



PERTH AND KINROSS COUNCIL

ANNUAL ACCOUNTS

2023/24

AUDITED

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Management Commentary

1. Introduction

These Annual Accounts contain the financial statements of Perth and Kinross Council and its group for the year ended 31 March 2024.

This management commentary outlines the key messages in relation to financial planning and performance for financial year 2023/24 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 111.

2. Who are we, our vision and priorities

The Council is situated in a central location in Scotland. It covers a geographical area of around 5,286 km² and has an estimated population of 151,120 (2022 mid-year estimate). Between 2011 and 2021, the population of Perth and Kinross increased by 4.7% (Scotland 3.4%). This is the 8th highest percentage change out of the 32 council areas in Scotland. The latest population projections over the next 10 years estimate a 0.6% reduction in the population on Perth and Kinross compared to 1.1% increase across Scotland.

Like all councils, the pandemic and inflationary pressures facing households in recent years has only added to the increasingly complex challenges we face, against a backdrop of the most testing financial circumstances local government has ever experienced. This means that it will be impossible to continue doing the same things we have done in the past and we are rethinking how we work with, and within, our communities and with all of our partners to achieve the best outcomes for the people of Perth and Kinross.

The Corporate Plan 2022 – 28, that was approved in December 2022, sets out a vision for “a Perth and Kinross where everyone can live life well, free from poverty and inequality”. It sets out the Council's corporate outcomes which are aligned with its organisational values and designed to address or mitigate the impact of the many challenges the Council and its communities are facing both now and in the future. We have committed to working in partnership and better engaging with people and communities to ensure that they are involved and can have their say on where the Council must focus time and resources.

The strategic outcomes are underpinned by seven key priorities, aimed to address or mitigate the challenges, focus our work where it is needed most, and support the delivery of our vision:

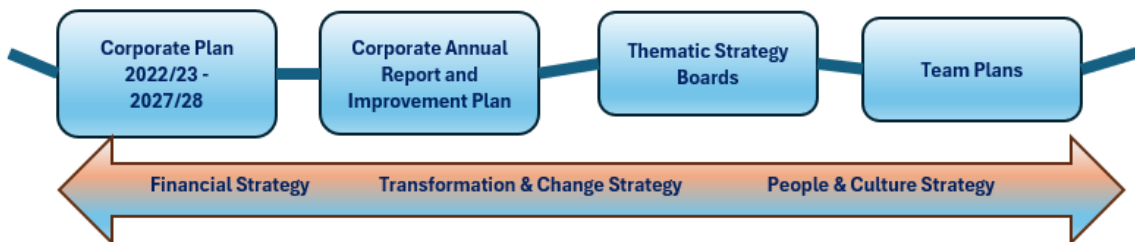
- Tackling poverty
- Tackling climate change and supporting sustainable places
- Developing a resilient, stronger and greener local economy
- Enabling our children and young people to achieve their full potential
- Protecting and caring for our most vulnerable people
- Supporting and promoting physical and mental wellbeing
- Working in partnership with our communities – which is woven through all of the key priorities above.

The priorities incorporate the careful consideration of the feedback received from our communities, elected members, partners and staff about what is important for Perth and Kinross. They are also evidence-based and reflect the areas of greatest need and those that we can most directly influence in our work.

Importantly, the Corporate Plan sets the strategic direction for the Council and will act as a guide when making difficult decisions around where to invest funding and resources to support their achievement and ensure we have the greatest impact.

The Plan is not designed to stand alone but is supported and strengthened by a wider strategic framework which overarches several areas of work all designed to contribute to our vision and outcomes. It 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.



The main components of our Corporate Plan's wider strategic framework are as follows:

- The Local Outcome Improvement Plan which details new priorities with a focus on poverty in several key areas, setting out the actions that the Community Planning Partnership will take in the coming years to focus on inequalities which are stubborn and require continued collaborative approaches.
- The Transformation and Change Strategy is a five-year strategy which sets out our extensive transformation programme acting as enabler to deliver on our corporate priorities. Delivery of the Transformation and Change programme will be underpinned by our "one council", no wrong door approach including our organisational-wide cultural and behavioural change programme. This also sets out our clear commitment to fully embed our values of Ambition, Compassion, and Integrity and work in partnership with communities to improve outcomes for all.
- The Financial Strategy which details the financial challenges we face, the extent of the structural deficit and measures we must take now and over the next five years to identify savings, reduce our budgets and support the Council to become financially sustainable.
- The Corporate Workforce Plan has been reviewed to build on our existing focus on workplace culture, recruitment and staff retention. This new People and Culture Strategy will support the organisation through transformation and change so that we are enabled to deliver the best public services focussed on need and within available resources.

The Corporate Plan demonstrates our commitment to improving services, enhancing the quality of life for people in Perth and Kinross and making best use of our resources and funding. We will continue to deliver effective and efficient services, delivering best value by working collaboratively with our partners.

To achieve our vision, we have outlined clear outcomes, priorities, actions, and measurements of performance which will ensure we are held accountable, can report consistently, and remain focussed on the areas that matter to people in our communities.

While this is a five-year plan, we know that there will be things outwith our control that will change. We will regularly review and monitor our performance against each of the key priorities to ensure that they are still relevant and effectively contribute to our vision.

3. The Annual Accounts 2023/24

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 2023/24 (the 2023 Code). The 2023/24 Annual Accounts have been prepared in accordance with this Code.

4. The Financial Plan

In response to the COVID-19 pandemic and the financial challenges being faced by Local Government, in 2022, the Scottish Government introduced a range of financial flexibilities, one of which centred around the profiling of debt repayments charged to the General Fund for Public Private Partnership (PPP) contracts [Finance Circular 10-2022: Finance Leases and Service Concession Arrangements](#).

The revised accounting guidance allows the Council to account for the cost of the repayment element over the life of the assets rather than the life of the contract. What this means for the Council is that the cost can be accounted for over 50 years as opposed to the contract period of 25 or 30 years. This approach is deemed to be prudent as it matches the expenditure profile to the consumption of the assets over time, and by doing so, reduces the cost per annum as the debt is accounted for over a longer period of time. The total amount paid remains the same over the new repayment life.

This is an accounting entry which has the effect of releasing a cumulative benefit which reflects the reduced charges to the accounts for the earlier years of the arrangements. The cumulative benefit to 31 March 2023 is in the region of **£31 million**, and there are also annual recurring benefits of approximately **£3 million** for 19 years and then the statutory charges will continue until the end of the reprofiled debt repayment period (see note 36) The application of the accounting guidance was approved by Council on 8 February 2023 ([Report No. 23/43](#)), and the accounting entries are actioned from financial year 2023/24.

This has resulted in a significant favourable variance in this financial year, allowing the benefit to be used to support the Revenue Budget, as agreed by Council when setting the 2023/24 Revenue Budget and provisional 2024/25 and 2025/26 Revenue Budgets on 1 March 2023 ([Report No. 23/72](#)).

To support the delivery of the strategic objectives during 2023/24, Perth and Kinross Council approved a balanced gross revenue budget of **£552.134 million** for the General Fund (March 2023). In addition, the Housing and Social Wellbeing Committee approved a gross revenue budget of **£33.755 million** for the Housing Revenue Account (January 2023).

As part of its consistent approach to longer term financial planning, the Council has in place a [Medium Term Financial Plan](#) through to 2029/30 that was approved by Council in October 2023, and a final Revenue Budget for 2024/25 and provisional Revenue Budgets for 2025/26 and 2026/27 approved in February 2024. The HRA Budget was also updated in January 2024. The Financial Strategy approved in June 2022 remains in place.

Councils need to account for their spending and income in a way which complies with the 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 functions 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. At the start of 2023/24 the Council budgeted for gross capital investment of **£158.1 million** on General Fund activities and **£19.2 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 six-year delivery programme for 2024/25 to 2029/30 at its meeting on 28 February 2024.

5. Performance Management

Our new Corporate Plan for 2022-28 sets out our strategic outcomes, which are aligned with our organisational values, and underpinned by seven key priorities. It contains clear outcomes, priorities, and actions and well-defined measurements of performance which we can be held accountable for and consistently report progress against.

Performance against priorities and actions within the Corporate Plan were detailed within the Corporate Annual Performance Report. The Council also considered and approved the new Corporate Delivery Improvement Plan on 15 May 2024 detailing actions and improvements for 2024/25.

Previously, performance and improvement was routinely managed and reported within individual teams, Service Management Teams, the Extended Executive Leadership Team, and the Executive Leadership Team as well as to elected members and the wider public.

Over the next year, we will be introducing revised arrangements following the implementation of phase 1 of the Leadership Review and the transformation and change programme projects, as well as the continued roll out of the Strategic Planning and Performance and Risk system, PK Performs. This will demonstrate our commitment to continuous improvement by strengthening alignment between Corporate Plan performance, improvement and risk activity, budget and resource allocation and the involvement of communities in decision making and influencing Council priorities.

The Council has a statutory duty to publish performance information for comparison and benchmarking purposes to its citizens and communities. In meeting this duty, we actively participate in the Local Government Benchmarking Framework (LGBF), providing an [Elected Member briefing](#) in March 2024 and linking to the LGBF from the performance website. Just over half of the performance indicators listed in the new Corporate Plan, which will be reported through our Annual Performance Report, have data collected nationally and therefore provide a mechanism for benchmarking.

2023/24 Performance Summary

The Corporate Annual Performance Report was considered by Scrutiny and Performance Committee on 18 September 2024 and then by Council on 30 October 2024. This report provides comprehensive information on the Council's performance for 2023/24. The full range of performance information for 2023/24 is available online at [PK Performs](#). This includes the Council's Annual Performance Report, Best Value Themes Updates, case studies and links to further relevant information, such as the Local Government Benchmarking Framework.

In terms of the Annual Performance Report this includes information on the Key Performance Indicators. The KPI performance against 2023/24 target includes 15 areas where the target has been met or exceeded and 15 areas where the target has not been met. Further information is available at [PK Performs](#).

For 2023/24 a selection of performance outcomes are set out in the following table:

Tackling Poverty
<ul style="list-style-type: none"> • The Anti-Poverty Task force is developing a tackling poverty strategy to shift the focus from reactive to preventative work. • We have developed a programme of six interconnected projects that together have attracted over £1 million of funding from Scottish Government and external funders. • These are being taken forward in partnership with Citizens Advice Bureau, and various Council teams and comprise of: social needs screening, support and connect, building resilient families and communities, Cash First Partnership, Money Talk plus and the Universal Whole Family Wellbeing service. • We generated £8.5 million in additional income for Perth and Kinross residents through the benefits system; this is a 31% increase on last financial year when we generated £6.5m in benefit gains. We received 8,022 referrals, an increase of 7% compared to the previous year. Clients are surveyed on an ongoing basis, 95% people surveyed had no problems accessing the service and 96% felt the service was delivered in a way that suited their needs. Further details can be accessed via the Welfare Rights Annual Report 2023/24 www.pkc.gov.uk/wrannualreport. • We supported 566 tenants with assistance from our Tenancy Sustainment Fund (TSF) to either clear arrears balances or match their arrears payments to reduce financial hardship and sustain their tenancy. • Futures For Families is joint funded by Perth and Kinross Council and the Scottish Government in the effort to tackle child poverty. Due to delays in the Scottish Government awarding funds, the project only achieved full scale delivery from quarter 3 in 2023/24. Despite the late implementation the following outcomes were achieved: <ul style="list-style-type: none"> ○ 181 families were supported, 53 of these families have been issued/approved for digital devices in 2023/24.

- We provided **£178,000** of Elev8 Training Grants to support clients into new/better employment.
- We issued **£11,000** worth of payments to private childcare providers on behalf of clients entering employment to support the transition period into work.
- Issued **48 payments** for client travel to training and **36 clothing vouchers** to clients for essential workwear and interview attire.
- To support employers and promote the Real Living Wage our Rural Employment Incentive helped to create **25 new rural jobs** for rural young people in 2023/24. These roles create vital new positions in smaller communities and enhance the chances of sustained jobs remaining after the funding period. A re-design and securing of further funding led to an enhanced offer to businesses in 2024/25 with up to 70 newly created jobs for clients with employment barriers.

Tackling climate change and supporting sustainable places

- The Broxden – Low Carbon Transport Hub project opened and provides sustainable Electric Vehicle charging hubs that will reduce carbon emissions and energy costs for the council.
- Perth and Kinross Local Heat and Energy Efficiency Strategy 2024-2045 and Delivery Plan and Perth and Kinross Local Area Energy Plan were developed and approved. Both provide the direction of travel towards Net Zero by 2045.
- We secured **£150,000** of Innovate UK Pathfinder Places funding. The Pathfinder project focus is on reducing non-technical barriers for rural and deprived communities to engage in climate change action particularly energy efficiency and transport.
- At the Climate Change and Sustainability Committee (February 2024) Elected Members agreed to trial the use of Hydrotreated Vegetable Oil (HVO) in 6 of our refuse collection vehicles (RCVs) aimed at reducing the amount of Co2 emitted by up to 90%. The trial started on 6 May 2024 and was concluded in August, it is anticipated that the entire RCV fleet will be switched to using HVO permanently. The aim is to save approximately **700 tonnes** of Co2 for the Council each financial year.
- Following the securing of **£2.72 million** of capital investment from the Recycling Improvement Fund the new Scottish Charter for Household Recycling compliant '4th' (grey) bin service was rolled out in 2023/24. **73,000 households** now have a more equitable service and can dispose of additional waste streams at the kerbside. For the first five months of the roll out, the contamination rate for both bins (grey and blue) was 13.1% compared to 18.7% in the previous year. The 'twin stream' roll out secured an Association Public Service Excellence Bronze award in the Waste and Recycling category.
- One of the key challenges during 2023/24 was the severe weather which struck Perth and Kinross in October 2023. A full review of the Perth Flood Scheme Gate Closure Procedure was carried out in partnership with the Scottish Environmental Protection Agency including feedback from residents. Findings and improvement actions were reported to the Scrutiny and Performance Committee in November 2023 and January 2024, with a further update on progress in April this year.
- We continue to progress the development of flood schemes (at Comrie, South Kinross, and Milnathort) to improve the resilience of flood sensitive communities. At the Climate Change Sustainability Committee (November 2023) Elected Members agreed on the design for a **£15.3 million** flood scheme for Kinross. The project aims to protect approximately **194 homes** and businesses in the area.
- We planted 2,512 trees on Council owned or managed open spaces and supported **118 volunteer groups** to undertake over **40,000 hours** actively managing, developing and maintaining community greenspaces.

Developing a resilient, stronger and greener local economy

- We supported Binn Group to create a **£100 million** Energy from Waste (EfW) Plant at Binn Eco-Park joining forces with Paprec, the French-based leader in recycling and green energies. 60% of the civil works are being managed by locally based companies or branches and along with the **200 jobs** created for its construction phase, the new EfW will also generate **30 long-term skilled posts** once the facility is operational in early 2026.
- We have attracted **£100,000** from the Scottish Government to develop heat networks at scale and explore options for the development of a Strategic Energy Partnership. The Heat Networks (Scotland) Act 2021 places a duty on local authorities to carry out a review of potential areas for heat networks as part of their Local Heat and Energy Efficiency Strategy.
- **231 business start-ups** were supported by Business Gateway; this is a reduction compared to 2022/23 figure of 250 but remains at the same level of other Tayside local authorities. Additionally, we provide funding to Growbiz to support start-up micro enterprises/self-employed individuals and social enterprises in rural Perth and Kinross. Support is also provided for enterprising culture in young people and in rural communities.

- Phase 2 of the Cross Tay Link Road (Destiny Bridge) project is continuing to progress well and is on programme for completion in Spring 2025. A key part of the project has been the delivery of a number of benefits relating to local spend and employment during construction. Design work has started on Phase 3 (Bertha Park Link) with completion of specimen design in October 2024.
- We invested **£80,000** in improvements at Broxden Park + Ride site for the increasing intercity network which includes electric bus services. This included bus/coach and passenger accessibility improvements along with provision of two additional bus/coach bays.
- Perth Museum opened its doors on 30 March 2024, the **£27 million** redevelopment project included £10 million funding through the Tay Cities Region deal. The museum is managed in a partnership between Perth and Kinross Council and Culture Perth and Kinross and created just under 30 new jobs. Since opening, the museum has already welcomed more than 50,000 visitors and was recently awarded five stars by Visit Scotland.
- **40 clients** were supported through our Skills Passport project (funded by the UK Shared Prosperity Fund), 32 unemployed individuals were supported and received funding for training, and 8 individuals were supported into self-employment. 9 people are now in employment; however, several applicants are still in the training phase who will hopefully gain employment thereafter.

Enabling our children and young people to achieve their full potential

- **Educational attainment** across all sectors is strong with a steady upward trend in attainment of Curriculum for Excellence levels across P1-S3, with increases of between 5% and 7% in Literacy and Numeracy in the last 5 years. Senior phase attainment is also showing positive trends, with increases of 4% to 5% in school leavers attaining at Scottish Credit and Qualifications Framework Levels 5 and 6, and also increases in the proportion of young people participating in education, employment or training over the last 5 years (COVID years excepted).
- Inspection results for services across the day care, early learning childcare and primary sectors remain strong, consistently above national results and comparator authorities. Inspection outcomes in secondary schools have not met the local expectations of good or better. The focus for improvement in this sector is around Leadership of Change and improving Learning and Teaching. Effective use of Scottish Attainment Challenge funding, including the Pupil Equity Fund, is helping to close the poverty-related attainment gap with notable progress being made in reducing the gap in senior phase attainment. Secondary attendance remains challenging and an area of particular focus.
- Outcomes for our care-experienced children and young people are improving with increased levels of attainment in literacy and numeracy as well as a significant increase in the percentage of young people entering a positive destination on leaving school. However, outcomes for care-experienced young people remain lower than their peers.
- Our Corporate Parenting Plan supports Looked After Children to achieve their full potential. The Plan notes progress in all areas in respect to health, wellbeing and education. It is monitored by the Corporate Parenting sub- group that reports to the Children, Young People and Families Partnership. We recognise the importance of keeping children in family placements and work hard to support children in residential placements to return to their communities when it is safe to do so.

Protecting and caring for our most vulnerable people

- The number of referrals to the Child Protection Duty Team have been increasing each year, however all referrals that are received are triaged immediately or within 24 hours. Situations flagged as being a significant child protection concern receive an immediate response to safeguarding the child or young person's wellbeing.
- The Council's Lets and Ukraine Landlord Offer project was the winner in the 'Excellence in the Private Rented Sector' category at the Chartered Institute of Housing Scotland Awards (October 2023). The award recognised the work by the Housing service for their work in resettling people fleeing the war in Ukraine.
- We have seen a further increase in homelessness presentations of around 15% in 2023/24 as the gap between housing supply and demand continues to grow. This has required an adjustment to our approach to allocations with 56% of vacancies being allocated to homeless applicants in 2023/24 compared to 45% in 2022/23.
- The replacement of 20 chalets on Double Dykes Gypsy Traveller site progressed with the appointment of a contractor to carry out the work. **£4 million** of funding secured by the Council will be used to replace all of the chalets with brand new energy-efficient accommodation. The project is being carried out with full consultation and engagement with all residents to discuss individual requirements for the chalets.
- A number of tests of change commenced/continued during 2023/24 including Complex Need Co-ordination (making support available to people following arrest, on remand); and Co-ordination of the voluntary throughcare offer for people being released from short-term prison sentences (including improving GP registration process and access to sustainable housing on release).

- The Perth and Kinross Community Justice and Safety Partnership launched a new Community Justice Outcome Improvement Plan in June 2023 and provides the Partnership with a direction of travel in line with The Vision for Justice 2022 and National Strategy for Community Justice.

Supporting and promoting physical and mental wellbeing

- In 2023/24 over **£1.1 million** was spent on projects to improve the infrastructure for walking and cycling in Perth and Kinross. The projects provided improvements and new infrastructure including shared-use footpaths, cycle parking provision and shared use links to assist and encourage pedestrians and cyclists in local communities to use more active forms of travel.
- In the latest Sustrans Walking and Cycling Index (March 2024), for Perth it noted that everyday walking, cycling and wheeling takes up to 13,000 cars off the road, making an annual saving of 2,100 tonnes of greenhouse gas emissions in the city. The number of journeys cycled has grown since 2021. As well as positive detail within the Index, it also highlighted areas for improvement that we are looking to address such as increasing numbers of School Exclusion Zones.
- A new outdoor early learning childcare project opened its gates in Perth to local nursery children. The Westbank Outdoor project supports children from nursery settings to access nature without barriers and allow for outdoor play experiences that are known to have a direct and positive impact on children's mental and physical health.
- We improved 10 parks and play areas in Auchterarder, Blair Atholl, Perth, Crieff, Dunning, Milnathort and Stanley to encourage healthy outdoor physical activity for all abilities.
- We established a Cycle Hub at Balhousie School from where it runs many cycle training events for a wide variety of users – including adults and children's bike loan, e-bike testers and loans, all-accessibility bikes, e-cargo bike loans, women only led rides etc.

Working in partnership with communities

- Pilot locality working projects are well underway in Highland Perthshire, Letham and Coupar Angus, with further rollout to Perth City and Crieff planned. In Highland Perthshire the multi-disciplinary team has been developed and a steering group formed, community engagement is taking place all supported by the Improvement Service.
- The new Letham Hub is central to the work in Letham where a multi-disciplinary operating model is being developed between Council services and partners. In Coupar Angus work continues to address the issues raised in the community action plan commissioned by the Community Planning Partnership.
- **104 groups** received Community Investment Funding to deliver projects towards local priorities in their communities; this was an increase of 24 compared to the previous year. The increase was due to a greater awareness of the fund amongst community groups and increased engagement with groups interested in applying.
- **258 groups** were supported to improve their capacity to work within their local communities to deliver a variety of projects and interventions. For example, we supported small community groups within Strathearn and Strathallan to expand their offer to a wider area and create new provision for community members to access; recent examples include the Safear Group and the Neurodiversity Group both originally started in Crieff and are now starting to offer groups in Auchterarder.
- The recently adopted Local Housing Strategy 2022-27 (March 2023) target is to deliver 1,050 affordable homes with an Urban (53%) / Rural (47%) split to ensure representative distribution. In financial year 2023/24, there were **173 new affordable homes** completed by the Council and our Registered Social Landlord partnerships with an urban/rural split of 62 new urban affordable homes (36%) and 111 new rural affordable homes (64%).
- We completed a number of flood studies in local communities (including Craigie Burn, South Kinross, Dunkeld and Perth) to understand the risk of flooding, engage the community to disseminate the study findings, and raise awareness of other actions such as community flood resilience.
- We formed a Public Social Partnership with Glenfarg Community Transport Group (GCTG). As from 3 April 2023 GCTG have been delivering a local bus service and school transport contract with funding and support from the Council.

For information about the Health and Social Care Partnership, please see the Perth and Kinross Integration Joint Board Annual Accounts 2023/24 which are available at [Perth and Kinross Integration Joint Board](#).

6. Financial Performance

Financial performance is part of the Council's performance management culture with regular reporting during 2023/24 to elected members at the Finance and Resources Committee as well as regular briefings. This section summarises the main elements for 2023/24.

The Expenditure and Funding Analysis brings local authority performance reporting based on 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 based on how they are structured and how they operate, monitor and manage financial performance.

The 2023 Code requires that Councils present the segmental analysis based on 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. There are no prior year adjustments to report.

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 2023/24

In 2023/24 the Council incurred actual net expenditure on Services of **£491.476 million** (which is the Cost of Services disclosed in the Comprehensive Income and Expenditure Statement on page 25). 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 **£51.293 million**.

The Expenditure and Funding Analysis information on pages 43 and 44 sets out adjustments between the net Deficit on the Provision of Services of **£51.293 million**, included in the Comprehensive Income and Expenditure Statement, and the net expenditure charged to the General Fund and HRA in the table below of **£15.492million**. The adjustments of **£35.801 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 deficit 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 **£19.079 million** which is explained in further detail.

	Updated Budget Per Revenue Monitoring Report No.4 £ '000	Virements £ '000	Capital Accounting Adjustments £ '000	Revised Budget £ '000	Net Expend. Charged to the General Fund and HRA Balances per Expend. and Funding Analysis £ '000	Variance £ '000
COUNCIL SERVICES						
Education and Children's Services	240,539	(16,807)	(14,851)	208,881	200,653	(8,228)
Health and Social Care	87,975	124	0	88,099	87,613	(486)
Communities	81,323	143	(4,093)	77,373	66,825	(10,548)
Chief Executive's Service	4,810	(67)	0	4,743	4,569	(174)
Corporate and Democratic Services	40,978	(1,952)	(2,232)	36,794	36,229	(565)
Housing Revenue Account	0	(6,985)	0	(6,985)	(6,985)	0
Valuation Joint Board	1,309	0	0	1,309	1,436	127
Non Distributed Costs	1,655	0	0	1,655	1,757	102
NET COST OF SERVICES	458,589	(25,544)	(21,176)	411,869	392,097	(19,772)
Taxation and Non-Specific Grant	(431,567)	19,217		(412,350)	(411,619)	731
Finance / Investment / Other	7,270	7,316	21,176	35,762	35,014	(748)
Use of (Increase) of General Fund per CIES	34,292	989	0	35,281	15,492	(19,789)
Contributions to/(from) other Reserves	5,365	(989)	0	4,376	5,086	710
Use of (Increase) of General Fund Balances	39,657	0	0	39,657	20,578	(19,079)

The actual contribution from the General Fund was **£20.578 million**. This is **£19.079 million** less than planned and is made up of additional income and service under spends and is comparable with the revenue monitoring positions that have been presented regularly to the Finance and Resources Committee throughout the financial year. The following section provides a summary of the significant variances.

Education and Children's Services delivered net under spends / additional income of **£8.2 million**. The main reasons for this are:-

- In respect of the **Devolved School Management (DSM)** Scheme there was a net under spend / additional income (**£501,000**) reflecting savings on staff costs and additional income which was partially offset by additional expenditure on supplies and services (educational materials) and property costs. These resources will be carried forward by schools into 2024/25.
- In terms of non-DSM budgets there were further budget variances / additional income as follows:
 - Across non-devolved **Education Services** there was a net under spend / additional income of **£3.1 million** which was generated within the following sectors.
 - Across the **Nursery** sector there was a net under spend of **£1.6 million** due in the main to staff slippage in excess of budgeted levels.
 - In the **Primary** sector, there was a net over spend of **£300,000** due, in the main, to staff slippage in targets not being achieved.
 - Within the **Secondary** sector there was a net under spend of **£600,000** due to savings within staff costs and other operational budgets.
 - Across the **Special** sector there was a net under spend / additional income of **£1.2 million**. Staff slippage in excess of budgeted levels, third party payments and additional income were the main factors contributing to the final outturn.
 - Within **Services for Children, Young People and Families** there was a net under spend of **£400,000**. The main reasons for this was staff slippage in excess of budget and additional grant income.
 - Across the **Grants** sector, the Council received **£2.1 million** which will be carried forward in earmarked Reserves to support activity in future years.
 - In **Catering Services** there was a net under spend / increased income of **£1.6 million** due to reduced costs and higher uptake of school meals.
 - Across the remainder of the Service there were net under spends / additional income of **£500,000**.

Communities delivered a net under spend / additional income of **£10.5 million**, which is made up of variances across the Service as follows:

- The main reason for this variance was the receipt of **grant funding** during 2023/24 across the Service. The terms of individual grants mean that **£8 million** of funding was received to take forward initiatives in future financial years. This income will be carried forward in earmarked Reserves.
- Across the Service, the budgeted **staff slippage** target was exceeded by **£1.4 million**.
- In relation to **income**, the Service generated **£1 million** more than budgeted targets. This included planning and building warrant fees, commercial rent and income from the sale of recyclates.
- Across the remainder of the Service there was a net under spend of **£100,000**. This net position included the Council's contribution towards the costs of severe weather throughout 2023/24 and the receipt of funding from the Scottish Government in relation to the Bellwin Scheme.

General Fund and Housing Revenue Account Balances increased by **£13.683 million** to **£86.053 million** in line with the budget adjustments approved throughout the year by Council and the Finance and Resources Committee as well as recognising the implications of final outturns and the implementation of the Service Concession Scheme. When the Housing Revenue Account Balance of **£2.260 million** and the earmarked Reserves of **£65.083 million** that are set out on page 46 are excluded this leaves an uncommitted General Fund Balance of **£18.711 million** or **4%** of the net 2024/25 Revenue Budget.

b) Composite Capital Budget and Housing Revenue Account Investment Programme 2023/24

A summary of the Council's capital expenditure in 2023/24 is reflected within Note 35 to the Core Financial Statements on page 72. Total gross capital expenditure was **£167.690 million**, comprising **£23.110 million** on the Council's Housing Revenue Account (HRA) and **£144.580 million** on the Council's Composite (General Fund) Programme. Several significant projects are currently on-site and have made good progress during 2023/24. The Council's gross expenditure includes:

- **£47.381 million** on various school upgrade projects, including the replacement of Perth High School and North Muirton/Balhousesie Primary Schools (Riverside Primary School), Blairgowrie Recreation Centre, Perth Academy refurbishments and the Early Learning and Childcare programme.
- **£72.759 million** on roads and transport projects, primarily the construction of the Perth Transport Futures project which accounts for £54.3 million of this total. The balance includes structural maintenance, road safety measures, and bridges.

- **£4.017 million** on cultural attractions (Perth Museum and Perth Art Gallery) and community projects (Letham Wellbeing Hub). The new Perth Museum was completed and opened to the public in March 2024.
- **£20.423 million** on other works, including flood schemes (£1.671 million); property, infrastructure and IT upgrades (£10.196 million); and waste initiatives (£2.429 million). The balance of £6.127 million relates to expenditure on various, community greenspace, planning and place-making projects, vehicles and other miscellaneous works.
- **£23.110 million** on the HRA including affordable housing new builds and buy backs (£10.133 million), triple glazing window upgrades (£5.218 million), kitchen and bathroom upgrades (£2.215 million) and environmental improvements (£1.022 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 2024 was **£816.351 million**. Actual capital debt was **£743.240 million**, comprising external borrowing of **£628.200 million** and a Public Private Partnership (PPP) liability of **£115.040 million**. The ratio of borrowing to the CFR for 2023/24 has reduced to **91.0%** (2022/23 106.7%). During the year the CFR increased by **£137.317 million**, reflecting the capital expenditure above, less capital receipts, grants and contributions and principal loan repayments. The CFR increase included the **£34.262 million** as a result of applying the service concession flexibility scheme that was approved by Council in February 2023. The ratio to borrowing reduced as a consequence of only a small amount of new borrowing being undertaken in the year and the service concession adjustment.

The Council applied the revised accounting guidance for the treatment of service concession arrangements which has the impact of spreading the cost of the principal repayments across the life of the asset, generating both a **£31 million** retrospective benefit and a **£3 million** recurring benefit over the medium term.

c) General Fund Reserves

As at 31 March 2024 the Council had uncommitted General Fund balances of **£18.711 million** which represented **4%** of the Council's 2024/25 Revenue Budget approved in April 2024. Council policy, as set out in the Reserves Strategy approved by Council on 28 February 2024, 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 and 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 24 and page 68 of the Financial Statements, along with information on future commitments.

The Reserves position is summarised as follows:

	£m		£m
General Fund	(83.794)	Revaluation Reserve	(425.931)
Housing Revenue Account	(2.260)	Capital Adjustments Account	(338.099)
Capital Fund	(31.026)	Financial Instruments Adjustment Account	16.358
Insurance Fund	(1.709)	Pensions Reserve	20.748
Capital Receipts Reserve	(2.102)	Employee Statutory Adjustment Account	8.186
Capital Grants Unapplied	(0.087)		
TOTAL USABLE RESERVES	(120.978)	TOTAL UNUSABLE RESERVES	(718.738)
		TOTAL RESERVES	(839.716)

The Balance Sheet

The Balance Sheet on page 26 summarises the Council's assets and liabilities as at 31 March 2024 and explanatory notes are provided from page 29. Total net assets have decreased by **£27.486 million** to **£839.716 million**. Long Term Assets increased by **£89.653 million**, current assets reduced by **£104.340 million**, current liabilities increased by **£4.164 million** and long-term liabilities increased by **£8.635 million**. The major changes in the Council's Balance Sheet between 31 March 2023 and 31 March 2024 are explained in more detail in the following paragraphs.

Long Term Assets

The value of long term assets increased by **£89.653 million** due to the continuation of the major capital investment being undertaken by the Council described above.

Current Assets

The level of Short-Term Investments reduced by **£118.779 million** with an increase of **£13.520 million** in the level of Cash or Cash Equivalents. This was the result of limited new long-term borrowing being undertaken in 2023/24 to fund the capital programme, with existing balances being utilised in the first instance. The increase in cash and cash equivalents follows an increase in short-term deposits in line with cash flow requirements.

Current Liabilities

Short Term Borrowing increased by **£7.284 million** as a result of increased PWLB borrowing falling due within 12 months of the balance sheet date compared to last year. Short Term Creditors decreased by **£4.493 million** primarily due to lower amounts payable to Scottish Government, Central Government, Other Local Authorities, NHS Bodies and Other Entities; this is slightly offset by a reduction in the amount payable to Trade Creditors.

Long Term Liabilities

Long-Term Liabilities increased by **£8.635 million** due an increase in Long Term Borrowing of **£16.979 million** resulting from new PWLB borrowing throughout the year, offset by existing PWLB debt with a maturity date within the next 12 months moving into short term debt. The overall increase in Long Term Borrowing is also offset by a reduction in the liability for public private partnerships of **£6.426 million** in line with the remaining contract.

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. The position at 31 March 2024 indicates a net liability of **£20.748 million** compared to a liability of **£20.917 million** on 31 March 2023 due to changes in assumptions. This liability is based on a snapshot valuation at 31 March 2024 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 2023. Employer's contributions were 17% of pensionable pay to 31 March 2024, reducing to 15.7% from 1 April 2024. 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 68.

There were a number of write-offs of debt and stock during the year which were approved by the Finance and Resources Committee on 12 June 2024 – 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	2023/24	2022/23	PURPOSE
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	4.0%	4.0%	Reflects the level of funding available to manage financial risk / unplanned expenditure.
Movement in the Uncommitted General Fund Balance	£0.541m	£1.592m	Reflects the extent to which the Council has increased its Uncommitted General Fund Reserve.
Council Tax – In Year Collection Rate	97.5%	98.4%	Demonstrates the Council's effectiveness in collecting council tax debt.
Ratio of Council Tax Income to Overall Level of Funding	21.0%	21.0%	This reflects the Council's capacity to vary expenditure by raising Council Tax Income.
Capital Financing Requirement	£816.351m	£679.034m	Measurement of requirement to borrow for capital purposes.
External Debt Levels	£743.240m	£724.527m	Actual borrowing for capital investment purposes.
Capital Financing Requirement Ratio	91.0%	106.7%	Measurement of prudence in relation to borrowing levels – borrowing only to invest in capital.
Ratio of Financing Costs to Net Revenue Stream	4.1%	4.7%	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 how 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 Chief Finance Officer 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.

7. Financial Outlook, Risks and Plans for the Future

The local government landscape has never been more complex or challenging. Our communities continue to experience challenges in relation to the cost of living resulting in increased levels of poverty, we continue to see 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. Furthermore, the strategic risk register highlights significant challenges around failing to protect children and vulnerable adults from harm and mitigating or reducing the impact of climate change across Perth and Kinross.

At the same time, the Council continues to experience 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.

Like all councils, the pandemic had an impact on the needs of its citizens and the current cost of living challenges have only added to the increasingly complex challenges the Council faces. The medium to long term implications of Covid-19 remain uncertain, the continuing war in Ukraine, increases in costs and the ongoing cost of living challenge are all placing significant pressure on the workforce and the budget we have available to deliver services to communities.

This means the Council is facing the most testing organisational pressures and financial circumstances it has ever experienced. To make best use of available resources, the Council will need to make decisions on what it will stop doing, do less of, do more efficiently or do differently through redesign and working as collaboratively as possible with partners and communities.

As the Council faces these challenges, there are several key drivers which require it to transform its services and the way it works with partners and communities to deliver improved outcomes. These include:

- new and emerging priorities – social, economic and climate – that require the Council to review what, how and where it delivers services to meet these challenges.
- a growing ageing population and increasing complexity of need and demand for services.

Through transforming how the Council works, driving efficiencies and reviewing service delivery, it will help address these challenges and respond to these drivers. The purpose of bringing together the Council's budget and change plans is to make greater links between how it allocates its resources and mitigates the impact of budget cuts whilst continuing to make best use of available resources to meet its priorities.

The Council's policy framework provides parameters as to how it will make difficult decisions to deliver its agreed priorities by taking an evidence-based approach and placing a focus on need, not simply demand.

The new [Corporate Plan 2022-28](#) approved in December 2022 sets out a vision for **“a Perth and Kinross where everyone can live life well, free from poverty and inequality”**.

The seven key priorities included in the plan show how the Council will address the challenges it faces and focus its work where it is needed most to support the delivery of that vision.

In recognition of the challenges the Council faces and to ensure that it continues to deliver on its priorities, a [Financial Strategy](#) was approved in June 2022.

The Financial Strategy is the link between the Council's long-term priorities and its financial capacity. Its aim is to build resilience and ensure that the Council has an affordable and sustainable Medium Term Financial Plan, which directs its resources to where they are most needed in line with Council agreed priorities and strategic outcomes. The Financial Strategy included a set of principles that assist in decision making.

The budgetary strategy was further updated on October 2023 when the Council approved the [Medium Term Financial Plan \(MTFP\)](#) which included agreement to set Revenue Budgets for 2024/25, 2025/26 and 2026/27. The update of the MTFP considered future funding levels, increasing costs and rising need / demand over the short to medium term, insofar as they may impact on Perth and Kinross Council.

The MTFP places the development of budgetary strategy in the context of delivering the Council's key outcomes and considers the financial and process risks considered in the management of the Council's finances. The MTFP is designed to inform the direction of travel of the Council for financial planning purposes. As detailed budget proposals are developed, the broad assumptions included within the MTFP are superseded by more detailed analysis of individual cost pressures and the identification of budget reduction options. The refinement of these assumptions is included in the final 2024/25 Revenue Budget and 2025/26 and 2026/27 Provisional Revenue Budgets. The 2024/25 Final Revenue Budget includes the continued use of the Service Concession Scheme ([Local Government Finance Circular 10/2022 - Finance Leases and Service Concession Arrangements: Statutory Guidance](#) refers) which will impact on the future financial management of the Council.

The final [Housing Revenue Account Revenue Budget for 2024/25 and Five Year Capital Investment Programme and Rent Strategy to 2028/29](#) were approved by the Housing and Social Wellbeing Committee on 24 January 2024 (Report No. 24/24 refers). The Committee approved the recommendation of an average weekly rent increase for 2024/25 of 6% or £4.51 per week in accordance with the requirements of the Council's approved Housing Business Plan including supporting investment in new council housing.

In June 2022, Council also agreed a five-year [Transformation and Change Strategy](#). This recognised that the shape and structure of the organisation, as well as the way it operates, needs to change.

Transformation alone will not address the funding issues; budget cuts and service reductions will be required. Some transformation will reduce over spends, mitigate costs, or enable a shift of expenditure to new and emerging priorities.

The Transformation and Change Strategy recognises that due to the size and complexity of the organisation a range of approaches to change will be required:

- transforming our customer's experience
- transforming the shape and structure of our organisation
- transforming our systems and processes
- transforming our spending and response to demand

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.

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.

Capital

The Council approved a revised six-year Composite Capital Budget for 2024/25 – 2029/30 on 28 February 2024. The Housing and Social Wellbeing Committee approved the Housing Revenue Account (HRA) Capital Budget for 2024/25 – 2028/29 on 24 January 2024. Both these Capital plans were subsequently updated by the Finance and Resources Committee on 24 April 2024.

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, which is anticipated to be completed in Spring 2025. Significant investment in improvements to existing infrastructure is also included within the Capital Budget, including the replacement of Blairgowrie Recreation Centre, as well as ongoing works within annual rolling programmes and road network improvements. Also included is the replacement of Perth High School. There are also various school refurbishments under the Early Learning and 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 schemes, the development of Perth City Centre cultural attractions, economic development and planning initiatives, parks and public space improvements, waste reduction and recycling and property improvements.

The HRA Investment Programme 2024/25 to 2028/29 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 **£1.274 billion** in 2029/30 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.

More detailed narrative on the Council's capital investment plans, treasury management (borrowing and investments), prudential indicators and loans fund liabilities can be found in the [Council's Treasury and Investment Strategy and Prudential Indicators 2024/25 to 2029/30](#) report presented to Council on 6 March 2024.

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 and 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. During 2023/24, there has been continued focus on developing our online risk management system, PK Performs, and supporting Strategic Leads and Officers from across the Council to understand and utilise this effectively. A range of tools have been developed and launched to support the roll out and enhance staff understanding of the M_O_R[®]^[1] risk management process and introduce PK Performs. Risk trained officers have also worked with Risk Owners, and the Strategic Leadership Team (SLT) to review their current risks both strategically and operationally. This has taken the form of one-to-one support and an SLT workshop. The Policy and Governance Group have also carried out a critical review of the strategic risk register and have assessed the system of internal control for risk management as part of the assurance process for the Annual Governance Statement.

The focus for 2024/25 will be the ongoing roll out of PK Performs at the various levels required, including the transformation programme and Health and Social Care Partnership. We will also be looking at our approach of risk champions across the organisation to support our training capacity and will implement a targeted programme of training. Further workshops are planned with Strategic Leads and the SLT to look at the overall challenges and opportunities facing the Council, and the impact of any new emerging risks. Scoring and benchmarking of all existing risks will also be challenged collectively to ensure a robust approach is taken across the organisation and is reflective of national policy.

^[1] M_O_R[®] is an industry standard methodology for Management of Risk which helps an organisation identify, assess, and control risk at the strategic, programme, project and operational levels.

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 Council is on a journey of transformation and change, reshaping our organisation to ensure that we are prepared to deliver the best public services we can for the people of Perth and Kinross, focused on need and within available resources. Our workforce is fundamental to the achievement of this goal. We recognise the importance of creating an environment which allows the people in our teams to be their best. We have a clear vision, aims and aspiration for our workforce and bringing our people on that journey is essential part of ensuring that our culture and ethos to be future-ready to deliver public services remains pivotal.

The Corporate Plan 2022/23 – 2027/28 sets out the key priorities and vision for the council, including how we will approach the delivery of services. Our Transformation and Change Strategy recognises that to achieve the ambitions of the Council we need to transform our organisation including its size and shape. Our Financial Strategy recognises the unprecedented budget challenges and need for responsible decision-making given the context in which we work. We have developed a new People and Culture strategy for 2024-2028 which builds upon the foundation laid by these previous decisions to provide the enabler for our continued journey to reshape our organisation and to ensure that we can deliver the best public services we can. We continue to focus our efforts on what makes change a success – our people – and have created learning and engagement opportunities to support our ambition of growth and change. Our People and Culture Strategy is based around our values of Ambition, Compassion and Integrity to ensure that it delivers direction on not only what we need to do but also why, where and how we should be delivering now and in the future. We are committed to the delivery of a sustainable approach to workforce development, and a flexible and agile workforce with the right skills, values and attitudes to meet the needs of our communities now and into the future. A focus on workplace culture, performance, boosting productivity, encouraging innovation and creativity, embracing agility, digital technology and promoting wellbeing, reward, recognition and resilience are key. These commitments will enable the Council 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.

The Council is a diverse local authority, supporting both local rural and urban areas. We are committed to enhancing the quality of life, not just for the people we serve, but also for the people who make our achievements possible, our dedicated and driven employees. We are operating within the context of changing demands for our services, financial pressures, an ageing population and need for a range of highly specialist skills and services required for delivery. Strong workforce planning, multi-disciplinary teams, integrated working, locality-based decision-making, sound governance and effective measures to monitor our progress to deliver our ambition is in place.

We have implemented our executive leadership team, leadership competency framework and our new performance framework to focus our contributions against Corporate Priorities. This new operating model will ensure that we work together to focus on positive outcomes for those we serve, implementing new ways of working, optimising existing and new technology and working collaboratively with partners, Arm's Length External Organisations and other local authorities.

We continue to demonstrate the importance of inclusion by being a role model for initiatives such as Living Wage, Carer Positive, Disability Confident, Young Person's Guarantee and the Armed Forces Covenant. These reflect the commitment we make as an employer to support the different groups within our workforce and our communities. Development and talent management will also enable us to provide versatile people solutions to support the future strategic direction of the organisation. We also 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 review and refresh the wide range of health and wellbeing initiatives and support we offer to our workforce. The Council is proud to be a Fair Work employer and continues to apply Fair Work principles, consulting and engaging 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 People and Culture Strategy. This will ensure we continue to have the right skills in the right place when we need them and will contribute to working together to ensure everyone can live life well.

8. Supplementary Information

a) Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom requires the Council to produce group financial statements where it has an interest in entities that meet the definition of a 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 99. Horsecross Arts Limited now operates under its new brand of Perth Theatre and Concert Hall Ltd.

The Council has an interest in six organisations (detailed on page 99) 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 2023/24 Group Accounts Statements are included on pages 94 to 98. The basis for consolidation is set out in the Notes to the Group Accounts Statements on pages 99 to 101. The effect of consolidation is to increase the Council's net assets by **£35.017 million** resulting in a Group Balance Sheet showing net assets of **£874.733 million** at 31 March 2024 as set out on page 96.

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 **£112,000** which, when applied to the surplus brought forward, results in an accumulated revenue surplus as at 31 March 2024 of **£2.370 million**.

Details of income and expenditure accounts and balance sheets can be found on pages 92 and 93 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 91 of these Annual Accounts. Overall, the Trust Funds recorded an in-year surplus of **£262,000** which, when applied to the surplus brought forward, results in an accumulated surplus as at 31 March 2024 of **£3.723 million**.

Perth and Kinross Council's Trust Funds, for which the Council is the sole trustee, also have to prepare their own Trustees' Annual Report and 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 2023/24 the Council paid **£3.027 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 2023/24 the Council paid **£21.6 million** to the contractor under the terms of the contract. In addition, the Council paid **£3.260 million** in relation to Bertha Park High School in 2023/24.

During 2023/24, the Council applied the revised accounting guidance for the treatment of Service Concession arrangements which has the impact of spreading the cost of the principal repayments across the life of the asset, generating both a retrospective benefit and annual benefit in the immediate term. The total unitary charge remains payable to the contractor, however, the Service Concession flexibility permits the Council to account for the cost of the repayment element of the unitary charge over the 50 year life of the asset rather than the 25 / 30 year contract life. Note 36 Public Finance Initiatives and Similar Contracts provides further detail.

9. Conclusion

The Council has continued to demonstrate sound financial management in 2023/24 by delivering services during challenging times 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. The Council is also facing significant inflationary pressures. These pressures have been reflected in budgets and the medium financial plan.

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.

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 and the wider Group for their continuing support.

Thomas Glen
Chief Executive
Perth and Kinross Council

Councillor Grant Laing
Leader of the Council
Perth and Kinross Council

Scott Walker
Chief Finance Officer
Perth and Kinross Council

Annual Governance Statement

1 Purpose

- 1.1 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)
- Perth Theatre and Concert Hall Limited (subsidiary)
- Culture Perth and Kinross Limited (subsidiary)
- Tayside Valuation Joint Board (associate)
- Tayside Contracts (associate)
- Perth and 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 and Values
- Vision, Direction and Purpose
- Stakeholder Engagement
- Organisational Development
- Effective Decision Making
- Internal Controls
- Scrutiny and 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 and Gifts and 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 In 2022/23, officers and elected members engaged with our communities and worked together in partnership to develop a new Corporate Plan which reflects the strategic priorities of the Council. The more detailed delivery plan has been developed within 2023/24 to ensure that we deliver on those objectives and continue to provide high quality operational services.
- 4.4 Strategic, operational and political leadership is an integral element of effective governance. Following the extensive induction/refresher programme of training that was put in place for elected members following the Election, a long-term programme of personal development is being implemented. Similarly, an extensive leadership development programme is in place for officers, with a new leadership competency framework being implemented to enhance capacity and effectiveness, not only in senior leadership roles but across all levels of the organisation.
- 4.5 A review of the operational leadership structure, at the most senior level, concluded within the year, to ensure that it is fit for purpose and better aligned to deliver on the strategic objectives and key priorities of the Council. Transition arrangements were established to the new strategic leadership model. Whilst the structure has been designed to support a new way of working, an unavoidable consequence has been the loss of skilled and experienced officers at a senior level, the resultant risk requiring to be managed as part of that process. At the same time a number of key and experienced officers at service manager and team leader level have also left the organisation either through retirement or to take up other opportunities elsewhere, which exacerbates that risk. This will be managed through the ongoing programme of leadership redesign and development.
- 4.6 Leadership within the organisation is effective with good communication between elected members and senior management through Leaders' meetings, Convenors 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.
- 4.7 Our [Local Outcomes Improvement Plan](#) and [Corporate Plan](#) set out our vision and purpose and have been subject to consultation and approval. The Financial Strategy and approved Medium Term Financial Plan and Revenue and Capital budgets prioritise how our financial resources are to be deployed. The Transformation and Change Strategy highlights our ambition to better support the delivery of services to the people of Perth and Kinross, particularly those in the greatest need. Key strategic documents such as the Capital Investment Blueprint and Corporate Asset Management Strategy, Housing Investment Programme, Anti-Poverty Strategy, Economic Wellbeing Plan and Climate Change Strategy provide the necessary direction to the organisation to enable it to deliver on its vision and priorities and to achieve its purpose. Furthermore, a new Sustainable Procurement Strategy has been developed and was considered by Council in June 2024.
- 4.8 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. 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 (Scotland) Act 2015 provides a framework for improving the quality of engagement and participation which is reflected in the [Local Outcome Improvement Plan](#) and our own [Corporate Plan](#).
- 4.9 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 assets 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](#). This approach has been reviewed in 2023/24 and a new refreshed [People and Culture Strategy](#) has been developed and approved in 2024/25.
- 4.10 The Council's Scheme of Administration sets out the Council's decision-making structure in terms of roles, remits and responsibilities to ensure transparency and accountability. This has been revised to reflect the priorities and objectives of the Council and the changes in the senior officer leadership structure.
- 4.11 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 and Management
 - Financial Planning and Management
 - Risk and Performance Management
 - Transformation and Change Management
 - Procurement
 - Major Investment Project Management
 - Health and Safety
 - Information Management and Security
 - Civil Contingencies and Business Continuity
 - Anti- Fraud and Corruption
 - Conflicts of Interests
 - Gifts and Hospitality
 - Whistleblowing and Reporting Concerns
 - Complaints Handling
 - Officer and Elected Member Conduct

- 4.12 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.
- 4.13 The Council set a final revenue budget for the year 2024/25 in February 2024, along with provisional budgets for 2025/26 and 2026/27. These revenue budgets demonstrate clear linkages with the Transformation and Change strategy. 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 the 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.
- 4.14 Capital spend is monitored by Service Management Teams and the Executive Leadership Team and reported regularly to the Finance and Resources Committee as part of the budgetary control framework.
- 4.15 The Council publishes an Annual Performance Report on its performance against the objectives set out within the [Corporate Plan](#) and [Local Outcomes Improvement Plan](#). In order to improve transparency and clarity of these links, a [Corporate Delivery and Improvement Plan](#) has been developed.
- 4.16 The [Corporate Delivery and Improvement Plan](#), which was approved by Council in May 2024, strengthens the alignment between the Corporate Plan priorities, improvement activity and budget and resource allocations, was developed and subject to consultation in year. It sets out detailed actions and outcomes for each priority and includes appropriate performance indicators. Performance is reported to the Executive Leadership Team and publicly through the Council's Scrutiny and Performance Committee and relevant themed committees. Financial performance is publicly reported through the Finance and Resources Committee and relevant service committees.
- 4.17 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 accessing information under the Freedom of Information legislation
 - Accessing information under the Data Protection legislation

5 Governance Assurance Process

- 5.1 The Council utilises a robust process of gathering assurance information from Service Management Teams, which concludes with Certificates of Assurance being signed by the Directors for Strategy, People and Resources and Economy, Place and Learning.
- 5.2 Corporate assurance has also been provided as regards the adequacy of the internal controls from the following Officers:
- Chief Finance Officer (S 95 Officer)
 - Strategic Lead for Legal and Governance Services /Monitoring Officer
 - Chief Internal Auditor
 - Data Protection Officer
 - Records and Information Security Manager
 - Corporate Procurement Manager
 - Corporate HR Manager
- 5.3 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 Services
 - Performance information and financial monitoring reports to Services
 - Presentations and reports to the Scrutiny and Performance Committee
- 5.4 For Tayside Contracts Joint Committee, Tayside Valuation Joint Board and Perth and Kinross Integration Joint Board, reliance is placed upon each organisation's own Annual Governance Statement.
- 5.5 The draft Annual Governance Statement is considered by the Strategic Leadership Team and the Council's Scrutiny and Performance Committee prior to inclusion within the final 2023/24 Annual Accounts.
- 5.6 The Annual Governance Statement is considered by the Audit and Risk Committee as part of the final 2023/24 Annual Accounts.

6 Effectiveness of Governance Arrangements for 2023/24

- 6.1 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 8 below.
- 6.2 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).
- 6.3 Our assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).
- 6.4 The Council has designated the Strategic Lead for Legal and Governance as the Senior Information Risk Owner, with the Strategic Lead for Customer and Digital Services as Depute. Our information security measures have been reviewed in 2023/24 to ensure continuing compliance with the Public Service Network (PSN) and other cyber security requirements.
- 6.5 Our counter-fraud and anti-corruption arrangements conform with CIPFA's Code of Practice on Managing the Risks of Fraud and Corruption.
- 6.6 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.
- 6.7 The Council's Audit and Risk Committee operates in line with CIPFA's Audit Committees: Practical Guidance for Local Authorities.
- 6.8 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 and Risk Committee
 - Scrutiny and Performance Committee
 - Finance and Resources Committee
 - Themed Committees
 - Executive Leadership Team / Strategic Leadership Team
 - Policy and Governance Group
 - Transformation Board
 - Internal Audit
 - External Audit (presently Audit Scotland)

7 Opinion of the Chief Internal Auditor

- 7.1 Audit activity and performance is detailed in the Annual Report by the Chief Internal Auditor for the year 2023/24, which was presented to the Council's Audit and Risk Committee in June 2024. The 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 2023/24, subject to management implementation of the agreed actions detailed in Internal Audit reports."

8 Areas for Review/Continued Improvement Action

- 8.1 The last three 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 continue to review our cyber resilience and information governance arrangements to ensure that they are fit for purpose and robust and continue to support new and innovative ways of working.
- 8.2 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 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.
- 8.3 In addition to these areas, there are some specific areas which will be held under review pending the outcome of current transformation and change activity:
 - Leadership culture and capacity
 - Capacity and resources to lead, develop and deliver ongoing and future programme of transformation and change
 - Strategic Procurement
 - Workforce planning and organisational development
 - Use of the Financial Strategy to address financial pressures
 - Our approach to community engagement and empowerment.

Conclusion and Opinion

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
- Strategic Lead for Legal and Governance Services/ Monitoring Officer
- Chief Internal Auditor/ Internal Audit
- Data Protection Officer
- Policy and Governance Group
- External Audit
- External agencies and inspectorates.

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

Given the changes in the leadership structure from 1 April 2024, certificates of assurance have been obtained from Strategic Leads, who are responsible for maintaining the system of internal control within their service area. Strategic Leads have 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 2023/24 and an Internal Audit plan will be developed for 2024/25 that will focus on areas which have been identified as corporate or service specific risks in relation to core business and the delivery of the Council's agreed strategic priorities.

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 service improvement plans, audit plans and change programmes to avoid duplication of effort.

Our governance framework will continue to be reviewed and adapted where necessary to ensure that it remains robust and effective.

Signed:

Signed:

Thomas Glen
Chief Executive

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

I certify that I have audited the financial statements in the annual accounts of Perth and Kinross Council and its group for the year ended 31 March 2024 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Statement of Movements on the Housing Revenue Account Balance, the Council Tax Income Account, the Non-Domestic Rate Income 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, the group-only Reconciliation of the Single Entity Deficit for the year to the Group Deficit, and notes to the financial statements, including material accounting policy information. 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 2023/24 (the 2023/24 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2024 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 2023/24 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

I conducted my 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. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 3 April 2024. My period of appointment is four years, covering 2023/24 to 2026/27. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I 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 I have performed, I 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, I 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

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Chief Finance Officer and Audit and Risk Committee for the financial statements

As explained more fully in the Statement of Responsibilities for the Annual Accounts, the Chief Finance Officer 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 Chief Finance Officer 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 Chief Finance Officer 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 Audit and Risk Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My 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 my 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. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- inquiring of the Chief Finance Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the Chief Finance Officer concerning the policies and procedures of the council and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on 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 my 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 skilfulness 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. This description forms part of my auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

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

My 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 my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I 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 my 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 I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my 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 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Rachel Browne CPFA, Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Fund £'000	Insurance Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves (Note 32) £'000	Total Authority Reserves £'000
Balance at 1 April 2022	(85,900)	(3,282)	(24,817)	(1,366)	(2,556)	(87)	(118,008)	(623,763)	(741,771)
<u>Movement in reserves during 2022/23</u>									
Total Comprehensive Income and Expenditure	16,868	6,401	0	0	0	0	23,269	(148,700)	(125,431)
Adjustments to Usable Reserves permitted by accounting standards	(4,511)	(2,897)	0	0	0	0	(7,408)	7,408	0
Adjustments from income and expenditure charged under the accounting basis to the funding basis (Note 5)	1,514	(2,029)	0	0	311	0	(204)	204	0
Decrease in 2022/23	13,871	1,475	0	0	311	0	15,657	(141,088)	(125,431)
Transfers to/(from) Other Statutory Reserves	2,306	(840)	(1,526)	60	0	0	0	0	0
Balance at 31 March 2023 carried forward	(69,723)	(2,647)	(26,343)	(1,306)	(2,245)	(87)	(102,351)	(764,851)	(867,202)
<u>Movement in reserves during 2023/24</u>									
Total Comprehensive Income and Expenditure	41,392	9,901	0	0	0	0	51,293	(23,807)	27,486
Adjustments to Usable Reserves permitted by accounting standards	(6,454)	(2,357)	0	0	0	0	(8,811)	8,811	0
Adjustments from income and expenditure charged under the accounting basis to the funding basis (Note 5)	(19,833)	(7,157)	0	0	143	0	(26,847)	26,847	0
Adjustment to the statutory repayment of debt for service concession arrangements - permitted flexibility	(34,262)	0	0	0	0	0	(34,262)	34,262	0
(Increase) or Decrease in 2023/24	(19,157)	387	0	0	143	0	(18,627)	46,113	27,486
Transfers to/(from) Other Statutory Reserves	5,086	0	(4,683)	(403)	0	0	0	0	0
Balance at 31 March 2024 carried forward	(83,794)	(2,260)	(31,026)	(1,709)	(2,102)	(87)	(120,978)	(718,738)	(839,716)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2022/23			2023/24			
Gross Expenditure £'000	Income £'000	Net Expenditure £'000	Notes	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
COUNCIL SERVICES						
232,396	(28,053)	204,343		267,197	(31,060)	236,137
195,655	(107,341)	88,314		199,468	(110,826)	88,642
122,906	(34,613)	88,293		146,557	(35,594)	110,963
68,812	(23,927)	44,885		64,129	(24,464)	39,665
2,896	(2)	2,894		4,707	(56)	4,651
36,843	(31,394)	5,449		43,489	(33,507)	9,982
1,338	0	1,338		1,436	0	1,436
660,846	(225,330)	435,516		726,983	(235,507)	491,476
COST OF SERVICES						
474	(331)	143	8	0	(944)	(944)
26,585	(6,276)	20,309	9	25,811	(7,002)	18,809
0	(432,699)	(432,699)	10	0	(458,048)	(458,048)
687,905	(664,636)	23,269		752,794	(701,501)	51,293
Deficit on Provision of Services						
		(86,274)				(24,003)
		(62,426)				196
		(148,700)				(23,807)
		(125,431)				27,486
Total Comprehensive Income and Expenditure						

BALANCE SHEET

<u>31 March 2023</u>		Notes	<u>31 March 2024</u>
£'000			£'000
1,421,864	Property, Plant and Equipment	21	1,512,833
51,814	Heritage Assets	22	51,814
15,015	Investment Property	23	14,715
963	Intangible Assets	24	348
403	Assets Held for Sale	25	0
<u>541</u>	Long Term Debtors	26	<u>543</u>
1,490,600	Long Term Assets		1,580,253
155,339	Short Term Investments		36,560
273	Assets Held for Sale	25	676
441	Inventories	27	632
52,019	Short Term Debtors	28	52,344
<u>17,663</u>	Cash and Cash Equivalents	44	<u>31,183</u>
225,735	Current Assets		121,395
(12,114)	Short Term Borrowing	39	(19,398)
(96,104)	Short Term Creditors	29	(91,611)
<u>(295)</u>	Provisions	30	<u>(1,668)</u>
(108,513)	Current Liabilities		(112,677)
(5,312)	Provisions	30	(3,564)
(599,351)	Long Term Borrowing	39	(616,330)
<u>(135,957)</u>	Other Long Term Liabilities	18 and 36	<u>(129,361)</u>
<u>(740,620)</u>	Long Term Liabilities		<u>(749,255)</u>
<u>867,202</u>	NET ASSETS		<u>839,716</u>
102,351	Usable Reserves		120,978
764,851	Unusable Reserves	32	718,738
<u>867,202</u>	TOTAL RESERVES		<u>839,716</u>

The Unaudited Annual Accounts were issued on 24 June 2024 and the Audited Annual Accounts were authorised for issue on 2 December 2024.

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

Scott Walker CPFA
Chief Finance Officer

Date:

CASH FLOW STATEMENT

<u>2022/23</u>		Notes	<u>2023/24</u>
<i>£'000</i>			<i>£'000</i>
(23,269)	Deficit on the provision of services		(51,293)
82,679	Adjustments to net deficit on the provision of services for non cash movements		86,840
(44,143)	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities		(49,490)
<u>15,267</u>	Net cash flows from Operating Activities		<u>(13,943)</u>
(22,818)	Investing Activities	42	8,267
(13,223)	Financing Activities	43	19,196
<u>(20,774)</u>	Net (decrease)/increase in cash and cash equivalents		<u>13,520</u>
38,437	Cash and cash equivalents at the beginning of the reporting period		17,663
<u><u>17,663</u></u>	Cash and cash equivalents at the end of the reporting period	44	<u><u>31,183</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 1973. In this Council that officer is the Chief Finance Officer.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Audit and Risk Committee at its meeting on 2 December 2024.

Signed on behalf of Perth and Kinross Council

Councillor Grant Laing
Leader of the Council

Date:

The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing these Annual Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the Local Authority Accounting Code (in so far as it is compatible with legislation).

The Chief Finance Officer 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 2024.

Scott Walker CPFA
Chief Finance Officer
Date:

Notes to the Financial Statements

1. Accounting Policies

General

The Annual 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 2023/24 and supported by International Financial Reporting Standards. The Annual Accounts are intended to present a true and fair view of the financial position and transactions of the authority and have been prepared in accordance with the fundamental accounting principles of relevance, reliability, comparability, understandability and materiality.

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

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, 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 and 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 and 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 and 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 projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate 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 asset / 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.

Events after the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts 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 Annual Accounts are adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Annual Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

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.

Going Concern

The Chief Finance Officer 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 Chief Finance Officer 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 and Kinross has responsibility for the delivery and development of museum and library services in Perth and 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, Perth Art 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 and armour, costume, archives, coins, medals and 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 and 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. To comply with these restrictions, the gain or loss on the derecognition of an intangible fixed asset shall be reversed out of the General Fund or Housing Revenue Account. The General Fund or Housing Revenue Account shall be debited (in the case of the gain) or credited (in the case of a loss) with an amount equal to the gain or loss on derecognition of the intangible asset. The gain or loss that is reversed out of the General Fund or Housing Revenue Account excludes any costs of disposal that either cannot be capitalised under regulation or statutory guidance or that the authority has chosen not to capitalise. The double entries are a credit to the capital receipts reserve or a capital grants and receipts unapplied account of an amount equal to the disposal proceeds and a debit to the capital adjustment account equal to the carrying amount of the intangible asset.

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.

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. To comply with these restrictions, the gain or loss on the derecognition of an intangible fixed asset shall be reversed out of the General Fund or Housing Revenue Account. The General Fund or Housing Revenue Account shall be debited (in the case of the gain) or credited (in the case of a loss) with an amount equal to the gain or loss on derecognition of the intangible asset. The gain or loss that is reversed out of the General Fund or Housing Revenue Account excludes any costs of disposal that either cannot be capitalised under regulation or statutory guidance or that the authority has chosen not to capitalise. The double entries

are a credit to the capital receipts reserve or a capital grants and receipts unapplied account of an amount equal to the disposal proceeds and a debit to the capital adjustment account equal to the carrying amount of the intangible asset.

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 currently has no assets acquired under finance leases, nor any leased to third parties on a finance lease. Accounting policies for operating leases are set out below.

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.

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.

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 reviewed sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, and subject to formal revaluation 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 Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Depreciation

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

Leasehold Properties	over period of lease
Roads and Bridges	15-30 years
Other Infrastructure Assets	10-30 years
Vehicles, Plant and Equipment	3-15 years
Council Buildings	up to 50 years
Council Dwellings	10-30 years
Intangible Fixed Assets	3-5 years

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

2. Accounting Standards that have been issued but have not 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:

- **Classification of Liabilities as Current or Non-current (Amendments to IAS 1)** issued in January 2020. The amendments:
 - specify that an entity's right to defer settlement must exist at the end of the reporting period
 - clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement,
 - clarify how lending conditions affect classification, and
 - clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.
- **Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)** issued in September 2022. The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions.
- **Non-current Liabilities with Covenants (Amendments to IAS 1)** issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants. (Adopted 1 April 2024)
- **International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12)** issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
 - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
 - targeted disclosure requirements for affected entities. (Adopted 1 April 2024)
- **Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)** issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
 - assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
 - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it. This impact is not expected to be significant.
- **IFRS 16 Leases** will be implemented in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2024/25. This will require the Council, with effect from 2024/25, to adopt this new accounting standard for Leases, which replaces IAS 17 Leases and removes the operating classification for leases where the Council acts as lessee. The Council, as lessee, will recognise previously accounted for operating leases on the Balance Sheet as Right-of-Use (ROU) assets along with the corresponding lease liabilities.

Previously, the Council as lessee, had formally classified leases into either operating or finance leases, depending on whether the lease met the criteria for transferring the majority of the risks and rewards relating to ownership according to IAS 17.

Under IFRS 16 the Council will recognise ROU assets and lease liabilities on the balance sheet for most leases, subject to exemptions for short-term leases and those of a 'low value'. Leases that meet either of these exemptions will not be recognised in accordance with exemption guidelines. Leases considered to be short-term are those that have a term of 12 months or less. IFRS 16 does not provide a numerical threshold for what constitutes a low value asset; however, the Council has adopted a value of £10,000 for this exemption.

IFRS 16 will be applied retrospectively to leases already in place, with the cumulative effect recognised at 1 April 2024. The ROU asset and lease liabilities will be calculated as if IFRS 16 had previously been applied, but will only be recognised from 2024/25 with no prior year adjustments.

It is anticipated that the adoption of the Code's adaptation of IFRS 16 would result in the following additions to the balance sheet as at 31 March 2024:

- £591,000 Property, Plant and Equipment (Right-of-Use Assets)
- £591,000 Lease Liabilities

3. Critical Judgements in Applying Accounting Policies

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

Group Entities

The Council has an interest in a number of subsidiary and associate companies and trusts. The most significant of these companies in terms of the size of trading operations, shareholding and board representation and other factors have been assessed and where deemed material to the Council, are included in the Group Accounts. Full details of these interests are shown in Note 1 to the Group Accounts.

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. The Council has determined that all leased in sites are operating leases due to the short term nature of the agreements. The Council also leases out sites which predominately relate to ground leases for land which has an indeterminable life and these agreements are classified as operating leases. Note 1 to the Financial Statements provides further detail on the accounting treatment for the lease agreements.

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

The item in the Council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are in respect of the Council's Net Pensions Asset / Liability and valuation of Property, Plant and Equipment.

Net Pension 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 asset / 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 £13.738 million. However, the assumptions interact in complex ways and the pension asset had increased from £250.276 million in 2022/23 to £320.913 million in 2023/24. However, by applying IAS 19 and the asset ceiling provision contained therein, the Council has actually recognised a pension liability of £20.748 million in 2023/24 (£20.917 million in 2022/23).

Property, Plant and Equipment - Valuations

Uncertainty

Although markets are functioning and transaction volumes are at levels where there is sufficient evidence on which to base opinions on value, there remain uncertainties due to worldwide events which continue to influence pricing.

The valuation reports provided by Royal Institution of Chartered Surveyors (RICS) valuers have been used to inform the measurement of non-current assets in these financial statements.

Specialised assets such as educational buildings are valued on the basis of depreciated replacement cost. 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.

Effect if Actual Results Differ from Assumptions

A sensitivity analysis has been undertaken in respect of all properties valued on a depreciated replacement cost basis to determine the potential movement in value due to changes in price estimates. The sensitivity analysis includes several assumptions, including that the Gross Internal Area (GIA) of each site remains unchanged, and the building use and condition remains in line with the previous valuation. The estimated movement in value at 31 March 2024 is £20.924m. However, the estimate includes two PFI Community Campuses which were revalued in 2023/24 and for which the BCIS reference rate has increased by 27% during the year. The estimated increase in value for the two sites is £17.855m. As other BCIS rates for educational properties had increased by circa 2%, it is reasonable to conclude that the BCIS reference rate for the two campuses is therefore highly variable and so no adjustment has been made to the value of the two sites. The remaining estimated movement of £3.069m for 140 sites is not material and has therefore also not been adjusted.

A sensitivity analysis on the Council housing revaluation 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 31 March 2024 is £318.678 million. A 5% increase or decrease to the Adjustment Factor would result in an increase or decrease of £40.004 million (12.55%) to the value of the Council housing stock.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

	Usable Reserves				Total	2022/23
	General Fund Balance	Housing Revenue Account	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	(42,520)	(14,316)	0	0	(56,836)	(47,835)
Revaluation Losses on Property, Plant and Equipment	(34,562)	(2,789)	0	0	(37,351)	(2,084)
Reversal revaluation gains	3,729	199	0	0	3,928	13,271
Movements in Fair Value of Investment Properties	(300)	0	0	0	(300)	955
Amortisation of Intangible Assets	(949)	0	0	0	(949)	(1,026)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	42,642	3,787	0	0	46,429	42,656
Amounts of non current assets written off on disposal as part of the gain/loss	(1,322)	0	0	0	(1,322)	(1,523)
Revenue Expenditure Funded by Capital Under Statute	(3,770)	0	0	0	(3,770)	(838)
<u>Items not debited or credited to the Comprehensive Income and Expenditure Statement</u>						
Statutory provision for repayment of debt	11,812	3,448	0	0	15,260	15,690
Capital expenditure charged to the General Fund and HRA balances	2,399	2,335	0	0	4,734	6,391
<u>Adjustments involving the Capital Receipts Reserve</u>						
Transfer of sale proceeds credited as part of the gain/loss on disposal	1,837	3	(1,840)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,983	0	1,983	1,360
<u>Adjustments involving the Financial Instruments Adjustment Account</u>						
	497	147	0	0	644	648
<u>Adjustments involving the Pensions Reserve</u>						
Employer's pensions contributions and direct payments to pensioners payable in the year	21,287	1,479	0	0	22,766	20,912
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(20,923)	(1,478)	0	0	(22,401)	(48,260)
<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	310	28	0	0	338	(521)
Total Adjustments	(19,833)	(7,157)	143	0	(26,847)	(204)

6. Expenditure and Funding Analysis - 2023/24

	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 and Children's Services	200,653	35,484	236,137
Health and Social Care	87,613	1,029	88,642
Communities	66,825	44,138	110,963
Corporate and Democratic Services	36,229	3,436	39,665
Chief Executives Service	4,569	82	4,651
Housing Revenue Account	(6,985)	16,967	9,982
Valuation Joint Board	1,436	0	1,436
Non Distributed Costs	1,757	(1,757)	0
Cost of Services	392,097	99,379	491,476
Other Income and Expenditure	(376,605)	(63,578)	(440,183)
Deficit on Provision of Services	15,492	35,801	51,293
Opening General Fund and HRA Balance	(72,370)		
Surplus on General Fund and HRA Balance in Year	15,492		
Transfers from other Statutory Reserves	5,086		
Service concession flexibility	(34,262)		
Closing General Fund and HRA Balance at 31 March 2024	(86,054)		

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	
COUNCIL SERVICES				
Education and Children's Services	34,851	773	(140)	35,484
Health and Social Care	589	500	(60)	1,029
Communities	43,571	624	(57)	44,138
Corporate and Democratic Services	3,118	415	(97)	3,436
Chief Executives Service	0	40	42	82
Housing Revenue Account	16,928	67	(28)	16,967
Non Distributed Costs	0	(1,757)	0	(1,757)
Cost of Services	99,057	662	(340)	99,379
Other Operating Expenditure and Income	(518)	0	0	(518)
Financing and Investment Income and Expenditure	(14,960)	(1,027)	(644)	(16,631)
Taxation and Non-Specific Grant Income	(46,429)	0	0	(46,429)
Other income and expenditure from the Expenditure and Funding Analysis	(61,907)	(1,027)	(644)	(63,578)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	37,150	(365)	(984)	35,801

Expenditure and Funding Analysis - 2022/23

	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 and Children's Services	191,577	12,766	204,343
Health and Social Care	82,433	5,881	88,314
Communities	61,769	26,524	88,293
Corporate and Democratic Services	35,469	9,416	44,885
Chief Executives Service	2,498	396	2,894
Housing Revenue Account	(7,064)	12,513	5,449
Valuation Joint Board	1,338	0	1,338
Non Distributed Costs	1,540	(1,540)	0
Cost of Services	369,560	65,956	435,516
Other Income and Expenditure	(354,214)	(58,033)	(412,247)
Deficit on Provision of Services	15,346	7,923	23,269
Opening General Fund and HRA Balance	(89,182)		
Surplus on General Fund and HRA Balance in Year	15,346		
Transfers to other Statutory Reserves	1,466		
Closing General Fund and HRA Balance at 31 March 2023	(72,370)		

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	
COUNCIL SERVICES				
Education and Children's Services	2,560	9,701	505	12,766
Health and Social Care	1,011	4,779	91	5,881
Communities	19,901	6,716	(93)	26,524
Corporate and Democratic Services	5,182	4,256	(22)	9,416
Chief Executives Service	(2)	375	23	396
Housing Revenue Account	10,878	1,619	16	12,513
Non Distributed Costs	0	(1,540)	0	(1,540)
Cost of Services	39,530	25,906	520	65,956
Other Operating Expenditure and Income	474	0	0	474
Financing and Investment Income and Expenditure	(16,645)	1,442	(648)	(15,851)
Taxation and Non-Specific Grant Income	(42,656)	0	0	(42,656)
Other income and expenditure from the Expenditure and Funding Analysis	(58,827)	1,442	(648)	(58,033)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(19,297)	27,348	(128)	7,923

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 that receivable in the year to that 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 services** – this represents the removal of the increase or decrease in the employee statutory adjustment account.
- 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.

7. Transfer (to)/from Earmarked Reserves

The Reserves Strategy that the Council approved in February 2024 earmarked funding towards specific or known future commitments. The following table sets out the updated balances as at 31 March 2024 for these Earmarked Reserves taking cognisance of the final year-end position.

	Balance as at 1 April 2023 £'000	Transfers (In)/Out £'000	Balance as at 31 March 2024 £'000
Revenue Grants	(15,947)	(1,390)	(17,337)
Service concession flexibility	0	(17,262)	(17,262)
Transformation and Workforce Management	(9,530)	1,924	(7,606)
Developer Contributions: Commuted Sums and Infrastructure and Affordable Housing	(5,540)	(915)	(6,455)
Affordable Housing (Resources accrued from reduced Council Tax Discounts)	(4,353)	(1,256)	(5,609)
School Estate	(2,063)	(101)	(2,164)
Anti-Poverty Measures	(2,666)	806	(1,860)
Non-Recurring Pressures c/f from 2023/24	0	(1,635)	(1,635)
Car Parking	(1,512)	(20)	(1,532)
Culture	(1,172)	315	(857)
Devolved School Management (DSM)	(722)	221	(501)
Modern Apprentices/Graduate Trainees	(340)	(27)	(367)
School Counsellors	(556)	227	(329)
Children and Young People's Residential Care	(2,139)	1,858	(281)
Property Maintenance	(271)	9	(262)
Climate Change	(153)	(52)	(205)
Works Maintenance	(400)	200	(200)
Community Resilience	0	(175)	(175)
Salix Fund	(113)	11	(102)
Community Investment Fund	(89)	2	(87)
Ventilation Measures	(114)	38	(76)
Perth Leisure Vision	(212)	150	(62)
Local Government Elections	0	(53)	(53)
Local Action Partnerships	(90)	44	(46)
Financial Assistance	0	(20)	(20)
Non-Recurring Pressures c/f from 2022/23	(1,699)	1,699	0
Decant schools	(700)	700	0
Financial Insecurity	(680)	680	0
Perth and Kinross Offer	(252)	252	0
World Cycling Championships	(180)	180	0
Grounds Maintenance	(60)	60	0
Earmarked Balances	(51,553)	(13,530)	(65,083)

Purpose of Earmarked General Fund Balances

The application and monitoring of the following reserves is part of the remit of the Finance and Resources Committee.

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.

Service Concession flexibility – these resources are earmarked to be phased over a number of years to contribute to the funding of the Revenue Budget.

Transformation and Workforce Management – the Council has resources earmarked to enable the Transformation and Change Strategy and workforce management in future years.

Developer Contributions: Commuted Sums and Infrastructure and Affordable Housing – the Environment, Infrastructure and Economic Development Committee approved supplementary guidance on 20 September 2023 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.

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.

School Estate – These resources include amounts previously approved by the Council for the primary and secondary school estate including maintenance works and resources for new schools.

Anti-Poverty measures – The Council approved the creation of a COVID-19 Reserve on 27 January 2021 (Report 21/8 refers) to assist with addressing the ongoing impact of Covid-19 in future years. This has now been redirected towards Anti-Poverty measures.

Non-Recurring Pressures c/f from 2023/24 – the 2024/25 Revenue Budget includes non-recurring expenditure proposals which have been approved during the year at Finance and Resources Committee and as part of the year end process.

Car Parking – this balance is the accumulated surplus at 31 March 2024 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 and Resources Committee.

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 and Resources Committee during the year. This has been further increased by in-year underspends.

Devolved School Management (DSM) – the amount shown is the accumulated sum available to be carried forward at 31 March 2024 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.

Modern Apprentices/Graduate Trainees – the Strategic Policy and Resources Committee approved the transfer of any final under spend on modern apprentices and graduate trainees. The remaining resources will be utilised in future years.

School Counsellors – Revenue Budget 2020/21 Update No 2 to the Strategic Policy and 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 2024/25 and 2025/26 (Report 20/225).

Children and Young People's Residential Care – These resources were earmarked to be utilised in the provision of children's social work services over 2 financial years in managing the impact of Covid-19 on higher levels of needs and reduce the number of residential placements. The balance of these resources will be utilised in 2024/25.

Property Maintenance – Revenue Budget Report No 3 to the Strategic Policy and Resources Committee on 21 November 2021 approved the earmarking of £250,000 resources in respect of property maintenance to be utilised in future years. This was increased by a further £55,000 in 2021/22.

Climate Change – the Finance and Resources Committee in April 2023 approved the earmarking of resources for climate change activities due to a rephasing between years.

Works Maintenance – The Council continues to earmark resources for future works maintenance.

Community Resilience – These resources were earmarked during 2023/24 at the Finance and Resources Committee for future weather events.

Salix Fund – Salix Finance Ltd is a Government owned non-departmental public body which provides interest free loan funding for energy efficiency works. The loan is re-paid to the fund over a number of years and re-invested in future energy efficiency works.

Community Investment Fund – The Council continues to earmark the resources remaining from the fund for future investment.

Ventilation Measures – these resources are earmarked for ventilation measures to be finalised in 2024/25.

Perth Leisure Vision – these resources are earmarked to fund the future design and business operating model of the PH2O project.

Local Government Elections – these resources are earmarked in reserves as a contribution to local elections.

Local Action Partnership – these resources are earmarked and utilised by an application process for payment to groups in one of the seven local action partnerships.

Financial Assistance – There is a recurring annual contribution from reserves to fund any future Mods and other events across Perth and Kinross.

The remaining earmarked reserves detailed in the table were fully utilised or un-earmarked during 2023/24.

8. Other Operating Expenditure / Income

	2023/24 £'000	2022/23 £'000
Losses and (Gains) on the Disposal of Non Current Assets	(518)	474
Share of Tayside Contracts Surplus	(426)	(331)
Total	<u>(944)</u>	<u>143</u>

9. Financing and Investment Income and Expenditure

	2023/24 £'000	2022/23 £'000
Interest payable and similar charges	25,450	25,040
Pensions interest cost and expected return on pensions assets	(1,027)	1,442
Interest receivable and similar income	(5,065)	(4,418)
Income in relation to investment properties and changes in their fair value	(549)	(1,755)
Total	<u>18,809</u>	<u>20,309</u>

10. Taxation and Non Specific Grant Income

	2023/24 £'000	2022/23 £'000
Council Tax Income	(97,348)	(92,860)
Non Domestic Rates	(59,290)	(45,917)
Non Ring-fenced Government Grants	(254,981)	(251,266)
Capital Grants and Contributions	(46,429)	(42,656)
Total	<u>(458,048)</u>	<u>(432,699)</u>

11. Material Items of Income and Expense

In 2023/24 the Council did not receive any material items of income not otherwise disclosed in the financial statements and notes. In 2022/23 the Council received additional grant funding of £8.669 million from the Scottish and UK Governments in relation to the Covid-19 pandemic and Cost of Living Crisis 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).

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 2023/24, 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 £623,000 (2022/23 £628,000).

13. General Grants, Bequests and Donations

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

During 2023/24 a total of £21.435 million (2022/23 £19.381 million) 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 £4.931 million (2022/23 £4.815 million). Details of grants are shown below.

	2023/24 £'000	2022/23 £'000
Service Level Agreements with Outside Organisations	7,827	4,762
Live Active Leisure Limited	4,931	4,815
Culture Perth and Kinross	3,392	3,219
Perth Theatre and Concert Hall Ltd	1,142	1,062
Green Capital Recovery Fund	456	465
Perth Money Advice Service	413	413
Community Investment Fund	402	355
Commercial Property Regeneration Grants	275	644
Churches Action for the Homeless	267	317
Warm Spaces Grant	248	420
Local Action Partnerships	244	16
Pitlochry Festival Theatre	220	220
Perthshire Women's Aid	108	108
Perth and Kinross Heritage Trust	100	100
Perth and Kinross Countryside Trust	100	30
Other Miscellaneous Grants	1,310	2,435
Total	<u><u>21,435</u></u>	<u><u>19,381</u></u>

14. Expenditure and Income Analysed by Nature

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

	2023/24 £'000	2022/23 £'000
Expenditure / Income		
Expenditure		
Employee benefits expenses	261,470	266,859
Other services expenses	279,137	268,070
Contribution to Integrated Joint Board	83,241	79,034
Support service recharges	3,477	3,346
Depreciation, amortisation, impairment	100,019	45,082
Interest payments	25,450	25,040
Loss on the disposal of assets	0	474
Total Expenditure	<u><u>752,794</u></u>	<u><u>687,905</u></u>
Income		
Fees, charges and other service income	177,441	165,913
Interest and investment income	7,002	6,276
Taxation and Non-Specific Grant income	458,048	432,699
Government grants and contributions	58,492	59,748
Gain on the disposal of assets	518	0
Total Income	<u><u>701,501</u></u>	<u><u>664,636</u></u>
Deficit on the Provision of Services	<u><u>51,293</u></u>	<u><u>23,269</u></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.

	2023/24 Income £'000	2023/24 Expenditure £'000	2022/23 Income £'000	2022/23 Expenditure £'000
<u>Education and Children's Services</u>				
Provision of Pupil Support Assistants to other Local Authorities	273	273	183	183
<u>Communities</u>				
Receipts from other Local Authorities for cross boundary bus services	25	25	18	18
Total	<u><u>298</u></u>	<u><u>298</u></u>	<u><u>201</u></u>	<u><u>201</u></u>

The Council also received £534,000 (£445,000 in 2022/23) in relation to the administration of collecting Scottish Water income on their behalf. This has been recognised in the Comprehensive Income and Expenditure Statement.

The Council issued Covid-related and Cost of Living-related grants on behalf of both the Scottish and UK Governments during 2023/24 to the value of £159,000 (£8.669 million in 2022/23) as detailed below.

	2023/24 Income £'000	2023/24 Expenditure £'000	2022/23 Income £'000	2022/23 Expenditure £'000
<u>Corporate and Democratic Services</u>				
Covid-related and Cost of Living-related Grants to Individuals on behalf of Scottish and UK Governments	159	159	8,654	8,654
<u>Communities</u>				
Hospitality and Leisure Top-up Funding	0	0	15	15
Total	<u><u>159</u></u>	<u><u>159</u></u>	<u><u>8,669</u></u>	<u><u>8,669</u></u>

16. External Audit Costs

	2023/24 £'000	2022/23 £'000
External Audit Fees	<u><u>350</u></u>	<u><u>330</u></u>

17. Termination Benefits

The Council terminated the contracts of twenty-five employees in 2023/24, incurring costs of £1.511 million (eight employees in 2022/23, incurring costs of £68,000).

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 and 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 Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2023/24, the Council paid **£16.725 million** to the Teachers' Pensions scheme in respect of teachers' retirement benefits, representing 23% of pensionable pay. The figures for 2022/23 were £15.666 million 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 **£189,391** (2022/23 £173,836).

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 and Kinross Council) are represented at the Tayside Pension Board.
- 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 and 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 and 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 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 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 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. This assumption is consistent with the consultation outcome and the actuaries do not believe that it is necessary to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Career Average Revalued Earnings Scheme (CARE)

The Local Government Pension Scheme changed from Final Salary to Career Average Revalued Earnings (CARE) on 1 April 2015, with a change of accrual rate from 1/60th to 1/49th. Employees who were previously paying into the Final Salary scheme were automatically transferred into the new CARE scheme on 1 April 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	2023/24	2022/23
	£'000	£'000
<u>Comprehensive Income and Expenditure Statement</u>		
Cost of Services		
- Service Cost	23,428	46,818
Financing and Investment Income and Expenditure		
- Net Interest on the Defined Liability	(1,326)	1,186
Administration Expenses	299	256
Total Post Employment Benefit Charged to the Deficit on the Provision of Services	<u>22,401</u>	<u>48,260</u>
Remeasurement of the net defined benefit liability comprising:		
Expected return on pension fund assets in excess of interest	(90,442)	81,040
Other actuarial gains on assets	(526)	0
Changes in demographic assumptions	(16,097)	0
Changes in financial assumptions	(5,135)	(474,314)
Experience Loss on defined benefit obligation	54,302	80,572
Changes in effect of asset ceiling	58,094	250,276
Total Post Employment Benefit Credited to the Comprehensive Income and Expenditure Statement	<u>196</u>	<u>(62,426)</u>
<u>Movement in Reserves Statement</u>		
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>(22,401)</u>	<u>(48,260)</u>

IAS 19 limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. IAS 19 defines the asset ceiling as the present value of any economic benefits available in the form of reductions in future contributions to the plan. In accordance with International Financial Reporting Interpretations Committee - Interpretation 14 (IFRIC 14), the actuary has calculated the impact of the asset ceiling as £320.913 million (2022/23 £250.276 million). Therefore, a corresponding reduction has been applied to the defined benefit plan asset which results in a pension net liability of **£20.748 million (2022/23 £20.917 million)**.

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 2024 £'000	31 March 2023 £'000
Present Value of the Defined Benefit Obligation	854,468	781,379
Present Value of Unfunded Obligation	<u>20,748</u>	<u>20,917</u>
Closing Defined Benefit Obligation	875,216	802,296
Impact of Asset Ceiling	320,913	250,276
Fair Value of Pension Fund Assets (Bid Value)	(1,175,381)	(1,031,655)
Net Liability in Balance Sheet	<u>20,748</u>	<u>20,917</u>

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

	31 March 2024 £'000	31 March 2023 £'000
Opening Defined Benefit Obligation	802,296	1,140,223
Current Service Cost	22,976	46,818
Interest Cost	37,869	29,383
Change in Financial Assumptions	(5,135)	(474,314)
Change in demographic assumptions	(16,097)	0
Experience Gain on Defined Benefit Obligation	54,302	80,572
Estimated Benefits Paid Net of Transfers In	(27,657)	(25,805)
Past Service Costs (including Curtailments)	452	0
Contributions by Scheme Participants	7,856	6,972
Unfunded Pensions Payments	(1,646)	(1,553)
Closing Defined Benefit Obligation	<u>875,216</u>	<u>802,296</u>

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

	31 March 2024 £'000	31 March 2023 £'000
Opening Fair Value of Scheme Assets	1,031,655	1,084,228
Interest on Assets	51,738	28,197
Return on Assets Less Interest	90,442	(81,040)
Other actuarial gains	526	0
Administration Expenses	(299)	(256)
Contributions by Employer Including Unfunded	22,766	20,912
Contributions by Scheme Participants	7,856	6,972
Estimated Benefits Paid Plus Unfunded Net of Transfers (Out)/In	(29,303)	(27,358)
Closing Fair Value of Scheme Assets	<u>1,175,381</u>	<u>1,031,655</u>

	31 March 2024 £'000	31 March 2023 £'000
Opening Impact of Asset Ceiling	250,276	0
Interest on impact of Asset Ceiling	12,543	0
Actuarial Losses	58,094	250,276
Closing Impact of Asset Ceiling	<u>320,913</u>	<u>250,276</u>

Perth and Kinross Council's share of Tayside Pension Fund's assets at 31 March 2024 comprised:

	31 March 2024		31 March 2023	
	£'000	%	£'000	%
Equities	847,604	72%	745,175	72%
Gilts	74,161	6%	24,947	2%
Other Bonds	77,223	7%	130,394	13%
Property	104,188	9%	100,927	10%
Cash	71,920	6%	28,419	3%
Alternatives	285	0%	1,793	0%
Total	<u>1,175,381</u>	<u>100%</u>	<u>1,031,655</u>	<u>100%</u>

A further breakdown of the assets is as follows:

	28 February 2024	28 February 2023
Equities		
Consumer	8%	7%
Manufacturing	8%	2%
Energy and Utilities	2%	3%
Financial Institutions	8%	9%
Health and Care	6%	7%
Information Technology	8%	6%
Others	3%	9%
	<u>43%</u>	<u>43%</u>
Debt Securities		
Corporate Bonds	4%	12%
UK Government Bonds	0%	0%
Others	1%	2%
	<u>5%</u>	<u>14%</u>
Private Equity	2%	0%
Property		
UK Property	9%	10%
	<u>9%</u>	<u>10%</u>
Investment Fund Unit Trusts		
Equities	37%	28%
Bonds	2%	2%
	<u>39%</u>	<u>30%</u>
Cash and Cash Equivalents	2%	3%
Total	<u><u>100%</u></u>	<u><u>100%</u></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 2023.

The principal assumptions used by the actuary have been:

	2023/24	2022/23
Mortality Assumptions		
Longevity at 65 for Current Pensioners:		
- Men	18.9	19.0
- Women	21.6	22.4
Longevity at 65 for Future Pensioners:		
- Men	20.2	20.4
- Women	23.1	23.9
Rate of Increase in Salaries	4.0%	3.9%
Rate of Increase in Pensions	3.0%	2.9%
Rate for Discounting Scheme Liabilities	4.9%	4.8%

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of **£20.748 million** 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:

- 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 2025 is **£19.318 million**.

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. 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.

	£m	£m	£m	£m	£m
Adjustment to discount rate	+0.5%	+0.1%	0%	-0.1%	-0.5%
- Present value of total obligation	£809.859	£861.478	£875.216	£889.309	£949.478
- Projected Service cost	£20.719	£23.513	£24.270	£25.051	£28.450
Adjustment to long term salary increase	+0.5%	+0.1%	0%	-0.1%	-0.5%
- Present value of total obligation	£882.464	£876.645	£875.216	£873.797	£868.220
- Projected Service cost	£24.346	£24.285	£24.270	£24.254	£24.193
Adjustment to pension increases and deferred revaluation	+0.5%	+0.1%	0%	-0.1%	-0.5%
- Present value of total obligation	£943.341	£888.136	£875.216	£862.627	£815.390
- Projected Service cost	£28.568	£25.062	£24.270	£23.503	£20.607

	£m	£m	£m
Adjustment to mortality age rating assumption	+ 1 year	None	-1 year
Present value of total obligation	£911.067	£875.216	£840.954
Projected Service cost	£25.169	£24.270	£23.395

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 and 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 £1.733 million (2022/23 £1.619 million). £1.436 million is disclosed in the Comprehensive Income and Expenditure Statement under Valuation Joint Board and £297,000 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 2023/24 is shown in the Remuneration Report. During 2023/24, two councillors had an interest in businesses from which the Council commissioned works and services to the value of £3,262 and £200 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

Chief Officers of the Council have control over the Council's financial and operating policies. The total of Chief Officers' remuneration is shown in the Remuneration Report. Officers have a responsibility to adhere to a Code of Conduct which requires them to declare any interests in matters that directly or indirectly influence, or be thought to influence, their judgement or decisions taken during their work.

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 2023/24 amounting to £4.931 million (2022/23 £4.815 million). It is a sole member Company with the Council as that member.

Perth Theatre and Concert Hall Ltd

This organisation operates Perth Concert Hall and Perth Theatre. A grant was provided in 2023/24 amounting to £1.142 million (2023/24 £1.0620 million). It is a sole member Company with the Council as that member.

Culture Perth and Kinross Ltd

This organisation has operated libraries, museums and arts galleries in Perth and Kinross since 1 April 2016. A grant was provided in 2023/24 amounting to £3.392 million (2022/23 £3.219 million). 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 2023/24 amounted to £36.562 million (2022/23 £33.443 million). The Joint Committee is administered and controlled by Dundee City, Angus and Perth and Kinross Councils.

Health and Social Care Partnership

This organisation is a joint venture between Perth and Kinross Council and Tayside Health Board and has since 1 April 2016 provided an integrated Health and Social Care service. Contributions to the Health and Social Care Partnership in 2023/24 amounted to £83.241 million (2022/23 £79.034 million) and income received from the Partnership for commissioned services was £105.639 million (2022/23 £94.310 million). The Council has a Creditor of £4.794 million due to the Health and Social Care Partnership as at 31 March 2024 (2022/23 £9.009 million).

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 2024/25 to 2026/27.

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:

	2023/24 £'000	2022/23 £'000
Not later than one year	166	124
Later than one year and not later than five years	272	250
Later than five years	<u>536</u>	<u>539</u>
	<u>974</u>	<u>913</u>

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

	2023/24 £'000	2022/23 £'000
Minimum lease payments	170	156
Sublease payments receivable	<u>(21)</u>	<u>(18)</u>
	<u>149</u>	<u>138</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:

	2023/24 £'000	2022/23 £'000
Not later than one year	1,289	1,358
Later than one year and not later than five years	4,063	4,309
Later than five years	<u>49,536</u>	<u>47,835</u>
	<u>54,888</u>	<u>53,502</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 2022/23 and 2023/24.

21. Property, Plant and Equipment

Movements on Fixed Assets 2023/24 in respect of Property, Plant and Equipment are shown below:

Movements in 2023/24	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	PFI and DBFM Assets included in PPE £'000
<u>Gross Book Value</u>								
As at 1 April 2023	359,761	750,076	67,420	25,569	1,783	56,047	1,260,656	220,689
Additions	19,974	32,667	13,153	895	0	25,307	91,996	31
Revaluation increases recognised in the Revaluation Reserve	0	44,764	0	0	0	0	44,764	26,020
Revaluation decreases recognised in the Revaluation Reserve	(60,412)	(25,962)	0	0	(5)	0	(86,379)	(19,369)
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	0	2,395	0	0	70	0	2,465	0
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	(2,207)	(35,943)	0	0	(41)	0	(38,191)	(5,595)
Derecognition - Disposals	(4,663)	(1,004)	(4,020)	0	(223)	0	(9,910)	0
Asset reclassifications	7,229	38,568	0	0	(891)	(44,906)	0	0
Other movements	0	0	1	1	(2)	(1)	(1)	0
As at 31 March 2024	319,682	805,561	76,554	26,465	691	36,447	1,265,400	221,776
<u>Depreciation</u>								
As at 1 April 2023	(40,221)	(30,506)	(43,195)	(15,195)	0	0	(129,117)	(5,818)
Depreciation charge for 2023/24	(16,413)	(21,112)	(9,011)	(1,188)	0	0	(47,724)	(5,949)
Depreciation written out to the Revaluation Reserve - Revaluation Gain	0	10,108	0	0	0	0	10,108	1,771
Depreciation written out to the Revaluation Reserve - Revaluation Loss	51,864	3,647	0	0	0	0	55,511	1,348
Depreciation written out to the Surplus / Deficit on the Provision of Services - Revaluation Gain	0	1,463	0	0	0	0	1,463	0
Depreciation written out to the Surplus / Deficit on the Provision of Services - Revaluation Loss	107	733	0	0	0	0	840	181
Derecognition - Disposals	4,663	78	3,847	0	0	0	8,588	0
Other movements	0	(6)	5	0	0	0	(1)	0
As at 31 March 2024	0	(35,595)	(48,354)	(16,383)	0	0	(100,332)	(8,467)
Net Book Value at 31 March 2024	319,682	769,966	28,200	10,082	691	36,447	1,165,068	213,309

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 2023/24 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 Net Book Value above excludes Infrastructure Assets, when these assets are included the NBV is as follows:

	Infrastructure Assets £'000
Net Book Value at 1 April 2023	290,325
Additions	75,361
Depreciation	<u>(17,921)</u>
Net Book Value at 31 March 2024	<u><u>347,765</u></u>

The total for all PPE, when Infrastructure Assets are included, is set out below:

	Total PPE £'000
Total PPE (above)	1,165,068
Net Book Value of Infrastructure Assets	<u>347,765</u>
Total PPE Net Book Value at 31 March 2024 (including Infrastructure Assets)	<u><u>1,512,833</u></u>

Property, Plant and Equipment cont'd

Comparative Movements in 2022/23 (restated)

	Council Dwellings £'000	*Other Land and Buildings £'000	Vehicles Plant and Equipment £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	*PFI and DBFM Assets included in PPE £'000
Gross Book Value								
As at 1 April 2022	345,995	661,742	61,969	24,740	1,873	25,343	1,121,662	173,563
Additions	13,053	11,418	8,551	829	20	33,623	67,494	89
Revaluation increases recognised in the Revaluation Reserve	0	70,579	0	0	10	0	70,589	47,037
Revaluation decreases recognised in the Revaluation Reserve	0	(1,305)	0	0	(65)	0	(1,370)	0
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	0	9,939	0	0	0	0	9,939	0
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	0	(2,287)	0	0	(55)	0	(2,342)	0
Derecognition - Disposals	(1,003)	(10)	(3,100)	0	0	(1,203)	(5,316)	0
Asset reclassifications	1,716	0	0	0	0	(1,716)	0	0
Other movements	0	0	0	0	0	0	0	0
As at 31 March 2023	359,761	750,076	67,420	25,569	1,783	56,047	1,260,656	220,689
Depreciation								
As at 1 April 2022	(27,829)	(33,820)	(38,142)	(13,976)	0	0	(113,767)	(9,509)
Depreciation charge for 2022/23	(13,112)	(17,336)	(8,122)	(1,219)	0	0	(39,789)	(4,753)
Depreciation written out to the Revaluation Reserve - Revaluation Gain	0	16,924	0	0	0	0	16,924	8,444
Depreciation written out to the Revaluation Reserve - Revaluation Loss	0	131	0	0	0	0	131	0
Depreciation written out to the Surplus / Deficit on the Provision of Services - Revaluation Gain	0	3,333	0	0	0	0	3,333	0
Depreciation written out to the Surplus / Deficit on the Provision of Services - Revaluation Loss	0	258	0	0	0	0	258	0
Derecognition - Disposals	720	4	3,069	0	0	0	3,793	0
Other movements	0	0	0	0	0	0	0	0
As at 31 March 2023	(40,221)	(30,506)	(43,195)	(15,195)	0	0	(129,117)	(5,818)
Net Book Value at 31 March 2023	319,540	719,570	24,225	10,374	1,783	56,047	1,131,539	214,871

* **Other Land and Buildings** – The opening Gross Book Value and Depreciation for Other Land and Buildings have been restated to reflect an update to 2021/22 following the transfer between categories of an asset where the revaluation transactions of that asset remained in Other Land and Buildings. This has not impacted Net Book Value.

* **PFI and DBFM Assets** – In 2022/23 a revaluation exercise was undertaken of all schools valued on a depreciated replacement cost basis. This revaluation was adjusted for in Other Land and Buildings. The separate disclosure relating to PFI and DBFM amounts included within PPE was omitted and the restatement in the note updates for this.

The reporting of book values for Infrastructure Assets is amended following the issue of the Local Government Finance Circular 09/2022.

The Net Book Value above excludes Infrastructure Assets, when these assets are included the NBV is as follows:

	Infrastructure Assets £'000
Net Book Value at 1 April 2022	247,686
Additions	58,093
Depreciation	<u>(15,454)</u>
Net Book Value at 31 March 2023	<u><u>290,325</u></u>

The total for all PPE, when Infrastructure Assets are included, is set out below:

	Total PPE £'000
Total PPE (above)	1,131,539
Net Book Value of Infrastructure Assets	<u>290,325</u>
Total PPE Net Book Value at 31 March 2023 (including Infrastructure Assets)	<u><u>1,421,864</u></u>

Property, Plant and Equipment cont'd

Capital Commitments

At 31 March 2024, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2023/24 and future years budgeted to cost £120.622 million. Similar commitments at 31 March 2023 were £249.781 million. The total commitment is made up of the following:

	2023/24 £'000	2022/23 £'000
Cultural Attractions	0	13,010
Education Projects	71,412	96,730
Roads and Bridges Improvement Schemes	44,745	133,703
Fleet Vehicles	1,142	0
Council Dwellings	1,172	821
Community Assets	133	3,869
Other Capital Projects	2,018	1,648
	<u>120,622</u>	<u>249,781</u>

Education projects include Perth High School and Blairgowrie Recreation Centre. Roads and Bridges Improvement Schemes includes the Cross Tay Link Road (Destiny Bridge).

Valuation of Assets

Revaluations

The Council carries out a rolling programme that ensures 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 Council Dwellings and for a further selection of assets which was performed during the last quarter of financial year 2023/24. In addition, the Council's internal valuers performed valuations for a number of assets, including investment properties, art galleries and museums, community centres, day care centres, town halls, libraries, residential homes, PFI community campuses and properties requiring revaluation due to redevelopment or a change of use, during the last quarter of financial year 2023/24. 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 markets are functioning 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 the effects of conflict in Eastern Europe and the Middle East.

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 judgment in preparing the valuations and, therefore, this is the best information available to the Council as at 31 March 2024 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.

The table below sets out the Gross Book Value of asset categories carried at historic cost and current value at 31 March 2024, and shows the progress of the Council's five-year rolling revaluation programme for property, plant and equipment.

	Council Dwellings £'000	Other Land and Buildings £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	0	40,373	2	40,375
Values at current value as at:				
31 March 2024	319,682	323,257	409	643,348
31 March 2023	0	416,041	40	416,081
31 March 2022	0	4,389	0	4,389
31 March 2021	0	17,460	240	17,700
31 March 2020	0	4,041	0	4,041
Total Cost or Valuation	<u>319,682</u>	<u>805,561</u>	<u>691</u>	<u>1,125,934</u>

Changes in Estimates

The Council has made no material changes to accounting estimates for Property, Plant and Equipment in 2023/24.

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
<u>Cost or Valuation</u>				
Balance at 1 April 2022	51,740	48	26	51,814
Balance at 31 March 2023	<u>51,740</u>	<u>48</u>	<u>26</u>	<u>51,814</u>
<u>Cost or Valuation</u>				
Balance at 1 April 2023	51,740	48	26	51,814
Balance at 31 March 2024	<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 and Kinross Council is varied and includes oil paintings (approximately 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 and Kinross carry out a five year rolling programme of valuation for items and collections having significant value. The last valuation took place in 2020/21 with the next revaluation scheduled for 2025/26.

There were no significant additions to Heritage Assets in 2022/23 or 2023/24.

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 and 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

	2023/24 £'000	2022/23 £'000
Rental income from investment property	(910)	(903)
Direct operating expenses arising from investment property	61	103
Balance at end of year	<u>(849)</u>	<u>(800)</u>

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

	2023/24 £'000	2022/23 £'000
Balance at start of year	15,015	14,060
Net (loss) / gain from fair value adjustments	<u>(300)</u>	<u>955</u>
Balance at end of year	<u>14,715</u>	<u>15,015</u>

All of the Authority's investment properties are valued at Level 2 on the fair value hierarchy. Values as at 31 March 2024 and 31 March 2023 are as follows:

	2023/24 £'000	2022/23 £'000
Recurring fair value measurements using:		
Industrial and Commercial Land	13,455	13,935
Shops and Offices	695	750
Other Investment Properties	<u>565</u>	<u>330</u>
Total Fair Value	<u>14,715</u>	<u>15,015</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 Chief Finance Officer 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 2024 and can be relied upon.

24. Intangible Assets

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

	2023/24 Assets £'000	2022/23 Assets £'000
Balance at start of year		
Gross carrying amount	3,958	3,643
Accumulated amortisation	<u>(2,995)</u>	<u>(1,969)</u>
Net carrying amount at start of year	<u>963</u>	<u>1,674</u>
Additions: Purchases	334	315
Amortisation for the period	(949)	(1,026)
Net carrying amount at end of year	<u>348</u>	<u>963</u>
Comprising:		
Gross carrying amounts	4,292	3,958
Accumulated amortisation	<u>(3,944)</u>	<u>(2,995)</u>
	<u>348</u>	<u>963</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	
	2023/24 £'000	2022/23 £'000	2023/24 £'000	2022/23 £'000
Balance outstanding at start of year	273	273	403	403
Other movements	<u>403</u>	<u>0</u>	<u>(403)</u>	<u>0</u>
Balance outstanding at year end	<u>676</u>	<u>273</u>	<u>0</u>	<u>403</u>

26. Long Term Debtors

	2023/24 £'000	2022/23 £'000
Other Entities and Individuals	543	541
Total	<u>543</u>	<u>541</u>

27. Inventories

	Consumables and Maintenance Materials	
	2023/24 £'000	2022/23 £'000
Balance outstanding at start of year	441	578
Purchases	3,521	3,617
Recognised as an expense in the year	<u>(3,330)</u>	<u>(3,754)</u>
Balance outstanding at end of year	<u><u>632</u></u>	<u><u>441</u></u>

28. Debtors

	2023/24 £'000 Gross	2023/24 £'000 Net	2022/23 £'000 Gross	2022/23 £'000 Net
Scottish Government		18,429		19,193
Central Government		12,290		10,448
Other Local Authorities		485		774
NHS Bodies		670		3,421
Other Entities and Individuals:				
Housing Rent	2,185		2,297	
less: Impairment	<u>(1,845)</u>		<u>(1,842)</u>	
		340		455
Statutory Additions	6,066		5,735	
less: Impairment	<u>(6,066)</u>		<u>(5,735)</u>	
		0		0
Other	8,489		10,048	
less: Impairment	<u>(1,853)</u>		<u>(1,906)</u>	
		6,636		8,142
Trade	10,282		7,063	
less: Impairment	<u>(1,306)</u>		<u>(1,192)</u>	
		8,976		5,871
Council Tax	21,350		19,458	
less: Impairment	<u>(16,832)</u>		<u>(15,743)</u>	
		4,518		3,715
Total		<u><u>52,344</u></u>		<u><u>52,019</u></u>

29. Creditors

	2023/24 £'000 Gross	2023/24 £'000 Net	2022/23 £'000 Gross	2022/23 £'000 Net
Scottish Government		(793)		(3,905)
Central Government		(7,021)		(7,702)
Other Local Authorities		(6,420)		(7,937)
NHS Bodies		(909)		(1,450)
Public Corporations and Trading Funds		0		(9)
Other Entities and Individuals:				
Employee Statutory Adjustment Account	(8,186)		(8,524)	
Prepaid Council Tax	(2,261)		(2,379)	
Other	<u>(23,199)</u>		<u>(23,451)</u>	
		(33,646)		(34,354)
Trade Creditors		(42,822)		(40,747)
Total		<u><u>(91,611)</u></u>		<u><u>(96,104)</u></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 2024.

Payments to 3rd parties

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 2024 is to meet any potential liability for the years 2022/23 and 2023/24.

	Self Insured/ Uninsured Losses £'000	Payments to 3rd parties £'000	Commercial Rent £'000	Total £'000
Balance as at 1 April 2023	2,607	2,960	40	5,607
Additional provisions made in 2023/24	1,548	1,136	20	2,704
Amounts used in 2023/24	<u>(2,255)</u>	<u>(804)</u>	<u>(20)</u>	<u>(3,079)</u>
Balance as at 31 March 2024	<u>1,900</u>	<u>3,292</u>	<u>40</u>	<u>5,232</u>
Balance Sheet Disclosure:				
Less than 12 months	523	1,125	20	1,668
Over 12 months	<u>1,377</u>	<u>2,167</u>	<u>20</u>	<u>3,564</u>
	<u>1,900</u>	<u>3,292</u>	<u>40</u>	<u>5,232</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

	2023/24 £'000	2022/23 £'000
Revaluation Reserve	(425,931)	(411,175)
Capital Adjustments Account	(338,099)	(400,119)
Financial Instruments Adjustment Account	16,358	17,002
Pensions Reserve	20,748	20,917
Employee Statutory Adjustment Account	8,186	8,524
Total Unusable Reserves	<u>(718,738)</u>	<u>(764,851)</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.

	2023/24 £'000	2022/23 £'000
Balance at 1 April	(411,175)	(332,433)
Upward revaluation of assets	(54,872)	(87,513)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/ Deficit on the Provision of Services	30,869	1,239
Sub-Total	<u>(435,178)</u>	<u>(418,707)</u>
Difference between fair value depreciation and historical cost depreciation	8,811	7,408
Accumulated gains on assets sold or scrapped written out to the Capital Adjustment Account	436	124
Total Unusable Reserves	<u><u>(425,931)</u></u>	<u><u>(411,175)</u></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. 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.

	2023/24 £'000	2022/23 £'000
Balance at 1 April	(400,119)	(372,978)
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	56,836	47,835
Revaluation (gains)/losses on Property, Plant and Equipment	33,423	(11,187)
Amortisation of intangible assets	949	1,026
Revenue expenditure funded from capital under statute	3,770	838
Amounts of non current assets written off on disposal as part of the gain/loss	1,322	1,523
	<u>(303,819)</u>	<u>(332,943)</u>
Adjusting amounts written out of the Revaluation Reserve	<u>(436)</u>	<u>(124)</u>
	<u>(304,255)</u>	<u>(333,067)</u>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,983)	(1,360)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(46,429)	(42,656)
Application of grants to capital financing from the Capital Grants Unapplied Account	0	0
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(15,260)	(15,690)
Statutory adjustment for Financial Flexibilities applied to Service Concession Arrangements (see note 36)	34,262	0
Capital expenditure charged against the general fund and HRA balances	<u>(4,734)</u>	<u>(6,391)</u>
	<u>(338,399)</u>	<u>(399,164)</u>
Movements in the fair value of the Investment Properties	300	(955)
Balance at 31 March	<u><u>(338,099)</u></u>	<u><u>(400,119)</u></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 2024 in respect of the above provisions will be charged to the General Fund and HRA over the next 44 years. The movements on the FIAA during the year are shown below:

	2023/24 £'000	2022/23 £'000
Balance at 1 April	17,002	17,650
Proportion of discounts incurred in previous financial years credited against the General Fund and 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 and HRA Balance in accordance with statutory requirements in the year	(627)	(632)
Difference on restatement of Stepped Interest Rate Loans	(21)	(20)
Balance at 31 March	<u>16,358</u>	<u>17,002</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.

	2023/24 £'000	2022/23 £'000
Balance at 1 April	20,917	55,995
Actuarial Loss/(Gain) on Pensions Assets and Liabilities	196	(62,426)
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	22,401	48,260
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(22,766)	(20,912)
Balance at 31 March	<u>20,748</u>	<u>20,917</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.

	2023/24 £'000	2022/23 £'000
Balance at 1 April	8,524	8,003
Cancellation of accrual made at the end of the preceding year	(8,524)	(8,003)
Amounts accrued at the end of the current year	8,186	8,524
Balance at 31 March	<u>8,186</u>	<u>8,524</u>

33. Impairment Losses

Movements in the value of properties during the year were mainly due to the revaluation of art galleries and museums, community centres, day care centres, town halls, libraries, residential homes, PFI community campuses, and various individual operational buildings such as industrial units and shops. Investment properties were also revalued during 2023/24. 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 2023/24.

	2023/24 £'000	2022/23 £'000
Credited to Taxation and Non Specific Grant Income		
Scottish Government	27,796	19,855
Scottish Government Bodies and Directorates	15,000	20,000
Developer Contributions	1,440	811
Other Third Party Contributions	<u>2,193</u>	<u>1,990</u>
	<u>46,429</u>	<u>42,656</u>
Credited to Services		
Scottish Government	32,386	32,676
Scottish Government Bodies and Directorates	246	178
Sport Scotland	414	399
Other Third Party Contributions	<u>7,072</u>	<u>9,110</u>
	<u>40,118</u>	<u>42,363</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 balance at the year-end is as follows:

	2023/24 £'000	2022/23 £'000
Revenue Grants - Received in Advance		
Scottish Government	566	1,583
Scottish Government - Covid-19 funding for businesses	0	294
Other grants and contributions	6	982
Balance at 31 March	<u>572</u>	<u>2,859</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.

	2023/24 £'000	2022/23 £'000
Capital Financing Requirements b/fwd	679,034	618,390
<u>Capital Expenditure</u>		
Property, Plant and Equipment	167,356	125,585
Intangible Assets	334	315
Revenue Expenditure funded from Capital	3,770	2,625
	<u>171,460</u>	<u>128,525</u>
	<u>850,494</u>	<u>746,915</u>
Sources of Finance		
Capital Receipts	(1,983)	(1,363)
Government Grants and Contributions	(46,429)	(44,437)
Revenue Contributions	(4,733)	(6,391)
Service concession flexibility	34,262	0
Loans Fund Principal Repayments	(15,260)	(15,690)
	<u>(34,143)</u>	<u>(67,881)</u>
Closing Capital Financing Requirement c/fwd	<u>816,351</u>	<u>679,034</u>
Movement	137,317	60,644
<u>Analysed as:</u>		
Increase in need to borrow	109,342	66,508
Net assets acquired under PPP contract	27,975	(5,864)
	<u>137,317</u>	<u>60,644</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 2023/24 for the office accommodation was £2.622 million (2022/23 £2.499 million).

The unitary charge for 2023/24 for the car park was £405,000 (2022/23 £325,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2024/25 for the office accommodation will be £2.657 million 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 million.

The unitary charge for 2023/24 for the campuses operating in the year was £21.646 million (2022/23 £18.910 million).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2024/25 for all school campuses will be £22.618 million.

During 2019/20 the Council incurred an obligation for Bertha Park High School with the asset and liability recognised in the Annual Accounts. The unitary charge for 2023/24 was £3.260 million (2022/23 £3.139 million).

Future agreed payments will increase in line with inflation. The unitary charge for 2024/25 for Bertha Park will be £3.277 million.

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

	2023/24 £'000	<i>Restated*</i> 2022/23 £'000
Net Book Value at 1 April	214,871	164,965
Additions	31	89
Revaluations	1,056	54,570
Depreciation	(5,949)	(4,753)
Depreciation write back	3,300	0
Net Book Value at 31 March	<u>213,309</u>	<u>214,871</u>

*The presentation of the 2022/23 figures have been restated due to an omission in the revaluations figure (see note 21).

Movements in Public Private Partnership Liabilities during the year were:

	2023/24 £'000	2022/23 £'000
Liabilities at 1 April 2023	121,327	127,191
Amounts repaid in year	(6,287)	(5,864)
Liabilities at 31 March 2024	<u>115,040</u>	<u>121,327</u>
Disclosed in the Balance Sheet as:		
Long Term Liabilities	108,613	115,040
Creditors	6,427	6,287
Liabilities at 31 March	<u>115,040</u>	<u>121,327</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	6,426	5,527	9,004	3,123	4,868	28,948
Due in 2 to 5 years	17,667	18,877	34,521	18,045	19,929	109,039
Due in 6 to 10 years	27,004	18,632	47,823	22,045	33,308	148,812
Due in 11 to 5 years	36,799	11,356	54,554	18,732	45,458	166,899
Due in 16 to 20 years	26,372	2,875	31,901	14,189	26,212	101,549
Due in 21 to 25 years	772	21	176	0	169	1,138
Total	<u>115,040</u>	<u>57,288</u>	<u>177,979</u>	<u>76,134</u>	<u>129,944</u>	<u>556,385</u>

These figures are based on the actual cash amount estimated to be payable and not on prices at 31 March 2023.

In September 2022, the Scottish Government issued statutory guidance ([Local Government Finance Circular 10-2022](#)) which allowed Councils temporary flexibility in accounting for Service Concession Arrangements entered into prior to April 2022. The guidance sets out the accounting requirements and options for recognising the capital repayment element of these arrangements and permits Councils to undertake internal accounting changes to reprofile the repayment charged to General Fund over an extended period of time.

The Service Concession Arrangements for which the revised accounting treatment has been adopted include the Council's PPP arrangement for the six school campuses, and the Design, Build, Finance, Maintain (DBFM) scheme for the Bertha Park Secondary School. The Council has applied the permitted flexibility in financial year 2023/24 on a retrospective annuity basis over 50 years. This approach is consistent with current Council Loans Fund policy and is considered prudent, sustainable, and affordable over the useful life of the asset. The 50 year annuity period replicates the useful asset life of other similar type assets held on the Council's balance sheet i.e. schools.

The current unitary charge repayments to contractors will continue until the end of the PPP and DBFM contracts, however, the use of this flexibility results in a one-off credit to the General Fund and ongoing annual savings for a period of time. At the end of the PPP and DBFM contracts, the unitary charge is no longer paid but reprofiled debt repayments continue to be charged to the General Fund until the debt liability has been extinguished. The calculation of the repayment charges, using the asset life annuity basis, is compared to the current charges which are made over the contract period. By applying the flexibility, a one-off combined pre 2023/24 retrospective saving of £31.186m (as detailed in the table below) will be achieved.

<u>Comparison of current and revised debt repayments</u>	<u>Current Repayment</u>	<u>Revised Repayment</u>	<u>(Reduction) / Cost</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Pre 2023/24	44,135	12,949	(31,186)
Paid in 2023/24	4,515	1,439	(3,076)
Payable in 2024/25	4,419	1,505	(2,914)
Payable within 2 to 5 years	16,719	6,745	(9,975)
Payable within 6 to 10 years	27,004	10,327	(16,677)
Payable within 11 to 15 years	36,799	12,932	(23,867)
Payable within 16 to 20 years	26,371	16,198	(10,173)
Payable within 21 to 25 years	771	20,294	19,523
Payable within 26 to 30 years	0	25,435	25,435
Payable within 31 to 35 years	0	31,888	31,888
Payable within 36 to 40 years	0	12,229	12,229
Payable within 41 to 45 years	0	8,247	8,247
Payable within 46 to 50 years	0	545	545
	<u>160,734</u>	<u>160,734</u>	<u>0</u>

In addition to the one-off retrospective element, an in-year saving occurs in scheduled debt repayments in 2023/24, of £3.076m. This will be followed by a reduction in the annual charges for a further 18 years and then the statutory charges will continue until the end of the reprofiled debt repayment period. Over the full asset lives the total repayment for the debt liability remains the same. The reprofiling of the debt liability repayments increases the Capital Financing Requirement (CFR) by £31.186m as at 1 April 2023. The increase in the CFR (Note 35) will reduce by the revised repayments after the PPP and DBFM contracts have expired until the end of the revised period. As this is a cumulative statutory adjustment there is no prior year restatement of statutory adjustments in the Annual Accounts.

The statutory adjustment up to 31 March 2024 has the following impact on the 2023/24 Balance sheet (Capital Adjustment Account) and Movement in Reserves statement:

<u>Impact on Balance Sheet and Movement in Reserves Statement</u>	<u>Pre 2023/24</u>	<u>2023/24</u>	<u>Total</u>
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Capital Adjustment Account	31,186	3,076	34,262
Movement in Reserves Statement	(31,186)	(3,076)	(34,262)

37. Authorisation of Annual Accounts

The unaudited Annual Accounts were authorised for issue by the Chief Finance Officer on 24 June 2024 and the Audited Accounts were authorised for issue on 2 December 2024. 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 2024, 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-imbursement 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 projects are currently being negotiated or refuted.

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, Perth Theatre and Concert Hall Limited, Perth and Kinross Countryside Trust, Perth and Kinross Society for the Blind, Perth Citizens' Advice Bureau and Culture Perth and 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.

The Council may also have a liability pertaining to a recent court decision for both itself and a Joint Committee. The UK Government is undertaking a consultation on amendments following this along with other legal cases which will impact on both the liability and the period that it may cover.

Following the issue of the Reinforced Autoclaved Aerated Concrete (RAAC) safety alert in 2019, the Council previously carried out a review of existing building condition information which was followed up with non-invasive visual inspections where required. A subsequent inspection identified two sites with RAAC, one of which has been remediated. The Council has a robust Building Condition Survey programme in place which comprises a 5-year rolling survey programme and also includes an annual review of survey data to monitor any changes in asset condition. Remedial works may be required if RAAC is found in any Council property, the financial impact of this is unknown at this time.

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 2024 £'000	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000
Financial Liabilities						
<u>Financial Liabilities at amortised cost</u>						
Public works Loan Board (PWLB)	572,000	555,000	15,775	7,576	587,775	562,576
Market Loans	44,330	44,351	0	136	44,330	44,487
Short Term Borrowing	0	0	3,623	4,402	3,623	4,402
Creditors	0	0	91,611	96,104	91,611	96,104
Total borrowings	616,330	599,351	111,009	108,218	727,339	707,569
Financial Assets						
Cash and Equivalents	0	0	31,183	17,663	31,183	17,663
Investment Deposits	0	0	36,560	155,339	36,560	155,339
Other	485	481	239	449	724	930
Debtors	58	60	52,105	51,570	52,163	51,630
Total investments	543	541	120,087	225,021	120,630	225,562

Lender Option Borrower Option (LOBO) borrowings of £44.330 million have been included in long term borrowing as at 31 March 2024 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:

	<u>Financial Liabilities</u>	<u>Financial Assets</u>		
	Liabilities measured at amortised cost	Loans and receivables	Total 2023/24	<i>Total</i> 2022/23
	£'000	£'000	£'000	£'000
Interest expense	22,774	0	22,774	18,366
Interest payable and similar charges	22,774	0	22,774	18,366
Interest income	0	(6,449)	(6,449)	(4,866)
Interest and investment income	0	(6,449)	(6,449)	(4,866)
Gain on revaluation	(20)	(1)	(21)	(27)
Surplus arising on revaluation of financial assets	(20)	(1)	(21)	(27)
Net loss/(gain) for the year	22,754	(6,450)	16,304	13,473

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 2024 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 2024, 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 126/24 on 28 March 2024 (pm).
- 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.

The fair values are calculated as follows:

	31 March 2024		31 March 2023	
	Carrying Amount £'000	Fair Value £'000	Carrying amount £'000	Fair value £'000
Public Works Loans Board (PWLB)	587,775	345,369	562,576	354,921
Lender Option Borrower Option (LOBO)	44,330	39,037	44,351	42,427
Short-term Borrowing	1,197	1,197	2,099	2,099
Other (Special Loans)	2,426	2,426	2,303	2,303
Other Market Loans	0	0	136	136
Creditors	91,611	91,611	96,104	96,104
Financial Liabilities	727,339	479,640	707,569	497,990

The Fair value is significantly less than the carrying amount because the majority of the Council's long-term portfolio of loans are fixed rate loans where the interest rate payable is lower 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 discount the Council would receive from 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 £405 million 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 2024		31 March 2023	
	Carrying Amount £'000	Fair Value £'000	Carrying amount £'000	Fair value £'000
Cash (including petty cash)	31,183	31,183	17,663	17,663
Deposits with Banks and Building Societies	36,560	36,560	155,339	155,339
Mortgages	192	192	236	236
Loans to Others	532	532	694	694
Debtors (Long and short term)	52,163	52,163	51,630	51,630
Financial Assets	120,630	120,630	225,562	225,562

Where the fair value is higher than the carrying amount its because the Council's portfolio of investments includes fixed rate deposits where the interest rate receivable is higher than rates available for similar deposits at the balance sheet date. Where the fair value is the same or lower than the carrying value, it's because the interest receivable is the same or lower than the rates on the balance sheet date, or there is only a very short time left to maturity. For 2023/24, the fair value has been taken as the principal amount outstanding together with accrued interest, given the short-term nature of the instruments.

Nature and Extent of Risks Arising from Financial Instruments

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

(i) Credit Risk

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

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 and Expenditure account for 2023/24 (2022/23 nil) on the grounds of immateriality. Applying historic default rates for the counterparties used by the Council as at 31 March 2024 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 2024	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2024	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with banks and other financial institutions	67,155	0	0	0
Loans to Others	724	0	0	0
Customers	15,242	9.2	9.2	1,402
Total	83,121	-	-	1,402

The Council's overall exposure to credit risk in relation to its deposits in banks and other financial institutions of £67.2m above cannot be assessed generally, as the risk of non-payment of the principal sums or interest is specific to each individual institution. Experience indicates that any such non-payment is rare, and there is no evidence that any risk of default existed at 31 March 2024. The repayment profile of these deposits, including loans to others, is shown below:

	<i>31 March 2024 £'000</i>	<i>31 March 2023 £'000</i>
Less than three months	56,752	71,598
Three to six months	10,403	64,280
Six months to one year	0	40,136
Total	67,155	176,014

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 carrying value of the total amount outstanding as at 31 March 2024 in this category is £532,000 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 2024 is £192,000 with no experience of default. The total amount of Loans to Others of £724,000 can be analysed as follows:

	<i>31 March 2024 £'000</i>	<i>31 March 2023 £'000</i>
Less than three months	58	70
Three to six months	58	70
Six months to one year	123	141
More than one year	485	649
Total	724	930

Debtors

The Council does not generally allow credit for customers, such that £12.081m of the £15.242m balance is past its due date for payment.

	<i>31 March 2024 £'000</i>	<i>31 March 2023 £'000</i>
Less than three months	8,492	12,299
Three to six months	421	427
Six months to one year	1,302	1,213
More than one year	1,866	1,924
Total	12,081	15,863

(ii) Liquidity Risk

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

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

Loans outstanding	31 March 2024 £'000	31 March 2023 £'000
Public Works Loans Board	585,000	560,000
Market debt	43,200	43,340
Temporary borrowing	1,152	2,060
Local bonds	2,415	2,294
Bank overdraft	0	3,067
Total	631,767	610,761
Less than 1 year	16,567	12,561
Between 1 and 2 years	5,000	13,000
Between 2 and 5 years	25,000	20,000
Between 5 and 10 years	37,500	17,500
Between 10 to 15 years	5,000	5,000
More than 15 years	542,700	542,700
Total	631,767	610,761

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 the interest expense charged to the Comprehensive Income and Expenditure Statement, but is offset by increased investment returns.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact the balance sheet for assets held at amortised cost, but will impact 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 and Expenditure Statement. However, no such assets at fair value were held by the Council as at 31 March 2024.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact the balance sheet for liabilities held at amortised cost, but will impact 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 2024, 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	468
Increase in interest rate receivable on variable rate investments	<u>(1,071)</u>
Impact on Comprehensive Income and Expenditure Statement	<u>(603)</u>
Share of overall impact credited to the HRA	(139)

The impact of a 1% fall in interest rates would have been an estimated cost of £1.071 million 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 £36,000 payable on other loans. Therefore, the net cost of a 1% fall in interest rates would be £1.035 million of which £238,000 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 2024 includes net surplus funds of £501,000 (31 March 2023 £722,000) in respect of schools participating in the Devolved School Management scheme. There are no schools carrying forward deficits. These surpluses are earmarked in 2023/24 for the individual schools concerned.

There is Pupil Equity Funding from the Scottish Government of £116,000 which is being carried forward to 2024/25 for schools within the Council's earmarked general fund balances.

41. Operating Activities

The cash flows for operating activities include the following items:

	2023/24 £'000	2022/23 £'000
Interest received	(7,191)	(2,831)
Interest paid	28,154	26,434
	<u>20,963</u>	<u>23,603</u>

42. Investing Activities

	2023/24 £'000	2022/23 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(158,781)	(120,483)
Purchase of short-term and long-term investments	(69,560)	(205,839)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,840	1,047
Proceeds of short-term and long-term investments	188,339	259,801
Other receipts for investing activities	46,429	42,656
	<u>8,267</u>	<u>(22,818)</u>

43. Financing Activities

	2023/24 £'000	2022/23 £'000
Cash receipts of short and long-term borrowing	66,065	29,697
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(6,287)	(5,864)
Repayments of short and long-term borrowing	(40,582)	(37,056)
	<u>19,196</u>	<u>(13,223)</u>

44. Cash and Cash Equivalents

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

	2023/24 £'000	2022/23 £'000
Cash held	47	55
Bank current accounts	542	(3,067)
Short-term deposits with banks and building societies	9	3,651
Short-term deposits with Local Authorities	29,529	14,017
Short-term deposits with other organisations	1,056	3,007
Total cash and cash equivalents	<u>31,183</u>	<u>17,663</u>

45. Trust Funds

Perth and Kinross Council administers a number of Charitable Funds of varying sizes. The Income and Expenditure Account and Balance Sheet are detailed on page 91.

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 and 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 and 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 and Kinross.

	31 March 2024 £'000	31 March 2023 £'000
<u>Educational Trust - Financial Assistance</u>		
Net Assets	1,058	983
Net Incoming/(Outgoing) Resources before other recognised gains and losses	11	10
<u>Educational Trust - Endowments</u>		
Net Assets	48	49
<u>Other Charitable Trusts</u>		
Net Assets	2,617	2,429
Net Incoming Resources before other recognised gains and losses	48	3
Total Net Assets	<u>3,723</u>	<u>3,461</u>
Total Net Incoming Resources before other recognised gains and losses	<u>59</u>	<u>13</u>

Detailed Accounts for the Charities are available from the Chief Finance Officer, 2 High Street, Perth, PH1 5PH by contacting 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 2024 is £667.120 million. This is made up as follows:

	Advances 1 April 2023 £'000	Debt Transferred £'000	Repaid 2023/24 £'000	Net Advances 2023/24 £'000	Advances 31 March 2024 £'000
General Fund	379,820	0	(2,671)	97,205	474,354
Prudential Borrowing	45,331	0	(2,853)	4,123	46,601
Sub Total	425,151	0	(5,524)	101,328	520,955
HRA	132,627	0	(3,448)	16,986	146,165
Total	557,778	0	(8,972)	118,314	667,120

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

	General Fund £'000	Prudential Borrowing £'000	Sub Total: General Fund £'000	HRA £'000	Total 31 March 2024 £'000
Within 1 year	2,844	2,800	5,644	1,768	7,412
Between 1 and 2 years	2,293	2,792	5,085	1,977	7,062
Between 2 and 5 years	6,902	6,305	13,207	7,169	20,376
Between 5 and 10 years	14,592	5,838	20,430	25,171	45,601
Between 10 and 15 years	22,536	4,600	27,136	20,990	48,126
between 15 and 20 years	32,756	3,721	36,477	12,452	48,929
Between 20 and 25 years	43,987	4,000	47,987	7,128	55,115
More than 25 years	348,444	16,545	364,989	69,510	434,499
Total	474,354	46,601	520,955	146,165	667,120

Comparison of the outstanding capital advances above with the Council's long-term external debt demonstrates that actual capital expenditure funded by borrowing is higher than the actual borrowing undertaken to date by around **£38.9 million**. This reflects the strategy adopted in recent years of deferring new borrowing whilst rates were at high levels, and applying maturing investment balances to meet immediate cashflow requirements. New borrowing would only be undertaken when there were insufficient available balances. The Council started the year in an "over-borrowed" position of around £45 million, whilst the position at the end of the year reflects an "under-borrowed" position of £38.9 million, highlighting the strategy of deferring borrowing where possible. It should also be noted that the Council has approved a significant borrowing requirement over the next 6 years on its Capital programmes.

The Council approved its new Composite Capital Budget to 2029/30 on 28 February 2024 (Report No. 24/64 refers), whilst the Housing and Social Wellbeing Committee approved the HRA Capital Investment Programme to 2028/29 on 24 January 2024 (Report No. 24/24 refers). The last report to the Finance and Resources Committee on 24 April 2024 (Report No. 24/131 refers) approved adjustments to these Programmes.

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	Housing Investment Programme	Total
	£'000	£'000	£'000
2024/25	169,923	19,703	189,626
2025/26	74,024	17,864	91,888
2026/27	81,816	13,629	95,445
2027/28	100,221	17,720	117,941
2028/29	19,739	17,704	37,443
2029/30	16,222	0	16,222
Total	<u>461,945</u>	<u>86,620</u>	<u>548,565</u>

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. This also includes estimates of new borrowing for the years beyond 2029/30.

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

<u>2022/23</u>		<u>2023/24</u>		
£'000		£'000	£'000	£'000
	Income			
(30,334)	Dwelling Rents	(31,128)		
587	less Voids	<u>574</u>		
			(30,554)	
(578)	Non-Dwelling Rents	(596)		
41	less Voids	<u>42</u>		
			(554)	
(1,110)	Other Income		(2,399)	
<u>(31,394)</u>	Total Income		<u>(2,399)</u>	(33,507)
	Expenditure			
7,638	Repairs and Maintenance		7,640	
15,229	Supervision and Management		16,135	
13,427	Depreciation, impairment and revaluation losses on non current assets		19,263	
(118)	Movement in the Impairment of Debtors		3	
667	Other expenditure		<u>448</u>	
<u>36,843</u>	Total Expenditure			43,489
<u>5,449</u>	Net Expenditure for HRA Services as included in the Comprehensive Income and Expenditure Statement			<u>9,982</u>
318	HRA services' share of Corporate and Democratic Core			305
<u>5,767</u>	Net Expenditure for HRA Services			<u>10,287</u>
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
534	(Gain) / Loss on sale of HRA Non-Current Assets			(3)
3,356	Interest payable and similar charges			3,756
(136)	Interest and investment income			(284)
94	Net Interest on the net defined benefit liability			(68)
(3,214)	Capital Grants and Contributions Receivable			(3,787)
<u>6,401</u>	Deficit for the year on HRA services			<u>9,901</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>2022/23</u> £'000		<u>2023/24</u>	
		£'000	£'000
(3,282)	Balance on the HRA at the end of the Previous Year		(2,647)
6,401	Deficit for the year on the HRA Income and Expenditure Account	9,901	
(2,897)	Adjustments to Usable reserves permitted by Statute	(7,157)	
<u>(2,029)</u>	Adjustments between Accounting Basis and Funding Basis Under Statute	<u>(2,357)</u>	
<u>1,475</u>	Net Decrease before Transfers to or from Reserves	387	
(840)	Transfer from Reserves	<u>0</u>	
635	Movement in Year on the HRA		387
<u>(2,647)</u>	Balance on the HRA at the end of the Current Year		<u>(2,260)</u>

Note to the Statement of Movement on the HRA Balance

<u>2022/23</u> £'000		<u>2023/24</u>	
		£'000	£'000
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
(534)	Gain/(Loss) on sale of HRA Non-current assets	3	
(10,530)	Depreciation and impairment of non current assets	(14,316)	
0	Revaluation Loss	(2,590)	
	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	3,787	
(16)	Adjustments involving Short Term Accumulated Absences Account	28	
(3,149)	Reversal of items relating to retirement benefits credited to the Comprehensive Income and Expenditure Statement	(1,478)	
<u>(11,015)</u>			<u>(14,566)</u>
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
1,436	Employer's pension contributions and direct payments to pensioners payable in the year	1,479	
163	Adjustments involving the Financial Instruments Adjustment Account	147	
3,999	Statutory provision for the repayment of debt	3,448	
<u>3,388</u>	Capital expenditure charged to the HRA balances	<u>2,335</u>	
8,986			7,409
<u>(2,029)</u>	Net additional amount required by statute to be (credited) to the HRA Balance for the year		<u>(7,157)</u>

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

1. Housing Stock at 31 March 2024	No. of Dwellings		<i>Restated</i>	
	31 March 2024		<i>No. of Dwellings</i> 31 March 2023	
Sheltered accommodation	285		285	
Detached/Semi-Detached/Terraced	3,865		3,827	
High Rise Flats	146		143	
Tenement Flats/Other Flats/Maisonettes	3,757		3,705	
Total	8,053		7,960	

2. Rent Arrears at 31 March 2024	Gross Arrears		<i>Gross Arrears</i>	
	31 March 2024		31 March 2023	
	£'000	% of Income	£'000	% of Income
Houses	2,994	9.6	3,217	10.6
Other Subjects	56	9.4	52	9.0
Totals	3,050	9.6	3,269	10.6

3. **Impairment of Debtors**

In 2023/24 an impairment of £1.845 million has been provided in the Balance Sheet, an increase of £3,340 from the impairment in 2022/23.

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.

2022/23		2023/24
£'000		£'000 £'000
113,489	Gross Charge	119,476
(3,688)	Deduct - Exemptions	(3,903)
(182)	Disabled Relief	(195)
(8,350)	Discounts and Reductions	(8,788)
(6,966)	Council Tax Reduction Scheme	(7,431)
94,303	Net Council Tax	99,159
	Deduct -	
(7)	Ministry of Defence Properties	(7)
7	Contribution Received	7
		0
(1,045)	Provision for Bad and Doubtful Debts	(1,607)
93,258	Total Council Tax Income	97,552
(398)	Adjustments for prior years for Council Tax	(204)
92,860	Total Council Tax Income to Comprehensive I and E Statement	97,348

THE ACCOMPANYING NOTES TO THE COUNCIL TAX INCOME ACCOUNT

1. CALCULATION OF THE COUNCIL TAX BASE AT 31 MARCH 2024

	A	B	C	D	E	F	G	H	2023/24 TOTAL	2022/23 TOTAL
No. of Properties	8,744	15,047	13,024	11,824	12,235	8,334	6,701	709	76,618	75,884
Exemptions	(766)	(707)	(519)	(342)	(268)	(132)	(107)	(20)	(2,861)	(2,791)
Disabled Relief	72	19	15	30	(42)	(9)	(81)	(4)	0	0
Discounts	(1,408)	(2,027)	(1,494)	(1,185)	(961)	(503)	(314)	(62)	(7,954)	(7,870)
Effective No. of Properties	6,642	12,332	11,026	10,327	10,964	7,690	6,199	623	65,803	65,223
Ratio	240/360	280/360	320/360	360/360	473/360	585/360	705/360	882/360		
Band D Equivalents	4,425	9,592	9,801	10,327	14,405	12,496	12,140	1,526	74,712	73,982
Contributions in lieu									7	7
TOTAL									74,719	73,989
Provision for non-payment at 2.0%									(1,494)	(1,480)
COUNCIL TAX BASE									<u>73,225</u>	<u>72,509</u>

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 2023/24 are set out below:

Valuation Band	Property Valuation Range	Fraction of band D	2023/24 Actual Charge	2022/23 Actual Charge
A	£0 - £27,000	240/360	£935.79	£900.67
B	£27,001 - £35,000	280/360	£1,091.75	£1,050.78
C	£35,001 - £45,000	320/360	£1,247.72	£1,200.89
D	£45,001 - £58,000	360/360	£1,403.69	£1,351.00
E	£58,001 - £80,000	473/360	£1,844.29	£1,775.06
F	£80,001 - £106,000	585/360	£2,280.99	£2,195.38
G	£106,001 - £212,000	705/360	£2,748.89	£2,645.71
H	Over £212,000	882/360	£3,439.04	£3,309.95

NON-DOMESTIC RATE INCOME ACCOUNT

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

<u>2022/23</u>		<u>2023/24</u>	
£'000		£'000	£'000
81,902	Gross Rate Levied		87,269
0	Transitional Relief		<u>(2,735)</u>
			84,534
	Deduct:		
(2,682)	Rate Rebates	(2,889)	
(21,664)	Reliefs, Charities etc.	(18,936)	
(256)	Provision for Bad and Doubtful Debts	(436)	
			<u>(22,261)</u>
	Adjustments to Previous Years:		
(1,202)	Gross Rate Levied	(594)	
0	Transitional Surcharge/Relief	10	
(291)	Reliefs, Charities etc.	(204)	
(154)	Impairment for Bad and Doubtful Debts and Abatements	(571)	
			<u>(1,359)</u>
<u>55,653</u>	Net Non-Domestic Rate Income-		<u>60,914</u>
(55,877)	Contribution to National Non-Domestic Rate Pool	(62,378)	
<u>46,141</u>	Contribution from National Non-Domestic Rate Pool	<u>60,754</u>	
(9,736)	Net contribution to National Non-Domestic Rate Pool		<u>(1,624)</u>
<u><u>45,917</u></u>	Total Non-Domestic Rate Income to Comprehensive Income and Expenditure Statement		<u><u>59,290</u></u>
<u><u>224</u></u>	Discretionary Relief funded by the Council		<u><u>1,464</u></u>

THE ACCOMPANYNG NOTES TO THE NON-DOMESTIC RATE INCOME ACCOUNT

1. NON-DOMESTIC RATES

Non-Domestic Rates Income is set and pooled nationally but generated and collected locally by Scottish Local Authorities. It is distributed back to those local authorities through a distribution formula agreed with COSLA as part of the local government finance settlement, therefore it bears no direct relationship to the amounts collected by those authorities. The rate poundage set by the Scottish Government for 2023/24 was 49.8p (unchanged from 2022/23).

The Small Business Bonus Scheme, introduced from 1 April 2008, provides relief to businesses based on their combined rateable value. Significant changes were made from 1 April 23; the combined rateable value threshold remained at £35,000 with relief now available on all individual properties with a rateable value of £20,000 or less. Subject to eligibility, this provides 100% relief where the rateable value is £12,000 or less and a tapered award where the rateable value is greater than £12,000. Awards totalling almost £9.2 million were provided to businesses within the Perth and Kinross area in 2023/24.

A supplement of 1.3p was charged on properties with a rateable value of between £51,001 and £100,000 and a supplement of 2.6p was charged on properties with a rateable value exceeding £100,000 to contribute towards the additional cost of the Small Business Bonus scheme. (The upper level having increased from £95,000 in 2022/23).

2. RATEABLE SUBJECTS AND VALUES

<i>No. of Subjects at 1 April 2022</i>	<i>Rateable Value £'000 at 1 April 2022</i>		<i>No. of Subjects at 1 April 2023</i>	<i>Rateable Value £'000 at 1 April 2023</i>
1,699	36,564	Shops	1,695	34,527
85	1,741	Public Houses	79	1,656
1,096	13,843	Offices (including banks)	1,056	13,487
227	12,708	Hotels etc.	212	14,744
1,781	24,353	Industrial Subjects etc.	1,769	26,017
1,950	11,842	Leisure, Entertainment, Caravans etc.	1,934	14,189
151	4,822	Garages and Petrol Stations	151	5,147
59	1,352	Cultural	59	1,471
1,362	2,663	Sporting Subjects	1,401	3,373
118	15,273	Education and Training	120	16,452
420	7,795	Public Service Subjects	420	8,811
1	0	Communications	1	0
22	331	Quarries, Mines etc.	23	536
2	3,412	Petrochemical	2	4,165
240	1,654	Religious	237	1,906
117	6,390	Health, Medical	117	6,343
728	1,988	Other	745	2,309
64	3,347	Care Facilities	62	3,580
30	98	Advertising	29	95
92	10,568	Undertaking	94	12,677
<u>10,244</u>	<u>160,744</u>	Total	<u>10,206</u>	<u>171,485</u>

Charitable Trusts

The Council administers Perth and 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 2024.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2024

	2023/24 £'000	2023/24 £'000	2022/23 £'000
Incoming Resources			
Income resources from generated funds:			
Investment income	163		146
Total Incoming Resources	163	163	146
Resources Expended			
Costs of generating funds:			
Investment management costs	16		16
Charitable activities	75		103
Governance costs	13		14
Total Resources Expended		104	133
Net Incoming Resources before other Recognised Gains and Losses		59	13
Other Recognised Gains:			
Gain/(losses) on Investment Assets		203	(162)
Net Movement in Funds for the Year		262	(149)
Reconciliation of Funds			
Total Funds Brought Forward		3,461	3,610
Total Funds Carried Forward		3,723	3,461

BALANCE SHEET AS AT 31 MARCH 2024

	2023/24 £'000	2023/24 £'000	2022/23 £'000
Fixed Assets			
Tangible Assets		80	80
Investments		3,271	3,083
		3,351	3,163
Current Assets			
Debtors	7		28
Investments - Amounts due by Perth and Kinross Council			
Loans Fund	374		288
	381		316
Liabilities			
Creditors: amounts falling due within one year	(9)		(18)
Net Current Assets		372	298
Net Assets		3,723	3,461
Total Funds		3,723	3,461

Notes to Charitable Trusts

1. The market value of Investments at 31 March 2024 was £3.271 million (31 March 2023 £3.083 million).
2. The unaudited accounts were issued on 24 June 2024 and the audited accounts were authorised for issue on 2 December 2024.

Scott Walker CPFA
Chief Finance Officer
Date:

Common Good

The Council administers the Common Good Accounts for ten former burghs within Perth and Kinross. The figures below summarise the aggregate income and expenditure for the year and detail the Assets and Liabilities at 31 March 2024.

INCOME AND EXPENDITURE STATEMENT FOR YEAR TO 31 MARCH 2024

	2023/24 £'000	2023/24 £'000	2022/23 £'000
Expenditure			
Grants to Voluntary Organisations	167		110
Christmas Lighting	100		73
Property Costs	5		0
Supplies and Services	17		21
	17		21
		289	204
Income			
Rents, Fees, Charges etc.	279		311
Interest on Loans	114		39
Other	8		3
	8		3
		401	353
Operating Surplus for the Year		112	149
Surplus Brought Forward		2,258	2,109
Accumulated Surplus at 31 March		2,370	2,258

BALANCE SHEET AS AT 31 MARCH 2024

	2023/24 £'000	2023/24 £'000	2022/23 £'000
Fixed Assets			
Property, Plant and Equipment		5,315	5,383
Current Assets			
Debtors	16		9
Investments	2,340		2,219
Cash and Cash Equivalents	410		453
	410		453
		2,766	2,681
Current Liabilities			
Creditors and Accruals		(106)	(134)
		(106)	(134)
Total Net Assets		7,975	7,930
Reserves			
Revenue		2,370	2,258
Capital		477	477
Revaluation Reserve		5,128	5,195
		7,975	7,930

The unaudited accounts were issued on 24 June 2024 and the audited accounts were authorised for issue on 2 December 2024.

Scott Walker CPFA
Chief Finance Officer
Date:

The Accompanying Notes to the Common Good Accounts

1. The use of common good assets is accounted for on a risk and rewards based approach. The Council General Fund or Housing Revenue Account will meet the day-to-day operating costs of the property, and any repairs or improvement works required to the property, in return for the use of the common good asset for the delivery of Council services. No rent for the use of the property is payable to the Common Good Fund on the basis that the Fund benefits from the Council expenditure incurred in maintaining and upgrading the sites. No expenditure is charged to the Common Good Fund for the Council expertise in managing the assets.

In respect of common good sites that are leased out to a party external to the Council, the tenant will bear the responsibility for the upkeep of the property. The Common Good Fund is, therefore, credited with the annual rental income arising from the lease agreement.

2. Depreciation

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.

3. Common Good Reserve Funds

Fund:	Balance at 1 April 2023 £'000	Surplus / (Deficit) 2023/24 £'000	Balance at 31 March 2024 £'000
Perth City	1,600	109	1,709
Aberfeldy	125	3	128
Abernethy	1	0	1
Alyth	20	0	20
Auchterarder	309	(7)	302
Blairgowrie	20	0	20
Crieff	15	0	15
Kinross	161	5	166
Pitlochry	7	2	9
Total	<u>2,258</u>	<u>112</u>	<u>2,370</u>

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

4. Common Good Fixed Assets

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 publication of the list has been completed, and following a period of public consultation, the findings are now available on the Perth and Kinross Council Citizen Space website at Draft Common Good Land Register.

The review of moveable Common Good property has commenced and is expected to complete in 2024/25.

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Housing Revenue Account	Capital Fund	Insurance Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	TOTAL Authority Reserves	Restated Authority's share of subsidiaries and managed funds	Restated Authority's share of associates and joint ventures	TOTAL Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2022	(85,900)	(3,282)	(24,817)	(1,366)	(2,556)	(87)	(118,008)	(623,763)	(741,771)	(22,036)	(13,824)	(777,631)
<u>Movement in reserves during 2022/23</u>												
Total Comprehensive Income and Expenditure	16,868	6,401	0	0	0	0	23,269	(148,700)	(125,431)	(8,509)	5,090	(128,850)
Adjustments to Usable Reserves permitted by accounting standards	(4,511)	(2,897)	0	0	0	0	(7,408)	7,408	0	0	0	0
Adjustments from income and expenditure charged under the accounting basis to the funding basis	1,514	(2,029)	0	0	311	0	(204)	204	0	0	0	0
(Increase)/Decrease in 2022/23	13,871	1,475	0	0	311	0	15,657	(141,088)	(125,431)	(8,509)	5,090	(128,850)
Transfers to/(from) Other Statutory Reserves	2,306	(840)	(1,526)	60	0	0	0	0	0	0	0	0
Balance at 31 March 2023 carried forward	(69,723)	(2,647)	(26,343)	(1,306)	(2,245)	(87)	(102,351)	(764,851)	(867,202)	(30,545)	(8,734)	(906,481)
<u>Movement in reserves during 2023/24</u>												
Total Comprehensive Income and Expenditure	41,392	9,901	0	0	0	0	51,293	(23,807)	27,486	969	3,293	31,748
Adjustments to Usable Reserves permitted by accounting standards	(6,454)	(2,357)	0	0	0	0	(8,811)	8,811	0	0	0	0
Adjustments from income and expenditure charged under the accounting basis to the funding basis	(19,833)	(7,157)	0	0	143	0	(26,847)	26,847	0	0	0	0
Adjustment to the statutory repayment of debt for service concession arrangements - permitted flexibility	(34,262)	0	0	0	0	0	(34,262)	34,262	0	0	0	0
(Increase) or Decrease in 2023/24	(19,157)	387	0	0	143	0	(18,627)	46,113	27,486	969	3,293	31,748
Transfers to/(from) Other Statutory Reserves	5,086	0	(4,683)	(403)	0	0	0	0	0	0	0	0
Balance at 31 March 2024 carried forward	(83,794)	(2,260)	(31,026)	(1,709)	(2,102)	(87)	(120,978)	(718,738)	(839,716)	(29,576)	(5,441)	(874,733)

The Group Movement in Reserves Statement has been restated in terms of presentation for the Authority's share of subsidiaries and managed funds to include Common Good and Charities previously included in the Authority's share of associates and joint ventures.

GROUP BALANCE SHEET

<u>31 March 2023</u>		Notes	<u>31 March 2024</u>
<i>£'000</i>			<i>£'000</i>
1,437,497	Property, Plant and Equipment		1,527,977
51,814	Heritage Assets		51,814
15,015	Investment Property		14,715
963	Intangible Assets		348
403	Assets Held for Sale		0
3,083	Long Term Investments	5	7,463
8,805	Investment in Joint Venture		5,441
541	Long Term Debtors		543
<u>1,518,121</u>	Long Term Assets		<u>1,608,301</u>
157,558	Short Term Investments	5	38,900
273	Assets Held for Sale		676
508	Inventories		751
54,212	Short Term Debtors	6	54,795
27,517	Cash and Cash Equivalents		36,456
<u>240,068</u>	Current Assets		<u>131,578</u>
(12,114)	Short Term Borrowing		(19,398)
(98,608)	Short Term Creditors	7	(94,817)
(295)	Provisions		(1,668)
<u>(111,017)</u>	Current Liabilities		<u>(115,883)</u>
(5,312)	Provisions		(3,564)
(599,351)	Long Term Borrowing		(616,330)
(71)	Liabilities in associates and joint ventures		0
(135,957)	Other Long Term Liabilities		(129,369)
<u>(740,691)</u>	Long Term Liabilities		<u>(749,263)</u>
<u>906,481</u>	NET ASSETS		<u>874,733</u>
102,351	Usable Reserves		120,978
764,851	Unusable Reserves		718,738
27,888	Group Reserves		23,319
11,391	Charitable and Common Good Reserves		11,698
<u>906,481</u>	TOTAL RESERVES		<u>874,733</u>

The Unaudited Annual Accounts were issued on 24 June 2024 and the Audited Annual Accounts were authorised for issue on 2 December 2024.

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

Scott Walker CPFA
Chief Finance Officer

Date:

GROUP CASH FLOW STATEMENT

<u>2022/23</u>		<u>Notes</u>	<u>2023/24</u>
<i>£'000</i>			<i>£'000</i>
(26,627)	Deficit on the provision of services		(51,984)
85,234	Adjustments to net surplus or deficit on the provision of services for non cash movements		86,989
(44,143)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(49,490)
<u>14,464</u>	Net cash flows from Operating Activities		<u>(14,485)</u>
(23,696)	Investing Activities	10	4,228
(13,263)	Financing Activities	11	19,196
<u>(22,495)</u>	Net increase/(decrease) in cash and cash equivalents		<u>8,939</u>
50,012	Cash and cash equivalents at the beginning of the reporting period		27,517
<u><u>27,517</u></u>	Cash and cash equivalents at the end of the reporting period		<u><u>36,456</u></u>

RECONCILIATION OF THE SINGLE ENTITY DEFICIT FOR THE YEAR TO THE GROUP DEFICIT

<u>2022/23</u> £'000		<u>2023/24</u> £'000
23,269	Deficit on the single entity Comprehensive Income and Expenditure Statement for the year	51,293
	Add:	
0	• Managed Funds - Charitable Trusts and Common Good	(374)
8,208	• Joint Venture	4,270
1,583	• Associates	(339)
3,357	• Subsidiaries	1,065
<u><u>36,417</u></u>	Deficit for the year on the Group Comprehensive Income and Expenditure Statement	<u><u>55,915</u></u>

Notes to the Group Accounts

1. Combining Entities

The results of Tayside Valuation Joint 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 as 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 Joint Board, which in 2023/24 was 46.2% (2022/23 42.68%). The accounting period for the Board is the year to 31 March 2024 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., Perth Theatre and Concert Hall Ltd. and Culture Perth and 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., Perth Theatre and Concert Hall Ltd. and Culture Perth and 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., Perth Theatre and Concert Hall Ltd. and Culture Perth and 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
Perth Theatre and Concert Hall Ltd.	Perth Concert Hall, Mill Street, Perth, PH1 5HZ
Culture Perth and 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 and Kinross Council and are subject to charitable trust regulations. The Income and Expenditure Account of the Charitable Trusts is detailed on page 91 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 and Kinross Council and are subject to the Accounting Code of Practice. The Income and Expenditure Account of the Common Good is detailed on page 92 of the Annual Accounts.

Perth and 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 2023/24 is 40% (2022/23 34%). Copies of Tayside Contracts Joint Committee's individual accounts are published separately, and can be obtained from 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 and 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 and Kinross Integration Joint Board individual accounts are published separately and can be obtained from the Chief Financial Officer, Perth and Kinross Integration Joint Board, 2 High Street, Perth, PH1 5PH.

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 and Kinross and Stirling Council areas. The results of TACTRAN have been excluded from Perth and Kinross Council's Group accounts on the grounds of materiality.

2. Nature of Combination

The Council inherited its interest in the Tayside Valuation Joint 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 £35.017 million (2022/23 £39.279 million 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 and Expenditure Statement – Financing and Investment Income and Expenditure

	2023/24 £'000	2022/23 £'000
Council Financing and Investment Income and Expenditure	18,809	20,309
Subsidiaries	(226)	(71)
Charitable Trusts	(366)	15
Common Good	(114)	(39)
Total Group CIES Financing and Investment Income and Expenditure	<u>18,103</u>	<u>20,214</u>

5. Group Balance Sheet – Investments

	2023/24 £'000	2022/23 £'000
Council Investments	36,560	155,339
Charitable Trusts Investments	3,271	3,083
Common Good Investments	2,340	2,219
Subsidiaries	4,192	0
Total Group Investments	<u>46,363</u>	<u>160,641</u>

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

	2023/24 £'000	2022/23 £'000
Net Debtors Balance - Note 28 to the Financial Statements	52,344	52,019
Subsidiary Debtors	2,428	2,156
Charitable Trust		
Debtors	381	316
Inter-company elimination	(374)	(288)
Common Good		
Debtors	426	462
Inter-company elimination	(410)	(453)
Total Group Debtors	<u>54,795</u>	<u>54,212</u>

7. Group Balance Sheet – Short Term Creditors

	2023/24 £'000	2022/23 £'000
Net Creditors Balance - Note 29 to the Financial Statements	(91,611)	(96,104)
Charitable Trust		
Creditors	(9)	(18)
Inter-company elimination	374	288
Common Good		
Creditors	(106)	(134)
Inter-company elimination	410	453
	<u>(90,942)</u>	<u>(95,515)</u>
Subsidiary Creditors	(3,875)	(3,093)
Total Group Creditors	<u>(94,817)</u>	<u>(98,608)</u>

8. Group Balance Sheet – Pension Liability

	2023/24 £'000	2022/23 £'000
Net Pensions Liability at 31 March - Note 18 to the Financial Statements	(20,748)	(20,917)
Subsidiaries	(7)	0
Group Pension Liability at 31 March	<u>(20,755)</u>	<u>(20,917)</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 and 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., Perth Theatre and Concert Hall Ltd. and Culture Perth and Kinross Ltd. within the Group Cash Flow Statement is to increase the movement in the net cash position by £5.273 million (2022/23, increase of £9.854 million). A cash increase of £3.149 million represents the Council's 100% share of Live Active Leisure Ltd., a cash increase of £1.082 million represents the Council's 100% share of Perth Theatre and Concert Hall Ltd and a cash increase of £1.042 million represents the Council's 100% share of Culture Perth and Kinross Ltd.

10. Group Cash Flow – Investment Activities

	2023/24 £'000	2022/23 £'000
Council Investing Activities	8,267	(22,818)
Subsidiaries	(4,039)	(878)
	<u>4,228</u>	<u>(23,696)</u>

11. Group Cash Flow – Financing Activities

	2023/24 £'000	2022/23 £'000
Council Financing Activities	19,196	(13,223)
Subsidiaries	0	(40)
	<u>19,196</u>	<u>(13,263)</u>

Remuneration Report

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 United Kingdom 2023/24 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 has been audited by the Council's appointed auditor, Audit Scotland. The other sections of the Remuneration Report have been reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

3. Remuneration of Senior Councillors

- 3.1 The remuneration of Councillors is regulated by the [Local Governance \(Scotland\) Act 2004 \(Remuneration\) Regulations 2007 \(SSI No. 2007/183\)](#). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either, the Leader of the Council, the Civic Head (Provost), Senior Councillors or Councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure.
- 3.2 When determining the level of remuneration for Councillors, the Scottish Ministers 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 however reconvened in April 2023 to undertake a one-off independent review of Councillor Remuneration to ensure terms and conditions reflect the responsibilities of a modern-day Councillor. Recommendations are currently being considered by the Scottish Ministers and COSLA.
- 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 and Kinross Council is the Provost and set out the maximum salary that may be paid to that Civic Head. For 2023/24 the maximum salary for the Leader of Perth and Kinross Council is **£40,205** and the Council has agreed that the Civic Head be paid 75% of the salary of the Leader, which for 2023/24 is a maximum of **£30,154**. 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 and Kinross Council may have a maximum of 14 senior councillors with a maximum salary of **£30,154** and a maximum yearly amount payable for all senior councillors of **£351,771** in 2023/24 (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 2023/24, one councillor from Perth and Kinross Council served as Convener or Vice Convener of a Joint Board.
- 3.6 During 2023/24 Perth and Kinross Council had 13 Senior Councillors and a Vice-Convener of a Joint Board. 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 **£444,520**. The individual amounts payable to the Leader of the Council, the Provost, senior councillors of Perth and Kinross Council and the Vice-Convener of a Joint Board in 2023/24 are set out in **Table 1**. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become councillor members of the pension scheme.

Table 1: Remuneration of Senior Councillors, Conveners and Vice-Conveners of Joint Boards for Financial Year 2023/24

Name and Post Title	Salary, Fees and Allowances 2023/24	Total Remuneration 2023/24	Total Remuneration 2022/23
	£	£	£
Grant Laing Council Leader	40,205	40,205	35,853
Xander McDade Provost (Civic Head)	30,154	30,154	25,031
Peter Barrett Convener Licensing Board	24,648	24,648	17,841
Bob Brawn Convener Local Review Body	24,648	24,648	22,939
Dave Cuthbert Vice-Convener Tayside Valuation Joint Board	23,872	23,872	18,134
Stewart Donaldson Convener Finance and Resources Committee	27,729	27,729	23,018
Eric Drysdale Deputy Leader	27,729	27,729	25,497
John Duff Leader of Largest Opposition Party	27,729	27,729	25,497
David Illingworth Convener Audit and Risk Committee	27,729	27,729	23,018
Ian Massie Convener Planning and Placemaking Committee	27,729	27,729	23,018
Tom McEwan Convener Housing and Social Wellbeing Committee	27,729	27,729	23,018
Andrew Parrott Depute Provost Convener Environment, Infrastructure and Economic Development Committee (01/04/2023 – 05/12/2023) Please refer to Note (1)	26,784	26,784	23,018
John Rebbeck Convener Learning and Families Committee	27,729	27,729	23,018
Colin Stewart Convener Scrutiny and Performance Committee	27,729	27,729	23,018
Richard Watters Convener Climate Change and Sustainability Committee	27,729	27,729	23,018
Michael Williamson Convener Licensing Committee	24,648	24,648	20,460
TOTAL	444,520	444,520	375,396

Notes:

- (1) Depute Provost Andrew Parrott was the Convener of the Environment, Infrastructure and Economic Development Committee up until 5 December 2023. The FTE Salary was £27,729. From 6 December 2023 the FTE Salary payable was £24,648. Councillor Drysdale was the Convener of this Committee from 6 December 2023 until 5 March 2024 for which he received no additional remuneration as he was already a senior councillor. The Committee is no longer active.
- (2) After adjusting for the salaries of the Leader of the Council, the Civic Head (Provost) and the Vice-Convener of Tayside Valuation Joint Board, the total salaries paid to Senior Councillors in 2023/24 was **£350,289** which compares with the maximum under Regulations of **£351,771**.

3.7 The arrangements for political decision-making structures within Perth and Kinross Council as at 31 March 2024, which encompassed the salaries of all elected members including the Council Leader, Civic Head and Senior Councillors, were agreed at the meeting of the Council on 25 May 2022 (Report No. 22/110 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 2023/24:

Table 2: Remuneration Paid to Councillors 1 April 2023 to 31 March 2024

Type of Remuneration	2023/24 £	2022/23 £
Salaries	926,897	893,775
Allowances and Expenses	35,499	28,754
Total	<u>962,396</u>	<u>922,529</u>

The annual return of Councillors' salaries and expenses for 2023/24 is available for any member of the public to view at Culture Perth and Kinross Ltd. libraries and Council local area offices during normal working hours and is also available on the Council's website at Councillors 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. One employee of Perth and Kinross Council was remunerated at this level in 2023/24 (Chief Executive).

4.2 The application of the disclosure regulations in relation to the management structure of Perth and Kinross Council defines the following post-holders as senior employees in 2023/24:

- The Chief Executive as statutory head of paid service.
- The Strategic Lead of Legal and Governance Services as the Council's statutory monitoring officer; the Chief Finance Officer as the Council's proper officer for financial administration (previously the Head of Finance) and the Chief Officer of the Perth and Kinross Health and Social Care Partnership as the Council's statutory Chief Social Work Officer.
- The following officers 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:
 - Executive Director of Communities
 - Chief Education Officer
 - Director of Strategy, People and Resources
 - Director of Economy, Place and Learning
 - Chief Operating Officer
 - Chief Officer of the Perth and Kinross Health and Social Care Partnership

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 and Kinross Council for 2023/24 is detailed in **Table 3** below:

**Table 3: Remuneration of Senior Employees of the Council for Financial Year 2023/24
(Job titles as at 31 March 2024)**

Name and Post Title	Salary, Fees and Allowances 2023/24 £	Total Remuneration 2023/24 £	Total Remuneration 2022/23 £
Thomas Glen Chief Executive (Note 1)	154,609	154,609	148,054
Clare Mailer Director of Strategy, People and Resources	124,797	124,797	73,126
Jacqueline Pepper Chief Officer, Perth and Kinross Health and Social Care Partnership and Chief Social Work Officer	135,517	135,517	127,786
Barbara Renton Executive Director of Communities	140,050	140,050	130,631
Alison Williams Director of Economy, Place and Learning (from 05/02/2024) (Note 2)	25,880	25,880	n/a
Sheena Devlin Chief Education Officer	135,517	135,517	127,956
Arun Singh Chief Social Work Officer (from 29/01/2024) (Note 3)	18,728	18,728	0
Karen Donaldson Chief Operating Officer	124,639	124,639	118,068
Stewart MacKenzie Head of Finance	103,354	103,354	97,458
Lisa Simpson Strategic Lead – Legal and Governance	107,647	107,647	101,816
TOTAL	1,070,738	1,070,738	924,895

Notes:

- (1) The substantive salary for the Chief Executive is laid down in COSLA Circular 11.23b.
- (2) Remuneration includes non-taxable Relocation Expenses of £4,369. The Full Year Equivalent Salary for the post of Director of Economy, Place and Learning was £135,517.
- (3) Arun Singh was appointed Chief Social Work Officer from 29 January 2024, taking over this role from Jacqueline Pepper at that date. The Full Year Equivalent Salary for the post of Chief Social Work Officer is £105,847.

4.5 Election fees (where applicable) are included with senior employee salaries. No other taxable benefits or bonuses were received by the above-named senior employees of Perth and Kinross Council in 2023/24.

4.6 The remuneration paid to the Chief Executive of each of the Council's subsidiary bodies for 2023/24 is detailed in **Table 3A** below:

Table 3A: Remuneration of Council's Subsidiary Bodies Senior Employees for Financial Year 2023/24

Name and Post Title	Salary, Fees and Allowances 2023/24 £	Total Remuneration 2023/24 £	Total Remuneration 2022/23 £
Paul Cromwell Live Active Leisure – Chief Executive	85,586	85,586	81,152
Helen Smout Culture Perth and Kinross Limited – Chief Executive	72,000	72,000	66,391
Nick Williams Perth Theatre and Concert Hall Limited – Chief Executive. (Note 1)	28,798	28,798	70,902
Christopher Glasgow Perth Theatre and Concert Hall Limited – Chief Executive. (Note 2)	44,123	44,123	n/a
TOTAL	230,507	230,507	218,445

Notes:

- (1) Nick Williams left Perth Theatre and Concert Hall Limited on 31 July 2023. FTE Salary was £73,738.
- (2) Christopher Glasgow was appointed Interim Chief Executive on 1 August 2023. FTE Salary was £63,000. From 7 November 2023 he was appointed permanently into the role. FTE Salary was increased to £68,000 from this date.

5. General Disclosure of Remuneration by Pay Band

5.1 In accordance with the disclosure regulations, **Table 4** below details the number of Perth and Kinross Council employees (including teachers) whose annual remuneration in 2023/24 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 2023/24

Remuneration Bands	Number of Employees	
	2023/24	2022/23
£50,000-£54,999	566	233
£55,000-£59,999	132	88
£60,000-£64,999	123	61
£65,000-£69,999	81	41
£70,000-£74,999	62	15
£75,000-£79,999	22	0
£80,000-£84,999	14	7
£85,000-£89,999	7	3
£90,000-£94,999	2	11
£95,000-£99,999	13	2
£100,000-£104,999	4	2
£105,000-£109,999	4	0
£110,000-£114,999	0	0
£115,000-£119,999	0	1
£120,000-£124,999	2	0
£125,000-£129,999	0	3
£130,000-£134,999	1	0
£135,000-£139,999	2	0
£140,000-£144,999	0	0
£145,000-£149,999	0	1
£150,000-£154,999	1	0
Total (See Notes)	1,036	468

Notes:

As stated in the audited 2022/23 Annual Accounts, due to the delay in concluding the teachers and associated professionals 2022/23 pay award, the increase in remuneration was not applied until April 2023 and therefore was not reflected in the actual salary received up to 31 March 2023.

The increase in numbers are mainly due to fact that 445 teaching staff are now falling into the £50,000 - £54,999 band following the application of the 2022/23 and 2023/2024 pay award, which includes backdated arrears for the period 1 April 2022 to 31 March 2023.

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	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24 £'000	2022/23 £'000
£0 - £20,000	1	2	14	5	15	7	126	46
£20,001 - £40,000	0	0	2	1	2	1	79	22
£40,001 - £60,000	0	0	1	0	1	0	53	0
£60,001 - £80,000	0	0	1	0	1	0	72	0
£80,001 - £100,000	0	0	3	0	3	0	276	0
Over £100,000	0	0	3	0	3	0	905	0
Total	1	2	24	6	25	8	1,511	68

5.2 The costs included within **Table 5** are all non-recurring and include payments to individual officers and to the relevant Pension Fund.

5.3 All of the individual exit packages included within **Table 5** have been subject to a full business case or legal agreement 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 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.

6. Remuneration by Subsidiary Bodies of Perth and Kinross Council

6.1 Councillors and senior employees of Perth and Kinross Council serve as board members, officials and technical advisors to subsidiary bodies of the Council. In 2023/24, the Strategic Lead – Legal and Governance 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 and Kinross Council by subsidiary bodies of the Council in 2023/24.

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 and 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 2023/24

Actual Pensionable pay	Contribution Rate 2023/24
On earnings up to and including £25,300	5.5%
On earnings above £25,301 and up to £31,000	7.25%
On earnings above £31,001 and up to £42,500	8.5%
On earnings above £42,501 and up to £56,600	9.5%
On earnings of £56,601 and above	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 1/49th added to the pension account. (Prior to 2015 the accrual rate was 1/60th of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).
- 7.7 The value of accrued benefits 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 and Kinross Council for the year to 31 March 2024 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 2023/24

Name and Post Title	In-year pension contributions (Note 1)		Accrued Pension Benefits (Note 2)			
	2023/24	2022/23		as at 31/03/2024	as at 31/03/2023	Difference
	£	£		£'000	£'000	£'000
Grant Laing Council Leader	6,835	6,268	Pension Lump Sum	6 0	5 0	1 0
Xander McDade Provost (Civic Head)	5,126	4,742	Pension Lump Sum	3 0	2 0	1 0
Peter Barrett Convener Licensing Board	4,190	3,888	Pension Lump Sum	8 2	7 2	1 0
Bob Brawn Convener Local Review Board	4,190	4,073	Pension Lump Sum	4 0	3 0	1 0
Dave Cuthbert Vice-Convener Tayside Valuation Joint Board	4,058	3,493	Pension Lump Sum	1 0	0 0	1 0
Stewart Donaldson Convener Finance and Resources Committee	4,714	4,400	Pension Lump Sum	4 0	3 0	1 0
Eric Drysdale Deputy Leader	4,714	4,508	Pension Lump Sum	4 0	3 0	1 0
John Duff Leader of Largest Opposition Party	4,714	4,508	Pension Lump Sum	3 0	2 0	1 0
David Illingworth Convener Audit and Risk Committee	4,714	4,400	Pension Lump Sum	3 0	2 0	1 0
Ian Massie Convener Planning and Placemaking Committee	4,714	4,400	Pension Lump Sum	2 0	1 0	1 0
Tom McEwan Convener Housing and Social Wellbeing Committee	4,714	4,400	Pension Lump Sum	3 0	2 0	1 0
Andrew Parrott Convener Environment, Infrastructure and Economic Development Committee	4,553	4,400	Pension Lump Sum	4 0	3 0	1 0
John Rebbeck Convener Learnings and Families Committee	4,714	4,400	Pension Lump Sum	3 0	2 0	1 0

Name and Post Title	In-year pension contributions (Note 1)		Accrued Pension Benefits (Note 2)			
	2023/24	2022/23		as at 31/03/2024	as at 31/03/2023	Difference
	£	£		£'000	£'000	£'000
Colin Stewart Convener Scrutiny and Performance Committee	4,714	4,400	Pension Lump Sum	3 0	3 0	0 0
Richard Watters Convener Climate Change and Sustainability Committee	4,714	4,400	Pension Lump Sum	3 0	2 0	1 0
Michael Williamson Convener Licensing Committee	4,190	3,965	Pension Lump Sum	5 0	4 0	1 0
TOTAL	75,568	70,645				

Notes:

- (1) The in-year employer pension contributions shown are based on all pensionable earnings for financial year 2023/24, not just current appointments.
- (2) 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 Table 7: Pension Entitlements of Senior Employees of the Council for Financial Year 2023/24
(Post titles as at 31 March 2024)**

Name and Post Title	In-year pension contributions (Note 1)			Accrued Pension Benefits (Note 2)			
	2023/24	2023/24 Strain on Fund (Note 4)	2022/23		as at 31/03/2024	as at 31/03/2023	Difference
	£	£	£		£'000	£'000	£'000
Thomas Glen Chief Executive (Note 3)	26,283	0	25,169	Pension Lump Sum	77 0	4 0	73 0
Clare Mailer Director of Strategy, People and Resources	21,215	0	17,599	Pension Lump Sum	53 67	43 55	10 12
Jacqueline Pepper Chief Officer, Perth and Kinross Health and Social Care Partnership and Chief Social Work Officer	23,038	0	21,724	Pension Lump Sum	55 35	44 33	11 2
Barbara Renton Executive Director of Communities	23,038	93,404	21,724	Pension Lump Sum	40 9	35 9	5 0
Alison Williams Director Economy, Place and Learning (from 05/02/2024)	3,657	0	n/a	Pension Lump Sum	0 0	n/a n/a	0 0
Sheena Devlin Chief Education Officer	22,329	0	21,724	Pension Lump Sum	78 125	72 122	6 3
Karen Donaldson Chief Operating Officer	21,214	175,115	20,004	Pension Lump Sum	64 100	58 95	6 5
Arun Singh Chief Social Work Officer (from 29/01/2024)	3,184	0	0	Pension Lump Sum	0 0	0 0	0 0
Stewart MacKenzie Head of Finance	17,570	297,151	16,568	Pension Lump Sum	53 72	48 68	5 4
Lisa Simpson Strategic Lead – Legal and Governance	18,208	0	17,256	Pension Lump Sum	20 0	16 0	4 0
TOTAL	179,736	565,670	161,768				

Notes:

- (1) The in-year employer pension contributions shown are based on all pensionable earnings for financial year 2023/24, not just the current appointment.
- (2) Accrued pension benefits include total benefits accumulated during all membership of the Local Government Pension Scheme and not just service in their current role.
- (3) Transfer-in of service completed 2023/24 for Chief Executive Thomas Glen.
- (4) These are additional in-year pension contributions, representing strain costs being the amount the Council is required to pay to the pension fund. This is chargeable when an employee retires before the assumed retirement age, that would otherwise result in a shortfall in contributions up to the assumed retirement age.

7.10 Pension Entitlements – Council's Subsidiary Bodies

The pension entitlements of the Chief Executives of each of the Council's subsidiary bodies for the year to 31 March 2024 are shown in **Table 7A** below, together with the contribution made to each Senior Employees' pension during the year.

Table 7A: Pension Entitlements of Senior Employees of each of the Council's Subsidiary Bodies for Financial Year 2023/24

Name and Post Title	In-year pension contributions (Note 1)		Accrued Pension Benefits (Note 2)			
	2023/24 £	2022/23 £		as at 31/03/2024 £'000	as at 31/03/2023 £'000	Difference £'000
Paul Cromwell Live Active Leisure – Chief Executive	14,550	13,796	Pension Lump Sum	27 13	24 12	3 1
Helen Smout Culture Perth and Kinross Limited - Chief Executive	12,240	11,287	Pension Lump Sum	29 26	25 24	4 2
Nick Williams Perth Theatre and Concert Hall Limited – Chief Executive (Note 3)	4,179	12,053	Pension Lump Sum	6 0	5 0	1 0
Christopher Glasgow Perth Theatre and Concert Hall Limited – Chief Executive (Note 4)	10,259	n/a	Pension Lump Sum	3 0	n/a n/a	3 0
TOTAL	41,228	37,136				

Notes:

- (1) The in-year employer pension contributions shown are based on all pensionable earnings for financial year 2023/24, not just the current appointment.
- (2) Accrued pension benefits include total benefits accumulated during all membership of the Local Government Pension Scheme and not just service in their current role.
- (3) Nick Williams left Perth Theatre and Concert Hall Limited on 31 July 2023.
- (4) Christopher Glasgow was promoted to Interim Chief Executive on 1 August 2023. From 7 November 2023 he was appointed permanently into the role.

8. Trade Union (Facility Time Publication Requirements) Regulations 2017

- 8.1 The Council is required to report from 1 April 2017 a range of information on facility time made available to its employees who are trade union representatives. This link provides the information: [Trade Union Statutory Return 2023/24](#).

Signed:

Thomas Glen
Chief Executive
Perth and Kinross Council
Date:

Councillor Grant Laing
Leader of the Council
Perth and Kinross Council
Date:

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 and 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.

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 paid 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 Annual 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 and 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.

SERVICE CONCESSION ARRANGEMENTS

Service concession (PPP and PFI) arrangements involve the operator undertaking an obligation to provide assets (and related services) that are used to provide services to the public (irrespective of who provides those services to the public).