritage Assets held by the Council.

The Culture Perth and Kinross Limited Collections Management Framework provides guidance on the collection, disposal or lending of heritage assets.

## 23. Investment Properties

	2021/22	2020/21
	£'000	£'000
Rental income from investment property	(987)	(977)
Direct operating expenses arising from investment property	83	107
Balance at end of year	<u>(904)</u>	<u>(870)</u>

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

	2021/22 £'000	2020/21 £'000
Balance at start of year	13,140	13,290
Disposals	(145)	(75)
Net gains/(losses) from fair value adjustments	1,065	(75)
Balance at end of year	<u>14,060</u>	<u>13,140</u>

All of the Authority's investment properties are valued at Level 2 on the fair value hierarchy. Values as at 31 March 2021 and 31 March 2022 are as follows:

	Other Significant Observable Inputs (Level 2)	
	2021/22 £'000	2020/21 £'000
Recurring fair value measurements using:		
Industrial and Commercial Land	12,965	11,895
Shops and Offices	790	895
Other Investment Properties	305	350
Total Fair Value	<u>14,060</u>	<u>13,140</u>

### Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

#### Significant Observable Inputs – Level 2

The majority of the value of Industrial and Commercial Land relates to sites leased out on ground leases. Market data is available at national and local levels from sector specialists to provide the valuers with information, such as trends and rent yields, for the commercial and industrial markets. Local market activity for ground leases tends to follow national trends and valuations are undertaken using a discounted income approach. Ground leases are longer term arrangements and sites of this nature enjoy 100% occupancy levels; the rental income stream is known and market data for rent yields is available, all of which are observable input. As a result of the conditions of the ground lease agreement, there is no unobservable input. The valuation of investment land leased out on a ground lease therefore requires the use of observable market data and minimal, if any, unobservable data and is regarded as Level 2.

Market data providing information on trends and rent yield is available from sector specialists for leased Shops and Offices. Local market data is used to assist the valuation process, and valuations are undertaken using the income approach, discounted using market rates to arrive at a net present value for the income stream. The valuer will also consider other factors, such as the age and condition of the property, when arriving at the final valuation. This requires judgement; however any unobservable input is not considered to be significant in terms of any adjustment to the fair value of the property. The valuation of the shops and offices is mainly representative of the available market data, and the valuation input is primarily based on observable data. Therefore the properties are categorised as Level 2.

Other Investment Properties primarily relate to land held for development by the private sector, which will generate a receipt to the Council on disposal. Sites held for redevelopment are valued on the basis of the highest and best use of the site, taking into account adjacent and surrounding property, recent market activity, and development plan restrictions. The valuation of these sites is therefore based upon observable input, i.e. local market data, and as such will be regarded as Level 2.

#### Highest and Best Use of Investment Properties

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

#### Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

#### Valuation Process for Investment Properties

The fair value of the Council's investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The Council's valuation experts work closely with finance officers reporting directly to the Head of Finance on a regular basis regarding all valuation matters.

The valuation reports have been used to inform the measurement of Investment properties in these financial statements. The valuers have continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to Council as at 31 March 2022 and can be relied upon.

Note 4 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty provides additional information.



## 24. Intangible Assets

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

	2021/22 Assets £'000	2020/21 Assets £'000
Balance at start of year		
Gross carrying amount	2,965	2,948
Accumulated amortisation	<u>(2,644)</u>	<u>(1,969)</u>
Net carrying amount at start of year	<u>321</u>	<u>979</u>
Additions: Purchases	2,241	17
Disposals: Gross Carrying Amount	(1,563)	0
Disposals: Accumulated Amortisation	1,563	0
Amortisation for the period	(888)	(675)
Net carrying amount at end of year	<u>1,674</u>	<u>321</u>
Comprising:		
Gross carrying amounts	3,643	2,965
Accumulated amortisation	<u>(1,969)</u>	<u>(2,644)</u>
	<u>1,674</u>	<u>321</u>

Intangible Assets include the cost of software licences and bespoke software solutions deemed to provide future benefit to the Council. These items have been included and amortised over their perceived useful life.

## 25. Assets Held for Sale

	Current		Non Current	
	2021/22 £'000	2020/21 £'000	2021/22 £'000	2020/21 £'000
Balance outstanding at start of year	126	126	550	719
Assets sold	0	0	0	(181)
Other movements	147	0	(147)	12
Balance outstanding at year end	<u>273</u>	<u>126</u>	<u>403</u>	<u>550</u>

## 26. Long Term Debtors

	2021/22 £'000	2020/21 £'000
Other Entities & Individuals	613	689
Total	<u>613</u>	<u>689</u>

## 27. Inventories

	Consumables & Maintenance Materials	
	2021/22 £'000	2020/21 £'000
Balance outstanding at start of year	525	470
Purchases	3,559	2,857
Recognised as an expense in the year	(3,507)	(2,802)
Written off balances	1	0
Balance outstanding at end of year	<u>578</u>	<u>525</u>

## 28. Debtors

	2021/22 £'000	2021/22 £'000	2020/21 £'000	2020/21 £'000
	Gross	Net	Gross	Net
Scottish Government		17,433		11,707
Central Government		6,350		9,175
Other Local Authorities		1,743		374
NHS Bodies		1,416		918
Public Corps & Trading funds		99		0
Other Entities & Individuals	17,399		17,524	
less Impairment	<u>(9,321)</u>		<u>(8,870)</u>	
		8,078		8,654
Trade	7,333		7,186	
less Impairment	<u>(1,032)</u>		<u>(1,162)</u>	
		6,301		6,024
Council Tax	20,302		19,596	
less Impairment	<u>(15,670)</u>		<u>(14,849)</u>	
		4,632		4,747
Total		<u>46,052</u>		<u>41,599</u>

## 29. Creditors

	2021/22 £'000	2020/21 £'000
Scottish Government	(4,458)	(8,621)
Central Government	(6,544)	(6,040)
Other Local Authorities	(4,051)	(3,205)
NHS Bodies	(306)	(275)
Public Corporations and Trading Funds	(603)	(587)
Other Entities and Individuals	(26,979)	(23,979)
Trade Creditors	(30,629)	(26,159)
Total	<u>(73,570)</u>	<u>(68,866)</u>

## 30. Provisions Other than Bad and Doubtful Debts

### Self-Insured/Uninsured Losses

The Insurance Fund makes provision for losses arising from Property, Employers' Liability, Public Liability, Motor, Fidelity Guarantee, Computer, Engineering and Travel/Personal Accident claims.

The provision provides for an estimate of all liabilities likely to be incurred by the Council in respect of self-insured and uninsured losses in respect of incidents that have arisen prior to 1 April 2022.

### Compensation Payments

The Council has made provision for a number of potential compensation claims arising from significant capital projects within the Council's capital programme.

## Commercial Rent

The Council manages the rental leases for a number of commercial properties. The Council had previously made provision for rent refunds due to the downturn in the economic climate affecting retail trading performance. The provision at 31 March 2022 is to meet any potential liability for the years 2020/21 and 2021/22.

	Self Insured/ Uninsured Losses £'000	Compensation Payments £'000	Commercial Rent £'000	Total £'000
Balance as at 1 April 2021	1,690	691	40	2,421
Additional provisions made in 2021/22	1,675	3,606	0	5,281
Amounts used in 2021/22	(652)	(187)	0	(839)
Balance as at 31 March 2022	<u>2,713</u>	<u>4,110</u>	<u>40</u>	<u>6,863</u>
Balance Sheet Disclosure:				
Less than 12 months	303	3,581	20	3,904
Over 12 months	2,410	529	20	2,959
	<u>2,713</u>	<u>4,110</u>	<u>40</u>	<u>6,863</u>

## 31. Usable Reserves

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

## 32. Unusable Reserves

	2021/22 £'000	2020/21 £'000
Revaluation Reserve	(332,433)	(317,769)
Capital Adjustments Account	(372,978)	(353,777)
Financial Instruments Adjustment Account	17,650	18,376
Pensions Reserve	55,995	105,334
Employee Statutory Adjustment Account	8,003	7,813
Total Unusable Reserves	<u>(623,763)</u>	<u>(540,023)</u>

### Revaluation Reserve

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

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

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

	2021/22 £'000	2020/21 £'000
Balance at 1 April	(317,769)	(267,918)
Upward revaluation of assets	(33,616)	(63,829)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	11,189	7,648
	<u>(340,196)</u>	<u>(324,099)</u>
Difference between fair value depreciation and historical cost depreciation	7,454	6,065
Accumulated gains on assets sold or scrapped	309	265
Amount written off to the Capital Adjustment Account	7,763	6,330
Balance at 31 March	<u>(332,433)</u>	<u>(317,769)</u>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as

depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

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

	2021/22 £'000	2020/21 £'000
Balance at 1 April	(353,777)	(346,950)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non current assets	44,033	51,167
Revaluation losses on Property, Plant and Equipment	5,698	(6,092)
Amortisation of intangible assets	888	675
Amounts of non current assets written off on disposal as part of the gain/loss	<u>918</u>	<u>877</u>
	(302,240)	(300,323)
Adjusting amounts written out of the Revaluation Reserve	<u>(309)</u>	<u>(6,330)</u>
	(302,549)	(306,653)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(992)	(1,136)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(46,627)	(22,639)
Application of grants to capital financing from the Capital Grants Unapplied Account	(2,643)	(2,102)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(14,344)	(14,553)
Capital expenditure charged against the general fund and HRA balances	<u>(4,758)</u>	<u>(6,769)</u>
	(371,913)	(353,852)
Movements in the fair value of the Investment Properties	(1,065)	75
Balance at 31 March	<u>(372,978)</u>	<u>(353,777)</u>

#### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) is used to hold the losses or gains arising on the early redemption of loans per statutory provisions, as well as the historic timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments. These statutory provisions allow for annual charges to be made in accordance with the original amortisation schedules which existed at the time the provisions were introduced.

The Council uses the Account to manage the balance of premiums and discounts which existed at 31 March 2007 which arose on the early redemption of loans. Any premiums or discounts incurred or received after this date are also held in this Account. These are subsequently charged to the General Fund and Housing Revenue Account (HRA) in accordance with statutory provisions, and so spreading the burden on Council Tax and Housing Rents.

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

Accordingly, the balance on the FIAA as at 31 March 2022 in respect of the above provisions will be charged to the General Fund and HRA over the next 46 years. The movements on the FIAA during the year are shown below:

	2021/22 £'000	2020/21 £'000
Balance at 1 April	18,376	19,101
Proportion of discounts incurred in previous financial years credited against the General Fund & HRA Balance in accordance with statutory requirements in the year	4	4
Proportion of premiums incurred in previous financial years charged against the General Fund & HRA Balance in accordance with statutory requirements in the year	(711)	(711)
Difference on restatement of Stepped Interest Rate Loans	(19)	(18)
Balance at 31 March	<u>17,650</u>	<u>18,376</u>

## Pensions Reserve

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

	2021/22	2020/21
	£'000	£'000
Balance at 1 April	105,334	121,432
Actuarial Losses on Pensions Assets and Liabilities	(84,862)	(32,408)
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	55,182	35,421
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(19,659)	(19,111)
Balance at 31 March	<u>55,995</u>	<u>105,334</u>

## Employee Statutory Adjustment Account

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

	2021/22	2020/21
	£'000	£'000
Balance at 1 April	7,813	6,403
Cancellation of accrual made at the end of the preceding year	(7,813)	(6,403)
Amounts accrued at the end of the current year	8,003	7,813
Balance at 31 March	<u>8,003</u>	<u>7,813</u>

### **33. Impairment Losses**

Movements in the value of properties during the year were mainly due to the revaluation of nursery, primary and secondary school sites, and various individual operational buildings such as industrial units and shops. Investment properties were also revalued during 2021/22. All losses arising have been assessed as a revaluation loss rather than a loss attributed to deterioration in the anticipated level of the performance of the properties.

### **34. Grants**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

	2021/22	2020/21
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Scottish Government	37,607	18,701
Scottish Government Bodies & Directorates	7,232	2,946
Developer Contributions	1,006	2,451
Other Third Party Contributions	782	1,184
	<u>46,627</u>	<u>25,282</u>
<b>Credited to Services</b>		
Scottish Government	34,836	30,588
Scottish Government Bodies & Directorates	329	232
Sport Scotland	413	380
Other Third Party Contributions	4,280	2,076
	<u>39,858</u>	<u>33,276</u>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned. The funding includes Covid-19 specific grant received from the Scottish Government in 2021/22 for distribution to businesses impacted by the pandemic. The Covid-19 grant under spend has been treated as a liability pending confirmation that the funding may be distributed by the Council in 2022/23 to provide further support to businesses. The balance at the year-end is as follows:

	2021/22 £'000	2020/21 £'000
Revenue Grants - Received in Advance		
Scottish Government - Covid-19 funding for businesses	960	4,788
Scottish Government - Town Centre Fund	26	2,234
Other grants and contributions	330	113
Balance at 31 March	<u>1,316</u>	<u>7,135</u>

### 35. Capital Expenditure and Capital Financing

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

	2021/22 £'000	2020/21 £'000
Capital Financing Requirements b/fwd	596,919	583,662
<u>Capital Expenditure</u>		
Property, Plant & Equipment	88,600	57,720
Intangible Assets	2,241	17
Revenue Expenditure funded from Capital	3,567	1,531
CAA Historic adjustment	0	2,720
	<u>94,408</u>	<u>61,988</u>
	<u>691,327</u>	<u>645,650</u>
<u>Sources of Finance</u>		
Capital Receipts	(995)	(1,137)
Government Grants and Contributions	(52,840)	(26,272)
Revenue Contributions	(4,758)	(6,769)
Loans Fund Principal Repayments	(14,344)	(14,553)
	<u>(72,937)</u>	<u>(48,731)</u>
Closing Capital Financing Requirement c/fwd	<u>618,390</u>	<u>596,919</u>
Movement	21,471	13,257
<u>Analysed as:</u>		
Increase in need to borrow	26,493	18,231
Net assets acquired under PPP contract	(5,022)	(4,974)
	<u>21,471</u>	<u>13,257</u>

### 36. Public Finance Initiatives and Similar Contracts

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

The unitary charge for 2021/22 for the office accommodation was £2,435,000 (2020/21 £2,426,000).

The unitary charge for 2021/22 for the car park was £382,000 (2020/21 £342,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2022/23 for the office accommodation will be £2,570,000 and for the car park is £380,000.

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

The Council has an obligation for six school campuses in a Public Private Partnership with Axiom Education (Perth and Kinross) Ltd. North Inch Primary was brought into operation in 2011/12. Breadalbane Campus at Aberfeldy was completed in 2010/11 and the campuses at Blairgowrie, Perth South, Kinross, Crieff and the Roman Catholic School Campus were brought into operation during 2009/10. The Council will make unitary charge payments until the contract

ends in 2042, at which time the campuses will be handed back to the Council at no cost. The estimated capital value of the scheme is £127,687,000.

The unitary charge for 2021/22 for the campuses operating in the year was £17,684,000 (2020/21 £17,445,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2021/22 for all school campuses will be £19,064,000.

During 2019/20 the Council incurred an obligation for Bertha Park High School with the asset and liability recognised in the Statement of Accounts. The unitary charge for 2021/22 was £3,057,000 (2020/21 £3,056,000).

Future agreed payments will increase in line with inflation. The unitary charge for 2022/23 for Bertha Park will be £3,122,000.

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

	2021/22	2020/21
	£'000	£'000
Net Book Value at 1 April 2021	169,051	147,536
Additions	21	300
Reclassification	0	0
Revaluations	(485)	2,412
Depreciation	(4,751)	(4,799)
Depreciation write back	218	23,602
Net Book Value at 31 March 2022	<u>164,054</u>	<u>169,051</u>

Movements in Public Private Partnership Liabilities during the year were:

	2021/22	2020/21
	£'000	£'000
Liabilities at 1 April 2021	132,213	137,187
Additional liabilities	0	0
Amounts repaid in year	(5,022)	(4,974)
Liabilities at 31 March 2022	<u>127,191</u>	<u>132,213</u>

Disclosed in the Balance Sheet as:

Long Term Liabilities	121,326	127,194
Creditors	5,865	5,019
Liabilities at 31 March 2022	<u>127,191</u>	<u>132,213</u>

Future Public Private Partnership liabilities due to be met:

	Repayment of liability £'000	Interest £'000	Service Charges £'000	Lifecycle Maintenance £'000	Contingent Rentals £'000	TOTAL £'000
Due within one year	5,864	6,395	7,284	2,187	2,655	24,385
Due in 2 to 5 years	21,930	21,358	29,580	12,117	12,165	97,150
Due in 6 to 10 years	23,787	20,964	38,966	19,573	20,289	123,579
Due in 11 to 15 years	32,909	14,534	44,443	16,743	29,835	138,464
Due in 16 to 20 years	37,858	6,021	45,867	17,266	34,604	141,616
Due in 21 to 25 years	4,843	390	1,154	1,829	0	8,216
Total	<u>127,191</u>	<u>69,662</u>	<u>167,294</u>	<u>69,715</u>	<u>99,548</u>	<u>533,410</u>

These figures are based on the actual cash amount estimated to be payable and not on prices at 31 March 2022.

### 37. Authorisation of Annual Accounts

The Unaudited Annual Accounts were authorised for issue by the Head of Finance on 28 June 2022 and the Audited Annual Accounts were authorised for issue on 27 September 2022. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### 38. Contingent Liabilities

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

There is a contingent liability relating to Municipal Mutual Insurance (MMI), who were the insurers for Tayside Regional Council (TRC). Following a Supreme Court judgement in November 2012 a scheme of arrangement has been put in place where MMI will seek to recover, from the scheme members or successors, 25% (and increase from 15% applied after April 2016) of all claims paid out since 1993 on policies taken out by TRC (less an overall total reduction of £50,000). Perth and Kinross Council is one of the successor bodies of TRC. There is now a risk that the remaining assets of the TRC Insurance Fund will not be sufficient to meet all future liabilities due to the long time horizon for certain types of claims.

The Limitation (Childhood Abuse) (Scotland) Act 2017 came into force on 4 October 2017 and removed the time limit on raising civil court actions relating to childhood abuse. The Council has received a small number of claims, however, it is not possible to determine with any certainty whether there is any liability at this time until the claims are fully investigated. In addition, it is not possible to estimate the potential financial effect in respect of future claims the Council may receive due to a number of uncertainties. This includes the number of claims which may arise and the extent of compensation which could arise. Additionally the extent of re-imburement which might arise from historic or current insurance policies cannot currently be assessed. The Council may also receive claims in respect of Educational provision. The national historic abuse redress scheme launched in 2022.

The Council has a number of contracts for the upgrade and redevelopment of buildings and infrastructure. Claims relating to compensation for works and land purchases for several schemes are currently being negotiated or refuted.

The Council previously identified a potential issue in terms of fixed assets included in the Council Balance Sheet which should, potentially, be included in the Balance Sheet of the Common Good Funds instead. The Community Empowerment (Scotland) Act 2015 requires the Council to establish and maintain a list of property which is held as part of the Common Good. The review of property titles to facilitate the eventual publication of the list has commenced, however, until the review is complete property titles are being reviewed when land and/or buildings are declared surplus to operational needs. Until all property titles for all former burghs are reviewed, there remains the possibility that some assets may require to be transferred between the Council and Common Good balance sheets.

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

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



### 39. Financial Instruments

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

	Long-Term		Current		Total	
	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
<b>Borrowings</b>						
Financial liabilities at amortised cost	604,507	522,523	14,754	67,746	619,261	590,269
Total borrowings	<u>604,507</u>	<u>522,523</u>	<u>14,754</u>	<u>67,746</u>	<u>619,261</u>	<u>590,269</u>
<b>Investments</b>						
Loans and receivables	580	45,766	248,070	189,303	248,650	235,069
Total investments	<u>580</u>	<u>45,766</u>	<u>248,070</u>	<u>189,303</u>	<u>248,650</u>	<u>235,069</u>

Lender Option Borrower Option (LOBO) borrowings of £44.371 million have been included in long term borrowing as at 31 March 2022 but have a call date in the next 12 months.

The above long term figures are based on the 2016 Code which requires that in undertaking Effective Interest Rate (EIR) calculations, the maturity period for a LOBO is taken as being the contractual period to maturity.

#### Financial Instruments Gains / Losses

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

	Financial Liabilities	Financial Assets	Total 2021/22 £'000	Total 2020/21 £'000
	Liabilities measured at amortised cost £'000	Loans and receivables £'000		
Interest expense	15,416	0	15,416	15,323
Interest payable and similar charges	15,416	0	15,416	15,323
Interest income	0	(1,078)	(1,078)	(1,665)
Interest and investment income	0	(1,078)	(1,078)	(1,665)
Losses on revaluation	3	(9)	(6)	6
Surplus arising on revaluation of financial assets	3	(9)	(6)	6
Net loss/(gain) for the year	<u>15,419</u>	<u>(1,087)</u>	<u>14,332</u>	<u>13,664</u>

#### Fair Value of Liabilities Carried at Amortised Cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet as at 31 March 2022 at amortised cost is disclosed below.

#### Methods and Assumptions in valuation technique:

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

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

The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March 2022, using bid prices where applicable.

The calculations are made with the following assumptions:

- For Public Works Loans Board (PWLB) debt, the discount rates used are the rates for new borrowing as per rate sheet number 126/22.
- For other market debt and investments the discount rates used are the rates available for an instrument with the same terms from a comparable lender.
- Interpolation techniques have been used between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values have been calculated for all instruments in the portfolio, but only those which are materially different from the carrying value have been disclosed.

The fair values are calculated as follows:

	31 March 2022		31 March 2021	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Public Works Loans Board (PWLB)	570,651	560,605	492,782	560,437
Lender Option Borrower Option (LOBO)	44,371	62,310	44,390	68,235
Short term borrowing	1,935	2,756	50,798	50,800
Other (Special Loans)	2,171	2,172	2,169	2,167
Other Market Loans	133	134	130	136
Financial Liabilities	<u>619,261</u>	<u>627,977</u>	<u>590,269</u>	<u>681,775</u>

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

For comparison, if the Council were to have repaid all the loans to the PWLB on the balance sheet date, a total of £711.8m would have been payable after applying the PWLB's premature redemption rates applicable on that date. This is higher than the Fair Value shown in the table above, as the PWLB premature redemption rates include an additional profit margin over their comparative new borrowing rates.

#### Fair Value of Assets Carried at Amortised Cost

	31 March 2022		31 March 2021	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Cash (including petty cash)	38,437	38,443	27,221	27,223
Deposits with Banks and Building Societies	209,301	208,037	206,692	207,382
Mortgages	279	282	334	362
Loans to Others	633	633	822	821
Financial Assets	<u>248,650</u>	<u>247,395</u>	<u>235,069</u>	<u>235,788</u>

#### Nature and Extent of Risks Arising from Financial Instruments

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

##### (i) Credit Risk

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

Under the terms of the Council's approved Treasury policy, only the highest rated banks and financial institutions are used. Accordingly, the expected credit loss on such deposits is deemed negligible, and no expected credit loss provision has been provided in the Income & Expenditure account for 2021/22 (2020/21 nil) on the grounds of immateriality. Applying historic default rates for the counterparties used by the Council as at 31 March 2022 shows the expected credit loss to be

less than 0.02% to 0.04% of the principal sums deposited, whilst the actual historic default experienced by the Council is nil. Further, there is no information to indicate that this position has changed since the balance sheet date.

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

	Amounts at 31 March 2022	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2022	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with banks and other financial institutions	252,363	0	0	0
Loans to Others	912	0	0	0
Debtors	11,505	11.1	11.1	828
<b>Total</b>	<b>264,780</b>	<b>-</b>	<b>-</b>	<b>828</b>

The Council's overall exposure to credit risk in relation to its deposits in banks and other financial institutions of £252.4m above cannot be assessed generally, as the risk of non-payment of the principle sums or interest is specific to each individual institution. Most of the deposits are with other local authorities, whilst all financial institutions in which the Council deposit funds have passed the most recent Bank of England stress-testing under current market conditions. Experience indicates that any such non-payment is rare, and there is no evidence that any risk of default existed at 31 March 2022. The repayment profile of these deposits, including loans to others, is shown below:

	31 March 2022 £'000	31 March 2021 £'000
Less than three months	68,100	85,953
Three to six months	79,108	81,249
Six months to one year	105,155	25,042
More than one year	-	45,115
<b>Total</b>	<b>252,363</b>	<b>237,359</b>

#### Loans to Others

The Council initiates a legal charge on property where, for example, clients require assistance with payment of care fees, but cannot pay immediately until such time as their property is sold. The total amount outstanding as at 31 March 2022 in this category is £633,000 and experience of default is minimal. The Council has granted mortgages for essential property repairs in shared ownership properties as well as secured loans to property owners to bring their properties back into use for affordable rent under the Empty Home Loans Fund (EHLF) scheme. The total amount outstanding as at 31 March 2022 is £279,000 with no experience of default. The total amount of Loans to Others of £912,000 can be analysed as follows:

	31 March 2022 £'000	31 March 2021 £'000
Less than three months	82	127
Three to six months	83	128
Six months to one year	166	250
More than one year	581	651
<b>Total</b>	<b>912</b>	<b>1,156</b>

#### Debtors

The Council does not generally allow credit for customers, such that £9.237m of the £11.505m balance is past its due date for payment.

	31 March 2022 £'000	31 March 2021 £'000
Less than three months	5,618	8,259
Three to six months	224	462
Six months to one year	1,189	1,486
More than one year	2,206	2,869
<b>Total</b>	<b>9,237</b>	<b>13,076</b>

#### (ii) Liquidity Risk

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

opportunities to amend the maturity profile, as well as achieving savings in interest charges, is undertaken on a continuous basis to further mitigate any refinancing risks.

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

<b>Loans outstanding</b>	<b>On 31 March 2022</b>	<b>On 31 March 2021</b>
	<b>£'000</b>	<b>£'000</b>
Public Works Loans Board	568,000	490,500
Market debt	43,340	43,340
Temporary borrowing	1,933	50,794
Local bonds	2,169	2,169
Bank Overdraft	4,662	3,494
<b>Total</b>	<b>620,104</b>	<b>590,297</b>
Less than 1 year	16,764	68,957
Between 1 and 2 years	5,140	8,000
Between 2 and 5 years	23,000	23,140
Between 5 and 10 years	27,500	32,500
Between 10 and 15 years	5,000	0
More than 15 years	542,700	457,700
<b>Total</b>	<b>620,104</b>	<b>590,297</b>

In the more than 15 years category there are £43.2 million of LOBO borrowings which have a call date in the next 12 months.

### **(iii) Market Risk**

#### Interest rate risk

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

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

- Reductions in interest rates will affect interest earned on variable rate investments, and reduces income credited to the Comprehensive Income and Expenditure Statement. There would only be a small reduction in the interest payable on variable rate borrowing.
- Increases in interest rates will affect interest paid on variable rate borrowings, and increases interest expense charged to the Comprehensive Income and Expenditure Statement, but offset by increased investment returns.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the balance sheet for assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the balance sheet for any assets held at fair value in the balance sheet, which would also be reflected in the Comprehensive Income & Expenditure Statement. However, no such assets at fair value were held by the Council as at 31 March 2022.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the balance sheet for liabilities held at amortised cost, but will impact on the disclosure note for fair value.

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

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

According to this assessment strategy, at 31 March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	520
Increase in interest receivable on variable rate investments	(1,302)
Impact on Comprehensive Income and Expenditure Statement	<u>(782)</u>
Share of overall impact credited to the HRA	(202)

The impact of a 1% fall in interest rates would have been an estimated cost of £1,076,000 to the Council as a result of a reduction in investment income, whilst it would be unlikely that the lenders of the market loans borrowed would pass on the reduction in rates payable. However, there would be a reduction of £88,000 payable on other loans. Therefore, the net cost of a 1% fall in interest rates would be £988,000, of which £255,000 would be debited to the HRA.

#### Foreign Exchange Risk

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

#### Price Risk

The Council does not invest in equities, however, does invest in other tradable instruments but with the intention of holding them until their maturity date. Therefore, the Council does not actively trade in such instruments, and is therefore not exposed to gains or losses on movements in their price.

### **40. Devolved School Management (DSM) Schools**

The accumulated balance on the General Fund at 31 March 2022 includes net surplus funds of £1,191,000 (31 March 2021 £1,536,000) in respect of schools participating in the Devolved School Management scheme. There are 3 schools carrying forward deficits of £1,000. These surpluses are earmarked in 2021/22 for the individual schools concerned.

There is Pupil Equity Funding from the Scottish Government of £1,019,000 which is being carried forward to 2022/23 for schools within the Council's earmarked general fund balances.

### **41. Operating Activities**

The cash flows for operating activities include the following items:

	2021/22 £'000	2020/21 £'000
Interest received	(1,443)	(1,882)
Interest paid	25,548	25,233
	<u>24,105</u>	<u>23,351</u>

### **42. Investing Activities**

	2021/22 £'000	2020/21 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(93,363)	(59,511)
Purchase of short-term and long-term investments	(184,301)	(221,692)
Proceeds from the sale of of property, plant and equipment, investment property and intangible assets	1,019	1,017
Proceeds of short-term and long-term investments	181,692	154,395
Other receipts for investing activities	46,627	25,282
	<u>(48,326)</u>	<u>(100,509)</u>

### **43. Financing Activities**

	2021/22 £'000	2020/21 £'000
Cash receipts of short and long-term borrowing	124,076	212,709
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(5,022)	(4,974)
Repayments of short and long-term borrowing	(95,493)	(185,813)
	<u>23,561</u>	<u>21,922</u>

#### 44. Cash and Cash Equivalents

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

	2021/22	2020/21
	£'000	£'000
Cash held	37	48
Bank current accounts	(4,662)	(3,494)
Short-term deposits with banks and building societies	43,062	18,167
Short-term deposits with Local Authorities	0	7,500
Short-term deposits with other organisations	0	5,000
Total cash and cash equivalents	<u>38,437</u>	<u>27,221</u>

#### 45. Trust Funds

Perth & Kinross Council administers a number of Charitable Funds of varying sizes. The Income and Expenditure Account and Balance Sheet are detailed on page 84.

These funds include Educational Trusts and other trusts which are primarily for the residents of Perth and Kinross. An exercise is currently being undertaken to amalgamate many of the non-educational trusts in order for the funds to be more readily accessible.

The Perth & Kinross Educational Trust gives financial assistance towards scholarships, second or subsequent degrees, mature students and further education. Assistance is also provided to schools for sports facilities and special equipment, promoting visual arts and education in music and drama. There are also preferences for certain beneficiaries usually named schools for prizes etc. Also, within the Perth & Kinross Educational Trust there are eight individual endowments for maintaining, furnishing and equipping school buildings.

The other charitable trusts purposes include providing financial assistance in different areas of Perth & Kinross.

	31 March 2022	31 March 2021
	£'000	£'000
Educational Trust - Financial Assistance		
Net assets	1,026	991
Net Incoming/(Outgoing) Resources before other recognised gains and losses	8	1
Educational Trust - Endowments		
Net assets	50	51
Net Incoming/(Outgoing) Resources before other recognised gains and losses	0	0
Other Charitable Trusts		
Net assets	2,534	1,900
Net Incoming Resources before other recognised gains and losses	604	4
TOTAL Net Assets	<u>3,610</u>	<u>2,942</u>
TOTAL Net Incoming Resources before other recognised gains and losses	<u>612</u>	<u>5</u>

Detailed Accounts for the Charities are available from the Head of Finance, 2 High Street, Perth, PH1 5PH by contacting [chxfinance@pkc.gov.uk](mailto:chxfinance@pkc.gov.uk) or phoning 01738 475000.

#### 46. The Statutory Loans Fund

Loans Fund accounting is governed by The Local Authority (Capital Financing and Accounting) (Scotland) Regulations 2016, which came into force on 1 April 2016. These regulations outline the way the Loans Fund is operated in relation to the repayment period and method that capital advances (expenditure) are repaid (charged) on an annual basis.

The Loans Fund is an internal fund operated by the Council to manage the amortisation of capital expenditure (capital advances) over the life of the various assets being funded by borrowing, and also to manage the external borrowing raised to finance the capital expenditure. Whilst both elements of the Loans Fund operate independently of each other, because they are based on the same capital plans, they will broadly be consistent to each other over the long term. However, significant differences may arise over the short-term. This may include, for example, delaying external borrowing due to unfavourable prevailing interest rates, where the Council's daily cashflow remains positive, or where the Council has significant levels of Reserves.

The annuity repayment method is used for all internal capital advances through the Loans Fund. The Council also defers the repayment of Loans Fund advances until the asset being funded is completed and operational. The Council repays/amortises the capital advances over the life of the asset being funded, up to a maximum of 50 years. Therefore, the total number of years may exceed 50 years from the year the capital expenditure was incurred where the total expenditure on an asset is spread over two or more years before the asset becomes operational.

The value of Loans Fund advances outstanding at 31 March 2022 is £491,270,000. This is made up as follows:

	Advances 1 April 2021 £'000	Repaid 2021/22 £'000	New Advances 2021/22 £'000	Advances 31 March 2022 £'000
General Fund	297,679	(3,086)	25,563	320,156
Prudential Borrowing	45,049	(2,584)	3,370	45,835
Sub Total	342,728	(5,670)	28,933	365,991
HRA	119,404	(3,652)	9,527	125,279
Total	462,132	(9,322)	38,460	491,270

The estimated future repayments of these advances is summarised in the table below:

	General Fund £'000	Prudential Borrowing £'000	Sub Total: General Fund £'000	Housing Revenue Account £'000	Total £'000
Within 1 Year	2,382	2,747	5,129	3,697	8,826
Between 1 and 2 Years	2,107	2,802	4,909	4,145	9,054
Between 2 and 5 Years	3,413	6,504	9,917	10,990	20,907
Between 5 and 10 Years	(8,091)	5,221	(2,870)	19,341	16,471
Between 10 and 15 Years	(5,402)	4,062	(1,340)	24,807	23,467
Between 15 and 20 Years	28,291	3,399	31,690	9,461	41,151
Between 20 and 25 Years	37,104	3,592	40,696	2,490	43,186
More than 25 Years	260,352	17,508	277,860	50,348	328,208
Total	320,156	45,835	365,991	125,279	491,270

Comparison of the capital advances above with capital debt of £611.2 million shows that the Council's borrowing is around £120 million higher than immediate requirements as at 31 March 2022. This reflects the strategy adopted of undertaking new borrowing at historic low rates in order to fund the large Capital Financing Requirement over the next few years. This strategy reduces the risks of funding this requirement in future years as interest rates rise and provides budget certainty for future interest rates at a low level.

The latest approved General Fund (Composite) Capital Budget and Housing Investment Programme includes the amount of capital expenditure to be funded by borrowing (i.e. new Loans Fund advances) in each of the next 6 years as follows:

	General Fund £'000	Housing Investment Programme £'000	Total £'000
2022/23	125,644	15,349	140,993
2023/24	155,102	13,338	168,440
2024/25	117,980	10,542	128,522
2025/26	41,974	16,035	58,009
2026/27	35,115	11,765	46,880
2027/28	26,188	0	26,188
Total	502,003	67,029	569,032

All the above Loans Fund repayments have been included in the Loan Charge estimates within the approved Medium-Term Financial Plans, and therefore remain affordable under the current Loan Charge Budget strategy. It is anticipated that the Council will consider a new Capital Budget later this year.

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

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

<u>2020/21</u>		<u>2021/22</u>		
£'000		£'000	£'000	£'000
	<b>Income</b>			
(28,266)	Dwelling Rents	(29,152)		
513	less Voids	<u>630</u>		
			(28,522)	
(585)	Non-Dwelling Rents	(578)		
49	less Voids	<u>47</u>		
			(531)	
(1,017)	Other Income		(1,032)	
<u>(29,306)</u>	<b>Total Income</b>		<u>(1,032)</u>	(30,085)
	<b>Expenditure</b>			
5,229	Repairs & Maintenance		6,816	
12,601	Supervision & Management		14,587	
11,575	Depreciation, impairment and revaluation losses on non current assets		12,586	
515	Movement in the Impairment of Debtors		79	
289	Other expenditure		<u>397</u>	
<u>30,209</u>	<b>Total Expenditure</b>			34,465
<u>903</u>	<b>Net Expenditure for HRA Services as included in the Comprehensive Income and Expenditure Statement</b>			<u>4,380</u>
315	HRA services' share of Corporate and Democratic Core			304
<u>1,218</u>	<b>Net Expenditure for HRA Services</b>			<u>4,684</u>
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(78)	Gain on sale of HRA Non-Current Assets			(50)
3,471	Interest payable and similar charges			3,698
(8)	Interest and investment income			(11)
191	Net Interest on the net defined benefit liability			165
(3,055)	Capital Grants and Contributions Receivable			(3,339)
<u>1,739</u>	<b>Deficit for the year on HRA services</b>			<u>5,147</u>



## STATEMENT OF MOVEMENTS ON THE HOUSING REVENUE ACCOUNT BALANCE

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

<u>2020/21</u> £'000		<u>2021/22</u> £'000	<u>2021/22</u> £'000
(1,000)	Balance on the HRA at the end of the Previous Year		(3,006)
1,739	Deficit for the year on the HRA Income and Expenditure Account	5,147	
<u>(645)</u>	Adjustments between Accounting Basis and Funding Basis Under Statute	<u>(5,223)</u>	
<u>1,094</u>	Net Decrease/(increase) before Transfers to or from Reserves	(76)	
(3,100)	Transfer from Reserves	<u>(200)</u>	
(2,006)	Movement in Year on the HRA		(276)
<u>(3,006)</u>	Balance on the HRA at the end of the Current Year		<u>(3,282)</u>

### Note to the Statement of Movement on the HRA Balance

<u>2020/21</u> £'000		<u>2021/22</u> £'000	<u>2021/22</u> £'000
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
78	Gain on sale of HRA Non-current assets	50	
(11,575)	Depreciation and impairment of non current assets	(12,586)	
	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	3,339	
(57)	Adjustments involving Short Term Accumulated Absences Account	18	
(2,315)	Reversal of items relating to retirement benefits credited to the Comprehensive Income and Expenditure Statement	<u>(3,574)</u>	
<u>(10,814)</u>			(12,753)
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		
1,307	Employer's pension contributions and direct payments to pensioners payable in the year	1,343	
183	Adjustments involving the Financial Instruments Adjustment Account	187	
3,485	Statutory provision for the repayment of debt	3,653	
5,194	Capital expenditure charged to the HRA balances	<u>2,347</u>	
<u>10,169</u>			7,530
<u>(645)</u>	<b>Net additional amount required by statute to be (credited) to the HRA Balance for the year</b>		<u>(5,223)</u>

## THE ACCOMPANYING NOTES TO THE HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

1. <b>Housing Stock</b> at 31 March 2022	No. of Dwellings 31 March 2022	<i>No. of Dwellings</i> <i>31 March 2021</i>		
Sheltered accommodation	285	285		
Detached/Semi-Detached/Terraced	3,804	3,653		
High Rise Flats	141	138		
Tenement Flats/Other Flats/Maisonettes	3,665	3,684		
Total	<u>7,895</u>	<u>7,760</u>		
2. <b>Rent Arrears</b> at 31 March 2022	Gross Arrears 31 March 2022	<i>Gross Arrears</i> <i>31 March 2021</i>	£'000	<i>% of</i> <i>Income</i>
	£'000	£'000	£'000	<i>% of</i> <i>Income</i>
Houses	3,072	2,700	2,700	9.6
Other Subjects	59	60	60	10.2
Totals	<u>3,131</u>	<u>2,760</u>	<u>2,760</u>	<u>9.6</u>

### 3. **Impairment of Debtors**

In 2021/22 an impairment of £1,959,584 has been provided in the Balance Sheet, an increase of £78,857 from the impairment in 2020/21.

## COUNCIL TAX INCOME ACCOUNT

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

<i>2020/21</i>		<i>2021/22</i>
<i>£'000</i>		<i>£'000      £'000</i>
<i>108,074</i>	<b>Gross Charge</b>	109,359
<i>(3,605)</i>	Deduct - Exemptions	(3,490)
<i>(173)</i>	Disabled Relief	(174)
<i>(7,824)</i>	Discounts and Reductions	(8,026)
<i>(6,821)</i>	Council Tax Reduction Scheme	(6,807)
<i>89,651</i>	<b>Net Council Tax</b>	90,862
	Deduct -	
<i>(7)</i>	Ministry Of Defence Properties	(7)
<i>7</i>	Contribution Received	7
		0
<i>(1,880)</i>	Provision for Bad and Doubtful Debts	(1,376)
<i>87,771</i>	<b>Total Council Tax Income</b>	89,486
<i>(347)</i>	Adjustments for prior years for Council Tax and Community Charge	(122)
<i>87,424</i>	<b>Total Council Tax / Community Charge Income to Comprehensive I&amp;E Statement</b>	89,364

## THE ACCOMPANYING NOTES TO THE COUNCIL TAX INCOME ACCOUNT

### 1. CALCULATION OF THE COUNCIL TAX BASE AT 31 MARCH 2022

	A	B	C	D	E	F	G	H	2021/22 TOTAL	2020/21 TOTAL
No. of Properties	8,733	14,961	12,737	11,360	11,968	8,030	6,483	697	74,969	74,221
Exemptions	(700)	(665)	(476)	(295)	(247)	(89)	(71)	(19)	(2,562)	(2,651)
Disabled Relief	77	7	0	31	(32)	12	(89)	(6)	0	0
Discounts	(1,420)	(2,007)	(1,433)	(1,147)	(916)	(475)	(309)	(56)	(7,763)	(7,626)
Effective No. of Properties	6,690	12,296	10,828	9,949	10,773	7,478	6,014	616	64,644	63,944
Ratio	240/360	280/360	320/360	360/360	473/360	585/360	705/360	882/360		
Band D Equivalents	4,457	9,564	9,625	9,949	14,155	12,152	11,777	1,509	73,188	72,233
Contributions in lieu									7	7
TOTAL									73,195	72,240
Provision for non-payment at 3.5% (2020/21 2.0%)									(2,562)	(1,445)
COUNCIL TAX BASE									70,633	70,795

### 2. THE COUNCIL TAX CHARGE

The Council Tax is based on the value of a domestic property together with a personal element which takes into account the number and circumstances of that property's occupants.

Each property is placed in one of eight valuation bands (A-H) in accordance with their value as at 1 April 1991. The Council Tax charge levied for each property is calculated in proportion to the Council Tax charge for a band D property by applying fractions. A discount of 25% is given where there are fewer than two residents of a property. Discounts of 10% are awarded for second homes and long term empty dwellings. Some unoccupied dwellings may receive discount of 50%. Persons in detention, students, mentally handicapped people and certain others are disregarded for Council Tax purposes. Reductions in Council Tax are also granted for disabled people.

The valuation bands, the fractions used in calculating the Council Tax payable for each valuation band and the actual charges determined for 2021/22 are set out below:

Valuation Band	Property Valuation Range	Fraction of band D	2021/22 Actual Charge	2020/21 Actual Charge
A	£0 - £27,000	240/360	£878.67	£878.67
B	£27,001 - £35,000	280/360	£1,025.11	£1,025.11
C	£35,001 - £45,000	320/360	£1,171.56	£1,171.56
<b>D</b>	<b>£45,001 - £58,000</b>	<b>360/360</b>	<b>£1,318.00</b>	<b>£1,318.00</b>
E	£58,001 - £80,000	473/360	£1,731.71	£1,731.71
F	£80,001 - £106,000	585/360	£2,141.75	£2,141.75
G	£106,001 - £212,000	705/360	£2,581.08	£2,581.08
H	Over £212,000	882/360	£3,229.10	£3,229.10

## NON DOMESTIC RATE INCOME ACCOUNT

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

2020/21		2021/22	
£'000		£'000	£'000
82,055	<b>Gross Rate Levied</b>		80,188
0	Transitional Relief		0
			80,188
	Deduct:		
(2,631)	Rate Rebates	(2,646)	
(47,223)	Reliefs, Charities etc.	(38,065)	
(251)	Provision for Bad and Doubtful Debts	(423)	
			(41,134)
	Adjustments to Previous Years:		
(4,390)	Gross Rate Levied	(38)	
37	Transitional Surcharge/Relief	172	
(397)	Reliefs, Charities etc.	(2,964)	
81	Impairment for Bad and Doubtful Debts and Abatements	91	
			(2,739)
27,281	<b>Net Non Domestic Rate Income</b>		36,315
(27,487)	Contribution to National Non Domestic Rate Pool	(36,524)	
37,876	Contribution from National Non Domestic Rate Pool	34,864	
10,389	Net contribution from/(to) National Non Domestic Rate Pool		(1,660)
37,670	<b>Total Non Domestic Rate Income (before Council retentions)</b>		34,655
0	Non-Domestic Rate Income Retained by Council (Business Rates Incentivisation Scheme)		0
37,670	<b>Total Non Domestic Rate Income to Comprehensive Income and Expenditure Statement</b>		34,655
206	Discretionary Relief funded by the Council		206

## THE ACCOMPANYING NOTES TO THE NON DOMESTIC RATE INCOME ACCOUNT

### 1. NON DOMESTIC RATES

All non-domestic rate income collected by Scottish local authorities is paid into a national pool. It is redistributed to authorities in proportion to the resident population in each authority's area and therefore bears no direct relationship to the amount collected by those authorities. The rate poundage set by the Scottish Government for 2021/22 was 49.0p (2020/21 was 49.8p but offset by a general 1.6% rates relief for all properties giving an effective rate of 49.0p).

Measures under the Scottish Government's Coronavirus Rates Relief scheme were extended into 2021/22 and saw approximately £17.5 million of relief being awarded to businesses in the Retail, Leisure and Hospitality sectors within the Perth and Kinross area.

The Small Business Bonus Scheme, introduced from 1 April 2008, provides relief to businesses based on their combined rateable value. From 1 April 2014 the combined rateable value threshold has been set at £35,000 with relief available on all individual properties with a rateable value of £18,000 or less. Subject to eligibility, this provides relief of either 25% or 100%. This scheme replaced the Small Business Rates Relief Scheme. Awards totalling more than £11m were provided to businesses within the Perth and Kinross area in 2021/22.

A supplement of 1.3p was charged on properties with a rateable value of between £51,001 and £95,000 and a supplement of 2.6p was charged on properties with a rateable value exceeding £95,000 to contribute towards the additional cost of the Small Business Bonus scheme. (unchanged from 2020/21).

### 2. RATEABLE SUBJECTS AND VALUES

<i>No. of Subjects at 1 April 2020</i>	<i>Rateable Value £'000 at 1 April 2020</i>		<i>No. of Subjects at 1 April 2021</i>	<i>Rateable Value £'000 at 1 April 2021</i>
1,684	36,289	Shops	1,689	36,207
85	1,735	Public Houses	86	1,747
1,061	13,866	Offices (including banks)	1,084	13,845
234	13,675	Hotels etc.	234	13,161
1,721	23,784	Industrial Subjects etc.	1,740	24,142
1,861	11,681	Leisure, Entertainment, Caravans etc.	1,898	11,654
154	4,951	Garages and Petrol Stations	155	5,099
59	1,373	Cultural	57	1,329
1,374	2,846	Sporting Subjects	1,365	2,662
117	15,777	Education and Training	117	15,393
416	8,024	Public Service Subjects	415	7,781
1	0	Communications	1	0
21	406	Quarries, Mines etc.	21	368
2	3,597	Petrochemical	2	3,412
246	1,690	Religious	242	1,687
112	6,668	Health, Medical	115	6,479
736	1,991	Other	723	1,966
65	3,206	Care Facilities	63	3,197
35	118	Advertising	34	114
89	11,465	Undertaking	92	10,823
<u>10,073</u>	<u>163,142</u>	Total	<u>10,133</u>	<u>161,066</u>

## CHARITABLE TRUSTS

The Council administers Perth & Kinross Educational Trust and various other Charitable Trusts and Endowments. The figures below summarise the aggregate income and expenditure for the year and the assets and liabilities at 31 March 2022.

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2022

	2021/22 £'000	2021/22 £'000	2020/21 £'000
<b>INCOMING RESOURCES</b>			
Incoming resources from generated funds:			
Income from donations and legacies	600		0
Investment income	127		104
<b>Total Incoming Resources</b>		727	104
<b>RESOURCES EXPENDED</b>			
Costs of generating funds:			
Investment management costs	16		13
Charitable activities	81		72
Governance costs	14		14
Reorganisation of trusts	4		0
<b>Total Resources Expended</b>		115	99
<b>Net Incoming Resources Before Other Recognised Gains &amp; Losses</b>		612	5
<b>OTHER RECOGNISED GAINS</b>			
Gain/(Losses) on Investment assets		56	430
<b>Net Movement in Funds for the Year</b>		668	435
<b>RECONCILIATION OF FUNDS</b>			
Total Funds Brought Forward		2,942	2,507
<b>TOTAL FUNDS CARRIED FORWARD</b>		3,610	2,942

### BALANCE SHEET AS AT 31 MARCH 2022

	31 March 2022 £'000	31 March 2022 £'000	31 March 2021 £'000
<b>FIXED ASSETS</b>			
Tangible Assets		80	90
Investments		3,261	2,611
<b>CURRENT ASSETS</b>			
Debtors	3		28
Investments - Amounts due by Perth & Kinross Council Loans Fund	276		222
	279		250
<b>LIABILITIES</b>			
Creditors: amounts falling due within one year	(10)		(9)
<b>NET CURRENT ASSETS</b>		269	241
<b>NET ASSETS</b>		3,610	2,942
<b>TOTAL FUNDS</b>		3,610	2,942

#### Notes to Charitable Trusts

1. The market value of Investments at 31 March 2022 was £3,261,000 (31 March 2021 £2,611,000).
2. The unaudited accounts were issued on 28 June 2022 and the audited accounts were authorised for issue on 27 September 2022.

Stewart MacKenzie CPFA  
Head of Finance

## COMMON GOOD

The Council administers the Common Good Accounts for ten former burghs within Perth & Kinross. The figures below summarise the aggregate income and expenditure for the year and detail the Assets and Liabilities at 31 March 2022.

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2022

	2021/22 £'000	2021/22 £'000	2020/21 £'000
<b>EXPENDITURE</b>			
Grants to Voluntary Organisations	61		73
Christmas Lighting	17		27
Property Costs	25		0
Supplies & Services	21		26
		124	126
<b>INCOME</b>			
Rents, Fees, Charges etc.	275		242
Interest on Loans	5		10
Other	1		1
		281	253
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>			
		157	127
Revenue Balance Brought Forward		1,952	1,825
Revenue Balance Carried Forward		2,109	1,952

### BALANCE SHEET AS AT 31 MARCH 2022

	31 March 2022 £'000	31 March 2022 £'000	31 March 2021 £'000
<b>FIXED ASSETS</b>			
		5,188	4,634
<b>CURRENT ASSETS</b>			
Debtors	6		0
Investments	2,057		2,057
Revenue Advances to Perth & Kinross Council Loans Fund	448		305
	2,511		2,362
<b>CURRENT LIABILITIES</b>			
Creditors and Accruals	(117)		(127)
<b>NET CURRENT ASSETS</b>			
		2,394	2,235
<b>TOTAL NET ASSETS</b>			
		7,582	6,869
<b>RESERVES</b>			
Revenue		2,109	1,952
Capital		386	386
Capital Adjustment Account		91	91
Revaluation Reserve		4,996	4,440
		7,582	6,869

The unaudited accounts were issued on 28 June 2022 and the audited accounts were authorised for issue on 27 September 2022.

Stewart MacKenzie CPFA  
Head of Finance



## THE ACCOMPANYING NOTES TO THE COMMON GOOD ACCOUNTS

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

### 2. Common Good Reserve Funds

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

FUND	Balance at 1 April 21	Income 2021/22	Expenditure 2021/22	Balance at 31 March 22
	£'000	£'000	£'000	£'000
Perth City	1,327	256	110	1,473
Aberfeldy	123	1	0	124
Abernethy	1	0	0	1
Alyth	20	0	0	20
Auchterarder	283	22	11	294
Blairgowrie	20	0	0	20
Crieff	13	2	2	13
Kinross	158	0	1	157
Pitlochry	7	0	0	7
<b>TOTAL</b>	<b>1,952</b>	<b>281</b>	<b>124</b>	<b>2,109</b>

Coupar Angus Common Good Fund has a nil balance for both years.

### 3. Common Good Fixed Assets

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

The Community Empowerment (Scotland) Act 2015 requires the Council to establish and maintain a list of property which is held as part of the Common Good. The review of property titles to facilitate the eventual publication of the list has commenced, however, until the review is complete property titles are being reviewed when land and/or buildings are declared surplus to operational needs. Until all property titles for all former burghs are reviewed, there remains the possibility that some assets may require to be transferred between the Council and Common Good balance sheets.

The review of titles for the former Burghs is complete and it is anticipated that the findings will be reported to the relevant Common Good Fund Committees and Community Councils during 2022/23, prior to publication of the review on the Perth & Kinross Council website.

## GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Housing Revenue Account	Capital Fund	Insurance Fund	Capital statutory funds	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	TOTAL Authority Reserves	Authority's share of subsidiaries	Authority's share of associates & joint ventures	TOTAL Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2020</b>	(49,296)	(1,000)	(31,640)	(2,970)	(2,648)	(2,189)	(89,743)	(467,932)	(557,675)	(10,668)	(105)	(568,448)
<u>Movement in reserves during 2020/21</u>												
Total Comprehensive Income and Expenditure	(6,582)	1,739	0	0	0	0	(4,843)	(88,589)	(93,432)	4,120	(8,830)	(98,142)
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(15,431)	(645)	0	0	119	(541)	(16,498)	16,498	0	0	0	0
<b>(Increase)/Decrease in 2020/21</b>	(22,013)	1,094	0	0	119	(541)	(21,341)	(72,091)	(93,432)	4,120	(8,830)	(98,142)
Transfers to/(from) Other Statutory Reserves	(1,174)	(3,100)	3,696	578	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2021 carried forward</b>	(72,483)	(3,006)	(27,944)	(2,392)	(2,529)	(2,730)	(111,084)	(540,023)	(651,107)	(6,548)	(8,935)	(666,590)
<u>Movement in reserves during 2021/22</u>												
Total Comprehensive Income and Expenditure	11,478	5,147	0	0	0	0	16,625	(107,289)	(90,664)	(4,097)	(16,280)	(111,041)
Adjustments to Usable Reserves permitted by accounting standards	(4,459)	(2,995)	0	0	0	0	(7,454)	7,454	0	0	0	0
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(16,483)	(2,228)	0	0	(27)	2,643	(16,095)	16,095	0	0	0	0
<b>(Increase) or Decrease in 2021/22</b>	(9,464)	(76)	0	0	(27)	2,643	(6,924)	(83,740)	(90,664)	(4,097)	(16,280)	(111,041)
Transfers to/(from) Other Statutory Reserves	(3,953)	(200)	3,127	1,026	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2022 carried forward</b>	(85,900)	(3,282)	(24,817)	(1,366)	(2,556)	(87)	(118,008)	(623,763)	(741,771)	(10,645)	(25,215)	(777,631)

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

<i>Restated</i> <u>2020/21</u> <i>Net</i> Expenditure £'000		Note	<u>2021/22</u>		
			Gross Expenditure £'000	Income £'000	Net Expenditure £'000
	<b>SERVICES</b>				
178,696	Education & Children's Services		233,020	(27,525)	205,495
64,191	Health & Social Care		172,809	(97,019)	75,790
83,470	Communities		129,097	(38,003)	91,094
39,067	Corporate and Democratic Services		66,366	(25,072)	41,294
903	Housing Revenue Account		34,465	(30,085)	4,380
1,308	Valuation Joint Board		1,307	0	1,307
99	Charitable Trusts		115	(600)	(485)
(117)	Common Good		124	(276)	(152)
367,617	<b>COST OF SERVICES</b>		637,303	(218,580)	418,723
(925)	Other Operating Expenditure / Income		0	(534)	(534)
24,255	Financing and Investment Income and Expenditure	4	25,623	(2,221)	23,402
(398,048)	Taxation and Non-Specific Grant Income		0	(424,977)	(424,977)
(7,101)	<b>Deficit/(Surplus) on Provision of Services</b>		662,926	(646,312)	16,614
(3,151)	Share of the Deficit on the provision of services by Associates and Joint Ventures				(5,156)
(10,252)	<b>Group Deficit/(Surplus)</b>				11,458
(56,062)	(Surplus on revaluation of non current assets				(22,983)
(26,873)	Remeasurement of the net defined benefit liability				(89,838)
280	Other gains				64
(5,235)	Share of the other comprehensive income and expenditure of Associates and Joint Ventures				(9,742)
(87,890)	Other Comprehensive Income and Expenditure				(122,499)
(98,142)	<b>Total Comprehensive Income and Expenditure</b>				(111,041)

## GROUP BALANCE SHEET

31 March 2021	Notes	31 March 2022
£'000		£'000
1,218,139	Property, Plant & Equipment	1,271,035
51,788	Heritage Assets	51,814
13,140	Investment Property	14,060
321	Intangible Assets	1,674
550	Assets Held for Sale	403
45,115	Long Term Investments	0
6,950	Investment in Joint Venture	16,625
689	Long Term Debtors	613
1,336,692	<b>Long Term Assets</b>	1,356,224
166,245	Short Term Investments	214,619
126	Assets Held for Sale	273
575	Inventories	637
43,297	Short Term Debtors	48,275
37,573	Cash and Cash Equivalents	50,012
247,816	<b>Current Assets</b>	313,816
(67,746)	Short Term Borrowing	(14,754)
(71,896)	Short Term Creditors	(76,700)
(272)	Provisions	(3,904)
(139,914)	<b>Current Liabilities</b>	(95,358)
(2,149)	Provisions	(2,959)
(522,523)	Long Term Borrowing	(604,507)
(7,826)	Liabilities in associates and joint ventures	(2,602)
(245,506)	Other Long Term Liabilities	(186,983)
(778,004)	<b>Long Term Liabilities</b>	(797,051)
666,590	<b>NET ASSETS</b>	777,631
111,084	Usable Reserves	118,008
540,023	Unusable Reserves	623,763
5,672	Group Reserves	24,668
9,811	Charitable and Common Good Reserves	11,192
666,590	<b>TOTAL RESERVES</b>	777,631

The unaudited Annual Accounts were issued on 28 June 2022 and the Audited Annual Accounts were authorised for issue on 27 September 2022.

The accompanying notes form an integral part of these financial statements.

Stewart MacKenzie CPFA  
Head of Finance

## GROUP CASH FLOW STATEMENT

<u>2020/21</u>		<u>Notes</u>	<u>2021/22</u>
£'000			£'000
7,101	<b>Surplus/(Deficit) on the provision of services</b>		(16,614)
59,543	Adjustments to net surplus or deficit on the provision of services for non cash movements		100,529
(26,750)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(47,236)
<u>39,894</u>	<b>Net cash flows from Operating Activities</b>		<u>36,679</u>
(101,906)	Investing Activities	10	(47,801)
21,922	Financing Activities	11	23,561
<u>(40,090)</u>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>12,439</u>
77,663	Cash and cash equivalents at the beginning of the reporting period		37,573
<u><u>37,573</u></u>	<b>Cash and cash equivalents at the end of the reporting period</b>		<u><u>50,012</u></u>

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

<u>2020/21</u> £'000		<u>2021/22</u> £'000
(4,843)	Deficit/(Surplus) on the single entity Comprehensive Income & Expenditure Statement for the year	16,625
	Add:	
(562)	• Managed Funds - Charitable Trusts & Common Good	(825)
(6,370)	• Joint Venture	(9,674)
3,221	• Associates	4,520
(1,698)	• Subsidiaries	812
<u>(10,252)</u>	Deficit/(Surplus) for the year on the Group Comprehensive Income & Expenditure Statement	<u>11,458</u>

## NOTES TO THE GROUP ACCOUNTS

### 1. Combining Entities

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

A number of Councillors have voting rights on the Board. The Council has an obligation to contribute to the Joint Board losses or deficits and the ability to exercise significant influence over it. The Joint Board has therefore been incorporated in the Group Accounts under the equity method of Accounting for Associates.

For the purpose of consolidation and incorporation within the Group Accounts recognition has been made of the Council’s interest which is based on its share of the contributions made to the Tayside Valuation Board, which in 2021/22 was 42.58% (2020/21 42.48%). The accounting period for the Board is the year to 31 March 2022 and the Board Statements of Accounts presents fairly its individual financial position.

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

In addition, the Council has also included Live Active Leisure Ltd., Horsecross Arts Ltd. and Culture Perth & Kinross Ltd. as subsidiaries within its Group Accounts in accordance with IAS 27 Consolidated and Separate Financial Statements, and in particular SIC 12 Consolidation – Special Purpose Entities. These organisations deliver services on behalf of the Council and the Council therefore obtains benefit from their operations. In addition, service delivery is managed through Service Level Agreements specific to the service provision required from the organisations by the Council. Live Active Leisure Ltd., Horsecross Arts Ltd. and Culture Perth & Kinross Ltd. are governed by company and charitable trust regulation. For the purpose of consolidation and incorporation within the Group Accounts it has been assumed that the Council’s interest in these organisations is 100% due to the nature of Council control and direction over their operations.

Live Active Leisure Ltd., Horsecross Arts Ltd. and Culture Perth & Kinross Ltd. are arm’s length companies with sole member status with the Council being the sole member in each company.

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

Live Active Leisure Ltd.	Caledonia House, Hay Street, Perth, PH1 5HS.
Horsecross Arts Ltd.	Perth Concert Hall, Mill Street, Perth, PH1 5HZ.
Culture Perth & Kinross Ltd.	A K Bell Library, 2-8 York Place, Perth, PH2 8EP

The income, expenditure, assets and liabilities of the Charitable Trusts which are administered and controlled by the Council have also been included as a managed fund. The nature of the assets of the managed fund are heritable property, investments and debtors. The assets are not the property of Perth & Kinross Council and are subject to charitable trust regulations. The Income and Expenditure Account of the Charitable Trusts is detailed on page 84 of the Annual Accounts.

The income, expenditure, assets and liabilities of the Common Good Accounts which are administered and controlled by the Council have also been included as a managed fund. The nature of the assets of the managed fund are heritable property, investments and debtors. The assets are the property of Perth & Kinross Council and are subject to the Accounting Code of Practice. The Income and Expenditure Account of the Common Good is detailed on page 85 of the Annual Accounts.

Perth & Kinross Council’s share of the assets and liabilities of Tayside Contracts Joint Committee, which is jointly administered and controlled with Dundee City Council and Angus Council, has been included in the Group Accounts using the equity method for an associate due to the Council having significant influence rather than joint control over the entity. The Council’s investment in Tayside Contracts for 2021/22 is 39.9% (2020/21 42.3%). Copies of Tayside Contracts Joint Committee’s individual accounts are published separately, and can be obtained from Head of Financial Services, Tayside Contracts, 1 Soutar Street, Dundee, DD3 8SS.

Perth and Kinross Integration Joint Board (IJB) is the statutory body established to integrate health and social care services between the Council and NHS Tayside. The IJB Board consists of eight voting members, four of whom are Perth & Kinross councillors. The Council can therefore exercise joint control over the arrangement and the IJB has been consolidated into the Council Group accounts as a joint venture using the equity method and a percentage share of 50%. Copies of the Perth & Kinross Integration Joint Board individual accounts are published separately and can be obtained from the Chief Financial Officer, Perth & Kinross Integration Joint Board, 2 High Street, Perth, PH1 5PH.

In addition the CIPFA Code requires the realignment of accounting policies for entities included within the Group Accounts. The pension liability at 31 March 2022 for Horsecross Arts Ltd of £673,000 has been included within the Group Reserves balance at 31 March 2022.

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

## 2. Nature of Combination

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

## 3. Financial Impact of Consolidation and Going Concern

The effect of inclusion of the Subsidiaries and Associates listed above in the Group Balance Sheet is to increase both reserves and net assets by £35,860,000 (2020/21 £15,483,000 increase).

All Subsidiaries and the Associate have prepared their accounts on a 'going concern' basis. The Council's Group Accounts have been prepared on a 'going concern' basis as there is no reason to suggest that future funding will not continue. Apart from the disclosures made in the Notes to the Group Accounts there were no material amounts or details in relation to associates or managed funds.

## 4. Group Comprehensive Income & Expenditure Statement – Financing and Investment Income & Expenditure

	2021/22 £'000	2020/21 £'000
Council Financing and Investment Income & Expenditure	23,604	24,836
Subsidiaries	(70)	(37)
Charitable Trusts	(127)	(534)
Common Good	(5)	(10)
Total Group CI&ES Financing and Investment Income & Expenditure	<u>23,402</u>	<u>24,255</u>

## 5. Group Balance Sheet - Investments

	2021/22 £'000	2020/21 £'000
Council Investments	209,301	161,577
Charitable Trusts Investments	3,261	2,611
Common Good Investments	2,057	2,057
Total Group Investments	<u>214,619</u>	<u>166,245</u>

## 6. Group Balance Sheet – Short term Debtors (net of provisions)

	2021/22 £'000	2020/21 £'000
Net Debtors Balance - Note 28 to the Financial Statements	46,052	41,599
Subsidiary Debtors	2,214	1,670
Charitable Trust		
Debtors	279	250
Inter-company elimination	(276)	(222)
Common Good		
Debtors	454	305
Inter-company elimination	(448)	(305)
Total Group Debtors	<u>48,275</u>	<u>43,297</u>



## 7. Group Balance Sheet – Short term Creditors

	2021/22 £'000	2020/21 £'000
Net Creditors Balance - Note 29 to the Financial Statements	(73,570)	(68,866)
Charitable Trust		
Creditors	(10)	(9)
Inter-company elimination	276	222
Common Good		
Creditors	(117)	(127)
Inter-company elimination	448	305
	<u>(72,973)</u>	<u>(68,475)</u>
Subsidiary Creditors	<u>(3,727)</u>	<u>(3,421)</u>
Total Group Creditors	<u><u>(76,700)</u></u>	<u><u>(71,896)</u></u>

## 8. Group Balance Sheet - Pension Liability

	2021/22 £'000	2020/21 £'000
Net Pensions Liability at 31 March - Note 18 to the Financial Statements	(55,995)	(105,334)
Subsidiaries	<u>(9,661)</u>	<u>(12,978)</u>
Group Pension Liability at 31 March	<u><u>(65,656)</u></u>	<u><u>(118,312)</u></u>

## 9. Group Cash Flow Statement

There has been no impact on the Group Cash Flow Statement from the inclusion of the Tayside Valuation Joint Board, Tayside Contracts Joint Committee, or the Perth & Kinross Integration Joint Board. Cash transactions between the Joint Boards and the Council are already included within the Council's Cash Flow Statement and there were no dividend transactions.

The impact of the inclusion of Live Active Leisure Ltd., Horsecross Arts Ltd. and Culture Perth & Kinross Ltd. within the Group Cash Flow Statement is to increase the movement in the net cash position by £11,575,000 (2020/21, increase of £10,352,000). A cash increase of £7,807,000 represents the Council's 100% share of Live Active Leisure Ltd., a cash increase of £1,791,000 represents the Council's 100% share of Horsecross Arts Ltd and a cash increase of £1,977,000 represents the Council's 100% share of Culture Perth & Kinross Ltd.

## 10. Group Cash Flow – Investing Activities

	2021/22 £'000	2020/21 £'000
Council Investing Activities	(48,326)	(100,509)
Subsidiaries	525	(1,397)
	<u>(47,801)</u>	<u>(101,906)</u>

## 11. Group Cash Flow – Financing Activities

	2021/22 £'000	2020/21 £'000
Council Financing Activities	23,561	21,922
Subsidiaries	0	0
	<u>23,561</u>	<u>21,922</u>

## 12. Related Party Transactions

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

	Balance Due		Balance Due	
	From 31.3.22 £'000	To 31.3.22 £'000	From 31.3.21 £'000	To 31.3.21 £'000
Tayside Valuation Joint Board	0	13	18	0

# **REMUNERATION REPORT FOR FINANCIAL YEAR 2021/2022**

## **1. Introduction**

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

## **2. Audit of Remuneration Report**

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

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

## **3. Remuneration of Senior Councillors**

- 3.1 The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either, the Leader of the Council, the Civic Head (Provost), Senior Councillors or Councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure.
- 3.2 When determining the level of remuneration for Councillors the Scottish Ministers considered the recommendations of the former Scottish Local Authority Remuneration Committee (SLARC). SLARC was an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors. The Committee was stood down in February 2013.
- 3.3 The Regulations set out the salary that is to be paid to the Leader of the Council in accordance with bandings also set out in the Regulations. The Regulations also permit the Council to remunerate one Civic Head, which in the case of Perth & Kinross Council is the Provost, and set out the maximum salary that may be paid to that Civic Head. For 2021/22 the maximum salary for the Leader of Perth & Kinross Council is £37,213 and the Council has agreed that the Civic Head be paid 75% of the salary of the Leader, which for 2021/22 is a maximum of £27,910. Please refer to Table 1.
- 3.4 In addition to the Leader of the Council and Civic Head, Regulations also set out the maximum number of Senior Councillors the Council may have; the maximum yearly amount that may be paid to a Senior Councillor (75% of the total yearly amount payable to the Leader of the Council) and the maximum yearly amount payable by the Council for all Senior Councillors. Perth & Kinross Council may have a maximum of 14 Senior Councillors with a maximum salary of £27,910 and a maximum yearly amount payable for all Senior Councillors of £325,598 in 2021/22 (excluding the Council Leader, Civic Head, Conveners and Vice Conveners of Joint Boards). The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits.
- 3.5 The Regulations also set out the remuneration payable to Councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board such as Tayside Valuation Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convener or Vice-Convener is a member. Joint Board Conveners and Vice-Conveners are considered to be Senior Councillors for remuneration disclosure purposes. In financial year 2021/22, no Councillors from Perth & Kinross Council were remunerated as a Convener or Vice Convener of a Joint Board.
- 3.6 During 2021/22 Perth & Kinross Council had 10 Senior Councillors between 1 April 2021 to 29 August 2021. From 30 August 2021 this increased to 11 Senior Councillors for the purposes of the Remuneration Report. Details are provided in Table 1. Together with the Leader of the Council and the Provost, the total remuneration including taxable expenses paid to these Councillors was £329,759. The individual amounts payable to the Leader of the Council, the Provost (Civic Head), and the Senior Councillors of Perth & Kinross Council in 2021/22 are set out in Table 1. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become members of the pension scheme.

**Table 1: Remuneration of Senior Councillors, Conveners and Vice-Conveners of Joint Boards for Financial Year 2021/22**

Name and Post Title	Salary, Fees & Allowances 2021/22 £	Taxable Expenses 2021/22 (Note 1) £	Total Remuneration 2021/22 £	Total Remuneration 2020/21 (Note 3) £
D Murray Lyle Council Leader Convener Strategic Policy & Resources Committee (to 29/08/2021)	37,213	0	<b>37,213</b>	35,720
Dennis Melloy Provost (Civic Head)	27,910	0	<b>27,910</b>	26,792
Chris Ahern Convener Licensing Committee	24,992	0	<b>24,992</b>	23,992
Kathleen Baird Convener Licensing Board	24,992	0	<b>24,992</b>	23,992
Bob Brawn Convener Housing & Communities Committee	24,992	0	<b>24,992</b>	23,992
Eric Drysdale Convener Audit Committee	24,992	0	<b>24,992</b>	23,992
John Duff Convener Strategic Policy & Resources Committee (from 30/08/2021)	14,716	0	<b>14,716</b>	n/a
Angus Forbes Convener Environment & Infrastructure Committee	24,992	0	<b>24,992</b>	23,985
Grant Laing Leader of the Largest Opposition Group	24,992	0	<b>24,992</b>	23,996
Rosalind McCall Convener Planning & Development Management Committee	24,992	0	<b>24,992</b>	23,992
Sheila McCole Convener Scrutiny Committee	24,992	0	<b>24,992</b>	23,992
Caroline Shiers Convener Lifelong Learning Committee	24,992	0	<b>24,992</b>	23,985
Henry Anderson Convener Local Review Body	n/a	n/a	<b>n/a</b>	18,000
Lewis Simpson Convener Local Review Body	24,992	0	<b>24,992</b>	4,326
<b>TOTAL (Note 2)</b>	<b>329,759</b>	<b>0</b>	<b>329,759</b>	<b>300,756</b>

Notes:

- (1) Taxable Expenses relate to meals provided by the Council. Only those expenses incurred whilst undertaking a Senior Councillor role are included.
- (2) After adjusting for the salaries of the Leader of the Council and the Civic Head (Provost), the total salaries paid to Senior Councillors in 2021/22 was £264,636 which compares with the maximum under Regulations of £325,598
- 3.7 The arrangements for political decision-making structures within Perth & Kinross Council as at 31 March 2022, which encompassed the salaries of all elected members including the Council Leader, Civic Head and Senior Councillors, were agreed at the meeting of the full Council on 17 May 2017 (Report No. 17/81 refers) and are available on the Council's website.
- 3.8 The Council paid the following salaries and expenses to all Councillors (including those listed in Table 1 above) in financial year 2021/22:

**Table 2: Remuneration Paid to Councillors 1 April 2021 to 31 March 2022**

Type of Remuneration	2021/22 £	2020/21 £
Salaries	839,745	774,276
Taxable Expenses	0	185
<b>Total</b>	<b>839,745</b>	<b>774,461</b>

- 3.9 The annual return of Councillors' salaries and expenses for 2021/22 is available for any member of the public to view at Perth & Kinross Council, 2 High Street, Perth; Culture Perth & Kinross Ltd. libraries and Council local area offices during normal working hours and is also available on the Council's website at Councillors Expenses.
- 3.10 The information in the annual return of Councillors' salaries and expenses for 2021/22 differs from the information presented within the Remuneration Report as the Remuneration Report excludes the payment of expenses which are not subject to taxation such as receipted car mileage expenses; expenditure on public transport and subsistence expenses.

#### 4. Remuneration of Senior Employees

- 4.1 The Council is required to publish the remuneration of Senior Employees as defined by the disclosure regulations. Senior employees are defined with reference to their management authority; to the political restriction placed upon their post under section 2(1) (a), (b) or (c) of the Local Government Housing Act 1989 and with reference to their reporting relationship to the Council's 'Head of Paid Service' or Chief Executive. The disclosure requirements also include any employee whose annual remuneration is £150,000 or more. No employee of Perth & Kinross Council was remunerated at this level in 2021/22.
- 4.2 The application of the disclosure regulations in relation to the management structure of Perth & Kinross Council defines the following post-holders as senior employees in 2021/22:
- The Chief Executive as the statutory head of paid service.
  - The Executive Director of Education & Children's Services as the Council's chief education officer, the Head of Legal and Governance Services as the Council's statutory monitoring officer; the Head of Finance as the Council's proper officer for financial administration and the Council's statutory Chief Social Work Officer.
  - The Executive Director of Communities, the Chief Operating Officer and the Chief Officer of the Perth & Kinross Health & Social Care Partnership, that are officers who are directly accountable to the Council's head of paid service and/or are directly accountable to the Council or any committee or sub-committee.
- 4.3 The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities.
- 4.4 The remuneration of senior employees of Perth & Kinross Council and its Subsidiaries for 2021/22 is detailed in table 3 below:

**Table 3: Remuneration of Senior Employees of the Council and its Subsidiaries for Financial Year 2021/22 (Job titles as at 31 March 2022)**

Name and Post Title	Salary, Fees & Allowances 2021/22 £	Compensation for Loss of Office £	Total Remuneration 2021/22 £	Total Remuneration 2020/21 (Note 5) £
Thomas Glen Chief Executive (from 01/11/2021) (Note 1)	57,853	n/a	<b>57,853</b>	n/a
Barbara Renton Executive Director of Communities and Acting Chief Executive (to 31/10/2021) (Notes 2 & 3)	138,445	n/a	<b>138,445</b>	122,200
Karen Reid Chief Executive	n/a	n/a	<b>n/a</b>	126,142
James Valentine Depute Chief Executive	n/a	n/a	<b>n/a</b>	50,869
Gordon Paterson Chief Officer, Perth & Kinross Health & Social Care Partnership (to 06/03/2022)	113,523	n/a	<b>113,523</b>	120,426
Sheena Devlin Executive Director of Education & Children's Services and Chief Education Officer	122,221	n/a	<b>122,221</b>	120,426
Karen Donaldson Chief Operating Officer	113,082	n/a	<b>113,082</b>	112,921
Jacqueline Pepper Interim Chief Officer, Perth & Kinross Health & Social Care Partnership (from 07/03/2022) and Chief Social Work Officer (Note 4)	100,887	n/a	<b>100,887</b>	97,796
Lisa Simpson Head of Legal & Governance Services	97,842	n/a	<b>97,842</b>	95,872
Stewart MacKenzie Head of Finance	93,552	n/a	<b>93,552</b>	92,017

Name and Post Title	Salary, Fees & Allowances 2021/22	Compensation for Loss of Office	Total Remuneration 2021/22	Total Remuneration 2020/21 (Note 5)
	£	£	£	£
Nick Williams Horsecross Arts Limited – Chief Executive	70,394	n/a	<b>70,394</b>	65,845
Paul Cromwell Live Active Leisure – Chief Executive	78,534	n/a	<b>78,534</b>	78,534
Helen Smout Culture Perth & Kinross Limited – Chief Executive	64,458	n/a	<b>64,458</b>	63,200
<b>TOTAL</b>	<b>1,050,791</b>	0	<b>1,050,791</b>	1,146,248

Notes:

- (1) The substantive salary for the Chief Executive is laid down in COSLA Circular CO/151.
  - (2) Salary, fees and allowances include a temporary higher duty payment of £11,559 as Acting Chief Executive up to 31/10/2021.
  - (3) Salary, fees and allowances include a Returning Officer Fee of £4,984.
- 4.5 Election fees are included with senior employee salaries. No other taxable benefits or bonuses were received by the above-named senior employees of Perth & Kinross Council in 2021/22.
- 4.6 Pay award arrears for the period 01/01/2022 – 31/03/2022 are included within the senior employees salary, fees and allowances for 2021/22.

## 5. General Disclosure of Remuneration by Pay Band

- 5.1 In accordance with the disclosure regulations, Table 4 below details the number of Perth & Kinross Council employees (including teachers) whose annual remuneration in 2021/22 was £50,000 or more, including senior employees subject to individual disclosure in section 4 of this report. The information is presented, as required, in bandings of £5,000.

**Table 4: Remuneration of Employees by Pay Band for 2021/22**

Remuneration Bands	Number of Employees	
	2021/22	2020/21
£50,000-£54,999	170	175
£55,000-£59,999	87	83
£60,000-£64,999	43	43
£65,000-£69,999	24	25
£70,000-£74,999	7	7
£75,000-£79,999	5	1
£80,000-£84,999	4	4
£85,000-£89,999	12	10
£90,000-£94,999	2	5
£95,000-£99,999	2	2
£100,000-£104,999	1	0
£105,000-£109,999	0	0
£110,000-£114,999	2	1
£115,000-£119,999	0	0
£120,000-£124,999	1	3
£125,000-£129,999	0	1
£130,000-£134,999	1	0
£135,000-£139,999	0	0
<b>Total</b>	<b>361</b>	<b>360</b>

Notes:

The £50,000 - £54,999 and £55,000 - £59,999 pay bands include 140 and 64 teaching staff respectively.

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

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band (b) + (c)		(e) Total cost of exit packages in each band	
	2021/22	2020/21	2021/22	2020/21 (restated)	2021/22	2020/21 (restated)	2021/22 £'000	2020/21 £'000
£0 - £20,000	0	0	1	4	1	4	2	5
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>5</b>

- 5.2 The costs included within Table 5 are all non-recurring and include payments to individual officers and to the relevant Superannuation Fund.
- 5.3 All of the individual exit packages included within Table 5 have been subject to a full business case outlining the implications for the Council or are related to officers who have temporary contracts and their contract has ceased but they are entitled to a redundancy payment due to their length of employment. In terms of the financial assessment for each business case, the maximum payback period is up to five years. The departure of the individuals has delivered significant recurring savings to the Council in the past and also facilitated the delivery of an ambitious and challenging transformation / modernisation programme.
- 5.4 In previous years teacher retirements with no cost to the Council have been included within the number of other departures agreed. The 2020/21 figures have been restated to remove teacher retirements with no costs.

## 6. Remuneration by Subsidiary Bodies of Perth & Kinross Council

- 6.1 Councillors and senior employees of Perth & Kinross Council serve as board members, officials and technical advisors to subsidiary bodies of the Council. In 2021/22, the Head of Legal & Governance Services served as a proper officer to the Tayside and Central Scotland Transport Partnership (TACTRAN). No remuneration was paid to Councillors or senior employees of Perth & Kinross Council by subsidiary bodies of the Council in 2021/22.

## 7. Disclosure of Pension Benefits

- 7.1 The disclosure regulations require the separate disclosure of accrued pension benefits for Senior Councillors and senior employees of Perth & Kinross Council. Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). Councillors have only been eligible to join this scheme since May 2007.
- 7.2 Councillor's pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living as measured by the appropriate index between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.
- 7.3 From 1 April 2015 a career average scheme was implemented for local government employees. This means that pension is built up based on the pensionable pay for each year. The benefit is added to the employee's pension account plus inflation increases. The scheme's normal retirement age for both councillors and employees will vary dependant on age and length of pensionable service.
- 7.4 From 1 April 2009 a tiered contribution scheme was introduced with contributions from scheme members being based on how much pay falls into each tier. Prior to 2009 contribution rates were set at 6% for all non-manual employees.

### **Tiered Pension Contribution Rates for Local Government Pension Scheme Members in 2021/22**

Actual Pensionable pay	Contribution Rate 2021/22
On earnings up to and including £22,300	5.5%
On earnings above £22,301 and up to £27,300	7.25%
On earnings above £27,301 and up to £37,400	8.5%
On earnings above £37,401 and up to £49,900	9.5%
On earnings above £49,901	12%

- 7.5 Pensionable Pay includes salary, plus any contractual elements of pay such as shift payment, night working payment, standby and the monetary value of any accommodation or other allowances in kind pertaining to employment.
- 7.6 Under the scheme there is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The pension is built up based on pensionable pay in the year with an accrual rate of 1/49<sup>th</sup> added to the pension account. (Prior to 2015 the accrual rate was 1/60<sup>th</sup> of final pensionable

salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service).

7.7 The value of accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on their retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their local government service, and not just their current appointment.

## 7.8 Pension Entitlements of Senior Councillors

The pension entitlements of Senior Councillors of Perth & Kinross Council for the year to 31 March 2022 are shown in Table 6 below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

**Table 6: Pension Entitlements of Senior Councillors for Financial Year 2021/22**

Name and Post Title	In-year pension contributions		Accrued Pension Benefits			
	2021/22 £	2020/21 (Note 2) £		as at 31/03/2022 £'000	as at 31/03/2021 £'000	Difference £'000
Murray Lyle Council Leader Convener Strategic Policy & Resources Committee (to 29/08/2021)	6,326	6,071	Pension Lump Sum	8 2	7 2	1 0
Dennis Melloy Provost (Civic Head)	338	4,553	Pension Lump Sum	9 2	9 2	0 0
Chris Ahern Convener Licensing Committee	4,249	4,077	Pension Lump Sum	2 0	2 0	0 0
Kathleen Baird Convener Licensing Board	4,249	4,077	Pension Lump Sum	4 0	3 0	1 0
Bob Brawn Convener Housing & Communities Committee	4,249	4,077	Pension Lump Sum	2 0	2 0	0 0
Eric Drysdale Convener Audit Committee	4,249	4,077	Pension Lump Sum	2 0	2 0	0 0
John Duff Convener Strategic Policy & Resources Committee (from 30/08/2021)	3,807	n/a	Pension Lump Sum	2 0	n/a n/a	n/a n/a
Angus Forbes Convener Environment & Infrastructure Committee	4,249	4,077	Pension Lump Sum	2 0	2 0	0 0
Grant Laing Leader of the Largest Opposition Group	4,249	4,077	Pension Lump Sum	4 0	3 0	1 0
Rosalind McCall Convener Planning & Development Management Committee	4,249	4,077	Pension Lump Sum	2 0	2 0	0 0
Sheila McCole Convener Scrutiny Committee	4,249	4,077	Pension Lump Sum	2 0	2 0	0 0
Caroline Shiers Convener Lifelong Learning Committee	4,249	4,077	Pension Lump Sum	6 2	5 2	1 0
Henry Anderson Convener Local Review Body	n/a	3,058	Pension Lump Sum	n/a n/a	n/a n/a	n/a n/a
Lewis Simpson Convener Local Review Body	4,249	3,228	Pension Lump Sum	7 2	6 2	1 0
<b>TOTAL</b>	<b>52,961</b>	<b>53,603</b>				

Notes:

- (1) The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service, including any service with a Council subsidiary body, and not just their current appointment. Councillors have only been eligible to join the Local Government Pension Scheme since May 2007.

## 7.9 Pension Entitlements of Senior Employees

The pension entitlements of senior employees of Perth & Kinross Council and its subsidiaries for the year to 31 March 2022 are shown in Table 7 below, together with the contribution made by the Council to each senior employee's pension during the year.

**Table 7: Pension Entitlements of Senior Employees of the Council and its Subsidiaries for Financial Year 2021/22 (Post titles as at 31 March 2022)**

Name and Post Title	In-year pension contributions		Accrued Pension Benefits (Note 1)			
	2021/22 £	2020/21 £		as at 31/03/2022 £'000	as at 31/03/2021 £'000	Difference £'000
Thomas Glen Chief Executive (from 01/11/2021)	9,835	<i>n/a</i>	Pension Lump Sum	1 0	<i>n/a</i> <i>n/a</i>	<i>n/a</i> <i>n/a</i>
Barbara Renton Executive Director of Communities and Acting Chief Executive (to 31/10/2021)	22,688	20,715	Pension Lump Sum	32 9	28 8	4 1
Karen Reid Chief Executive	<i>n/a</i>	19,557	Pension Lump Sum	<i>n/a</i> <i>n/a</i>	29 1	<i>n/a</i> <i>n/a</i>
James Valentine Depute Chief Executive	<i>n/a</i>	7,070	Pension Lump Sum	<i>n/a</i> <i>n/a</i>	47 104	<i>n/a</i> <i>n/a</i>
Gordon Paterson Chief Officer, Perth & Kinross Health & Social Care Partnership (to 06/03/2022)	19,299	20,472	Pension Lump Sum	59 103	56 103	3 0
Sheena Devlin Executive Director of Education & Children's Services and Chief Education Officer	20,723	20,472	Pension Lump Sum	66 116	63 115	3 1
Karen Donaldson Chief Operating Officer	19,087	19,197	Pension Lump Sum	53 90	51 91	2 -1
Jacqueline Pepper Interim Chief Officer, Perth & Kinross Health & Social Care Partnership (from 07/03/2022) and Chief Social Work Officer	17,066	16,625	Pension Lump Sum	36 26	26 25	10 1
Lisa Simpson Head of Legal & Governance Services	16,468	16,298	Pension Lump Sum	13 0	11 0	2 0
Stewart MacKenzie Head of Finance	15,813	15,643	Pension Lump Sum	44 65	42 64	2 1
Nick Williams Horsecross Arts Limited – Chief Executive	11,542	11,194	Pension Lump Sum	3 0	2 0	1 0
Paul Cromwell Live Active Leisure – Chief Executive	13,351	13,351	Pension Lump Sum	21 12	20 12	1 0
Helen Smout Culture Perth & Kinross Limited - Chief Executive	10,958	10,744	Pension Lump Sum	23 23	21 22	2 1
<b>TOTAL</b>	<b>176,830</b>	<b>191,338</b>				

Notes:

- (1) Accrued pension benefits include total benefits accumulated during all membership of the Local Government Pension Scheme and not just service in their current role (where transfers in have taken place).

Signed:

\_\_\_\_\_  
Thomas Glen  
Chief Executive  
Perth & Kinross Council

\_\_\_\_\_  
Councillor Grant Laing  
Leader of the Council  
Perth & Kinross Council



## **GLOSSARY**

### **ACCOUNTING PERIOD**

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

### **ACCRUALS**

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

### **BEACON METHOD (ADJUSTED VACANT POSSESSION METHOD)**

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

### **CAA**

Capital Adjustment Account

### **CAPITAL EXPENDITURE**

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

### **CAPITAL FINANCING**

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

### **CAPITAL RECEIPT**

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

### **CONTINGENT LIABILITY**

A contingent liability is either:

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

### **CORPORATE & DEMOCRATIC CORE**

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

### **CREDITOR**

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

### **CRR**

Capital Receipts Reserve

### **CURRENT VALUE**

The measurement of operational assets used for the delivery of Council services. Property, plant and equipment is measured on the basis of service potential using existing use value for assets where an active market exists, existing use value-social housing for operational Council dwellings or depreciated replacement cost for assets where there is no market and/or the asset is specialised.

### **DBFM**

Design Build Finance Maintain - A Non-Profit Distribution (NPD) model to Design, Build, Finance, and Maintain infrastructure which requires the private sector to take a fixed rate of return. The DBFM agreement provides the Council with the right to receive services in return for an annual payment (unitary charge) which comprises the costs of construction, finance, and maintenance, and for the provision of any agreed additional services, for the duration of the agreement.

### **DISCOUNTED CASH FLOW METHOD**

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

**DEBTOR**

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

**EXISTING USE VALUE FOR SOCIAL HOUSING (EUV-SH)**

Is the estimated amount for which a property should exchange on the date of valuation, between a willing buyer and a willing seller in an arm's length transaction.

**FAIR VALUE**

Fair value is the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

**FIAA**

Financial Instruments Adjustment Account

**IMPAIRMENT**

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

**MATERIALITY**

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

**NET BOOK VALUE**

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

**NON-DISTRIBUTED COSTS**

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

**PPE**

Property, Plant & Equipment

**PRIOR YEAR ADJUSTMENT**

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

**PROVISION**

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

**PUBLIC WORKS LOAN BOARD (PWLB)**

An agency of HM Treasury, which provides loans mainly for capital purposes of one year or more to authorities at interest rates of up to 2% above those at which the UK Government can itself borrow at.

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services.