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Council Building  
2 High Street  
Perth  
PH1 5PH

2 October 2020

A virtual meeting of **Perth and Kinross Council** will be held on **Wednesday, 07 October 2020** at **09:30**.

If you have any queries please contact Committee Services on (01738) 475000 or email [Committee@pkc.gov.uk](mailto:Committee@pkc.gov.uk).

**KAREN REID**  
Chief Executive

***Those attending the meeting are requested to ensure that all notifications are silent on their device and other devices are in silent mode.***

***Please note that the meeting will be broadcast online and recorded. The recording will be publicly available on the Council's website following the meeting.***

**Members:**

Provost D Melloy  
All Councillors



**Perth and Kinross Council**

**Wednesday, 07 October 2020**

**AGENDA**

***MEMBERS ARE REMINDED OF THEIR OBLIGATION TO DECLARE ANY FINANCIAL OR NON-FINANCIAL INTEREST WHICH THEY MAY HAVE IN ANY ITEM ON THIS AGENDA IN ACCORDANCE WITH THE COUNCILLORS' CODE OF CONDUCT.***

- 1 WELCOME AND APOLOGIES**
- 2 DECLARATIONS OF INTEREST**
- 3 MINUTE OF MEETING OF PERTH AND KINROSS COUNCIL OF 30 JULY 2020 FOR APPROVAL** **7 - 12**  
(copy herewith)
- 4 TREASURY ACTIVITY AND COMPLIANCE REPORT 2020/21 QUARTER 1** **13 - 30**  
Report by Head of Finance (copy herewith 20/178)
- 5 TREASURY & INVESTMENT STRATEGY AND PRUDENTIAL INDICATORS 2020/21 - 2028/29** **31 - 66**  
Report by Head of Finance (copy herewith 20/179)
- 6 ANNUAL AUDITED ACCOUNTS 2019/20 AND ANNUAL AUDIT REPORT TO THE MEMBERS OF PERTH AND KINROSS COUNCIL AND THE CONTROLLER OF AUDIT FOR THE YEAR ENDED 31 MARCH 2020** **67 - 224**  
Report by Head of Finance (copy herewith 20/180)  
  
Members are asked to note that the external auditors, KPMG, are not able to participate at the Council meeting, however members may wish to note their comments from the Audit Committee of 16 September 2020 on the report which can be viewed via the link below:  
  
[Audit Committee - 16 September 2020](#)
- 7 THE PERTH AND KINROSS OFFER - COVID-19 - UPDATE INCLUDING RECOVERY AND RENEWAL - BUILDING AND EVEN BETTER PERTH AND KINROSS** **225 - 274**  
Report by Chief Executive (copy herewith 20/181)
- 8 REVIEW OF PERTH AND KINROSS INTEGRATION SCHEME** **275 - 280**  
Report by Chief Executive (copy herewith 20/182)

- 9 CHIEF SOCIAL WORK OFFICERS ANNUAL REPORT 2019/20 281 - 354**  
Report by Chief Social Work Officer (copy herewith 20/183)
- 10 GOVERNANCE REVIEW - MEMBERSHIP OF MEMBER/OFFICER 355 - 364**  
**WORKING GROUP**  
Report by Head of Legal and Governance (copy herewith 20/184)
- 11 REVISED TIMETABLE OF MEETINGS OCTOBER - DECEMBER 365 - 366**  
**2020**  
Council is asked to agree the enclosed revised timetable of meetings for October - December 2020 (copy herewith)

**12 POLLING PLACES**

The Council is progressing with the planning for the local government by-elections that are scheduled to take place on 26 November 2020.

It is the responsibility of the Council to maintain the list of polling places and polling districts.

The Council has been advised that Craigie Church Hall and Moncrieffe Church Hall will not be available for this by-election.

Voters from Moncrieffe Church Hall can be accommodated within Moncrieffe Community Centre.

To provide an alternative for Craigie Church Hall, it is proposed that the Dewar's Centre, Perth, is designated as a temporary polling place.

The Council is asked to approve these temporary changes.

Ordinarily, elected members would approve all adjustments to polling places. However, given the potential impact of Covid-19 on the by-election planning, it is proposed that authority be delegated to the Chief Executive to make adjustments to polling places as required, with changes being advised to elected members for information.

**13 RECORD OF DECISIONS UNDER EMERGENCY POWERS**

In addition to the decisions reported on 30 July 2020, Council is asked to note the following decisions taken in response to Covid-19:

- (i) 10 March 2020. The timeline for the review of the Contributions Policy be revised, with the intention to bring forward a report to Council in April 2021 to allow a full and thorough consultation process to take place.
- (ii) 17 August 2020. Approval of The Tayside Children's Service

Plan 2020-2023 - Joint Statement prepared by NHS Tayside and Perth and Kinross Council (as reported to the Children, Young People and Families Partnership on 18 September 2020)

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## PERTH AND KINROSS COUNCIL

Minute of meeting of Perth and Kinross Council held virtually on Thursday 30 July 2020 at 9.35am.

Present: Provost D Melloy, Councillors C Ahern, H Anderson, A Bailey, K Baird, P Barrett, B Brawn, R Brock, A Coates, H Coates, S Donaldson, E Drysdale, J Duff, A Forbes, T Gray, D Illingworth, I James, A Jarvis, G Laing, M Lyle, R McCall, S McCole, X McDade, T McEwan, A Parrott, B Pover, C Purves, J Rebbeck, C Reid, W Robertson, F Sarwar, C Shiers, L Simpson, C Stewart, R Watters, M Williamson and W Wilson.

In Attendance: K Reid, Chief Executive; S Devlin, Executive Director (Education and Children's Services); B Renton, Executive Director (Housing and Environment); G Paterson, Chief Officer/Director – Integrated Health and Social Care; K Donaldson, Interim Chief Operating Officer; L Simpson, S Hendry, S Mackenzie, S Walker, A Brown, D Littlejohn, C Wright, S Watt and A Taylor (all Corporate and Democratic Services); C Mailer, C Forbes and M Butterworth (all Housing and Environment).

Apologies for Absence: Councillor M Barnacle

### 1. WELCOME AND APOLOGIES

The Provost welcomed all those present and noted apologies.

### 2. DECLARATIONS OF INTEREST

There were no declarations of interest made in terms of the Councillors' Code of Conduct.

IN TERMS OF STANDING ORDER 34 IT WAS AGREED TO VARY THE ORDER OF BUSINESS TO CONSIDER ITEMS P1 & P2 AT THIS POINT

In terms of Standing Orders 29 and 32, Councillor X McDade, seconded by Councillor A Bailey, moved that Items P1 and P2 should not be considered as exempt items of business and that the public be allowed to view the live proceedings online.

6 members voted to hear the items in public as follows:

Councillors H Anderson, A Bailey, R Brock, X McDade, C Purves and C Stewart.

27 members voted to consider the items as exempt business as follows:

Councillors C Ahern, K Baird, P Barrett, B Brawn, A Coates, H Coates, S Donaldson, E Drysdale, J Duff, A Forbes, T Gray, D Illingworth, I James, A Jarvis, M Lyle, R McCall, S McCole, Provost D Melloy, B Pover, C Reid, W Robertson, F Sarwar, C Shiers, L Simpson, R Watters, M Williamson and W Wilson.

2 members abstained from the vote as follows:  
Councillors G Laing and J Rebbeck.

COUNCILLORS T MCEWEN AND A PARROTT LEFT THE MEETING DURING THE ABOVE VOTE.

**Resolved:**

The public and press be excluded from viewing during consideration of the following items in order to avoid the disclosure of information which was exempt in terms of Schedule 7A to the Local Government (Scotland) Act 1973.

**IT WAS AGREED THAT THE PUBLIC AND PRESS SHOULD BE EXCLUDED DURING CONSIDERATION OF THE FOLLOWING ITEM IN ORDER TO AVOID THE DISCLOSURE OF INFORMATION WHICH IS EXEMPT IN TERMS OF SCHEDULE 7A TO THE LOCAL GOVERNMENT (SCOTLAND) ACT 1973.**

**P1. DISPOSAL OF FORMER COUNCIL OFFICES AT 1-5 HIGH STREET, PERTH**

There was submitted a report by the Interim Chief Operating Officer (20/128) seeking approval to confirm the named individual in Report 20/128 as the preferred bidder for the acquisition of the former Council offices at 1-5 High Street, Perth for redevelopment as a boutique hotel. As two parts of the 1-5 High Street complex are deemed to be Common Good, a public consultation has been undertaken on the principles of the proposed disposal which will also require to be considered by the Perth Common Good Committee at a future meeting.

**Motion (Councillors M Lyle and J Duff)**

**It is recommended the Council:**

- (i) Confirms the named individual in Report 20/128 as the preferred bidder for the sale of 1-5 High Street, Perth to allow officers to commence negotiation on the terms of the disposal to the satisfaction of the Head of Planning and Development and the Head of Legal and Governance;**
- (ii) Invites the preferred bidder to give a presentation on its proposals to members;**
- (iii) Requests a further report detailing the terms of the disposal prior to considering disposal; and**
- (iv) Notes that the approval of the Perth Common Good Committee will also be required.**

**Amendment (Councillors A Bailey and T Gray)**

This Council defers the decision on whether to appoint a preferred bidder for 1-5 High Street and will consider the decision again as part of the wider capital budget review in early 2021.

In accordance with Standing Order 58, a roll call vote was taken.

21 members voted for the Motion as follows:

Councillors C Ahern, K Baird, P Barrett, B Brawn, A Coates, H Coates, E Drysdale, J Duff, A Forbes, D Illingworth, I James, A Jarvis, M Lyle, R McCall, Provost Melloy, A Parrott, C Reid, W Robertson, C Shiers, L Simpson and W Wilson.

16 members voted for the Amendment as follows:

Councillors H Anderson, A Bailey, R Brock, S Donaldson, T Gray, G Laing, S McCole, X McDade, T McEwan, B Pover, C Purves, J Rebbeck, F Sarwar, C Stewart, R Watters and M Williamson.

**Resolved:**

In accordance with the Motion.

**P2. MILL QUARTER, THIMBLEROW SITE DEVELOPMENT**

There was submitted a report by the Interim Chief Operating Officer (20/129) (1) providing an update in relation to the redevelopment of the Thimblrow car park; and (2) requesting consideration of whether or not to grant the named individual in Report 20/129 a further extension to the current development agreement to enable them to pursue an amended residential led scheme.

**Resolved:**

- (i) A request from the named company in Report 20/129 for the development agreement to be extended to allow for the revised Residential / Multi Storey Car Park led scheme be refused.
- (ii) Council withdraws from the Mill Quarter Development Agreement on its expiry in August 2020.
- (ii) Dialogue be continued with the named company in Report 20/129 to explore the possibility of a new partnership with the Council to deliver a residential led scheme subject to compliance with procurement legislation.
- (iii) The Interim Chief Operating Officer be requested to bring back a further report to Council in December 2020 for further consideration.

THERE FOLLOWED A RECESS AND THE MEETING RECOMENCED AT 1.00PM.

**THE PUBLIC AND PRESS WERE RE-ADMITTED TO THE MEETING AT THIS POINT**

**3. MINUTE OF MEETING OF PERTH AND KINROSS COUNCIL OF 24 JUNE 2020 FOR APPROVAL AND SIGNATURE**

The minute of meeting of Perth and Kinross Council of 24 June 2020 was submitted, approved as a correct record and authorised for signature.

**4. THE PERTH AND KINROSS OFFER - COVID-19 – FRAMEWORK FOR RECOVERY AND RENEWAL: BUILDING AN EVEN BETTER PERTH AND KINROSS**

There was submitted a report by the Chief Executive (20/124) seeking agreement of the iterative strategy and framework to support Perth and Kinross's

recovery and renewal from the COVID-19 pandemic as part of the Perth and Kinross Offer.

**Resolved:**

- (i) The progress made to date, in terms of the Council's response to the pandemic and developing an approach to Recovery and Renewal, be noted.
- (ii) The proposed Recovery and Renewal Strategy, as attached at Appendix B to Report 20/124, be approved and it be noted that a Plain English version would be produced to be used with all stakeholders including communities and employees.
- (iii) A sub group of the Perth and Kinross Offer/Recovery and Renewal Member/Officer Working Group to be established, replacing the Modernising Governance Member/Officer Working Group, to review the Council's governance arrangements.
- (iv) It be agreed that an Organisational Development Plan is produced to support the approach agreed through the Perth and Kinross Offer and recovery and renewal.
- (v) A further, costed report be brought to the next meeting of Council in October 2020, following the review of the revenue budget and the setting of the capital budget.

**5. UPDATE ON THE ECONOMIC RECOVERY PLAN**

There was submitted a report by the Interim Chief Operating Officer (20/125) (1) providing a brief update on the development of an Economic Recovery Plan; and (2) outlining the various actions taken by the Council and its partners in responding to the economic downturn as a result of the Covid 19 outbreak.

**Resolved:**

- (i) The progress made to date, in terms of the Council's response to the pandemic in supporting local businesses and the economy, be noted.
- (ii) The draft Economic Wellbeing Plan be noted and the proposed Consultation process be agreed.
- (iii) A final draft to be brought to the first meeting of the Council, following the review of the revenue budget and the setting of the capital budget at the end of September 2020.

THERE FOLLOWED A RECESS AND THE MEETING RECONVENED AT 3.02PM.

**6. COVID-19 - DELIVERY PLAN FOR RETURN TO SCHOOLS AND EARLY LEARNING AND CHILDCARE**

There was submitted a report by the Executive Director (Education and Children's Services) (20/126) (1) outlining the planning which had taken place to ensure that a full time return to schools and early learning and childcare would be achieved from August 2020, if it is deemed safe to do so; and (2) setting out how Education and Children's Services was further developing its contingency plan for a phased return to schools and early learning and childcare should it be required.

**Resolved:**

The content of Report 20/126 and the Local Delivery Plan be noted.

## **7. COMMUNITY ASSET TRANSFER REQUEST – KINNLOCH RANNOCH OUTDOOR CENTRE**

There was submitted a report by the Executive Director (Housing and Environment) (20/127) (1) seeking approval to the transfer of Kinloch Rannoch Outdoor Centre and associated land to a community body; and (2) outlining the process for the Community Asset Transfer Request following approval by full Council.

### **Motion (Councillors M Lyle and J Duff)**

**It is recommended that Council:**

- (i) Approves the Community Asset Transfer request for the disposal of Kinloch Rannoch Outdoor Centre and associated land to Rannoch Community Trust for the sum of £75,000; and**
- (ii) Delegates authority to the Executive Director (Housing and Environment) and Head of Legal and Governance Services to determine terms and conditions of the transfer.**

### **Amendment (Councillors X McDade and M Williamson)**

**It is recommended that Council:**

- (i) Approves the Community Asset Transfer request for the disposal of Kinloch Rannoch Outdoor Centre and associated land to Rannoch Community Trust for the sum of £1; and**
- (ii) Delegates authority to the Executive Director (Housing and Environment) and Head of Legal and Governance Services to determine terms and conditions of the transfer.**

**THERE WAS A SHORT RECESS AND THE MEETING RECONVENED AT 4.22PM**

In accordance with Standing Order 58, a roll call vote was taken.

19 members voted for the Motion as follows:

Councillors C Ahern, K Baird, P Barrett, B Brawn, A Coates, H Coates, J Duff, A Forbes, D Illingworth, I James, A Jarvis, M Lyle, R McCall, Provost D Melloy, C Reid, W Robertson, C Shiers, L Simpson and W Wilson.

18 members voted for the Amendment as follows:

Councillors H Anderson, A Bailey, R Brock, S Donaldson, E Drysdale, T Gray, G Laing, S McCole, X McDade, T McEwen, A Parrott, B Pover, C Purves, J Rebbeck, F Sarwar, C Stewart, R Watters and M Williamson.

### **Resolved:**

In accordance with the Motion.

## **8. RECORD OF DECISIONS UNDER EMERGENCY POWERS**

### **Resolved:**

The most recent record of decisions taken under emergency powers as of 30 July 2020 in response to COVID-19 was submitted and noted.

## **9. AMENDMENT TO SCHEME OF ADMINISTRATION**

### **Resolved**

The following change to the Scheme of Administration be agreed:

Part 3 - Delegation of Officials - Executive Director (Housing and Environment)

Section 23.1 - Roads and Traffic

Replace second bullet point with:

*The Executive Director shall have the power to promote and propose and where no objections are raised, confirm roads orders in terms of the Road Traffic Regulation Act 1984 and any subsequent legislation regulating the use of the Perth and Kinross Council roads network.*

## **10. TIMETABLE OF MEETINGS 2020**

### **Resolved:**

- (i) It be agreed that the next scheduled Council meeting on Wednesday 30 September 2020 would now take place on Wednesday 7 October 2020 at 9.30am.
- (ii) It be agreed that a special meeting of the Council would take place on Wednesday 30 September 2020 at 9.30am to review the Revenue Budget and consider the Capital Budget.
- (iii) It be agreed that the meeting of the Strategic Policy and Resources Committee scheduled to take place on Wednesday 9 September 2020 be cancelled.

# PERTH AND KINROSS COUNCIL

7 October 2020

## TREASURY ACTIVITY AND COMPLIANCE REPORT 2020/21 QUARTER 1

Report by Head of Finance (Report No. 20/178)

### PURPOSE OF REPORT

The purpose of this report is to update the Council on Treasury Activity for the quarter ending 30th June 2020 and to report on compliance with the Council's Treasury Management Policy Statement (TMPS); Treasury Management Practices (TMPs); the Investment Strategy and the Prudential Indicators for the same period.

### 1. BACKGROUND / MAIN ISSUES

- 1.1 Treasury Management Practice 6 (TMP 6 - Reporting Requirements & Management Information Arrangements) requires that Loans Fund borrowing and investment activities are reported quarterly to the Council. This report covers the first quarter of the financial year for the period from 1 April to 30 June 2020.
- 1.2 The report for the fourth quarter of 2019/20 (ending 31 March 2020) is available on the Councillor's CHIP Sharepoint site.

### 2. ECONOMIC BACKGROUND

- 2.1 The UK Bank Base Rate remained at 0.10% over the quarter. However, the quantitative easing (QE) programme was increased by £100bn by the Bank of England's Monetary Policy Committee (MPC) at their meeting on 18<sup>th</sup> June 2020. Due to the impact of Covid-19 and the lockdown restrictions on the economy, UK Gross Domestic Product (GDP) fell by 20.4% in the quarter ended June 2020, the highest quarterly fall since records began in 1955. This was the second consecutive quarterly decline, therefore confirming that the UK is officially in a recession due to the Covid-19 pandemic.
- 2.2 In addition, employment fell by 220,000 to 32.92 million, the largest drop since July 2009. Average earnings also reduced from the previous quarter. UK Consumer Price Inflation including housing costs (CPIH) decreased from 1.5% in March to 0.8% by June 2020. This was due to falls in energy and oil prices as well as a slow down in the cost of recreational and cultural goods. Retail sales fell by 18% in April, before picking up again in May and June, almost back to pre-pandemic levels. However, the sales performance between different sectors reflected a variable pattern when compared to before the lockdown restrictions were introduced.
- 2.3 Internationally, Eurozone GDP growth reduced by 12.1% in the quarter to June 2020, the biggest reduction on record. With the EU also entering a

recession due to the impact of coronavirus, EU unemployment increased to 7.10%.

- 2.4 In the US, the economy declined by 32.9% in the quarter to June 2020 from the previous quarter. This was also the largest fall on record, with the US economy also now in recession. The Federal Reserve interest rate was unchanged at between 0% and 0.25%, whilst the quantitative easing programme also remained unchanged.
- 2.5 The Public Works Loan Board's (PWLB) Certainty fixed interest rates for the quarter, which are based on yields on UK gilts, are shown in the graph at Appendix I. Following extreme volatility and large falls in rates in the previous quarter in response to the impact of the pandemic on trade and economic activity, rates followed a more stable pattern in the current quarter, although they remained on a downward trend. PWLB rates remained within historically low ranges, with rates for all borrowing periods lower by the end of the quarter.

### **3. TREASURY ACTIVITY**

- 3.1 A summary of the Council's treasury position and transactions is shown at Appendix II. The main activities are detailed below.
- 3.2 During the quarter there were no maturing long term loans nor any new borrowing undertaken. Therefore, the Council's total long-term debt remained at £541.4 million over the quarter, and the average interest rate remained at 2.61% for PWLB debt and 2.77% for all long-term debt.
- 3.3 To manage cashflow, there were four short term market loans totalling £30 million borrowed at various times during the quarter for an average period of 31 days and at an average rate of 0.33%. The need for short term borrowing was due to increased expenditure in response to Covid 19. This reflects additional expenditure on welfare; social care and education provision; accelerating the Council's payment terms so local suppliers were paid more quickly, together with a reduction in income due to the inability to charge for certain services. At the end of the quarter, one loan for £10 million at 0.15% remained outstanding and was subsequently repaid. Common Good and Charitable Funds balances held on fixed deposit within the Loans Fund remained unchanged at £2.1million with the average interest rate paid reducing to 1.00% from 1.02%. Funds held from associated bodies and organisations increased to £3.6 million over the quarter from £2.5 million, in line with their own cash flow requirements, whilst the average rate paid on these funds increased to 0.19% from 0.18%, in accordance with the approved Temporary Loan policy.
- 3.4 Short term cashflow surpluses were invested in a mixture of fixed term deposits, instant access accounts, notice accounts and money market funds. All investments were made in accordance with the approved Investment Strategy and Permitted Investments.

### Fixed Term Deposits

3.5 Cashflow surpluses which arise during the year and which are not immediately required are generally invested in fixed term deposits for periods of up to 12 months. The activity for the quarter can be summarised as follows:

- There were 7 fixed deposits made in the quarter, 1 less than in the last quarter.
- The average deposit amount was £6.4million, an increase from £4.4 million in the previous quarter.
- The average period of deposit was 286 days, an increase from 110 days in the previous quarter.
- All the deposits in the current quarter were made with other local authorities, thereby giving a spread of investments. These replaced deposits maturing with banks.
- The average rate achieved in the quarter decreased to 0.93% from 1.19% in the previous quarter reflecting the decrease in rates following the reduction in base rate and the supply and demand of inter-local authority lending.

### Investments for Daily Cashflow Requirements

3.6 Cashflow surpluses which arise but which are required for more immediate needs, usually within the next 3 months, are invested in the Council's instant access, notice deposit accounts and money market funds. During the quarter, there was an increased cashflow requirement as the Council responded to the impact of the pandemic on the local economy and residents. The short term investment transactions in the quarter can be summarised as follows:

- The daily average amount of such investments increased to £6.0 million from £5.3 million in the last quarter.
- The average interest rate achieved on these accounts over the quarter decreased to 0.36% from 0.65%, reflecting the reduction in available rates following the reduction in the base rate in March.

3.7 The total amount of investments outstanding at the end of the quarter increased, closing at £208.8 million compared to £206 million at the end of the last quarter. The overall average rate of interest earned on the investments outstanding at the end of the quarter reduced to 0.96%, from 0.99% at the end of the previous quarter.

3.8 Total investment income generated on the investments undertaken during the quarter was £419,120. This measure reflects the total return on the investment activity undertaken in each quarter.

3.9 All of the above investment activities are consistent with the Council's current investment strategy and cashflow requirements for the final quarter of the financial year.

#### **4. COMPLIANCE**

- 4.1 For the quarter ending 30 June 2020, there were no breaches in compliance with the Council's approved Treasury Management Policy Statement, Treasury Management Practices (TMP's) or lending limits as detailed in TMP 4 (Approved Instruments, Methods & Techniques).
- 4.2 TMP4 also requires that a working list of specific approved counterparties (including lending limits) is maintained by the Head of Finance. This list is continuously reviewed and updated for any movements in credit ratings and other relevant factors including press coverage or emerging issues. Appendix III shows the list of approved counterparties, based on the current lending policy, as at August 2020.
- 4.3 A further requirement of TMP4 is to measure cashflow performance, which is expressed as the average closing cleared bank balance for the period. For the quarter ending 30 June 2020 the adjusted average closing cleared bank balance was £30,092 in credit.

#### **5. INVESTMENT STRATEGY COMPLIANCE AND PERFORMANCE**

- 5.1 The Treasury Investment Strategy for 2020/21 is the subject of a separate report to this meeting of the Council.
- 5.2 The actual level of investments peaked at £254.9 million on 1 April following the receipt of £36.3 million from the Scottish Government to fund the payment of business support grants but gradually fell over the remainder of the quarter (subject to daily fluctuations) as the Council responded to support the local economy and communities. It is anticipated that this balance will gradually reduce over the rest of the year in line with forecast cashflows. The average daily investment balance over the quarter was £214 million, which increased from an average of £175 million in the previous quarter and increased from £68 million in the same quarter of last year. These variations reflect the level of new PWLB borrowing undertaken in the last financial year, as well as the receipt of grant and subsequent payment of support grants during the current quarter.
- 5.3 The Investment Strategy was applied in full over the quarter, with liquidity being maintained using instant access accounts, notice accounts and money market funds as detailed in Section 3.6 above. There were no other risks identified in the quarter.
- 5.4 The Investment Strategy also incorporates investments held by the Common Good Funds. All such investments during the quarter were with the Council's Loans Fund. The only Council funds held by external fund managers relate to Council administered Charitable Trusts and are, therefore, not covered by the Investment Strategy.
- 5.5 The budgeted income in 2020/21 for Commercial Property investments is £1,871,000 whilst the latest projections for the year is £1,830,000. There

were neither additional risks identified nor new property investments entered into during the quarter.

## **6. PRUDENTIAL INDICATORS**

- 6.1 The Council considered the Composite Capital Budget for 2020/21 to 2028/29 at its meeting on 30 September 2020. Consequently, the Prudential Indicators for 2020/21 to 2028/29 have been updated in the Annual Treasury & Investment Strategy report.
- 6.2 The approved Prudential Indicators will be monitored in future quarterly Treasury Activity and Compliance reports submitted to the Council.

## **7. CONCLUSION AND RECOMMENDATIONS**

- 7.1 Treasury Management activity in the quarter included the use of instant access, notice accounts and money market funds to meet short term liquidity requirements, with fixed rate deposits undertaken with other local authorities for longer investments (over 3 months). The total level of investments increased marginally over the quarter.
- 7.2 The Council adhered to its Investment Strategy and policies throughout the quarter, with no breaches in compliance.
- 7.3 It is recommended that the Council notes the content of this report, which is submitted in accordance with the Council's approved Treasury Management Practices.

### **Author(s)**

<b>Name</b>	<b>Designation</b>	<b>Contact Details</b>
John Jennings	Senior Accountant	<a href="mailto:CHXFinance@pkc.gov.uk">CHXFinance@pkc.gov.uk</a>

### **Approved**

<b>Name</b>	<b>Designation</b>	<b>Date</b>
Stewart MacKenzie	Head of Finance	29 September 2020
Karen Donaldson	Interim Chief Operating Officer (Corporate & Democratic Services)	1 October 2020

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	None
Corporate Plan	Yes
<b>Resource Implications</b>	
Financial	Yes
Workforce	No
Asset Management (land, property, IST)	No
<b>Assessments</b>	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	Yes
Sustainability (community, economic, environmental)	Yes
Legal and Governance	None
Risk	None
<b>Consultation</b>	
Internal	Yes
External	None
<b>Communication</b>	
Communications Plan	None

### 1. Strategic Implications

#### Corporate Plan

- 1.1 The Council's Corporate Plan 2018 – 2023 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

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

- 1.2 This report relates to all these objectives.

### 2. Resource Implications

#### Financial

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

#### Workforce

- 2.2 There are no direct workforce implications arising from this report.

### Asset Management (land, property, IT)

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

## **3 Assessments**

### Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

### Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

### Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.6 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

## **4. Consultation**

- 4.1 The Chief Executive, and the Council's Treasury advisors, Link Asset Services, have been consulted in the preparation of this report.

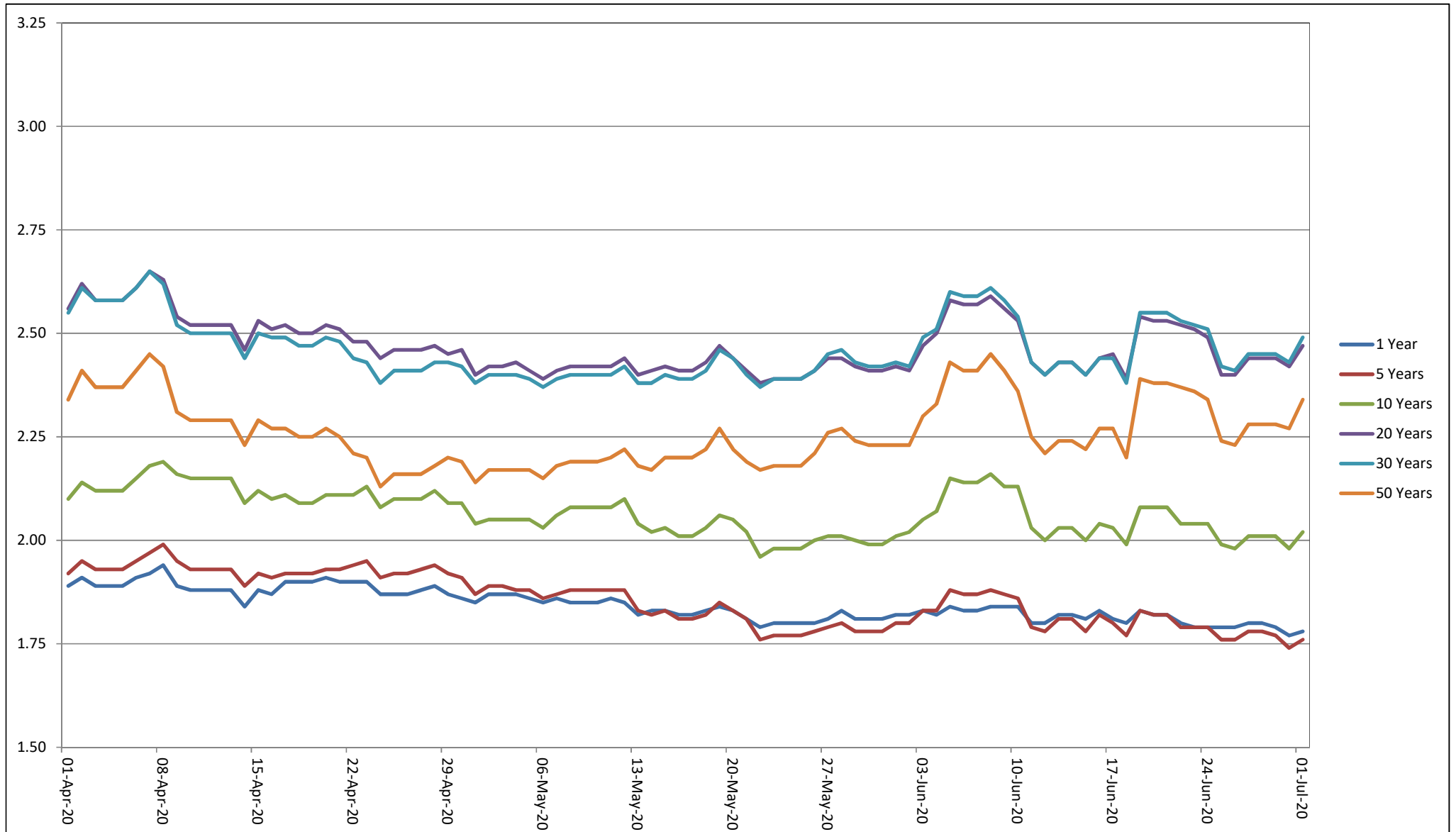
## **2. BACKGROUND PAPERS**

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

### **3. APPENDICES**

- Appendix I – PWLB Fixed Maturity Interest Rates from 1 April to 30 June 2020.
- Appendix II – Summary of the Treasury Position and Transactions from 1 April to 30 June 2020.
- Appendix III – Approved Investment Counterparty List
- Appendix IV – Financing Costs : Net Revenue Stream

**PWLB Fixed Maturity Interest Rates  
From 1st April to 30th June 2020  
(Certainty Rate)**





**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS**  
**1 APRIL TO 30 JUNE 2020**

**APPENDIX II**

**4**

**1 LONG TERM BORROWING**

**(a) Long Term Borrowing 1st April 2020 to 30th June 2020**

	No.	Average Rate (%)	Average Life (years)	Amount (£)
None				
	0	0.00%	0.0	0

**(b) Long Term Debt Repayments 1st April to 30th June 2020**

	No.	Average Rate (%)	Amount (£)
None			
	0	0.00%	0

**(c) Long Term Debt Outstanding**

	Outstanding 31-Mar-20 £	Average Rate	Outstanding 30-Jun-20 £	Average Rate
Public Works Loan Board	498,000,000	2.61%	498,000,000	2.61%
Money Market Loans (LOBO's)	43,200,000	4.59%	43,200,000	4.59%
Other Long Term Debt	168,445	0.00%	168,445	0.00%
TOTAL	541,368,445	2.77%	541,368,445	2.77%

**2 SHORT TERM BORROWING**

**(a) Short Term Market Borrowing - 1st April to 30th June 2020**

	No.	Average Amount (£)	Average Rate (%)	Average Term (Days)	Interest (£)
Temporary Borrowing	4	7,500,000	0.33%	31	8,150.68
	4	7,500,000	0.33%	31	8,150.68

**(b) Short Term Borrowing Outstanding**

	Outstanding 31-Mar-20 £	Average Rate	Outstanding 30-Jun-20 £	Average Rate
Market Borrowing	15,000,000	0.97%	10,000,000	0.15%
Common Good and Charitable Funds	2,123,841	1.02%	2,115,197	1.00%
Local Trusts & Investors	2,463,880	0.18%	3,621,417	0.19%
TOTAL	19,587,721	0.88%	15,736,614	0.27%

**SUMMARY OF THE TREASURY POSITION AND TRANSACTIONS**  
**1 APRIL TO 30 JUNE 2020**

**APPENDIX II**

**3 INVESTMENTS**

**(a) Investment Transactions - 1st April to 30th June 2020**

<u>Fixed Deposits &amp; Investments</u>	<u>No.</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Average Term (Days)</u>	<u>Total Interest (£)</u>
Other Local Authorities	7	6,428,571	0.93%	286	352,180.82
	<u>7</u>	<u>6,428,571</u>	<u>0.93%</u>	<u>286</u>	<u>352,180.82</u>

<u>Instant/Notice Accounts &amp; Money Market Funds</u>	<u>Average Amount (£)</u>	<u>Average Rate (%)</u>	<u>Total Interest (£)</u>
Instant Access/Notice accounts	2,250,845	0.44%	51,188.39
Money Market Funds	8,086,560	0.34%	15,750.47
	<u>6,042,715</u>	<u>0.36%</u>	<u>66,938.85</u>

**(b) Investments Outstanding**

	<u>Outstanding 31-Mar-20 £</u>	<u>Average Rate</u>	<u>Outstanding 30-Jun-20 £</u>	<u>Average Rate</u>
UK Banks	163,503,298	0.95%	135,508,506	1.05%
Foreign Banks and Institutions	10,000,000	0.95%	10,000,000	0.95%
Money Market Funds	0	0.00%	18,340,000	0.25%
Other Local Authorities	32,500,000	1.17%	45,000,000	0.97%
TOTAL	<u>206,003,298</u>	<u>0.99%</u>	<u>208,848,506</u>	<u>0.96%</u>

	<u>Country</u>	<u>Fitch Credit Rating</u>	<u>CDS Range</u>	<u>Maximum Lending</u>	<u>Note (2)</u>
<b>Category 1 - Principal UK Clearing Banks - 40% Investment total (or £20M per Counterparty if higher)</b>					
(Minimum rating required Fitch A, F1)					
Bank of Scotland (RFB) (5)	UK	A+, F1	In range	12 months	£80million Group limit
Barclays Bank plc (NRFB) (5)	UK	A+, F1	No data	6 months	
Barclays Bank plc (RFB) (5)	UK	A+, F1	In range	6 months	
Close Brothers	UK	A, F1	No data	6 months	
Goldman Sachs International Bank	UK	A, F1	In range	6 months	
Handelsbanken plc	UK	AA, F1+	No data	12 months	£80million Group limit
HSBC Bank plc (NRFB)	UK	AA-, F1+	In range	12 months	
HSBC Bank plc (RFB)	UK	AA-, F1+	No data	12 months	
Lloyds Bank Corporate Markets Plc (NRFB)	UK	A, F1	No data	6 months	
Lloyds Banking Group plc (RFB)	UK	A+, F1	In range	12 months	
NatWest Markets Plc (NRFB)	UK	A, F1	In range	3 months	Sovereign Rating AA
Royal Bank of Scotland plc (RFB) (inc Nat West) (3) (4)	UK	A+, F1	Nationalised	12 months	
Santander UK plc (inc Cater Allen)	UK	A+, F1	No data	6 months	
Standard Chartered Bank	UK	A+, F1	In range	6 months	
Sumitomo Mitsui Banking Corporation Europe Ltd	UK	A, F1	In range	6 months	

**Category 2 - Foreign Banks & Institutions - 25% Investment total (or £10M per Counterparty if higher)**

(Minimum rating required Fitch A, F1)

Australia and New Zealand (ANZ) Banking Group Ltd	Aus	AA-, F1+	In range	12 months	Sovereign Rating AA-
Commonwealth Bank of Australia	Aus	AA-, F1+	In range	12 months	
Macquarie Bank Ltd	Aus	A, F1	No data	6 months	
National Australia Bank Ltd	Aus	AA-, F1+	In range	12 months	
Westpac Banking Corporation	Aus	AA-, F1+	In range	12 months	
BNP Paribas Fortis Bank	Belgium	A+, F1	No data	1 month	Sovereign Rating AA-
KBC Bank	Belgium	A+, F1	No data	1 month	
Bank of Montreal	Can	AA-, F1+	No data	12 months	Sovereign Rating AA+
Bank of Nova Scotia	Can	AA-, F1+	No data	12 months	
Canadian Imperial Bank of Commerce	Can	AA-, F1+	No data	12 months	
National Bank of Canada	Can	A+, F1	No data	6 months	
Royal Bank of Canada	Can	AA, F1+	No data	12 months	
Toronto Dominion Bank	Can	AA-, F1+	No data	12 months	Sovereign Rating AA
Danske Bank	Denmark	A, F1	In range	6 months	
Nordea Bank Finland plc	Finland	AA-, F1+	No data	1 month	
OP Corporate Bank (formerly Pohjola) (1)	Finland	AA-, A-1+	No data	1 month	
BNP Paribas	France	A+, F1	In range	1 month	
Credit Agricole Corporate and Investment Bank	France	A+, F1	In range	1 month	Sovereign Rating AA
Credit Agricole SA	France	A+, F1	In range	1 month	
Credit Industriel et Commercial	France	A+, F1	No data	1 month	
Societe Generale	France	A, F1	In range	1 month	
DZ Bank AG	Germany	AA-, F1+	No data	12 months	
Landesbank Hessen-Thueringen Girozentral (Helaba)	Germany	A+, F1+	In range	12 months	Sovereign Rating AA
Landwirtschaftliche Rentenbank	Germany	AAA, F1+	No data	24 months	
NRW Bank	Germany	AAA, F1+	No data	24 months	
ABN AMRO Bank	Netherlands	A+, F1	No data	6 months	
Bank Nederlandse Gemeenten	Netherlands	AAA, F1+	No data	24 months	
Cooperatieve Rabobank	Netherlands	AA-, F1+	In range	12 Months	Sovereign Rating AA
ING Bank	Netherlands	AA-, F1+	In range	12 Months	
DBS Bank Limited	Singapore	AA-, F1+	No data	12 months	
United Overseas Bank Ltd	Singapore	AA-, F1+	No data	12 months	
Skandinaviska Enskilda Banken AB	Sweden	AA-, F1+	No data	12 months	
Svenska Handelsbanken AB	Sweden	AA, F1+	No data	12 months	Sovereign Rating AA
Swedbank AB	Sweden	AA-, F1+	No data	12 months	
Credit Suisse	Switzerland	A, F1	In range	6 months	
UBS AG	Switzerland	AA-, F1+	In range	12 months	
Bank of America, NA	USA	AA-, F1+	No data	12 months	
Bank of New York Mellon	USA	AA, F1+	No data	24 months	Sovereign Rating AA
Citibank, NA	USA	A+, F1	In range	12 months	
JP Morgan Chase Bank, NA	USA	AA, F1+	No data	12 months	
Wells Fargo Bank, NA	USA	AA-, F1+	In range	12 months	

**Category 3 - Subsidiary Banks & Building Societies - 15% of Investment total (or £10M per Counterparty if higher)**

(Minimum rating required Fitch A, F1)

(parent bank shown in brackets)

**Subsidiary Banks**

None

**Building Societies**

Nationwide Building Society	UK	A, F1	No data	6 months
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**Category 4 - Other Local Authorities - 20% of Investment total (or £20M per Counterparty if higher)**

As arranged

**Category 5 Money Market Funds - 10% of Investment Total (or £10M per Counterparty if higher)**

(Minimum rating required Fitch AAA)

Aberdeen Standard Investments	UK	AAA
Aviva Investors Liquidity Fund	UK	AAA
Federated Sterling Liquidity Fund (Class 3)	UK	AAA
Insight Sterling Liquidity Fund (Class 5)	UK	AAA
Deutsche Bank Sterling Fund	UK	AAA

**Note:**

(1) - Standard &amp; Poor's credit ratings shown, as no Fitch credit rating available

(2) - All Sovereign credit ratings for above Countries are AAA, unless stated otherwise.

(3) - Banks are part/majority owned by the UK government

(4) - UK Sovereign Rating is AA (Fitch and Standard &amp; Poor's)

(5) - NRFB = Non Ring Fenced Bank, RFB = Ring Fenced Bank

Last Updated: 18-Aug-20

**PERTH AND KINROSS COUNCIL**  
**PRUDENTIAL INDICATORS - QUARTER ENDING 30 JUNE 2020**

**1 Financing Costs: Net Revenue Stream**

The ratio of Capital Financing Costs (Loan Charges) to the Council's net revenue stream shall not exceed the following limits, which are based on historic levels, and allow some headroom for movement in interest rates. The estimated Financing Costs below are based on the latest monitoring figures.

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Prudential Limit - General Fund	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Estimated Ratio of Financing Costs to Revenue	8.19%	8.47%	8.90%	9.53%	8.55%	9.42%	9.48%	9.26%	9.20%	9.21%
Prudential Limit - HRA	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Estimated Ratio of Financing Costs to Revenue	24.70%	24.57%	23.90%	23.83%	23.69%	23.86%	23.71%	24.42%	26.28%	26.41%

**2 Gross & Net Borrowing and Capital Financing Requirements**

For prudence, net external borrowing must not exceed the total capital financing requirement, thus ensuring that over the medium term, borrowing is only undertaken for capital purposes.

The estimated total net borrowing and Capital Financing Requirement at the end of each of the years are as follows:

	Actual as at 30-Jun-20	Projected 31-Mar-21	Projected 31-Mar-22	Projected 31-Mar-23	Projected 31-Mar-24	Projected 31-Mar-25	Projected 31-Mar-26	Projected 31-Mar-27	Projected 31-Mar-28	Projected 31-Mar-29	Projected 31-Mar-30
Net External Borrowing*	484,068,000	490,234,000	526,574,000	702,735,000	781,996,000	813,812,000	823,968,000	834,125,000	819,281,000	831,937,000	846,531,000
Gross External Borrowing*	692,916,000	670,234,000	656,574,000	782,735,000	831,996,000	863,812,000	873,968,000	884,125,000	869,281,000	881,937,000	896,531,000
Capital Financing Requirement	629,424,000	625,270,000	677,459,000	806,289,000	855,383,000	884,920,000	896,305,000	905,191,000	913,093,000	922,250,000	937,809,000

\*For the purpose of this indicator, Borrowing includes the outstanding liability under PPP/PFI contracts.

**3 Estimates of Capital Expenditure**

The total estimated Capital Expenditure contained within the Council's Budgets for each year is as follows, based on updated monitoring figures.

Composite Programme	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Current estimate	51,508,000	128,672,000	166,736,000	75,784,000	44,342,000	31,766,000	28,834,000	26,728,000	27,924,000	0
Original Budget Estimate (including Budget Motion)	76,371,000	123,274,000	134,383,000	114,218,000	49,193,000	29,760,000	29,402,000	29,039,000	27,194,000	28,333,000
Movement in Estimated Capital Expenditure	(24,863,000)	5,398,000	32,353,000	(38,434,000)	(4,851,000)	2,006,000	(568,000)	(2,311,000)	730,000	(28,333,000)

The Original Budget Estimates are those per the 2020/21 to 2029/30 Composite Capital Budget Report on 30th September 2020, including budget motion.

The latest estimates for Capital Expenditure are based on 2020/21 draft SP&R Monitoring Report No.1

HRA Programme	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Current estimate	18,626,000	7,430,000	7,946,000	11,452,000	23,188,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Original Budget Estimate	12,555,000	9,552,000	7,148,000	10,321,000	28,256,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Movement in Estimated Capital Expenditure	6,071,000	(2,122,000)	798,000	1,131,000	(5,068,000)	0	0	0	0	0

The Original Budget Estimates are those per the 2019/20 Housing & Communities Budget Report on 23rd January 2019.

The latest estimates for Capital Expenditure are based on 2020/21 draft SP&R Monitoring Report No.1

**PERTH AND KINROSS COUNCIL**  
**PRUDENTIAL INDICATORS - QUARTER ENDING 30 JUNE 2020**

Appendix IV

**4 Estimate of Capital Financing Requirement**

The estimate (as at August 2020) of the Capital Financing Requirement (ie new borrowing requirement for Capital Expenditure) for each year based on these plans is as follows:

Composite Programme	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Current Estimated Capital Financing Requirement	7,069,000	63,138,000	139,799,000	56,918,000	25,492,000	12,916,000	9,984,000	7,878,000	9,074,000	0
Original Budget Estimate (including Budget Motion)	65,030,000	71,760,000	83,077,000	94,343,000	30,048,000	10,910,000	10,552,000	10,189,000	8,344,000	9,483,000
Movement in Estimated Capital Financing Requirement	(57,961,000)	(8,622,000)	56,722,000	(37,425,000)	(4,556,000)	2,006,000	(568,000)	(2,311,000)	730,000	(9,483,000)

The Original Budget Estimates are those per the 2020/21 to 2029/30 Composite Capital Budget Report on 30th September 2020, including budget motion.

The latest estimates for Capital Expenditure are based on 2020/21 draft SP&R Monitoring Report No.1

HRA Programme	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Current Estimated Capital Financing Requirement	15,856,000	4,201,000	4,222,000	7,448,000	18,772,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000
Original Budget Estimate	10,121,000	6,545,000	3,918,000	6,854,000	24,739,000	11,500,000	11,500,000	11,500,000	11,500,000	11,500,000
Movement in Estimated Capital Financing Requirement	5,735,000	(2,344,000)	304,000	594,000	(5,967,000)	0	0	0	0	0

The Original Budget Estimates are those per the 2019/20 Housing & Communities Budget Report on 23rd January 2019.

The latest estimates for Capital Expenditure are based on 2020/21 draft SP&R Monitoring Report No.1

**5 External Debt (Gross and Net)**

External Borrowing	As at 30-Jun-20	Projected 31-Mar-21	Projected 31-Mar-22	Projected 31-Mar-23	Projected 31-Mar-24	Projected 31-Mar-25	Projected 31-Mar-26	Projected 31-Mar-27	Projected 31-Mar-28	Projected 31-Mar-29	Projected 31-Mar-30
Public Works Loan Board	498,000,000	490,500,000	483,000,000	615,000,000	670,000,000	707,000,000	722,000,000	737,000,000	727,000,000	744,500,000	764,500,000
Market Bonds	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000
Special Loans	2,123,841	2,123,841	2,123,841	2,123,841	2,123,841	2,123,841	2,123,841	2,123,841	2,123,841	2,123,841	2,123,841
Project Borrowing	168,445	140,000	140,000	140,000	140,000	(0)	(0)	(0)	(0)	(0)	(0)
Temporary Loans/Other Borrowing	13,621,417	2,621,417	2,000,000	1,700,000	1,500,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Other Long Term Liabilities	135,802,562	131,648,499	126,109,749	120,570,999	115,032,249	110,188,449	105,344,649	100,500,849	95,657,049	90,813,249	85,407,449
<b>Total Gross External Debt</b>	<b>692,916,264</b>	<b>670,233,757</b>	<b>656,573,590</b>	<b>782,734,840</b>	<b>831,996,090</b>	<b>863,812,290</b>	<b>873,968,490</b>	<b>884,124,690</b>	<b>869,280,890</b>	<b>881,937,090</b>	<b>896,531,290</b>
Short Term Investments	(208,848,506)	(180,000,000)	(130,000,000)	(80,000,000)	(50,000,000)	(50,000,000)	(50,000,000)	(50,000,000)	(50,000,000)	(50,000,000)	(50,000,000)
Long Term Investments	0	0	0	0	0	0	0	0	0	0	0
<b>Total Net External Debt</b>	<b>484,067,759</b>	<b>490,233,757</b>	<b>526,573,590</b>	<b>702,734,840</b>	<b>781,996,090</b>	<b>813,812,290</b>	<b>823,968,490</b>	<b>834,124,690</b>	<b>819,280,890</b>	<b>831,937,090</b>	<b>846,531,290</b>
<b>Note:</b>											
Operational Boundary	693,000,000	670,000,000	657,000,000	783,000,000	832,000,000	864,000,000	874,000,000	884,000,000	869,000,000	882,000,000	897,000,000
Authorised Limit	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000

The Operational Boundary and Authorised Limit are based on Gross External Debt.

**PERTH AND KINROSS COUNCIL**  
**PRUDENTIAL INDICATORS - QUARTER ENDING 30 JUNE 2020**

Appendix IV

**6 Principal Sums Invested Longer Than 365 Days**

The Upper Limit for sums invested for over 1 year up to 3 years is £45million.

This limit reflects approximately 20% of the investment balances based on the portfolio as at September 2020. Any such investment must only be made where the Council's projected cashflow balances allow.

**7 MATURITY STRUCTURE**

The lower and upper limit for the proportion of the Council's total-long term debt which matures in each of the time bandings below, and is therefore subject to refinancing at the prevailing market rates, is as follows:

Fixed Rate Borrowing Maturity Structure	Lower Limit	Upper Limit	Estimated
Under 12 months	0%	35%	1.7%
over 12 months and < 24 months	0%	35%	2.7%
over 2 years and < 5 years	0%	50%	6.2%
over 5 years and < 10 years	0%	75%	9.2%
over 10 years	10%	95%	80.2%

The maturity profile for the Council's current long-term portfolio as at 30 June 2020, measured from the start of the financial year, is as follows:

	Less 1 Year	1 - 2 Years	2 - 5 Years	5 - 10 Years	10 - 20 Years	20 - 30 Years	30 - 40 Years	40 - 50 Years	Over 50 Years	Total
PWLB	7,500,000	12,500,000	26,000,000	37,500,000	5,000,000	0	24,500,000	385,000,000	0	498,000,000
LOBOs	0	0	0	0	0	13,000,000	25,200,000	5,000,000	0	43,200,000
PPP Liability	4,154,063	5,538,750	15,921,300	24,781,000	63,512,400	21,895,049	0	0	0	135,802,562
Other	28,444	0	140,000	0	0	0	0	0	0	168,444
<b>Total</b>	<b>11,682,507</b>	<b>18,038,750</b>	<b>42,061,300</b>	<b>62,281,000</b>	<b>68,512,400</b>	<b>34,895,049</b>	<b>49,700,000</b>	<b>390,000,000</b>	<b>0</b>	<b>677,171,006</b>
<b>Percentage</b>	<b>1.73%</b>	<b>2.66%</b>	<b>6.21%</b>	<b>9.20%</b>	<b>10.12%</b>	<b>5.15%</b>	<b>7.34%</b>	<b>57.59%</b>	<b>0.00%</b>	<b>100.00%</b>



# PERTH AND KINROSS COUNCIL

7 October 2020

## TREASURY & INVESTMENT STRATEGY and PRUDENTIAL INDICATORS 2020/21 – 2028/29

Report by Head of Finance (Report No. 20/179)

### PURPOSE OF REPORT

This report details the Council's proposed Treasury Strategy for 2020/21 to 2028/29 and the Investment & Property Strategy for 2020/21.

### 1. BACKGROUND / MAIN ISSUES

- 1.1 The Treasury and Investment Strategy details the expected activities of the Council's treasury function for the relevant financial years. Its submission to the Council is a requirement of the Council's approved Treasury Management Practices (TMPs) and is also a requirement under the CIPFA Code of Practice for Treasury Management. The Investment Strategy details the Permitted Investments of the Council, and outlines the risks associated with the expected investment activities. The submission of an annual Investment Strategy is a requirement of the Local Government Investments (Scotland) Regulations 2010. The report also provides an annual review of treasury activity undertaken in 2019/20.
- 1.2 In determining the Treasury Strategy, the Council is required to review its Prudential Indicators. The Council considered the Composite Capital Budget for the 9-years to 2028/29 at its meeting on 30 September 2020 (report 20/175 refers). Updated Prudential Indicators for the 9 years 2020/21 to 2028/29 are therefore also included in this report.
- 1.3 The proposed strategy for the financial years 2020/21 to 2028/29 in respect of the treasury management function covers:
  - Annual Review of 2019/20
  - The Council's current Treasury position
  - Prospects for interest rates
  - Capital requirements and the borrowing strategy 2020/21 to 2028/29
  - The Investment Strategy 2020/21
  - Investment properties 2020/21
  - Debt rescheduling opportunities
  - The Prudential Code
  - Prudential Indicators 2020/21 to 2028/29

## **2. ANNUAL REVIEW 2019/20**

- 2.1 The Council approved the Treasury & Investment Strategy for the 10 financial years 2019/20 to 2028/29 at its meeting on 27 February 2019 (report 19/59 refers).
- 2.2 The initial outlook for interest rates in 2019/20 was that they were expected to increase gradually in anticipation of increased economic growth and inflation. However, it was recognised that considerable economic and political uncertainty remained which ultimately led to significant falls in rates in the run up to the UK's expected departure from the European Union on 31 October 2019. This then continued in the aftermath of the General Election in December 2019, and again in response to the developing covid-19 pandemic in early 2020.
- 2.3 Consequently, throughout the year, Public Works Loans Board (PWLB) rates fell to historic low levels. Given the Council's planned Capital expenditure and borrowing requirement over the next few years, the Council borrowed £170 million in 2019/20, for an average term of 46.6 years and average rate of 1.8%. It should also be noted that due to a large increase in borrowing demand across the UK, the PWLB increased their lending rates by 1% on 9 October 20019. On 12 March 2020, they subsequently reduced the rates for borrowing for Council Social Housing. The PWLB are also currently consulting on new lending terms which may lead to reduced rates for other infrastructure investment.
- 2.4 As a result of the significant increase in borrowing, the Council's short-term investment balances also increased and averaged £143 million over the year (£56 million in 2018/19) and peaked at £211 million on 30 March 2020. Further, due to the increase in the balance of investments, the Council approved a revised Lending & Investment policy on 25 September 2019 (report 19/277 refers) in order to manage the increased investments in an effective and low risk way. This resulted in an increased use of fixed deposits for up to 12 months in highly rated banks.
- 2.5 Throughout the year, all Treasury activity was regularly reported to Council through the quarterly reports. There were no breaches in compliance with the Council's approved Treasury Management Policy and all investments were undertaken in accordance with the approved Investment Strategy. However, it was anticipated that investments would not exceed £80 million during the year unless further new borrowing was undertaken early in the year. As noted above, significant borrowing was undertaken, and investments peaked at £211 million in March 2020.
- 2.6 As a result of the borrowing undertaken during the year, the Council's PWLB portfolio increased from £340 million to £498 million, with the average rate reducing from 3.03% to 2.61%. The Council's Consolidated Loans Fund rate, calculated in accordance with statutory guidance, was 3.06%.

- 2.7 The Strategy and Investment policy in respect of Common Good and Property Investments were also complied with in full.

### 3. THE CURRENT TREASURY POSITION

- 3.1 In order to put the proposed treasury strategy for 2020/21 to 2028/29 into context, the Council's treasury position at the start of the financial year as at 31st March 2020 is shown below:

		<u>PRINCIPAL AMOUNT (£million)</u>	<u>AVERAGE RATE (%)</u>
Fixed Rate	• Public Works Loan Board (PWLB)	498.0	2.61
	• Market Bonds	0.2	0.00
		<u>498.2</u>	<u>2.61</u>
Variable Rate	• Market Bonds	43.2	4.59
	• Local Loans	19.6	0.87
		<u>62.8</u>	<u>3.43</u>
<b>TOTAL GROSS DEBT</b>		<b>561.0</b>	<b>2.70</b>
<b>TOTAL SHORT-TERM MARKET INVESTMENTS</b>		<b>206.0</b>	<b>0.99</b>
<b>TOTAL NET DEBT</b>		<b>355.0</b>	<b>3.69</b>

- 3.2 The projected Borrowing Requirement for each of the next nine years, which is a significant determinant of treasury activity, is summarised below. This reflects the approved Capital expenditure within the Council's Composite and Housing Capital Investment Budgets which is to be funded by new borrowing. The Borrowing Requirement is also adjusted to ensure the Council's total debt matches the useful life of the underlying assets.

£ million	2020/21	2021/22	2022/23	2023/24	2024/25	2025-2029	Total
Borrowing Requirement	53.1	71.2	142.4	59.6	47.4	94.2	467.9

- 3.3 The above figures are based upon the Composite Capital Budget for 2020/21 to 2028/29 and the Housing Revenue Account Capital Investment Programme for 2020/21 to 2024/25. As the Housing Capital Investment Programme covers a shorter time period than the Composite Programme, Housing estimates have been included for the years to 2028/29 in order to ensure the time periods match.
- 3.4 The above figures do not take account of the estimated annual borrowing requirement carried-forward between years in order to match cashflow requirements. However, they do reflect the front loading of the Council's planned Capital expenditure.

- 3.5 In light of the level of borrowing undertaken in 2019/20 when PWLB rates reached historic lows, together with projected slippage on the Capital programme as a result of covid-19, there is no requirement to undertake any new borrowing in 2020/21 or 2021/22 to finance the Council's planned Capital expenditure in both the current and next financial year.

#### **4. PROSPECTS FOR INTEREST RATES**

- 4.1 The Council's treasury adviser, Link Asset Services Ltd, assists the Council in formulating a view on interest rates. Appendix I shows forecasts of the Bank Base Rate (or short-term/variable rates) and longer-term fixed interest rates, whilst Appendix II shows the forecast in graphical form. These forecasts were prepared before the coronavirus outbreak and therefore reflect the expected outlook for interest rates in normal times. The production of interest rate forecasts has been suspended due to the extent of the current economic uncertainties. However, it is anticipated that rates will remain at their current low levels for some time, before gradually rising back to normal levels.
- 4.2 The Monetary Policy Committee (MPC) reduced the Bank Base Rate by 0.50% to 0.25% on 11 March 2020 and then to 0.1% on 19 March 2020. This was in response to the growing coronavirus outbreak and its significant effect on global economic activity and growth in the UK and in other global economies. This has, in turn, significantly increased the level of uncertainty and volatility in financial markets. This level of uncertainty is expected to continue for a prolonged period, with the chance that the Bank Base Rate could be cut further to 0%, and potentially to negative levels. As a result of the low Bank Base rate, investment rates on bank deposits are also exceptionally low.
- 4.3 In the longer term, in order to manage economic growth and anticipated inflationary pressures as the UK returns to normal economic conditions, interest rates are anticipated to gradually increase. Consequently, subject to periods of volatility, the forecast for UK interest rates shows a gradual increase over the next few years once economic activity starts to recover.
- 4.4 The Council's borrowing costs are largely determined by the Public Works Loan Board's (PWLB) interest rates, which in turn are determined by the yield on UK Government gilts. Gilt yields have been at exceptional low levels; however, they fell sharply again in March 2020 at the onset of the coronavirus outbreak. PWLB rates are therefore expected to remain at low levels throughout 2020/21.
- 4.5 As with any forecast, the above interest rate expectations are subject to variation. The main sensitivities of the above forecast are likely to be as follows:
- A further fall in long term rates which, for example, could occur if the current crisis continued for a prolonged period and economic growth or inflation fell significantly from their current levels

- An unexpected sharp rise in both long and short-term rates could occur if, for example, economic growth recovered faster than expected, or if inflation increased more rapidly than expected as the economy begins to recover, bringing forward increases in the Bank Rate.
- 4.6 Interest rate forecasts throughout the period covered by the Capital Programme must be considered, particularly when determining the most appropriate timing for new borrowing. This is particularly the case as the Council's current Borrowing Requirement is larger than historic levels, much of which is required in the earlier years of the current 9-year programme.
- 4.7 In October 2019 the PWLB unexpectedly increased their borrowing rates by 1%. Therefore, whilst it is anticipated that UK gilt yields will remain around their recent low levels over the next year, there will not be the same opportunities for borrowing at recent low rates as a result of the PWLB's revised interest rate policy. However, the PWLB have introduced some borrowing facilities for purposes, such as social housing and infrastructure, at discounted rates.
- 4.8 The new Council Social Housing rate was introduced in March 2020 at 1% below their standard rate whilst the details of the infrastructure facilities are still to be announced. In addition, the PWLB have undertaken a consultation on their proposed new lending terms, the outcome which is also still to be announced. The current forecasts indicate that short term borrowing will continue to be cheaper than longer term borrowing over the next few years. However, longer term borrowing gives longer term savings and reduces the refinancing risk in later years.

## **5. CAPITAL REQUIREMENTS AND BORROWING STRATEGY**

- 5.1 The Council still requires significant levels of new borrowing over the next few years to fund the Capital Budget. However, following the advance borrowing undertaken in 2019/20, and in consideration of the interest rate forecasts, there is no immediate need to borrow in 2020/21 or 2021/22 based on current planned expenditure. Therefore, new borrowing would only be undertaken if opportunities arise to borrow at exceptionally low levels or to take advantage of further discounted rates that the PWLB may make available through their programmes for infrastructure. Short term temporary borrowing will be used to meet any immediate cashflow requirements where necessary if longer term borrowing is deferred. The flexibility to borrow in advance of need is permissible where it can be shown to be cost-effective but must be considered in conjunction with the associated additional risks and low returns of the resultant increase in short term investments.
- 5.2 Other appropriate market instruments may offer favourable rates in comparison to the PWLB and may be used where appropriate. Such market instruments also allow borrowing to be agreed in advance and drawn down at prescribed future dates (usually up to 3 years ahead). Therefore, alternative sources of borrowing will be evaluated and considered where they offer savings or other advantages over PWLB borrowing.

- 5.3 The Council's Treasury Strategy is based on being "risk-aware" and the Council will actively seek to manage its treasury risks. The Council's borrowing position will continue to be reported on an ongoing basis to Council as part of the Quarterly Treasury Activities and Compliance reports.
- 5.4 The Council's borrowing strategy will be continuously reviewed and may change if there are unexpected movements in interest rates. This could impact the borrowing strategy as follows:
- If there was an unexpected further fall in long term rates, long-term borrowing in advance of immediate need would be considered when rates were anticipated to have troughed.
  - If there was an unexpected sharp rise in long term rates, fixed rate funding would be deferred, and short-term borrowing used to meet immediate needs. Longer term borrowing would be considered in future when longer term rates fell from their peaks.
- 5.5 The Prudential Code also requires authorities to detail their strategy on gross and net debt where there is a significant level of both investments and borrowing. It is not possible or desirable to have no investments at all, due to the daily variations in the Council's cashflow, or following the borrowing of long-term debt. The level of investments may also increase where there are significant levels of short-term Reserves. The Council's level of investments has increased significantly following the increased level of long term borrowing undertaken last year. Investments may increase further if further borrowing was undertaken at the current low interest rates, however they are anticipated to reduce steadily over the next 2 years in line with the delivery of the Capital Programme.

## **6. INVESTMENT STRATEGY 2020/21**

- 6.1 The requirement to set an annual Investment Strategy is determined by the Local Government Investments (Scotland) Regulations 2010. These requirements include specifying the Permitted Investments of the Council and setting an annual strategy, including identifying the risks associated with the strategy and the minimum reporting requirements.
- 6.2 The proposed Permitted Investments of the Council are shown at Appendix III. These reflect low risk investment products and, together with the application of the approved Lending & Investment Policy (*TMP4, Schedule 4.6 Approved Lending & Investment Policy*), ensure investments are only made with low risk counterparties.
- 6.3 The Council approved revised lending limits on 25 September 2019 (report 19/277 refers), and it is not proposed to make any further changes to the range of investment instruments or monetary limits. The current limits ensure that the Council always maintains sufficient liquidity and a spread of investments, whilst the specific counterparty list is reviewed continuously by the Head of Finance in light of credit-rating changes and other market information. However, within the Prudential Indicators, it is proposed to increase the limit for investments over 1 year, in order to bring them into line with the revised limits in the lending policy approved last year.

- 6.4 Details of how investments are managed are contained in the Treasury Management Practices (TMPs). The TMPs are reviewed annually, whilst the treasury policies are reviewed continuously in light of prevailing economic and market conditions. A copy of the Treasury Systems Document, which includes the TMPs, is available on the Councillor's CHIP Sharepoint site.
- 6.5 The Council generally only invests short-term cashflow surpluses. Such investments in total are unlimited, as they are determined by cashflow balances. However, investments are limited with each counterparty to ensure any risk is spread.
- 6.6 Longer term investments may arise where the Council has significant cash-backed reserves or following borrowing in advance of need within the determined Capital Financing (Borrowing) Requirement. Longer term investments carry greater counterparty risk and a higher market risk of adverse movements in interest rates. Therefore, such investments are currently limited to £45 million in total (around 20% of the portfolio, as at September 2020) and up to a maximum of 3 years and are only undertaken after consideration of cashflow and interest rate forecasts to determine the optimum duration. This strategy will be reviewed continuously in light of economic forecasts and market developments.
- 6.7 The level of investments increased early in the financial year and have subsequently been falling gradually. This pattern is anticipated to continue in the second half of the year in line with the cashflow projections over the year. The total level of investments at the start of the current financial year were £255 million reducing to their current level of £238 million (at 29 September 2020). They are expected to continue to reduce gradually over the remainder of the year, subject to daily variations, unless further new borrowing is undertaken during the year or if the profile of the Council's expenditure during the year changes.
- 6.8 It is anticipated that the following type of investments will be used by the Council in 2020/21:
- Money Market Funds (MMFs)
  - Bank deposits on instant access or notice accounts,
  - Fixed deposits with banks and other local authorities,
- 6.9 Fixed deposits are generally used for cashflow surpluses which are not required within the next 3 months, whilst investment in MMFs, instant access or notice accounts vary in line with daily fluctuations in the Council's cashflow in order to meet more immediate needs. The amounts in each are dependent on several factors, such as changes in cashflow, including long term borrowing, available rates and market opportunities which may arise.
- 6.10 The Permitted Investments also include loans to third parties. Such loans will be constrained by virtue of the Service having to meet all costs related to the granting of such loans. All loans to third parties must be approved by Council.

- 6.11 The submission of Quarterly Treasury and Compliance reports are intended to provide elected members with regular updates on the Council's Treasury and Investment activities and an opportunity to exercise scrutiny over the Council's Treasury Management arrangements throughout the year.
- 6.12 The Common Good Funds operate with relatively small cash balances and with no other financial investments. The Common Good Committees also have authority to grant loans to third parties, and these are included as Permitted Investments. However, the granting of such loans in practice is rare, with each individual proposed loan requiring the specific approval of the relevant Common Good Committee. It is proposed that investments with the Perth & Kinross Council Loans Fund, together with third party loans, remain the only Permitted Investments for the Common Good Funds. It is not proposed to change the terms under which the Common Good Funds place deposits with the Loans Fund.
- 6.13 In addition, the Common Good Funds hold various properties which generate rental income, and which are therefore deemed to be Investment Properties, and covered by the investment regulations.
- 6.14 Investments made by any charity or trust administered by the Council are not within the scope of the Investment Regulations and this Strategy. However, any other Council funds that are managed by external investment managers would be covered by this strategy, and the investment manager would therefore be bound by this Investment Strategy in relation to those funds. It is not proposed to use any external investment manager during 2020/21, other than for the Council's charitable funds.

## **7. INVESTMENT PROPERTIES 2020/21**

- 7.1 Properties held solely to earn rental income and/or for capital appreciation, and not used by the Council for service delivery or administrative purposes, are also covered by the Investment Regulations. Accordingly, an additional permitted investment category of "Investment Property" has been included in the list of Permitted Investments. The Council's initial limit was established as "unlimited", and this remains unaltered.
- 7.2 Budgeted gross income of the portfolio in 2020/21 is £1,871,000, with the latest projection indicating that the final income will be £1,830,000 as a result of movement in tenancies and vacancies in the small business units. Considering the ongoing pandemic (Covid-19) there are additional risks in terms of rents being collected in the short to medium term within the commercial portfolio. The strategy action plan for the rationalisation of the commercial property portfolio remains on programme.
- 7.3 The Annual Property Investment Strategy 2020/21 is attached in Appendix IV and covers property purchased or managed for the following purposes:
- Socio Economic e.g. precinct shops and community facilities
  - Economic development e.g. Industrial Estates and workshop units.
  - Revenue generation e.g. St Johns Centre head lease

- 7.4 The overall aim of the attached Property Investment Strategy for Perth & Kinross Council is to support the objectives of the “2018/22 Corporate Plan – Securing the Future”, and in doing so, it meets the requirements of the Regulations.

## **8. DEBT RESCHEDULING**

- 8.1 Debt rescheduling involves prematurely repaying existing loans and replacing them with new loans at lower interest rates. Any savings in interest costs, however, must be assessed against the premium payable to the lender to compensate for their loss of interest. The amount of premium payable to the PWLB is calculated by reference to the difference in the interest rate on the existing loan and the prevailing interest rates for new borrowing. The main benefits of undertaking rescheduling include:

- Generating interest savings, without exposing the Council to additional risk,
- Ensuring a better-balanced maturity profile and volatility ratio in the portfolio,
- Reducing the level of investments.

- 8.2 The current low interest rate environment, together with the PWLB’s premature repayment terms, means that any early redemption of PWLB loans is likely to be prohibitively expensive and unlikely to generate savings. Further, the low average rate and maturity profile of the Council’s long-term debt mean that it is unlikely that the current portfolio will offer any significant opportunities. Consequently, there is unlikely to be any debt rescheduling undertaken in 2020/21, however interest rates will continue to be monitored to identify any opportunities which may arise.

## **9. THE PRUDENTIAL CODE**

- 9.1 The Prudential Code requires the Council to set Prudential Indicators for at least the next three years to ensure that the Council’s plans are affordable, sustainable and prudent. However, to improve longer term strategic and forward planning, the Council now normally maintains Prudential Indicators for the entire period of the approved Capital Budget.
- 9.2 The Council has a statutory duty (under the Local Government in Scotland Act 2003) to determine, and keep under review, how much it can afford to allocate to Capital expenditure. The level of Capital Financing Costs strongly influences the level of capital expenditure funded by borrowing and, therefore, the size of the ongoing Capital programme. Effective and proactive Treasury Management aims to minimise these costs (“Loan Charges”) and their impact on the overall finances of the Council, whilst not exposing the Council to undue risk in the longer term. Adverse movements in interest rates, for example, would directly impact on the level of Capital expenditure which is affordable and sustainable.

## 10. PRUDENTIAL INDICATORS 2020/21 to 2028/29

- 10.1 The principal means of monitoring and controlling adherence to the Council's capital and treasury plans, and ensuring that they remain affordable, sustainable and prudent, is the determination and monitoring of Prudential Indicators. These Indicators must relate to, and be consistent with, the Council's approved Capital Budget and Treasury Management Strategy.
- 10.2 It is, therefore, proposed to update the Prudential Indicators for the nine-year period covered by the Composite Capital Budget considered by the Council on 30 September 2020. In addition, as detailed at Section 3.3 (above), provisional estimates have been assumed for the Housing Capital Programme for the years 2025/26 to 2028/29 in order to match the time period covered by the Capital programmes.
- 10.3 The full set of proposed Prudential Indicators for 2020/21 to 2028/29, including limits, is shown at Appendix V. The Council is free to set each indicator or limit at any level felt appropriate, however, once set, they must not be breached. Any amendment to these limits must be approved by the Council. The limits proposed are based on the levels of capital investment that have been calculated as being affordable and sustainable, on a prudent basis. In the case of Treasury Management, the proposed limits have been set to allow sufficient flexibility for the Council to consider new opportunities which may arise, such as debt rescheduling exercises, or to manage exceptional (short-term) cashflows whilst maintaining the desired level of control and risk management.
- 10.4 The Indicators include estimates of the Council's underlying need to borrow for a Capital purpose (Capital Financing Requirement or Borrowing Requirement) and ensure that the borrowing periods are consistent with the type of capital expenditure being funded. The amount of external debt is measured at two levels:
- Operational Boundary – is the level of external debt estimated for each year. The actual level of debt may exceed this level in the short-term following exceptional cashflows, however the trend over the period being considered should be consistent with the Operational Boundary. As such it is not a limit, but an indicator of the probable level of external debt.
  - Authorised Limit – is the maximum level of external debt approved by the Council and is also known as the "Statutory Limit" and must not be exceeded. It includes headroom over the Operational Boundary to allow for some unexpected fluctuations or movements. It therefore measures the level of debt which could be affordable in the medium-term, but which may not be sustainable in the longer term. Any increase to the Authorised Limit, for example following revision to the Council's Capital Plans or due to unforeseen circumstances, would require the prior approval of the Council.

- 10.5 For the current Capital plans and Treasury Strategy described in this report, it is not proposed to increase the Authorised Limit from its current limit of £900 million for each year from 2020/21 to 2028/29. The limit is also consistent with the funding strategy for the Council's Capital plans, Loans Fund policies and the Medium-Term Financial Plan. It is based on total gross external borrowing and long-term liabilities under PPP/PFI arrangements and takes account of when the borrowing requirement is at its peak over the ten-year period which is then applied in each year (to allow flexibility). The Operational Boundary for each year is also shown within Appendix V.
- 10.6 It is proposed to increase the limit for investments made for over 365 days from £10 million to £45 million. This is necessary to align the Prudential Indicators with the revised Investment limits approved by the Council on 25 September 2019 (report 19/277 refers) due to the higher investment balances. Any investments for over 1 year will only be considered when projected cashflow balances allow and no change is proposed to the maximum duration of investments of 3 years.
- 10.7 All the proposed Indicators at Appendix V comply with the CIPFA Code of Practice for Treasury Management in the Public Services.

## **11. CONCLUSION AND RECOMMENDATIONS**

- 11.1 Treasury operations are undertaken within a dynamic and volatile environment, which can significantly affect the cost of borrowing and returns from investing. Annual interest charges are currently in the region of £14 million per annum (General Fund and Housing Revenue Account combined) and projected to rise to around £25 million by 2029/30, with this increase being addressed through the managed use of the Council's Capital Fund. The setting of an appropriate strategy is, therefore, essential in ensuring that the Council is not exposed to undue risks and costs. The strategy outlined in this report is designed to ensure that the Council achieves the best possible returns on its borrowings and investments, whilst seeking to minimise risk in light of prevailing and forecast market conditions.
- 11.2 The Investment Strategy outlined in this report covers all matters required by the Investment Regulations, and lists the proposed Permitted Investments.. These will be reviewed on an ongoing basis as the economic environment changes and/or new investment products are introduced into the financial markets. The proposed Permitted Investments for 2020/21 remain unchanged and there are no proposed changes to investment limits, nor to the definition of approved counterparties. However, it is proposed to bring the Prudential Indicator for sums invested over 1 year into line with the lending policy.
- 11.3 The Investment Strategy, in conjunction with the Treasury Management Practices (TMPs), also includes references to the various risks associated with investments, how these will be controlled, and the considerations and procedures to be followed. Security and liquidity of sums invested remains the primary objectives over investment income. The proposed Permitted Investments carry a low level of risk.

11.4 The report also outlines the link between Treasury Management and the Capital Budget. Accordingly, the report also proposes updated Prudential Indicators for the years 2020/21 to 2028/29.

11.5 It is recommended that the Council:

- i) Approves the 9-year Treasury Strategy for 2020/21 to 2028/29, as detailed in this report, which is submitted in accordance with the Council's approved Treasury Management Practices (TMP).
- ii) Approves the Permitted Investments and Investment Strategy for 2020/21 outlined at Section 6 and detailed at Appendix III of this report.
- iii) Approves the Property Investment Strategy for 2020/21 outlined at Section 7 and detailed at Appendix IV of this report.
- iv) Approves the proposed Prudential Indicators for 2020/21 to 2028/29 outlined at Section 10 and detailed at Appendix V of this report.

#### Author(s)

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#### Approved

Name	Designation	Date
Stewart MacKenzie	Head of Finance	30 September 2020
Karen Donaldson	Interim Chief Operating Officer (Corporate & Democratic Services)	1 October 2020

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

### 1. Strategic Implications

#### Corporate Plan

- 1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:
- (i) Giving every child the best start in life;
  - (ii) Developing educated, responsible and informed citizens;
  - (iii) Promoting a prosperous, inclusive and sustainable economy;
  - (iv) Supporting people to lead independent, healthy and active lives; and
  - (v) Creating a safe and sustainable place for future generations.

- 1.2 This report relates to all these objectives.

### 2. Resource Implications

#### Financial

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

#### Workforce

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

### Asset Management (land, property, IT)

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

## **3 Assessments**

### Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

### Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

### Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.6 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

## **4. Consultation**

- 4.1 The Chief Executive, and the Council's Treasury advisors, Link Asset Services, have been consulted in the preparation of this report.

## **2. BACKGROUND PAPERS**

- 2.1 No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt

information) were relied on to any material extent in preparing the above report.

### **3. APPENDICES**

- Appendix I – Outlook for Interest Rates.
- Appendix II – Forecast for Interest Rates (Link Asset Services Ltd).
- Appendix III – Permitted Investments 2020/21.
- Appendix IV – Property Investment Strategy 2020/21
- Appendix V – Prudential Indicators 2020/21 to 2028/29



## Outlook for Interest Rates

The data below shows a variety of forecasts published by a number of institutions. The forecast within this strategy has been drawn from these diverse sources and Council officer's own views.

### Link Asset Services Forecast for Interest Rates

(%)	Current*	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
5 Yr PWLB	2.26	2.30	2.30	2.40	2.40	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.00	3.10
10 Yr PWLB	2.42	2.50	2.50	2.60	2.60	2.70	2.80	2.90	3.00	3.10	3.10	3.20	3.20	3.30
25 Yr PWLB	2.94	3.00	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.80	3.80	3.90	3.90
50 Yr PWLB	2.75	2.90	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.80

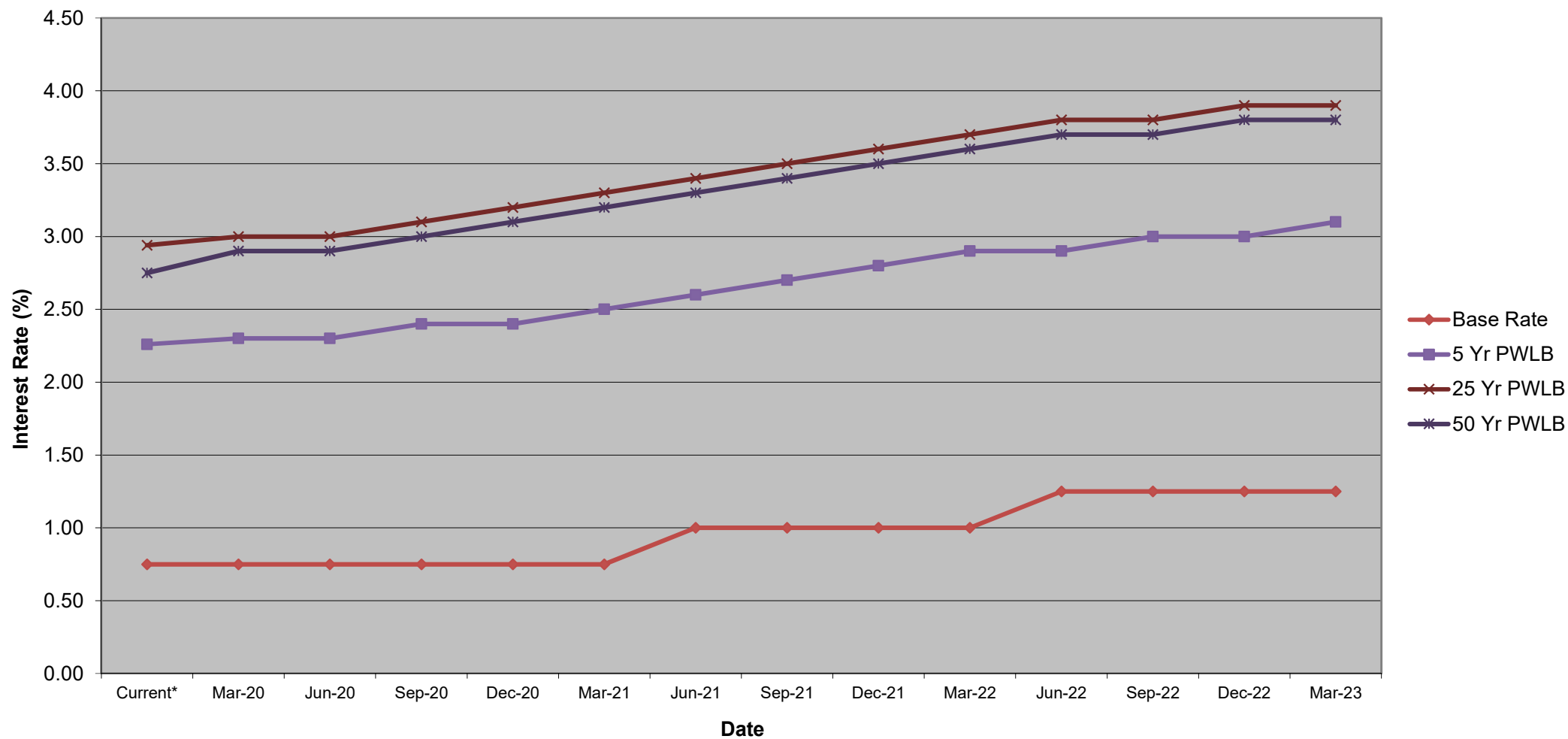
\* current rates taken as at 19 February 2020.

### Capital Economics forecast for interest rates

(%)	Current*	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Bank Rate	0.75	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00
5 Yr PWLB	2.26	2.50	2.50	2.60	2.60	2.70	2.80	2.80	2.90
10 Yr PWLB	2.42	2.70	2.70	2.80	2.80	2.90	3.00	3.00	3.10
25 Yr PWLB	2.94	3.10	3.10	3.20	3.20	3.20	3.30	3.30	3.40
50 Yr PWLB	2.75	3.10	3.10	3.20	3.20	3.30	3.40	3.40	3.50



## Forecast for Interest Rates (Link Asset Services Ltd)





**PERTH AND KINROSS COUNCIL  
PERMITTED INVESTMENTS 2020/21**

Appendix III

Treasury Management Investment Type	Total Limit	Individual Limit	Objectives	Risk Assessment		
				Counterparty	Market	Liquidity
Fixed Deposits with approved Banks and Building Societies up to 1 year	Unlimited	per policy	Guaranteed investment returns	Low risk applied in Treasury Policy	Risk of increase in interest rates	Low risk of tied-up funds
Instant Access Deposits with approved Banks and Building Societies	Unlimited	per policy	Maximise liquidity	Low risk applied in Treasury Policy	Risk of fall in interest rates	No risks
Variable Rate deposits with approved Banks and Building Societies up to 1 year	35%	per policy	Maximise returns	Low risk applied in Treasury Policy	Risk of fall in interest rates	Low risk of tied-up funds
Fixed Deposits with approved Banks and Building Societies over 1 year up to 3 Years	£10M	per policy	Guaranteed longer term investment returns	Increased risk applied in Treasury Policy	Risk of increase in interest rates	Higher risk of tied-up funds
Variable Rate deposits with approved Banks and Building Societies over 1 year up to 3 years	Lower of 35% or £5M	per policy	Maximise longer term investment returns	Increased risk applied in Treasury Policy	Risk of fall in interest rates	Higher risk of tied-up funds
Certificates of Deposit, Fixed Bonds and other fixed commercial paper issued by approved Banks and Building Societies, up to 1 Year	Unlimited	per policy	Maximise returns and counterparty diversification	Low risk applied in Treasury Policy	Risk of increase in interest rates	No risk as negotiable
Certificates of Deposit, Fixed Bonds and other fixed commercial paper issued by approved Banks and Building Societies, over 1 Year up to 3 Years	£10M	per policy	Longer term investment returns and counterparty diversification	Low risk applied in Treasury Policy	Risk of increase in interest rates	No risk as negotiable
Floating Rate Notes and other variable commercial paper issued by approved Banks and Building Societies, up to 1 Year	Unlimited	per policy	Maximise returns and counterparty diversification	Low risk applied in Treasury Policy	Risk of decrease in interest rates leading to loss in capital value	No risk as negotiable
Floating Rate Notes and other variable commercial paper issued by approved Banks and Building Societies, over 1 Year up to 3 Years	£10M	per policy	Longer term investment returns and counterparty diversification	Low risk applied in Treasury Policy	Risk of decrease in interest rates leading to loss in capital value	No risk as negotiable

**PERTH AND KINROSS COUNCIL  
PERMITTED INVESTMENTS 2020/21**

**Appendix III**

Treasury Management Investment Type	Total Limit	Individual Limit	Objectives	Risk Assessment		
				Counterparty	Market	Liquidity
AAA rated Short Term and Standard Money Market Funds, including Low Volatility Net Asset Value (LVNAV) Funds.	Unlimited	per policy	Maximise returns and liquidity on smaller deposits	Low risk applied in Treasury Policy	No risk as instant access	No risk
Fixed Rate deposits with Local Authorities	Unlimited	per policy	Maximise security on fixed returns	Low risk applied in Treasury Policy	Risk of increase in interest rates	Low risk of tied-up funds
Variable Rate deposits with Local Authorities	35%	per policy	Maximise security on variable returns	Low risk applied in Treasury Policy	Risk of fall in interest rates	Low risk of tied-up funds
Loans to third parties, including "soft loans"	To be reviewed upon each application	Subject to approval by the Council	For operational Service requirements	Higher risk	High risk, often given on interest-free terms, but met by Service.	Higher risk of tied-up funds
Investment Properties (controls and limits per Investment Property strategy document)						

**Notes:**

1. All investments to be made in sterling
2. The policy referred to above is defined in TMP4, Schedule 4.6 (Approved Lending & Investment Policy)
3. Individual limits apply to all investment types in aggregate
4. Variable rate limit (excluding instant access accounts) applies to all investment types in aggregate
5. The limit for amounts invested over 1 year refer to the remaining period to maturity of investments

## Property Investment Strategy 2020/21

### 1. Introduction

The Local Government in Scotland Act 2003 included specific powers (Section 40) for local authorities to invest money in accordance with regulations approved by Scottish Ministers. Under these powers, the Local Government Investments (Scotland) Regulations 2010 were approved by Scottish Ministers on 1 April 2010, and came into effect from that date.

Each Council is granted the freedom to determine what types of investments they may make, and the level of risks acceptable to each Council in making investments must be explicitly stated. These must be approved by the Council in advance of each financial year.

The properties within the Council's commercial investment property estate which are held solely to earn rental income and/or capital appreciation fall within the scope of the regulations. The requirements outlined for financial investments therefore apply to these Council property investments. The Council is required to approve an Investment Strategy before the start of each financial year.

This paper is the Council's Property Investment Strategy for 2020/21, which forms part of the Council's requirement for an annual overall Investment Strategy.

### 2. Context

The Council does not normally acquire property solely for investment purposes.

New property acquisitions generally support one of the functions noted below and do not therefore fall within the scope of the Local Government Investments (Scotland) Regulations 2010;

- **direct service provision** e.g. new school sites and land for road junction improvements, or
- **Socio economic or economic development** e.g. land and buildings held on the Commercial Property Investment Programme (CPIP) to support a supply of land to businesses and industry.

The Regulations do, however, cover those parts of the commercial estate which are generally held to provide rental income. Predominantly these properties would have initially been acquired to meet a socio economic or economic development need, but having met that need at some time in the past, are now retained for the rental income they produce. The portfolio has therefore been developed over a long period and includes properties such as

shops, offices, small workshop units, industrial and commercial ground and land purchased to facilitate development etc.

### **3. Strategic Vision for the Property Investment Portfolio**

To move from the historic legacy of a portfolio of properties acquired or developed over many years to a more balanced sustainable portfolio to meet the future financial and corporate objectives of the Council.

### **4. Corporate Aims and Objectives**

The overall aim of the Property Investment Strategy is to support the objectives of the 2018/22 Corporate Plan.

**The Property Investment Strategy supports corporate objectives by seeking to:**

- Maximise and enhance socio economic and economic development opportunities to the benefit of local communities and businesses.
- Encourage new business take up, retain and enhance existing businesses and opportunities.
- Maximise community benefit through the provision of land and premises.
- Clearly identify the primary purpose for holding individual assets (and groups of assets) and apply appropriate management, retention and disposal policies, and procedures relevant to the asset categories by completing a review of the commercial property portfolio.
- Optimise financial return and best value.

### **5. Current Portfolio**

Perth and Kinross Council's commercial portfolio currently consists of approximately 215 properties together with land held for future investment, infrastructure or disposal;

The properties currently held for income generation are managed through the use of lease agreements and the number of leases per asset type is approximately;

32 Shops  
9 Offices  
39 Industrial premises  
120 Ground leases  
15 Miscellaneous properties

The budgeted gross income for the financial year 2020/21 is £1,871,000 and regular appropriate monitoring and reporting of the current position is being carried out.

The Council holds a number of town and village halls, leisure facilities etc which are “let” to management committees, community groups and Live Active. As these assets are effectively managed to provide functions which would otherwise be provided by the Council, they are not classified as investment properties and, therefore, lie outwith the remit of the regulations.

## **6. Categorisation**

In developing a strategy for managing the commercial investment property portfolio it is necessary to define the reasons for retaining non-operational properties, to categorise the individual properties, and to apply criteria to ensure that the appropriate return (financial, economic or community benefit) is achieved from each property.

The portfolio can be split into the following categories, with each requiring a different approach when deciding future management and retention policies.

The categories adopted are:

- Socio economic
- Economic development
- Operational occupation
- Revenue generation (Investment)
- Housing Revenue Account (non-Housing - includes investment)

## **7. General Strategic Principles**

There will be a presumption against the acquisition of new heritable properties solely for financial investment purposes.

- Heritable property will only be acquired to support the Council’s strategic objectives, with the property’s investment potential being secondary to securing Council objectives.

Existing Council owned properties which become surplus to operational requirements will be disposed of in line with the Disposal of Land and Buildings Policy.

- There will be a presumption against the retention of surplus property assets for financial investment purposes unless the retention supports Council strategic objectives. As with new acquisitions, the assets investment potential is secondary to securing Council objectives

There are a number of general principles that will be applied to the management of the retained investment portfolio;

- Day to day decisions on the management of the portfolio should support the efficient & effective delivery of the Council's strategic and operational objectives.
- The portfolio should reflect strategic and operational objectives by clearly differentiating between those held for the benefit of the community (economic development and socio economic) and those retained purely as investment opportunities.
- "Added value" principles should apply – investment and expected returns should be on the basis of what is "best for communities" rather than concentrating on purely financial return.

## 8. Specific Strategic Principles

The Council will use the portfolio to support corporate objectives by adopting the following principles in the future management of the various categories of commercial properties:

- **Socio Economic Portfolio** – Held primarily for promotion or enhancement of the Council's 5 strategic objectives for securing the future. Revenue generation for this category, although important and justifiable, is secondary to supporting Council objectives.
- **Economic Development Portfolio** - Held primarily to support strategic objectives but with an emphasis on supporting Objective (iii) - a prosperous, sustainable and inclusive economy. The portfolio will be used to safeguard, control and promote the use of land for economic development and regeneration through;
  - **Business Opportunity enhancement** – Land and buildings acquired or provided to facilitate and encourage business opportunities in local communities where the private sector has failed to provide infrastructure due to market conditions. There is a general presumption that this provision will be made available at sustainable market levels but with an acceptance that provision may have to be subsidised to generate development in certain areas. As part of this proposed approach the intention is to focus on strategic sites with development potential partnering with the private sector via Memorandums of Understanding intended to explore and exploit development and incoming-producing opportunities
  - **Start-up Workshop Units** – units should be held to encourage new and expanding businesses locate and flourish. Such units, where available, should be on short term lets with flexible terms to assist firms become established.

- **Commercial Investment Property** – Properties will generally only be held for rental income generation whilst generating an adequate and competitive return. There will be a presumption in favour of disposal of poorly performing properties. Units which are difficult to let, expensive to manage or present a company growth opportunity for a sitting tenant will generally be positively considered for disposal unless these form part of a larger grouping where disposal of part would be detrimental to the value of the whole e.g. part of a row of workshop units.

In appropriate circumstances, consideration will be given to sales to sitting tenants if the disposal would not adversely affect the remaining portfolio; but only at full market value and at a price economically advantageous to the Council e.g. sales may be resisted at times of economic downturn when sale prices are unfavourable.

Poorly performing multi occupancy investments; industrial estates, rows of shops etc will be considered for disposal to either existing occupiers or as investments.

There is a presumption against properties held on the commercial estate being occupied by Council Services. Properties held for revenue generation may, however, be occupied by Council Services, with that service meeting the full cost of occupation, including payment of a market rent where appropriate.

### **Commercial Property Investment Programme**

In September 2013, the Council approved a comprehensive 10 year programme of employment land acquisition, servicing and development to support the Council objectives of attracting investment and supporting businesses across Perth and Kinross. The programme (CPIP 2013-23) which is funded through sales receipts from sites and properties sold to developers and businesses has delivered 9.15ha of business land to support company growth since inception in 2013. The latest priorities and revised programme was approved by the SP&R Committee on 29 November 2017 (Report 17/390), which included a review of the approach to ensure effective delivery of corporate property development and investment activities. The CPIP is kept under regular review by the Estates & Commercial Investment Team and the Executive Director (Housing & Environment) through the SP&R capital monitoring process and appropriate committee approval is sought regarding land and property disposals with an impact on the revenue budget. A report with an updated CPIP will be submitted to the Strategic Policy Resources Committee in 2019.

**Housing Revenue Account (non-housing)** – There is no general presumption in favour of the disposal of investment properties held on the Housing Revenue Account (HRA) and the Executive Director (Housing & Environment) is consulted prior to the consideration of disposal of any HRA assets to allow consultation in accordance with current Housing Legislation to be carried out. The same principles as applied to the rental income-generating portfolio will generally be applied to the HRA portfolio.

## 9. Portfolio Management Principles

### **Socio Economic Portfolio:**

- Clearly identify any “subsidy” level in leases to future socio economic and community lets.
- Only consider future lets on socio economic grounds where supported by a business case clearly identifying the community benefits and financial viability of the proposed let and having identified a sponsoring Service within the Council to provide support.

### **Economic Development Portfolio:**

- The sale or lease of land and premises held for economic development purposes will be considered against the economic benefit to the local community and business needs.

### **Revenue generating portfolio:**

- Always seek to maximise the return from the investment by applying market rents to all properties held in this category.
- Wherever practical, identify and allocate all running costs associated with the portfolio including “hidden” costs e.g. management costs.
- Monitor return on investment.
- Regularly review portfolio performance.
- Assess requests to sell from sitting tenants against the return on investment and the impact of sale on any remaining holdings in the immediate area.
- Manage the portfolio to maximise returns, balancing maintenance expenditure requirements against capital and rental growth potential.
- Support capital receipt generation (disposal of poorly performing assets) whilst seeking to achieve a balance between revenue and capital. Investigate options for investment to maximise and maintain revenue streams.

### **HRA (non-housing) Portfolio:**

- Unless identified by the Executive Director (Housing & Environment) as a property held for socio economic or economic development purposes, manage the portfolio on terms consistent with the management of the general fund revenue generating portfolio.
- Consult with the Executive Director (Housing & Environment) prior to agreeing to the disposal of investment properties, providing advice on whether disposal represents a good return on the investment.

## 10. Risk Management

### **Risk of falling rental income**

A substantial unforeseen decrease in projected rental income could present a risk to the Council’s revenue planning. Rental forecasts are regularly reviewed and managed in consultation with the Head of Finance.

The major risks affecting income potential are;

- Changing market conditions and
- Reducing rental income through disposal of investment properties.

### **Changing market Conditions – Low to Medium Risk**

The risk of a substantial unanticipated decrease in income resulting from changes in market conditions was previously considered to be “Low” as leases tend to terminate on set dates, with a relatively small proportion terminating within a single year. The risk element in the retail sector of the portfolio rose to “Low to Medium” for 2013/14 due to challenging economic conditions and currently sits at medium due to permanent changes in shopping habits i.e. internet shopping. Any likely reduction in income can however, generally be anticipated. As leases terminate, even if unanticipated, the Council retains the capital asset which can be made available for re-letting or disposal. The current economic climate however, continues to make re-letting challenging.

### **Disposal of investment properties – Low Risk**

Disposal of investment properties will result in a capital receipt, but the consequence of this will be the loss of rental income from the asset. Decisions to dispose of major assets will therefore affect income. Disposal will be discussed with the Head of Finance and a programme agreed as appropriate to support the Council’s revenue budget and capital programme needs.

### **Risk associated with new investment acquisitions**

Procedures are in place to assess and manage the risk attached to any new investment proposal as the acquisition will be subject to a full business case analysis and risk assessment by the appropriate corporate group and will require subsequent Committee approval.

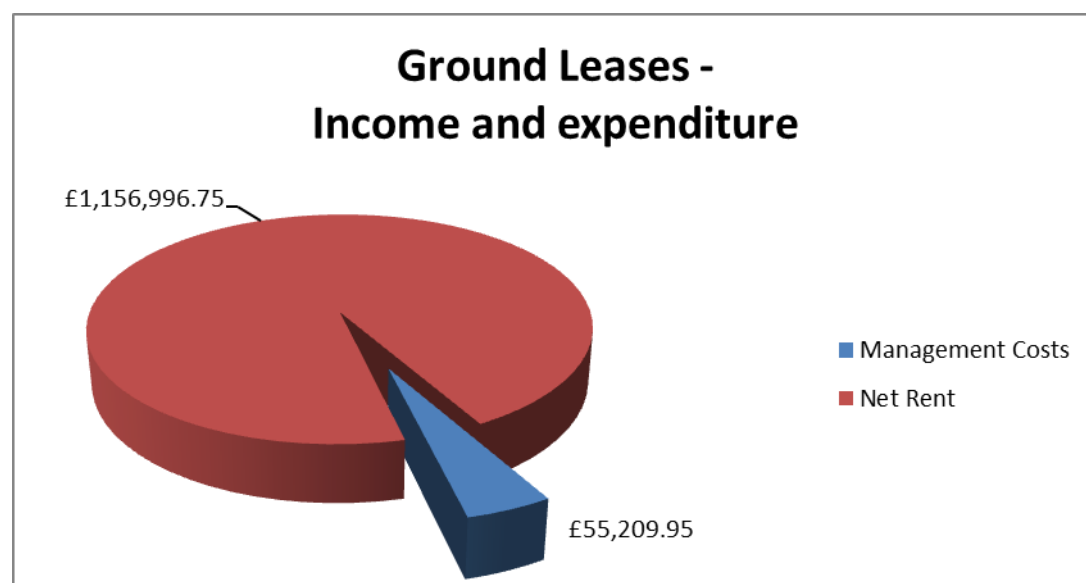
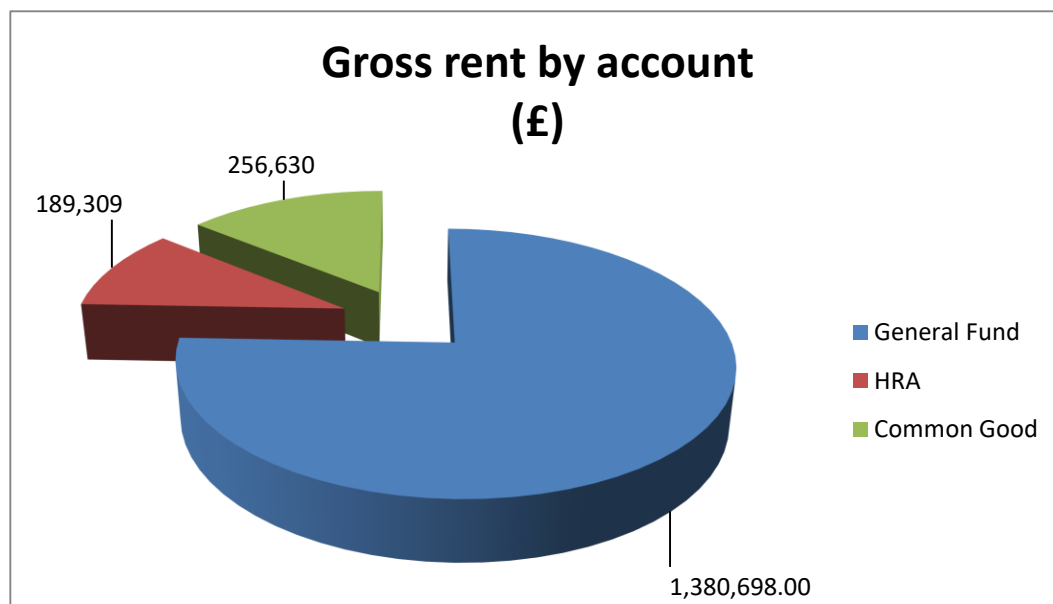
## **11. Strategy Action Plan**

The portfolio is being transformed from the historic legacy to a more balanced sustainable portfolio to meet the Council’s current strategic objectives and the future financial viability of the commercial portfolio will be maintained through;

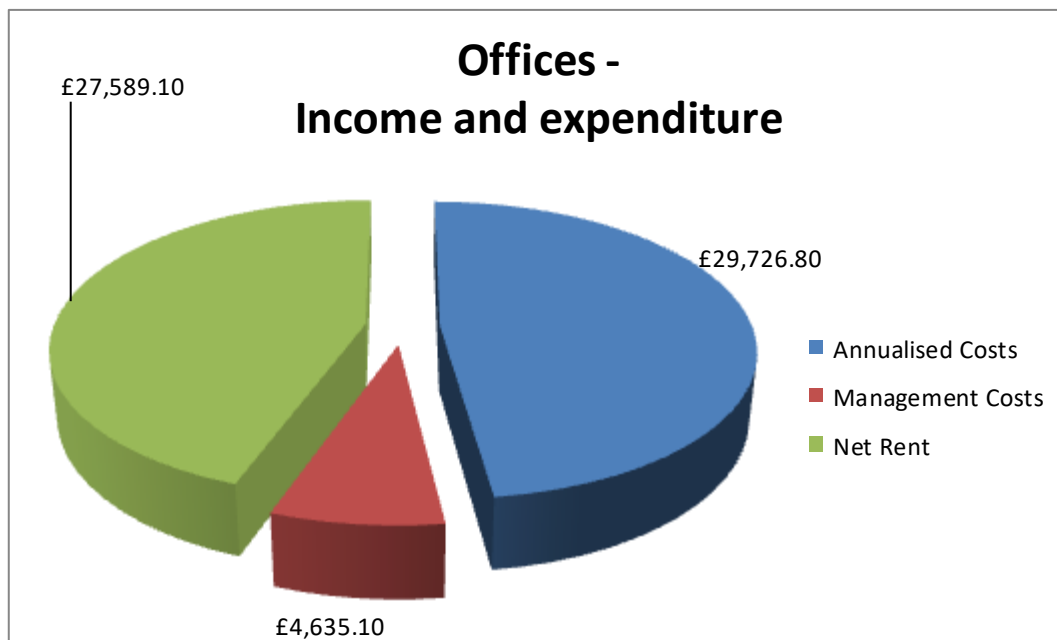
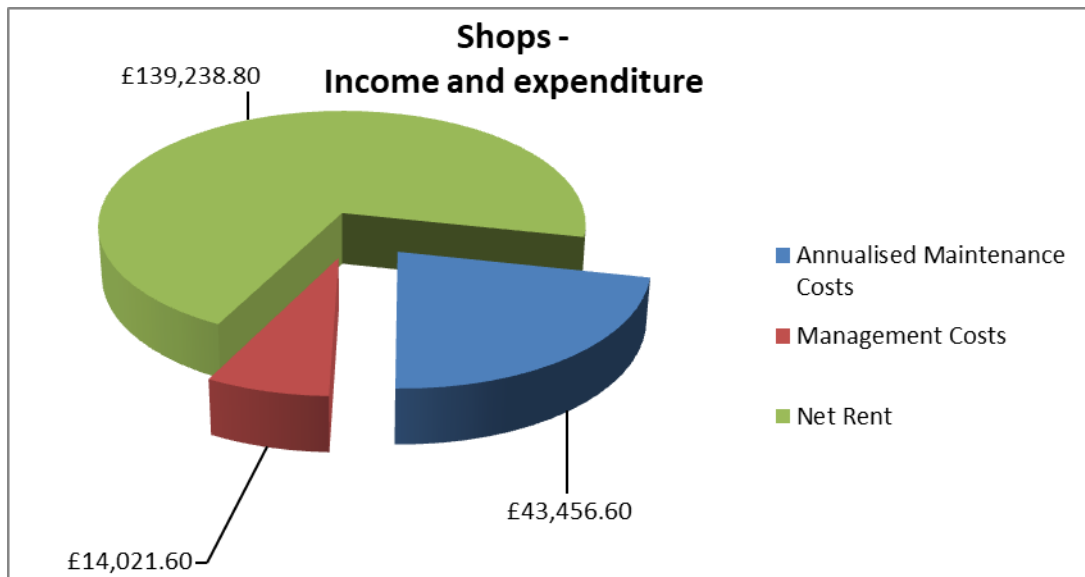
- the assessment and classification of each property as either socio-economic, economic development, investment or HRA (investment),
- regular review of the commercial estate to determine each property’s investment potential and viability, and
- by disposal of poorly performing investment properties and redevelopment/conversion of properties (e.g. conversion from retail to social housing).

## Commercial Investment Property Review 2018/19

The valuation, classification and review of the portfolio is periodically carried out by the Council's Estates and Commercial Investment Team and the 2018/19 review is shown in the following diagrams. It can clearly be seen that the vast majority of the rental income is received from ground leases which by their nature provide a low risk, low management, secure net rental income to the Council. The findings are informing the framework for development and investment in the Perth and Kinross area and in Perth as part of the work being undertaken nationally to develop a consistent approach to investment in the Scottish cities and City Investment plans.

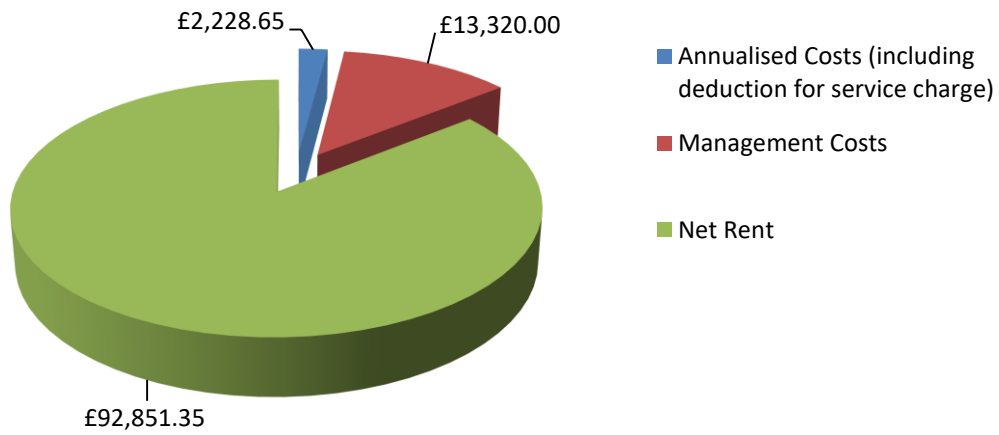


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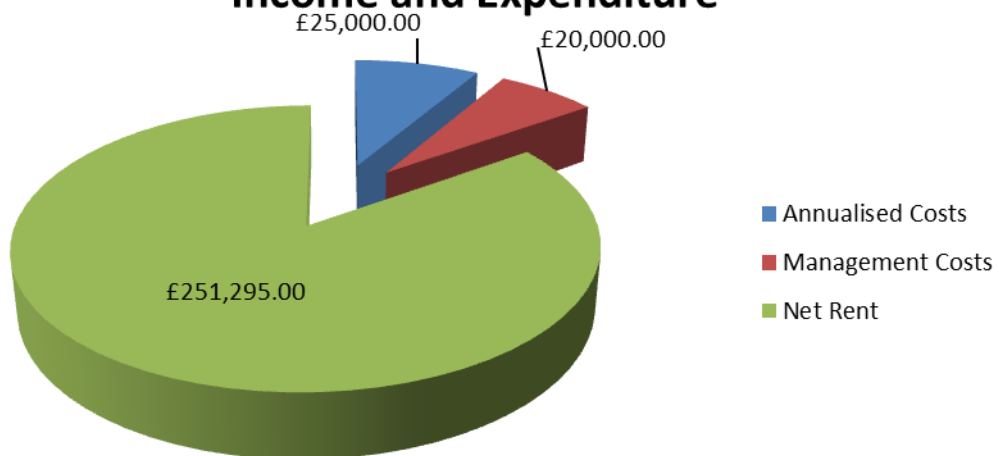


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### Industrial Units - Income and expenditure



### Miscellaneous - Income and Expenditure



**PERTH AND KINROSS COUNCIL**  
**PRUDENTIAL INDICATORS 2020/21 TO 2028/29**

**APPENDIX V**

**1 Financing Costs: Net Revenue Stream**

The ratio of Capital Financing Costs (Loan Charges) to the Council's net revenue stream shall not exceed the following limits, which are based on historic levels, and allow some headroom for movement in interest rates. The estimated Financing Costs below are based on the latest monitoring figures.

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Prudential Limit - General Fund	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
Estimated Ratio of Financing Costs to Revenue	7.68%	7.95%	8.25%	8.76%	9.10%	8.75%	8.75%	8.49%	8.37%
Prudential Limit - HRA	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Estimated Ratio of Financing Costs to Revenue	22.85%	22.59%	21.97%	21.90%	21.81%	21.97%	21.83%	22.49%	24.20%

**2 Gross & Net Borrowing and Capital Financing Requirements**

For prudence, net external borrowing must not exceed the total capital financing requirement, thus ensuring that over the medium term, borrowing is only undertaken for capital purposes. The estimated total net borrowing and Capital Financing Requirement at the end of each of the years are as follows:

	Actual as at 31-Mar-20	Projected 31-Mar-21	Projected 31-Mar-22	Projected 31-Mar-23	Projected 31-Mar-24	Projected 31-Mar-25	Projected 31-Mar-26	Projected 31-Mar-27	Projected 31-Mar-28	Projected 31-Mar-29
Net External Borrowing*	492,140,000	490,678,000	526,979,000	702,781,000	781,542,000	837,444,000	847,980,000	858,516,000	844,052,000	857,089,000
Gross External Borrowing*	698,143,000	670,678,000	656,979,000	782,781,000	831,542,000	862,444,000	872,980,000	883,516,000	869,052,000	882,089,000
Capital Financing Requirement	584,350,000	624,922,000	677,685,000	806,162,000	854,902,000	883,391,000	895,164,000	904,438,000	912,728,000	922,274,000

\*For the purpose of this indicator, Borrowing includes the outstanding liability under PPP/PFI contracts.

**3 Estimates of Capital Expenditure**

The total estimated Capital Expenditure contained within the Council's Budgets for each year is as follows, based on updated monitoring figures.

Composite Programme	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Composite Programme	83,710,000	129,517,000	166,736,000	75,784,000	44,342,000	31,766,000	28,834,000	26,728,000	27,924,000
PPP Expenditure Programme	0	0	0	0	0	0	0	0	0
HRA	18,626,000	7,430,000	7,946,000	11,452,000	23,188,000	15,000,000	15,000,000	15,000,000	15,000,000
Total Estimated Capital Expenditure	102,336,000	136,947,000	174,682,000	87,236,000	67,530,000	46,766,000	43,834,000	41,728,000	42,924,000

**PERTH AND KINROSS COUNCIL**  
**PRUDENTIAL INDICATORS 2020/21 TO 2028/29**

**APPENDIX V**

**4 Estimate of Capital Financing Requirement**

The estimate (as at September 2020) of the Capital Financing Requirement (ie new borrowing requirement for Capital Expenditure) for each year based on these plans is as follows:

Composite Programme	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Composite Programme	39,271,000	63,983,000	139,799,000	56,918,000	25,492,000	12,916,000	9,984,000	7,878,000	9,074,000
PPP Programme	0	0	0	0	0	0	0	0	0
HRA	15,791,000	4,201,000	4,222,000	7,448,000	18,772,000	11,000,000	11,000,000	11,000,000	11,000,000
Estimated Capital Financing Requirement	55,062,000	68,184,000	144,021,000	64,366,000	44,264,000	23,916,000	20,984,000	18,878,000	20,074,000

**5 External Debt (Gross and Net)**

External Borrowing	As at 31-Mar-20	Projected 31-Mar-21	Projected 31-Mar-22	Projected 31-Mar-23	Projected 31-Mar-24	Projected 31-Mar-25	Projected 31-Mar-26	Projected 31-Mar-27	Projected 31-Mar-28	Projected 31-Mar-29
Public Works Loan Board	498,000,000	490,500,000	483,000,000	615,000,000	670,000,000	707,000,000	722,000,000	737,000,000	727,000,000	744,500,000
Market Bonds	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000	43,200,000
Special Loans	2,123,841	2,123,841	2,123,841	2,123,841	2,123,841	2,123,841	2,123,841	2,123,841	2,123,841	2,123,841
Project Borrowing	168,445	140,000	140,000	140,000	0	0	0	0	0	0
Temporary Loans/Other Borrowing	17,463,880	2,500,000	2,200,000	1,900,000	1,700,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Other Long Term Liabilities	137,187,249	132,214,000	126,315,500	120,417,000	114,518,500	108,620,000	104,156,200	99,692,400	95,228,600	90,764,800
<b>Total Gross External Debt</b>	<b>698,143,415</b>	<b>670,677,841</b>	<b>656,979,341</b>	<b>782,780,841</b>	<b>831,542,341</b>	<b>862,443,841</b>	<b>872,980,041</b>	<b>883,516,241</b>	<b>869,052,441</b>	<b>882,088,641</b>
Short Term Investments	(206,003,298)	(145,000,000)	(130,000,000)	(80,000,000)	(50,000,000)	(25,000,000)	(25,000,000)	(25,000,000)	(25,000,000)	(25,000,000)
Long Term Investments	0	(35,000,000)	0	0	0	0	0	0	0	0
<b>Total Net External Debt</b>	<b>492,140,117</b>	<b>490,677,841</b>	<b>526,979,341</b>	<b>702,780,841</b>	<b>781,542,341</b>	<b>837,443,841</b>	<b>847,980,041</b>	<b>858,516,241</b>	<b>844,052,441</b>	<b>857,088,641</b>
<b>Note:</b>										
Operational Boundary	698,000,000	671,000,000	657,000,000	783,000,000	832,000,000	862,000,000	873,000,000	884,000,000	869,000,000	882,000,000
Authorised Limit	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000

The Operational Boundary and Authorised Limit are based on Gross External Debt.

**6 Principal Sums Invested Longer Than 365 Days**

The Upper Limit for sums invested for over 1 year up to 3 years is £45million.

This limit reflects approximately 20% of the investment balances based on the portfolio as at September 2020. Any such investment must only be made where the Council's projected cashflow balances allow.

**PERTH AND KINROSS COUNCIL**  
**PRUDENTIAL INDICATORS 2020/21 TO 2028/29**

**APPENDIX V**

**7 Maturity Structure**

The lower and upper limit for the proportion of the Council's total-long term debt which matures in each of the time bandings below, and is therefore subject to refinancing at the prevailing market rates, is as follows:

Fixed Rate Borrowing Maturity Structure	Lower Limit	Upper Limit	Estimated
Under 12 months	0%	35%	1.8%
over 12 months and < 24 months	0%	35%	2.7%
over 2 years and < 5 years	0%	50%	6.5%
over 5 years and < 10 years	0%	75%	8.8%
over 10 years	10%	95%	80.2%

The maturity profile for the Council's current long-term portfolio, measured from the start of the financial year, is as follows:

	Less 1 Year	1 - 2 Years	2 - 5 Years	5 - 10 Years	10 - 20 Years	20 - 30 Years	30 - 40 Years	40 - 50 Years	Over 50 Years	Total
PWLB	7,500,000	12,500,000	26,000,000	37,500,000	5,000,000	0	31,500,000	378,000,000	0	498,000,000
LOBOs	0	0	0	0	0	13,000,000	25,200,000	5,000,000	0	43,200,000
PPP Liability	4,973,249	5,898,500	17,695,500	22,319,000	67,069,000	19,232,000	0	0	0	137,187,249
Other	28,445	0	140,000	0	0	0	0	0	0	168,445
<b>Total</b>	<b>12,501,694</b>	<b>18,398,500</b>	<b>43,835,500</b>	<b>59,819,000</b>	<b>72,069,000</b>	<b>32,232,000</b>	<b>56,700,000</b>	<b>383,000,000</b>	<b>0</b>	<b>678,555,694</b>
<b>Percentage</b>	<b>1.8%</b>	<b>2.7%</b>	<b>6.5%</b>	<b>8.8%</b>	<b>10.6%</b>	<b>4.8%</b>	<b>8.4%</b>	<b>56.4%</b>	<b>0.0%</b>	<b>100.0%</b>



## PERTH & KINROSS COUNCIL

7 October 2020

### AUDITED ANNUAL ACCOUNTS 2019/20 AND ANNUAL AUDIT REPORT TO THE MEMBERS OF PERTH & KINROSS COUNCIL AND THE CONTROLLER OF AUDIT FOR THE YEAR ENDED 31 MARCH 2020

Report by Head of Finance (Report No. 20/180)

#### PURPOSE OF REPORT

This report presents the Council's Audited Annual Accounts for financial year 2019/20 in accordance with the Local Authority Accounts (Scotland) Regulations 2014 and includes the Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the Year Ended 31 March 2020.

#### 1. BACKGROUND

- 1.1. The Unaudited Annual Accounts for 2019/20 were submitted to KPMG, the Council's external auditors on 29 June 2020. In line with legislative requirements, the Audit Committee considered the 2019/20 Unaudited Annual Accounts on 22 July 2020 (Report No. 20/118 refers).
- 1.2. The Annual Accounts are prepared in accordance with the 2019/20 CIPFA Code of Practice on Local Authority Accounting ("the Code").
- 1.3. These accounts also comply with the Local Authority Accounts (Scotland) Regulations 2014 which revoked the Local Authority Accounts (Scotland) Regulations 1985.
- 1.4. The Unaudited Annual Accounts were available for public inspection between 1 July and 21 July 2020 (inclusive). During this period KPMG received no objections to the draft Unaudited Annual Accounts.
- 1.5. The draft Audited Annual Accounts and draft Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the Year Ended 31 March 2020 were approved by the Audit Committee on 16 September 2020 (Report No. 20/162 refers).

#### 2. ANNUAL ACCOUNTS 2019/20

- 2.1 The audit of the 2019/20 Annual Accounts took place between July and early September 2020. The audit considered not only the financial statements but also areas such as financial performance and corporate governance.
- 2.2 Other than a few presentational adjustments there were no substantive changes to the 2019/20 Unaudited Annual Accounts that were considered by the Audit Committee on 22 July. Importantly there were no changes to the core financial statements within the Annual Accounts.

2.3 The Audited Accounts are attached to this report at Appendix A.

### **3. Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the Year Ended 31 March 2020**

3.1 The Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the year ended 31 March 2020 is set out at Appendix B (the Audit Report). The Audit Report sets out KPMG's opinions and conclusions on the overall audit and their findings to be reported under ISA260: Report to those Charged with Governance. The Audit Report also includes the findings in relation to Perth & Kinross Charitable Trusts which were distributed separately to Trustees.

3.2 The key messages from the 2019/20 audit are set out in the Audit Conclusions on page 5 of Appendix B and are summarised as follows:

#### **Audit Opinion**

- KPMG expect to issue an unqualified opinion on the truth and fairness of the state of the Council's affairs as at 31 March 2020.

#### **Financial Reporting Framework, Legislation and Other Reporting Requirements**

- The Annual Accounts have been prepared in accordance with the relevant accounting standards and legislation.

#### **Annual Accounts Preparation and Audit Readiness**

- The Accounts were provided to KPMG on 29 June 2020. The Council's finance team continued to perform well in its delivery of high-quality annual accounts, particularly considering the operational impact of Covid-19

#### **Statutory Reports**

- There are no circumstances to notify the Controller of Audit that indicate a statutory report may be required

#### **Other Communications**

- There were no significant difficulties during the audit. There were no other significant matters that were discussed, or subject to correspondence with management that have not been included in the report.

#### **Audit Misstatements**

- No audit misstatements were identified.

## Written Representations

- The letter of representation does not include any additional representations to those that are standard as part of the audit.

3.3 KPMG also recognised the contribution of officers from across the Council in the delivery of the Annual Accounts during these exceptional times with no misstatements in line with normal timeframes as a “significant achievement”.

## 4. ANNUAL ASSURANCE PROCESS – SCOTTISH HOUSING REGULATOR

4.1 Social landlords must submit an Annual Assurance Statement to the Scottish Housing Regulator as per the Scottish Social Housing Charter. This provides assurance that their organisation complies with the relevant requirements of Chapter 3 of the Regulatory Framework, which includes the regulatory requirements that apply to all social landlords. This statement should be agreed by Committee and signed by the Chair of the committee.

4.2 Through this process, the elected members can be assured that the Council complies with the regulatory requirements set out in Chapter 3 of the Regulatory Framework. It is anticipated that the Annual Assurance Statement will be submitted to Housing and Communities Committee on 11 November 2020 and then to the Scottish Housing Regulator by 31 December 2020.

## 5. CONCLUSION AND RECOMMENDATIONS

5.1 KPMG’s findings on the 2019/20 Audit are set out in the Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the year ended 31 March 2020 which is attached Appendix B to this report.

5.2 It is recommended that the Council:

- Note the 2019/20 Audited Annual Accounts
- Note the contents of KPMG’s Annual Audit Report to the Members of Perth & Kinross Council and the Controller of Audit for the year ended 31 March 2020.

### Author(s)

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Alison O’Brien	Corporate Accounting Manager	

### Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	28 September 2020
Karen Donaldson	Interim Chief Operating Officer	28 September 2020

## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

### 1. Strategic Implications

#### Corporate Plan

1.1 The Council's Corporate Plan 2018 – 2023 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

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

1.2 This report relates to all of these objectives.

### 2. Resource Implications

#### Financial

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

#### Workforce

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

### Asset Management (land, property, IT)

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

## **3 Assessments**

### Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.
- 3.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

### Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.4 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

### Sustainability

- 3.5 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. In terms of the Climate Change Act, the Council has a general duty to demonstrate its commitment to sustainability and the community, environmental and economic impacts of its actions.
- 3.6 The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

## **4. Consultation**

### Internal

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

## **2. BACKGROUND PAPERS**

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt

information) were relied on to any material extent in preparing the above report.

### **3. APPENDICES**

Appendix A – 2019/20 Audited Annual Accounts

Appendix B – Annual Audit Report to the Members of Perth & Kinross Council  
and the Controller of Audit for the year ended 31 March 2020



## **PERTH & KINROSS COUNCIL**

### **ANNUAL ACCOUNTS**

**2019/20**

**AUDITED**

## CONTENTS

	Page
MANAGEMENT COMMENTARY	1
ANNUAL GOVERNANCE STATEMENT 2019/20	13
INDEPENDENT AUDITOR'S REPORT	19
THE FINANCIAL STATEMENTS:	
MOVEMENT IN RESERVES STATEMENT	22
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	23
BALANCE SHEET	24
CASH FLOW STATEMENT	25
STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS	26
NOTES TO THE FINANCIAL STATEMENTS	
Note 1 Accounting Policies	27
Note 2 Accounting Standards that have been issued but have not yet been adopted	36
Note 3 Critical Judgements in Applying Accounting Policies	36
Note 4 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty	36
Note 5 Adjustments between Accounting Basis and Funding Basis under Regulations	38
Note 6 Expenditure and Funding Analysis	39
Note 7 Transfer (to)/from General Fund Reserves	42
Note 8 Other Operating Expenditure / Income	44
Note 9 Financing and Investment Income and Expenditure	44
Note 10 Taxation and Non Specific Grant Incomes	44
Note 11 Material Items of Income and Expense	44
Note 12 Premiums and Discounts on Debt Rescheduling Written Down	44
Note 13 General Grants, Bequests and Donations	45
Note 14 Expenditure and Income Analysed by Nature	45
Note 15 Agency Services	46
Note 16 External Audit Costs	46
Note 17 Termination Benefits	46
Note 18 Post-Employment Benefits	46
Note 19 Related Parties	51
Note 20 Leases	51
Note 21 Property, Plant and Equipment	53
Note 22 Heritage Assets	57
Note 23 Investment Properties	58
Note 24 Intangible Assets	59
Note 25 Assets Held for Sale	60
Note 26 Long Term Debtors	60
Note 27 Inventories	61
Note 28 Debtors	61
Note 29 Creditors	61
Note 30 Provisions Other than Bad and Doubtful Debts	61
Note 31 Usable Reserves	62
Note 32 Unusable Reserves	62
Note 33 Impairment Losses	64
Note 34 Grants	64
Note 35 Capital Expenditure and Capital Financing	65
Note 36 Public Finance Initiatives and Similar Contracts	65
Note 37 Authorisation of Annual Accounts	67
Note 38 Contingent Liabilities	67
Note 39 Financial Instruments	68
Note 40 Devolved School Management (DSM) Schools	72
Note 41 Operating Activities	72
Note 42 Investing Activities	72
Note 43 Financing Activities	73
Note 44 Cash and Cash Equivalents	73
Note 45 Trust Funds	73
Note 46 The Statutory Loans Fund	74

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT	76
Statement of Movements on the Housing Revenue Account Balance	77
The Accompanying Notes to the Housing Revenue Account Income and Expenditure Statement	78
COUNCIL TAX INCOME ACCOUNT	79
The Accompanying Notes to the Council Tax Income Account	80
NON DOMESTIC RATE INCOME ACCOUNT	81
The Accompanying Notes to the Non Domestic Rate Income Account	82
CHARITABLE TRUSTS	83
COMMON GOOD	84
The Accompanying Notes to the Common Good Accounts	85
GROUP ACCOUNTS	
Group Movement in Reserves Statement	86
Group Comprehensive Income and Expenditure Statement	87
Group Balance Sheet	88
Group Cash Flow Statement	89
Reconciliation of the Single Entity (Surplus)/Deficit for the Year to the Group Surplus	90
NOTES TO THE GROUP ACCOUNTS	
Note 1 Combining Entities	91
Note 2 Nature of Combination	92
Note 3 Financial Impact of Consolidation and Going Concern	92
Note 4 Group Comprehensive Income & Expenditure Statement – Financing and Investment Income & Expenditure	92
Note 5 Group Balance Sheet – Investments	92
Note 6 Group Balance Sheet – Short Term Debtors (net of provisions)	92
Note 7 Group Balance Sheet – Short Term Creditors	93
Note 8 Group Balance Sheet – Pension Liability	93
Note 9 Group Cash Flow Statement	93
Note 10 Group Cash Flow – Investing Activities	93
Note 11 Group Cash Flow – Financing Activities	93
Note 12 Related Party Transactions	93
REMUNERATION REPORT FOR FINANCIAL YEAR 2019/20	94
GLOSSARY	101

## MANAGEMENT COMMENTARY

### 1. Introduction

This publication contains the financial statements of Perth & Kinross Council and its group for the year ended 31 March 2020.

This management commentary outlines the key messages in relation to financial planning and performance for the year 2019/20 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 101.

### 2. Our Vision and Strategic Objectives

The Council is situated in a central location in Scotland. It covers a geographical area of around 5,286 km<sup>2</sup> and has an estimated population of 151,950. Over the 10 years (2008-2018), the area has experienced a 5.7% increase in its population. During the same time period the Scottish population experienced an increase of 4.5%. The latest population projections over the next 10 years show a 1% increase compared to 1.8% across Scotland.

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

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

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

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

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



The recommendations of the Perth and Kinross Fairness Commission, which were endorsed by the Council in 2017, created a specific and collective focus on tackling the causes and consequences of poverty and inequality across the area and are still being progressed. The Council's commitment remains with the allocation of funding in the 2020/21 Revenue Budget approved in March 2020.

### 3. The Annual Accounts 2019/20

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 2019/20 (the 2019 Code). The 2019/20 Annual Accounts have been prepared in accordance with this Code.

### 4. The Financial Plan

To support the delivery of the strategic objectives during 2019/20, Perth & Kinross Council approved a balanced gross revenue budget of £451.369m for the General Fund (February 2019) and £29.602m for the Housing Revenue Account (January 2019). As part of its consistent approach to longer term financial planning, the Council has in place a Medium Term Financial Plan and Final Revenue Budget for 2020/21 and Provisional Revenue Budgets for 2021/22 and 2022/23. The HRA Budget was also updated in January 2020.

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

Key to the delivery of Council Services is investment in the assets which are used to deliver these services (including schools, houses and infrastructure) and the utilisation of capital funding to stimulate development and regeneration in local areas. In 2019/20 the Council budgeted for capital investment of £74.071m on General Fund activities and £12.555m in respect of the Housing Revenue Account. This expenditure is funded from prudential borrowing, government grants, external funding, capital receipts, revenue contributions and earmarked reserves. The Council plans to consider a new 10 year Composite Capital Budget for 2020/21 to 2029/30 at its meeting on 30 September 2020.

## 5. Performance Management

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

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

The Council has a statutory duty to publish performance information for comparison and benchmarking purposes to our citizens and communities. We do this through the annual report to Council and the Scrutiny Committee on the Local Government Benchmarking Framework and PKC Performs which is kept up to date on our website. We also publish an Annual Performance Report and are currently working towards making this more accessible, while ensuring that it is a balanced view of how well the Council is performing.

In addition, recognising that we need to do more to ensure that there is a more comprehensive understanding of how well the Council is doing, we will develop our approach further through the Perth and Kinross Offer as further detailed on page 10.

### 2019/20 Performance Summary

It is anticipated that the Council's Annual Performance Report will be considered by in due course providing comprehensive information on the Council's performance for 2019/20. The full range of performance information for 2019/20 will be available online. This includes the Council's Annual Performance Report, the online performance dashboard "PK Performs", Service level performance reports, benchmarking and links to further information. The website is updated with performance reports and data as it becomes available.

For 2019/20 a selection of performance outcomes are set out in the following table:

Objective	Outcome
<b>Giving every child the best start in life</b>	<ul style="list-style-type: none"> <li>During 2019/20, we established the Primary Raising Attainment and Inclusion, Supporting Education (PRAISE) Team. The PRAISE team helps to support children who are looked after at home to be able to fully participate and achieve within the school setting.</li> <li>The REACH team continues to provide intensive, coordinated and flexible support for young people with multiple complex needs and their families, within their own homes and communities. This has helped to reduce the number of young people accommodated away from home in a residential setting from 22 in 2017 to 10 in 2020, a level which has been maintained for the last two years.</li> <li>Bertha Park High School build was successfully completed in July 2019 within the allocated budget of £32.5m and is Scotland's newest secondary school and the first in 20 years in Scotland. It was short listed under "Best Project" in the Education Buildings Scotland Awards, and received the award for Technology: Transforming Learning, Teaching and the Curriculum.</li> <li>A wide range of organisations have engaged in development of the Perth and Kinross Play Framework and Action Plan, which promotes and highlights the importance of play in the health, wellbeing, learning and development of children.</li> <li>Teacher professional judgements of achievement of Curriculum for Excellence levels, in literacy and numeracy show that writing and numeracy levels remain generally lower than for reading and listening and talking, especially for P4 and P7, and the deprivation-related gaps more persistent, highlighting ongoing priorities for the strategies that have been established for those areas.</li> <li>Some recent decreases in inspection evaluations for Early Years services can be linked to higher expectations from Care Inspectorate inspections and the introduction of the National Standard for Early Learning and Childcare. This has been recognised in the Service's own quality assurance of establishments, with the intention of improving performance in this area.</li> </ul>
Objective	Outcome
<b>Developing educated, responsible</b>	<ul style="list-style-type: none"> <li>There is steady, long-term progress in literacy and numeracy at P1, P4, P7 and S3, based on teacher judgements of Curriculum for Excellence (CfE) levels, with consistent improvements.</li> </ul>

<b>and informed citizens</b>	<ul style="list-style-type: none"> <li>• Attainment results for school leavers also show steady improvement, with the proportion of school leavers attaining both Literacy and Numeracy at SCQF Level 4 (or above) increasing from 79% in 2014 to 89% in 2019.</li> <li>• For the fifth year in a row, results show that Perth &amp; Kinross (93.4%) remains higher than the national average (91.6%) overall, as well as in each individual age group, for the proportion of 16-19-year-olds participating in education, training or employment.</li> <li>• Results from Education Scotland's inspections show that Perth and Kinross consistently outperforms both our comparator group of local authorities and the Scotland average across both the Primary and pre-school sectors. With 78% of all Quality Indicators inspected over the last four years being rated as Good or better, compared to only around 60% nationally.</li> </ul>
<b>Objective</b>	<b>Outcome</b>
<b>Promoting a prosperous, sustainable and inclusive economy</b>	<ul style="list-style-type: none"> <li>• Over the past year, Business Gateway supported 262 business start-ups and 25 early stage growth companies. Business Gateway ran 41 start-up workshops and 12 existing business workshops. 42 businesses were referred to Scottish Enterprise and accessed the Growth Advisory Service/Growth Pipeline. A 2-week rural roadshow (masterclasses, networking, 1to1 drop-in sessions) was organised engaging with over 135 people/businesses.</li> <li>• On 26 February 2020, the Perth Creative Exchange was opened. A £4.5m major regeneration project which will support the business start-up and growth in the Creative Industries. The facility will provide the home for the Creative Business Accelerator, part of the Famous Grouse Ideas Centre. The Accelerator supported over 25 aspiring entrepreneurs and helped them to start their businesses.</li> <li>• We have launched New Market Development Grant and supported 13 businesses to access new markets</li> <li>• Since 28 March we have provided COVID emergency response and provided over £33m to over 3,300 businesses as well as tailored advice and support.</li> <li>• Although unemployment across Perth and Kinross remains low, there are still many workless households, or households where income levels are too low. A total of 83 new registrations, 294 active caseload clients supported with Employability skills and 94 people were assisted into work through the Employment Connections Hub.</li> <li>• With a focus on assisting clients with extensive barriers, the local No One Left Behind provision produced excellent initial results of 105 new clients, 27 moving into educational outcomes, 26 job outcomes and 13 young people into Modern Apprenticeships and 15 targeted Training Allowances were achieved.</li> <li>• Employability Pipeline have supported 153 individuals with employability skills through third sector and in-house delivery. Poverty and Social Inclusion have supported 70 individuals with money/debt management skills delivered by Perth Citizens Advice Bureau.</li> <li>• We have funded job creation initiative for rural businesses and we reached and exceed our first year targets to aid in the creation of 25 new posts for rurally based young residents.</li> <li>• The Perth and Kinross Winter Festival is now a major highlight of Scotland's events calendar, and the 2019/20 programme was no exception with the Christmas Lights switch-on event alone generating an estimated £2.2 million of net additional expenditure. In addition, the Riverside Light Nights programme was further developed and generated net additional expenditure in excess of £330,000.</li> <li>• A key focus in relation to tourism development was the focus on internationalisation and travel trade engagement, working with regional and national partners and local industry in a range of exhibitions, workshops and hosted visits. This included participation in VisitScotland Expo in April 2019 with 8 local businesses and securing 400 appointments with UK and international buyers and hosting the UK Inbound Discover Scotland's Tay Country event in September 2019 with 25 UK and international buyers visiting the region and with over 30 local businesses participating in workshop and hosted familiarisation visits.</li> </ul>
<b>Objective</b>	<b>Outcome</b>
<b>Supporting people to lead independent, healthy and active lives</b>	<ul style="list-style-type: none"> <li>• The target for delivering new affordable homes for people in Perth and Kinross has been met one year early. Perth &amp; Kinross Council, Hillcrest Homes, Kingdom Housing Association, Caledonia Housing Association, and Fairfield Housing Co-operative have all worked together to exceed our 2016–2021 Local Housing Strategy target of delivering 750 additional affordable homes.</li> <li>• During 2019-20 Perth &amp; Kinross Council and our partners delivered a record number of 320 affordable homes which has resulted in a total delivery of 839 affordable homes since 2016-17.</li> </ul>

	<ul style="list-style-type: none"> <li>• Home First continues to be successful and its sector leading approach is improving outcomes and reducing the stigma, experience and duration of homelessness for many households.</li> <li>• Working with a range of partners, a number of audits were undertaken across Perth &amp; Kinross to assess the overall quality of the accessibility and walkability of local streets. It identify opportunities to improve the local walking environment and enable and encourage people of all ages and abilities to walk for every day journeys.</li> <li>• For further information about the Health and Social Care Partnership, please see the Perth and Kinross Integration Joint Board Annual Accounts 2019/20 (Un-audited)</li> </ul>
Objective	Outcome
<b>Creating a safe and sustainable place for future generations</b>	<ul style="list-style-type: none"> <li>• The second Perth &amp; Kinross Local Development Plan was adopted in November 2019 following examination by the Scottish Ministers. The Plan sets a framework for the sustainable growth of Perth and Kinross to 2029.</li> <li>• The Council prepared an approved its "Net Zero Perth &amp; Kinross" an Interim Climate Emergency Report and Action Plan and we have secured external funding to develop key Clean Growth projects: Low Carbon Transport Hub and Perth Smart Energy Networks. For 2019/20 we installed 8 public electric vehicle charging points across Perth and Kinross and 3 chargers at council depots for fleet vehicles.</li> <li>• Four play areas have been created or upgraded through a total investment of £220,000 in Coupar Angus, Glenfarg, Longforgan and Powmill Park.</li> <li>• Community Greenspace have facilitated over 1,000 events on public greenspaces throughout Perth and Kinross, a large number of which were free to, or provided for, children.</li> <li>• A record investment of just over £21m was claimed during 2019/20 through the Affordable Housing Supply Programme. This was an additional £3.6m over Perth &amp; Kinross Council's allocated subsidy which assisted in the delivering additional good quality, energy efficient, affordable homes in areas where additional housing is in high demand.</li> <li>• We now have 6 social workers and 3 senior practitioners trained in assessment and delivery of the Caledonian System and the Respect programme to combat domestic abuse through the rehabilitation of male offenders.</li> <li>• The Food Safety team achieved the Customer Service Excellence standard for the 21st year in a row, demonstrating the continued dedication of the team to delivering the highest standards of customer focus and public protection.</li> </ul>

## 6. Financial Performance

Financial performance is part of the Council's performance management culture with regular reporting to the Strategic Policy and Resources Committee. This section summarises the main elements for 2019/20.

Following publication in 2015 of CIPFA's Telling the Story Review of the Presentation of Local Authority Financial Statements, the 2016 Code changed the segmental reporting arrangements for the Comprehensive Income and Expenditure Statement and introduced the Expenditure and Funding Analysis. The Expenditure and Funding Analysis brings local authority performance reported on the basis of expenditure measured under proper accounting practices together with statutorily defined charges to the General Fund and Housing Revenue Account. Both the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis include a segmental analysis which requires local authorities to report performance on the basis of how they are structured and how they operate, monitor and manage financial performance.

The 2019 Code requires that Authorities present the segmental analysis on the basis of the organisational structure under which they operate. Additionally, the 2019 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.

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 2019/20

In 2019/20 the Council incurred actual net expenditure on Services of £361.955m (which is the Cost of Services disclosed in the Comprehensive Income and Expenditure Statement on page 23). 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 £3.204m.

The Expenditure and Funding Analysis information on pages 39 and 40 sets out adjustments between the net Deficit on the Provision of Services of £3.204m included in the Comprehensive Income and Expenditure Statement and the net expenditure (surplus) charged to the General Fund & HRA in the table below of £2.886m. The adjustments of £6.090m represent the difference between the net expenditure of the Council that is chargeable to taxation and rents and the figures reported in the Comprehensive Income and Expenditure Account. The surplus in the Expenditure and Funding Analysis is set out in the way in which the Council organises itself and manages and reports on financial performance.

The following table sets out adjustments to the most recently approved Revenue Budget to ensure that budget and actual figures are comparable. These include the Public Finance Initiative, external income and capital accounting adjustments. On a comparable basis the table shows a net under spend of £13.919m which is explained in further detail.

	Updated Budget Per Revenue Monitoring Report No.4	Virements	Capital Accounting Adjustments	Revised Budget	Net Expend. Charged to the General Fund & HRA Balances per Expend. & Funding Analysis	Variance
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
<b>SERVICES</b>						
Education & Children's Services	188,668	(9,928)	(12,075)	166,665	157,763	(8,902)
Health & Social Care	55,301	71	0	55,372	56,611	1,239
Housing & Environment	67,787	(1,341)	(5,824)	60,622	56,585	(4,037)
Corporate & Democratic Services	31,397	(1,507)	0	29,890	29,459	(431)
Housing Revenue Account	0	(8,072)	0	(8,072)	(8,072)	0
Valuation Joint Board	1,248	0	0	1,248	1,248	0
Non Distributed Costs	1,595	0	0	1,595	1,553	(42)
<b>NET COST OF SERVICES</b>	<b>345,996</b>	<b>(20,777)</b>	<b>(17,899)</b>	<b>307,320</b>	<b>295,147</b>	<b>(12,173)</b>
Taxation & Non-Specific Grant	(346,705)	11,698	0	(335,007)	(335,782)	(775)
Finance / Investment / Other	11,006	9,079	17,899	37,984	37,749	(235)
<b>Use of General Fund per Comprehensive Income &amp; Expenditure Statement</b>	<b>10,297</b>	<b>0</b>	<b>0</b>	<b>10,297</b>	<b>(2,886)</b>	<b>(13,183)</b>
Contributions from other Reserves	1,767	0	0	1,767	1,031	(736)
<b>Use of General Fund Balances</b>	<b>12,064</b>	<b>0</b>	<b>0</b>	<b>12,064</b>	<b>(1,855)</b>	<b>(13,919)</b>

The under spend on the net cost of Services of £13.919m is comparable with the revenue monitoring positions that have regularly been presented to the Strategic Policy and Resources Committee throughout the financial year. Report 4 was not presented to Committee due to COVID 19. The adjustments are reflected in the budget column above. These included new additional Revenue support grant funding of £0.041m, minor virements and a net transfer from services to earmarked reserves of £1.053m which included £0.2m for the Perth & Kinross Offer and £0.83m from capitalising IT expenditure to contribute to the 2020/21 revenue budget. The following section provides a more detailed explanation of the final year end outturns.

**Education & Children's Services** delivered an under spend of **£8.9m**. The main reasons for this are -

- In respect of the Devolved School Management (DSM) Scheme there was an under spend (**£1.2m**) reflecting savings on staff costs (teachers and support staff) (£0.7m) and property costs, supplies & services (educational materials) additional income (£0.5m). These resources will be carried forward by schools into 2020/21.
- In 2019/20 schools were awarded Pupil Equity Funding direct from the Scottish Government to contribute towards raising attainment (£1.7m). Expenditure from this Fund is incurred by academic year rather than financial year. On that basis the under spend (**£0.7m**) has been earmarked within Reserves to be utilised by schools in 2020/21.
- In terms of non-DSM budgets there were further over and under spends as follows:
  - Staff under spends were delivered across the whole Service (**£1.7m**). This reflected the receipt of funding late in the financial year and ongoing recruitment issues in certain professions.

- There was an under spend on property costs (**£0.6m**) due to a savings on maintenance and a non-domestic rates refund.
- Under spends on supplies and services (**£1.2m**) due to the rephasing of a number of initiatives including the Digital Learning Strategy, the School Estate Review, Wider Achievement and Young Carers. In addition, resources towards the opening of Bertha Park High School will be returned to earmarked Reserves and drawn down as new year groups join the school.
- The Council received funding towards the expansion of early years in advance of when the expenditure would be incurred (**£3.0m**). This funding will be carried forward in an earmarked Reserves and drawn down when required.
- Other net over and under spends across the Service provided further net savings including third party payments and income partially offset by home to school transport (**£0.5m**).

**Health and Social Care** over spent by around **£1.2m** in 2019/20. The Strategic Policy & Resources Committee was provided with regular updates on the projected outcome for Social Care. The impact of this final over spend is a reduction in the Council's Reserves. The main reasons for this were:

- Within the Health & Social Care Partnership there was an over spend (**£1.6m**) due to continued pressure on this area of service delivery.
- In non-delegated areas of social care there was an under spend of (**£0.4m**).

**Housing & Environment** delivered an under spend of **£4.0m**, which is made up of over and under spends as follows -

- Within Roads there was an over spend (**£0.3m**). This was due, in the main, to an over spend on winter maintenance and public transport partially offset by an underspend within flooding.
- Planning & Development's under spend (**£0.7m**) was primarily the result of a rephasing of expenditure in relation to several economic development initiatives including the community and business placemaking fund and micro business fund as well as additional income from planning applications and building warrants. This was partially offset by an over spend on events.
- Property delivered a net under spend (**£0.8m**) due to savings across a number of functions. There were savings on energy consumption and staff costs partially offset by the non achievement of professional fees.
- In Housing there was a net under spend (**£0.5m**) from across the function including planning and commissioning and a rephasing of grant funded initiatives.
- Across the Service, several targets were not met (**£1.0m**) relating to staff slippage, procurement savings and the property asset management review.
- Additional income was received during 2019/20 that ultimately impacted on several earmarked Reserves (**£2.7m**). Specifically, Developer Contributions, Car Parking and Revenue Grants.

**Corporate & Democratic Services** contributed an under spend of **£0.4m** from savings on staff costs as well as additional income.

In addition **Taxation and Non-Specific Grant** achieved additional income (**£0.8m**) and **Finance / Investment & Other** delivered an under spend of (**£0.2m**) following receipt of the Council's share of Tayside Contracts surplus in excess of budget.

General Fund and Housing Revenue Account Balances increased by £1.855m to £50.296m in line with the budget adjustments approved throughout the year by the Strategic Policy and Resources Committee and following the application of final outturns. When the Housing Revenue Account Balance of £1,000,000 and the earmarked Reserves of £36.375m that are set out on page 42 are excluded this leaves an uncommitted General Fund Balance of £12.921m or 3.7% of the net 2020/21 Revenue Budget.

#### **b) Composite Capital Budget and Housing Revenue Account Investment Programme 2019/20**

A summary of the Council's capital expenditure is reflected within Note 35 to the Core Financial Statements on page 65. Total gross capital expenditure in 2019/20 was £77.695m, comprising £25.496m on the Council's Housing Revenue Account (HRA) and £52.199m on the Council's Composite (General Fund) Programme. A further £33.047m was incurred under a DBFM contract for Bertha Park Secondary School. The Council's gross expenditure includes:

- £13.327m on School Upgrades, including various new projects under the Early Learning & Childcare programme, and a further £0.812m on the development of the replacement of Perth High School.
- £18.566m on Roads & Transport projects, including Structural Maintenance, Road Safety measures, Perth Transport Futures and the completion of the A9/A85 Upgrade project.
- £20.306m on other works, including Flood Protection measures (£1.195m); the Creative Exchange (£1.908m); Placemaking Projects (£2.128m); Cultural attractions (£0.5m); and property & infrastructure upgrades (£5.299m). The

balance of £9.276m relates to expenditure on various waste initiatives, greenspace, property, equipment, vehicles and IT-related works.

- £25.496m on the HRA including Affordable Housing New Builds & Buy Backs (£15.238m), Central Heating, Double Glazing and Energy Efficiency Schemes (£5.39m), Kitchen & Bathroom Upgrades (£0.952m) and External Works (£2.886m).

Capital expenditure is funded by borrowing, asset sales, grants, other capital receipts, and Revenue Budget contributions. The Capital Financing Requirement (CFR, ie, the underlying requirement to borrow for capital purposes) as at 31 March 2020 was £583.662m. Actual capital debt was £678.415m, comprising long-term borrowing (£541.228m) and a PPP liability (£137.187m). The ratio of borrowing to the CFR for 2019/20 has increased to 115.5% (2018/19 91.1%). During the year the CFR increased by £43.397m, reflecting the capital expenditure above, the adoption of the new high school at Bertha Park, less capital receipts, grants and contributions and principal loan repayments.

### c) General Fund Reserves

As at 31 March 2020 the Council had uncommitted General Fund balances of £12.921m which represented 3.7% of the Council's 2020/21 Revenue Budget approved in March 2020. Council policy, as set out in the Reserves Strategy approved by Council on 6 March 2020, is to retain uncommitted reserves of between 2% and 4% of net revenue expenditure over the medium term and it is not currently considered imprudent to maintain uncommitted Reserves above 4%. The Council's Reserves Strategy will continue to be reviewed, particularly as the level of total Reserves is expected to reduce due to the delivery of commitments over the next few years. Full details of the Council's General Fund Reserves are shown on page 22 and page 62 of the Financial Statements, along with information on future commitments.

The Reserves position is summarised as follows:

	£'000		£'000
General Fund	(49,296)	Revaluation Reserve	(267,918)
Housing Revenue Account	(1,000)	Capital Adjustments Account	(346,950)
Capital Fund	(31,640)	Financial Instruments Adjustment Account	19,101
Insurance Fund	(2,970)	Pensions Reserve	121,432
Capital statutory funds	(2,648)	Employee Statutory Adjustment Account	6,403
Capital Grants Unapplied	(2,189)	<b>TOTAL UNUSABLE RESERVES</b>	<b>(467,932)</b>
<b>TOTAL USABLE RESERVES</b>	<b>(89,743)</b>	<b>TOTAL RESERVES</b>	<b>(557,675)</b>

### The Balance Sheet

The Balance Sheet on page 24 summarises the Council's assets and liabilities as at 31 March 2020 and explanatory notes are provided from page 27. Total net assets have increased by £12.908m to £557.675m. Long Term Assets increased by £57.018m, current assets increased by £159.205m, current liabilities increased by £10.623m and long term liabilities increased by £192.692m. The major changes in the Council's Balance Sheet between 31 March 2019 and 31 March 2020 are explained in more detail in the following paragraphs.

#### Long Term Assets

The value of Property, Plant and Equipment increased by £57.460m primarily due to the continuation of the major capital investment being undertaken by the Council described above.

#### Current Assets

The level of Short Term Investments increased by £114.078m following new long-term borrowing throughout the year. There was also an increase of £45.108m in the level of Cash or Cash Equivalents as a result of a large proportion of short term cash flow surpluses being placed in instant access or short term deposit facilities due to liquidity requirements.

#### Current Liabilities

Short Term Borrowing increased by £10.599m as a result of anticipated cashflow requirements over the year end period at favourable interest rates.

#### Long Term Liabilities

Other Long Term Liabilities increased by £30.352m primarily due to an increase in liability for public private partnerships of £27.962m, with a new asset created; and movements in the net pension liability of £2.890m. Also within Long Term Liabilities is an increase in Long Term Borrowing of £162.458m, reflecting the new borrowing undertaken to fund Capital expenditure in 2019/20 and future years.

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

## Pensions Reserve

International Accounting Standard 19 Revised (IAS19R) requires the disclosure of the Council's share of Tayside Pension Fund's assets and liabilities, both current and future. The information disclosed in the accounts is provided to the Council by the Pension Fund's actuaries following the tri-annual valuation of the Fund. The position at 31 March 2020 indicates a net liability of £121.432m compared to a net pension liability of £118.542m on 31 March 2019 due to changes in the assumptions. This liability is based on a snapshot valuation at 31 March 2020 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 2017. Employer's contributions are currently 17% of pensionable pay. For more information see Note 18.

## Provisions, Contingencies and Write Offs

The Council made provision for a number of eventualities which may have an effect on the financial position of the Council. The reasons for the provisions are outlined in Note 30 on page 61.

There were a number of write-offs of debt and stock during the year which were approved by the Chief Executive on 24 June 2020 – Authority to Write Off Debts and Obsolete Stock – June 2020.

## 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	2019/20	2018/19	PURPOSE
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	3.7%	3.6%	Reflects the level of funding available to manage financial risk / unplanned expenditure.
Movement in the Uncommitted General Fund Balance	£1.855m	£0.566m	Reflects the extent to which the Council has increased its Uncommitted General Fund Reserve.
Council Tax – In Year Collection Rate	97.1%	97.9%	Demonstrates the Council's effectiveness in collecting council tax debt.
Ratio of Council Tax Income to Overall Level of Funding	23.4%	21.8%	This reflects the Council's capacity to vary expenditure by raising Council Tax Income.
Capital Financing Requirement	£583.662m	£540.265m	Measurement of requirement to borrow for capital purposes.
External Debt Levels	£678.415m	£492.860m	Actual borrowing for capital investment purposes.
Capital Financing Requirement Ratio	115.5%	91.1%	Measurement of prudence in relation to borrowing levels – borrowing only to invest in capital.
Ratio of Financing Costs to Net Revenue Stream	6.5%	6.1%	Measurement of the Council's ability to fund borrowing costs.

## e) Financial Statements

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

- The **Movement in Reserves Statement** reports movements on the different Reserves held by the Council analysed into Usable Reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and Unusable Reserves.
- The **Comprehensive Income and Expenditure Statement** reports the accounting cost of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations which may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- The **Balance Sheet** brings together all the assets and liabilities of the Council. It is a statement of the resources of the Council and the means by which they have been financed. It is also a report on the Council's financial position at a particular point in time and represents a snapshot of its financial affairs at the close of the year expressed in accounting terms.
- The **Cash Flow Statement** summarises the inflows and outflows of cash and cash equivalents arising from transactions with third parties on both day to day revenue transactions and capital activities. Cash is defined for the purpose of this statement as cash in hand and deposits repayable on demand less overdrafts repayable on demand. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with an insignificant risk of change in value.

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

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

#### Supplementary Financial Statements

The supplementary financial statements are as follows:

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

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

COVID-19 is a worldwide pandemic, which has affected every single person in one way or another. The Scottish and UK Governments' guidance with regard to responding to the Pandemic, including the imposed lockdown measures has also had an impact on all citizens, whether they are a business owner, an employee, a consumer, a carer, a parent or a child.

The collapse in economic activity has been very sudden. Scottish Gross Domestic Product is predicted to fall by 33% during the period of social distancing; while unemployment is predicted to rise significantly. At a global level, the financial markets are trading at their lowest levels since the 2008/09 financial crisis; oil price has plummeted to an 18-year low, and there has been a significant contraction in both business activity and consumer confidence, and in addition planned investment is predicted to be adversely affected.

The jobs market in Scotland contracted sharply between March and April with a rise in unemployment of more than 74,000 (+67%); and locally within Perth and Kinross there was an increase (from a very low base) of 1,740 to 3,600 (a 94% rise). These figures should be read with a note of caution as they only account for a one-month period. However, universally it is acknowledged that unemployment will rise sharply over the coming months.

As well as the impact of Covid-19 there also remains significant ongoing uncertainty on the impact of Brexit. These factors make it very difficult to forecast the financial outlook for the public sector.

This uncertainty further exacerbates the pressures which continue to face public sector expenditure at a UK and Scottish level with further reductions in government funding predicted over the medium term as well as increasing demand for Council services. The impact of this on the Council will be considered in the updates of the Medium-Term Financial Plan and Revenue & Capital Budgets and factored into future projections.

The Council approved its latest Medium Term Financial Plan 2019 - 2024 in October 2018. The update scheduled for 2019 was postponed due to the potential Brexit implications at the time. This Plan provided an update on the latest

projections for the Council across a number of variables including reductions in funding, population growth and an increase in the number of clients (both young and old people) with more complex care needs. In February 2020 the Scottish Government announced a one year financial settlement for local government that was more favourable than the planning assumptions used in the Medium Term Financial Plan due to the provision of extra revenue funding. The Medium Term Financial Plan reflects sound financial planning by the Council and is critical for the sustainability of key services and the financial stability of the Council. The Council's Reserves Strategy is another key element of its financial planning. It is anticipated that the updated Medium Term Financial Plan will be considered by the Council in Autumn 2020.

The Council continues to take appropriate action to address the challenging financial climate and the reductions in funding that are anticipated to continue over the next few years. These reductions may be further exacerbated as the UK and Scottish Governments reign in spending following Covid-19. This is underpinned by the regular updating of the Medium Term Financial Plan and by the availability of good quality financial information.

In March 2020 the Council approved a three-year Revenue Budget – final for 2020/21 and provisional for 2021/22 and 2022/23. There is still significant uncertainty around the level and conditions associated with the funding that the Council will receive beyond 2020/21 and this may have a significant impact on the final Revenue Budgets for future years.

The Council plans to ensure that it has robust governance measures and strong financial management to evidence its ability to continue as a going concern.

### ***Transformation***

The Council continues to work in an environment of reducing revenue funding and increasing demand for services which requires an ongoing commitment to working in new and innovative ways. Into the future, the population of Perth and Kinross is expected to increase bringing additional pressures for the Council to meet the changing requirements.

The Council's Transformation Programme 2015 – 2020 is nearing completion although some projects have been re-phased and will continue beyond the original period, to meet the changing needs of service users. Going forward, transformation will be embedded into the day to day operation of Council services.

The Council welcomes new ways of working together with its Community Planning partners, with its communities and with the business and voluntary sectors in its area. It will jointly face the challenges whilst remaining focussed on building a better place to live, work and visit, and protecting the most vulnerable in our communities. This is especially relevant as the Council commences the renewal and recovery phases of its response to Covid-19

### ***Perth & Kinross Offer***

Last year the Council launched the Perth & Kinross offer based around the premise that it believes "everyone has something to offer". The Council has been engaging with partners, communities, employees, businesses and people to understand how it can create more equal partnerships, redefine relationships and form new ways of working throughout Perth and Kinross.

Since the COVID-19 pandemic began in March 2020, responding to the ever-changing landscape and the impact of the virus on its communities and people has been the Council's priority. Responding more flexibly and efficiently than ever before to ensure that essential services continued and working with its community groups, volunteers, businesses and partners to ensure the most vulnerable in society are protected and safe has been paramount. All of the support, commitment and partnership working has allowed the Council to see the vision of the Offer already in practice.

As the Council begins the process of Recovery & Renewal, it now has an unprecedented opportunity to build an even better Perth and Kinross, moving into the future. The Perth & Kinross Offer is key to this approach and recovery is very much focused on those parts of the community that are hardest hit and will be based around our '5Es' of the Offer: Empowerment, Environment, Education and Learning, Economy and entrepreneurship, and Equalities and fairness.

The Council will continue to engage with everyone who lives, works, visits and invests in Perth and Kinross to understand what matters to them and how the pandemic has impacted upon them. This will allow the Council to co-create the conditions and opportunities for everyone in Perth and Kinross to move forward positively and Live Life Well.

### ***Capital***

The Strategic Policy & Resources Committee approved a revised 10 year Composite Capital Budget for 2019/20 – 2028/29 on 25 March 2019. The Housing & Communities Committee also approved the HRA Capital Budget for 2020/21 - 2024/25 on 29 January 2020. The Council will consider a new Composite (General Fund) Capital Budget later this year.

The Council's Composite Capital Budget includes major transport infrastructure improvements, including the Perth Transport Futures project to create a third crossing over the River Tay. Significant investment in improvements to existing infrastructure is also included within the capital budget, particularly within annual rolling programmes and road network improvements. Also included is the completion of various school refurbishments under the Early Learning & Childcare programme, along with the replacement of the existing Perth High School. There is further investment included in relation to new technologies such as a replacement for the existing SWIFT Social Work database and significant investment in the Microsoft Estate, as well as the upgrading and replacement of School Audio Visual equipment. Other expenditure is planned in relation to various Flood Protection Schemes, the development of Perth City Centre cultural attractions, parks and public spaces improvements, waste reduction & recycling and property improvements.

The HRA Investment Programme 2020/21 to 2024/25 continues to focus upon the provision of new affordable housing and the enhancement of the existing housing stock, including Energy Efficiency and External Fabric maintenance.

The Capital Financing Requirement is estimated to peak at £920,999,000 in 2028/29 under current approved plans. The annual cost of servicing the borrowing and PPP liabilities is being managed through the Capital Fund Strategy within the Medium Term Financial Plan. This ensures the Council's plan remains affordable, prudent and sustainable.

### **Risk Management**

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

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

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

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

Within the Council there is a cross Service cohort of trained risk practitioners who provide technical guidance and support to ensure that a consistent approach to risk management is taken across the whole organisation. Extensive work has been undertaken throughout 2019/20 to embed the risk management framework to ensure that risk management activities are integrated with key business process and aligned to the delivery of the Council's objectives and defined outcomes. Strategic and operational risks are regularly monitored and reported in accordance with the principles of the framework. The Strategic Risks Register is reported to the Audit Committee six monthly.

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

### **Workforce Management**

The Council values its employees, their skills, dedication and passion to ensure it delivers essential services to the people, businesses and communities of Perth and Kinross. Together it is building back an even better Council to renew and recover from the recent pandemic. Its purpose, values, culture and ethos to transform services and deliver efficiencies to prepare for the future are pivotal. Investment in building the capability and capacity in the workforce through learning and development opportunities, boosting productivity, encouraging innovation and creativity, embracing agility, digital technology and promoting wellbeing and resilience are key to our future plans. These commitments will enable it to match its ambition for transforming services, growing the economy, reducing inequalities, protecting vulnerable people and supporting young people to be all they can be.

Financial pressures, changing priorities and demand for Council services will continue to inform the Council's Recovery and Renewal plans with a strong focus on multi-disciplinary teams, integrated worked and more locality-based decision-making. The Council is working with communities, its partners and other stakeholders to co-create the Perth and Kinross Offer – this work will help shape future service provision and in turn workforce skill requirements.

The Council's workforce management strategy is inherently linked to the Recovery and Renewal arrangements and the Medium-Term Financial Plan. The Corporate Workforce Plan 2018-21 will be refreshed to reflect new and emerging priorities. It has given a strong basis for developing the workforce of the future, recognising the importance of culture and with priorities for attracting, retaining and developing talent, healthy working lives and fair work. A range of enabling projects are already underway to prepare employees and the organisation for the future – digital skills, mobile/remote working, positive career choices, job families, building resilience and promoting positive mental health and wellbeing. Leadership development, coaching skills and a collaborative leadership development programme with neighbouring councils are all in place. The Council continues to invest in training and development opportunities for young people via its Modern Apprenticeship and Graduate Programmes. Together these initiatives help develop and nurture talent to meet future requirements.

A new Supporting Health and Wellbeing Framework, developed with staff and trade unions, is in place – it recognises the importance of creating and sustaining a healthy working environment and positive wellbeing culture to ensure that we Live Life Well. The Council is proud to be a Fair Work employer and continues to consult and engage with employees and their trade union representatives on improvements in our employment practices and arrangements. Equalities and fairness will continue to be core principles in its workforce strategy.

## 8. Supplementary Information

### (a) Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom requires the Council to produce group financial statements where it has an interest in entities that meet the definition of subsidiary, associate or joint venture. The Group results are presented alongside the results for the Council in the Annual Accounts. Further details of the associated entities that have been incorporated into the financial statements can be found on page 91.

The Council has an interest in six organisations (detailed on page 91) 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 2019/20 Group Accounts Statements are included on pages 86 to 90. The basis for consolidation is set out in the Notes to the Group Accounts Statements on pages 91 to 93. The effect of consolidation is to increase the Council's net assets by £10.773m resulting in a Group Balance Sheet showing net assets of £568.448m at 31 March 2020 as set out on page 88. This position reflects the Council's share of the pension liabilities of the Associate included within the Group Balance Sheet.

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

Common Good Funds are administered by the local authority for the general benefit of the relevant communities. Overall the Common Good Funds recorded an in year surplus of £0.024m which, when applied to the surplus brought forward, results in an accumulated revenue surplus as at 31 March 2020 of £1.825m.

Details of income and expenditure accounts and balance sheets can be found on pages 83 and 84 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 a number of Charitable Trust Funds. Details of income and expenditure accounts and balance sheets can be found on page 83 of these Annual Accounts. Overall the Trust Funds recorded an in year deficit of £0.205m which, when applied to the surplus brought forward, results in an accumulated surplus as at 31 March 2020 of £2.507m.

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

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

In September 2000 the Council entered into a 25 year PPP contract for the construction, maintenance and operation of office accommodation and a carpark. In 2019/20 the Council paid £2.795m 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 2019/20 the Council paid £16.984m to the contractor under the terms of the contract. In addition, during 2019/20 the Council incurred a part year cost of £2.169m in relation to Bertha Park High School.

## 9. Conclusion

The Council has continued to demonstrate sound financial management in 2019/20 by delivering services with the resources which are available to it. The pressures being experienced by Services in relation to demand are known and plans are in place to mitigate them. They have also been reflected in the medium and long term financial plans.

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

## 10. Acknowledgements

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



Karen Reid  
Chief Executive  
Perth & Kinross Council

Date: 17 September 2020



Councillor Murray Lyle  
Leader of the Council  
Perth & Kinross Council

Date: 17 September 2020



Stewart MacKenzie  
Head of Finance  
Perth & Kinross Council

Date: 17 September 2020

## **ANNUAL GOVERNANCE STATEMENT 2019/20**

### **1 Introduction**

- 1.1 Good governance is key to the success of Perth & Kinross Council. It supports better informed decision-making, the efficient use and management of our resources, high quality performance, greater scrutiny and accountability, resulting in better outcomes for the communities we serve.
- 1.2 The purpose of the Annual Governance Statement is to give assurance to the people of Perth & Kinross, our Elected Members, staff, partner agencies and other stakeholders that our governance arrangements are effective and our system of internal control is robust.

### **2 Scope of Responsibility**

- 2.1 As a public body, the Council must act in the public interest at all times. It must behave with integrity, conduct its business in accordance with the rule of the law and demonstrate a strong commitment to ethical values. We must demonstrate and ensure that public money is used economically, efficiently, and effectively to deliver sustainable outcomes for the people of Perth & Kinross.
- 2.2 The Local Government in Scotland Act 2003 also places a specific duty on the Council to make arrangements to secure best value and ensure continuous improvement in terms of the services it delivers to our communities.
- 2.3 A comprehensive and robust governance framework is integral to the Council's ability to discharge these responsibilities and deliver good outcomes. The Annual Governance Statement seeks to provide assurance that our governance framework is appropriate, adequate and effective in enabling the Council to deliver good outcomes and manage risk.
- 2.4 As well as providing assurance as to the effectiveness of the governance arrangements in place for the Council, this Annual Governance Statement also covers the six organisations that are included in the Council's Group Accounts.
- Live Active Leisure Limited (subsidiary)
  - Horsecross Arts Limited (subsidiary)
  - Culture Perth & Kinross Limited (subsidiary)
  - Tayside Valuation Joint Board (associate)
  - Tayside Contracts (associate)
  - Perth & Kinross Integration Joint Board (joint venture)

### **3 The purpose of the Governance Framework**

- 3.1 Our governance framework comprises the rules, resources, systems, processes, culture and values designed to help us achieve our strategic objectives and provide effective, good quality services in the most cost effective way possible. A crucial part of the governance framework is the system of internal control which is designed to manage the risk of a failure to the achievement of our intended outcomes.
- 3.2 The Council manages risk through a continuous process of identification, assessment, evaluation, prioritisation and mitigation. We evaluate risk on the basis of 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.
- 3.3 The purpose of the governance framework, therefore, is to ensure that we are using all of our resources effectively to deliver good outcomes for our communities and to provide assurance that we are indeed doing the right things, for the right people at the right time in an open, honest and accountable way.

### **4 Our Governance Framework**

- 4.1 We recognise that the following are fundamental elements of good governance within public sector organisations:-
- Leadership, Culture & Values
  - Vision, Direction & Purpose
  - Stakeholder Engagement
  - Organisational Development
  - Effective Decision Making
  - Internal Controls
  - Scrutiny & Accountability
- 4.2 These fundamental elements of our governance framework reflect and seek to embed the principles of good governance within the International Framework: Delivering Good Governance in the Public Sector developed by CIPFA and the International Federation of Accountants, now incorporated into 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.

4.3 Our governance arrangements are underpinned by the fundamental principles and the requirements of legislation and legislative best practice. They can be summarised as follows:

- Our vision is the achievement of the shared priorities and intended outcomes for the citizens of Perth & Kinross defined in our Local Outcome Improvement Plan and our Corporate Plan. Building Ambition: Our Transformation Strategy together with our Revenue budget for 2019/20 our Capital Programme, our Housing Investment Programme, and other strategic documents provide the necessary direction to the organisation to enable it to deliver on its vision and achieve its purpose.
- There is effective communication between Members and 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.
- There are effective arrangements in place for the discharge of the following functions:
  - Head of Paid Service
  - Monitoring Officer
  - Chief Finance Officer
  - Chief Social Work Officer
  - Data Protection Officer
- Our culture and values are reflected in everything we do as an organisation. They are determined by our decision-making and behaviours and are reflected in our key corporate and community documents and strategies, our Local Code of Corporate Governance, Elected Member and Employee Codes of Conduct, Whistleblowing and anti-fraud and corruption policies, Elected Member Register of Interests, Gifts & Hospitality Policy and in our suite of policies, processes and procedures ensuring 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.
- We recognise the importance of good stakeholder engagement in redesigning and reshaping public services and we will continue to actively engage with our communities, partners and other stakeholders to ensure that our services best meet their needs. The Council has a strategy for engaging with communities and has agreed a Statement of Intent with its Community Planning Partners to support a co-ordinated approach to community engagement. Our approach to consultations is based on the National Standards for Community Engagement and we have established a wide range of consultation processes and procedures. The Community Empowerment (S) Act 2015 provides a framework for improving the quality of engagement and participation which will be reflected in our Local Outcome Improvement Plan.
- We recognise that in an increasingly complex and financially challenging public sector landscape we have to be able to adapt and evolve our services and workforce to continue delivering cost efficient, high quality services. Our people remain are our most valuable asset and as an organisation we will secure the best outcomes for our communities by investing in the development of our workforce and of our leaders to ensure that they have the right skills and have sufficient capacity to deliver. Our approach is outlined Corporate Workforce Plan – Developing Talent and our “Learn, Innovate Grow” philosophy is being embedded across the organisation to create a highly motivated, skilled and agile workforce. There is a programme of leadership development in place for our managers and a comprehensive induction programme is in place for Elected Members. An ongoing training programme will be developed in consultation with Members to ensure that it meets their needs going forward.
- The Council's Scheme of Administration sets out the role of committees in decision-making and the delegated decision-making powers of individual officers. The committees, boards and panels we have established ensure proper democratic engagement and provide an appropriate mechanism for effective decision making and accountability. As a local authority, the extent of our decision-making powers are determined by statute and regulation. Our report template is designed to ensure that legal and financial checks are carried out before a report is presented for decision. It also provides that appropriate internal and external consultations and where relevant, options appraisals, ensure that decision makers are appropriately informed to determine the best course of action in the circumstances.
- The Council has developed and implemented a suite of policies, procedures and management processes to ensure that there are appropriate **internal controls** in place in respect of:-
  - Workforce Management
  - Financial Management
  - Officer /Member relations
  - Performance Management
  - Change & Improvement
  - Workforce Planning

- Risk Management
  - Procurement
  - Major Investment Project Management
  - Health & Safety
  - Information Management
  - Information Security
  - Civil Contingencies & Business Continuity
  - Anti-Fraud & Corruption
  - Conflicts of Interests
  - Gifts & Hospitality
  - Whistle-Blowing and Reporting Concerns
  - Complaints Handling
  - Funding External bodies / Arm's Length External Organisations
- 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.
  - The Council has set a three year budget (years 2/3 provisional). 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 Officer Team. The Strategic Policy & 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.
  - Capital spend is monitored by Senior Management through the Strategic Investment & Improvement Board and reported regularly to the Executive Officer Team and the Strategic Policy & Resources Committee as part of the budgetary control framework. The Capital Programme Office monitors project milestones.
  - The annual service planning process ensures that Services meet the needs of customers, and that targets for quality improvements are set and monitored. Individual Business Management & Improvement Plans set out detailed actions and outcomes for each Service and include performance indicators. Service performance is reported regularly to the Executive Officer Team and publicly through the Council's themed committees and the Scrutiny committee. Financial performance is publicly reported through the Strategic Policy & Resources Committee and relevant service committees.
  - The Council publishes an Annual Performance Report on its performance against the objectives set out within the Corporate Plan and Local Outcome Improvement Plan.
  - The Council's Transformation Programme is scrutinised by Service Management Teams, the Executive Officer Team and the Modernising Governance Member Officer Working Group. Progress is reported regularly to the Council's Strategic Policy & Resources Committee.
  - The Council has a published process for dealing with the following and annually reports on performance in respect of the following areas: -
    - complaints from members of the public;
    - requests for access information under the Freedom of Information legislation;
    - access information under the Data Protection legislation.

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

- 5.1 In light of the COVID-19 pandemic, the Council implemented effective and appropriate civil contingencies arrangements. These have ensured: -
- a clear decision-making framework utilising emergency powers in accordance with the Council's Scheme of Administration;
  - appropriate political oversight through a weekly Elected Member Sounding Board;
  - an effective operational command structure to deliver essential services and key activities to protect the health and wellbeing of our communities during this time;
  - adequate and effective risk management at both a strategic and operational level of existing, new and emerging risks;
  - openness and transparency by the recording and reporting of decisions taken by the Chief Executive in exercise of her emergency powers.
- 5.2 Opportunities to further enhance and improve the internal controls to support the delivery of better outcomes for our communities have been recognised during this period. It is understood, however, that whilst improvement actions can be identified, the focus of the Council will be on maintaining essential services and managing the response and the recovery work that will be required to minimise the impact of COVID -19 on the communities of Perth and Kinross.

- 5.3 Planning has commenced for recovery and renewal in line with the published Scottish Government framework and a key part of that will be ensuring appropriate governance arrangements are in place.

## **6 Governance Assurance Process**

- 6.1 Internal Audit provides an annual opinion on the strength of governance, risk management and internal control, in line with the requirements of the Public Sector Internal Audit Standards. The opinion is based on Internal Audit work undertaken during the year, arising primarily from the achievement of the risk-based Internal Audit Plan as approved by the Audit Committee. In addition, Internal Audit further contributes to the governance assurance process by participating in a review of evidence provided by Services and individual officers as part of the annual governance review, which supports the production of the annual governance statement.
- 6.2 The Council normally utilises a robust process of gathering assurance information from Service Management Teams which concludes with Certificates of Assurance being signed by each Director and the Depute Chief Executive/ Chief Operating Officer.
- 6.3 Due to the implementation of contingency measures related to the coronavirus pandemic, it was agreed with the Council's External Auditors that this process would be disproportionate in the current situation.
- 6.4 Instead, in keeping with advice from CIPFA, it was felt essential to gain assurance from Service Management Teams that governance during the implementation and operation of these contingency measures was subject to adequate and effective controls.
- 6.5 Based on the work undertaken for the recent Best Value Audit reliance could be placed on the evidence from 2018-19 and assurance that there have been no significant changes to governance arrangements during the year.
- 6.6 Reliance has also been placed on such external evidence as is available from 2019-20. This particularly includes the Council's Best Value Assurance Report published by Audit Scotland in August 2019. Note was also taken of the Joint Inspection Report of Strategic Planning in Adult Care by Health Improvement Scotland and the Care Inspectorate, inspection reports from the Care Inspectorate and Education Scotland relating to specific Council establishments, and from the National Records of Scotland regarding registration in the Council.
- 6.7 Corporate assurance has also been provided as regards the adequacy of the internal controls from the following Officers:
- Chief Finance Officer (S 95 Officer)
  - Head of Legal & Governance Services /Monitoring Officer
  - Chief Internal Auditor
  - Corporate Procurement Manager
  - Information Governance Manager
  - Corporate IT Manager
  - Corporate Procurement Manager
  - Corporate HR Manager
- 6.8 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
  - quarterly contract monitoring meetings with Service;
  - performance information and financial monitoring reports to Service; and
  - presentations to Scrutiny Committee.
- 6.9 For Tayside Contracts Joint Committee and Tayside Valuation Joint Board, reliance has been placed upon each organisation's own Annual Governance Statement.
- 6.10 For Perth & Kinross Integration Joint Board, reliance has been placed on their own Annual Governance Statement.
- 6.11 The draft Annual Governance Statement is usually considered by the Executive Officer Team, Corporate Management group and the Council's Scrutiny Committee prior to inclusion within the final draft Annual Accounts. This year, given the civil contingencies arrangements which are in place, the draft Annual Governance Statement will be considered by Gold Command and Full Council.
- 6.12 The Annual Governance Statement is considered by the Audit Committee as part of the Annual Accounts.
- ## **7 2018/19 Governance Statement: Improvement update**
- 7.1 The 2018/19 AGS identified the following areas for further review and/or improvement: -
- Communications and Engagement
  - Performance Management
  - Community Empowerment
  - Information Governance

- Workforce Planning
- Arm's Length External Organisations
- Integration Joint Board – Relationship Governance

7.2 We are in the process of gathering evidence and reviewing progress against our 2018/19 improvement actions, recognising that certain actions may require to be reprioritised in light of further work being undertaken to support recovery and renewal in relation to the impact of COVID-19. These actions will be incorporated as part of the further development of the Perth and Kinross Offer, the council's blueprint for public service delivery going forward.

## **8 Effectiveness of Governance Arrangements for 2019/20**

- 8.1 Based on the assurance process outlined above, in terms of effectiveness, the Council's governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework., subject to the areas identified for review or improvement set out in section 9 below.
- 8.2 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).
- 8.3 Our assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).
- 8.4 The Council has designated the Depute Chief Executive (Chief Operating Officer) as the Senior Information Risk Owner with the Head of Legal & Governance Services as Depute. Our information security measures have been reviewed in 2019/20 to ensure continuing compliance with the Public Service Network (PSN) requirements.
- 8.5 The Chief Internal Auditor is the Council's nominated Money Laundering Reporting Officer. There has been no relevant activity in respect of Council and its group during the year.
- 8.6 We have structures in place which support constructive challenge and effective scrutiny to our system of internal control and our broader governance arrangements. In particular: -
- Scrutiny Committee
  - Strategic Policy & Resources Committee
  - Audit Committee
  - Themed Committees
  - Executive Officer Team
  - Corporate Management Group
  - Strategic Improvement & Investment Board
  - Policy & Governance Group
  - External Audit (presently KPMG LLP)
- 8.7 In addition, the Council has implemented temporary arrangements for the COVID-19 pandemic with appropriate governance arrangements.

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

- 9.1 Audit activity and performance will be detailed in the Annual Report by the Chief Internal Auditor for the year 2019/20 when it is presented to the Council's Audit Committee. The draft report contains the Chief Internal Auditor's opinion in respect of the effectiveness of the governance arrangements in place, as follows: -

*"In the Chief Internal Auditor's opinion, reasonable reliance can be placed on the Council's risk management and governance arrangements, and systems of internal control for 2019/20, subject to management implementation of the agreed actions detailed in Internal Audit reports."*

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

- 10.1 The Council's identified priorities for the foreseeable future are on recovery and renewal from, and any further response necessary to, the COVID-19 pandemic and its consequences for the people, communities, organisation and business in the area. This will include the adoption of sound governance arrangements appropriate to the circumstances.
- 10.2 Areas previously identified as requiring ongoing monitoring/review or further improvement action will continue to be scrutinised by Service Management Teams and the relevant Council Committees as and when appropriate.

## **STATEMENT**

The Council is legally required to review of the effectiveness of its governance arrangements and to publish an Annual Governance Statement, with its Annual Accounts. The Council's Governance Framework has been in place for the majority of the financial year ending 31 March 2020, but appropriate temporary arrangements were implemented to take account of the COVID-19 pandemic. These contingency arrangements continue to operate and therefore it has not been possible to undertake the usual comprehensive review of our corporate governance arrangements. In accordance with

guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) however, the Council has reviewed the effectiveness of the existing governance framework and in particular, the internal controls.

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:-

- Service Management Teams
- Executive Officer Team
- Chief Finance Officer
- Monitoring Officer
- Chief Internal Auditor / Internal Audit
- Policy & Governance Group
- External Audit
- External Agencies and Inspectorates.

The Chief Internal Auditor has provided assurance for the year 2019/20 and an Internal Audit plan will be developed for 2020/21 which that will focus on areas which have been identified as corporate or service specific risks in relation to core business and any additional risks which have arisen as a result of the COVID-19 pandemic.

Each Director, who has responsibility within the Scheme of Delegation for the development and maintenance of the system of internal control, 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.

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

We have been reassured by the way in which this Council has adapted to the challenges presented by the COVID-19 pandemic. Our governance framework and understanding of key risks have not only ensured that essential services have been maintained but that innovative arrangements could be implemented to meet new and emerging needs as these arose. As we move from emergency response measures to supporting our communities to recover from the impact of COVID-19, our governance framework will continue to be reviewed and adapted where necessary to ensure that we can build back an even stronger Perth and Kinross.

Signed:



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Karen Reid  
Chief Executive

Date: 17 September 2020

Signed:



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Councillor Murray Lyle  
Leader of the Council

Date: 17 September 2020

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

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

### **Opinion on financial statements**

We certify that we have audited the financial statements in the annual accounts of Perth and Kinross Council and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Statement of Movements on the Housing Revenue Account Balance, the Council Tax Income Account, and the Non Domestic Rate Account, the Charitable Trusts Income and Expenditure Account, the Charitable Trusts Balance Sheet, the Common Good Income and Expenditure Account, the Common Good Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

### **Basis for opinion**

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is 4 years. We are independent of the council and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern basis of accounting**

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

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

### **Risks of material misstatement**

We report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

### **Responsibilities of the Head of Finance and Audit Committee for the financial statements**

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Head of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Audit Committee is responsible for overseeing the financial reporting process.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

### **Other information in the annual accounts**

The Head of Finance is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

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

### **Report on other requirements**

#### **Opinions on matters prescribed by the Accounts Commission**

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

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

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

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

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

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

We have nothing to report in respect of these matters.

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

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

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

### **Use of our report**

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



Michael Wilkie, (for and on behalf of KPMG LLP)

*Chartered Accountants*

319 St Vincent Plaza,

Glasgow, G2 5AS

22 September 2020

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Fund £'000	Renewal & Repair Fund £'000	Insurance Fund £'000	Capital statutory funds £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves (Note 32) £'000	Total Authority Reserves £'000
<b>Balance at 1 April 2018</b>	(51,099)	(1,000)	(25,060)	(20)	(2,815)	0	(87)	(80,081)	(478,097)	(558,178)
<u>Movement in reserves during 2018/19</u>										
Total Comprehensive Income and Expenditure	17,301	4,995	0	0	0	0	0	22,296	(8,885)	13,411
Adjustments from income & expenditure charged under the accounting basis to the funding basis (Note 5)	(20,287)	(4,035)	0	0	0	(2,581)	(3,493)	(30,396)	30,396	0
<b>(Increase)/ Decrease in 2018/19</b>	(2,986)	960	0	0	0	(2,581)	(3,493)	(8,100)	21,511	13,411
Transfers to/(from) Other Statutory Reserves	6,644	(960)	(5,306)	0	(378)	0	0	0	0	0
Balance at 31 March 2019 carried forward	(47,441)	(1,000)	(30,366)	(20)	(3,193)	(2,581)	(3,580)	(88,181)	(456,586)	(544,767)
<u>Movement in reserves during 2019/20</u>										
Total Comprehensive Income and Expenditure	6,407	(3,203)	0	0	0	0	0	3,204	(16,112)	(12,908)
Adjustments from income & expenditure charged under the accounting basis to the funding basis (Note 5)	(9,493)	3,403	0	0	0	(67)	1,391	(4,766)	4,766	0
<b>(Increase) or Decrease in 2019/20</b>	(3,086)	200	0	0	0	(67)	1,391	(1,562)	(11,346)	(12,908)
Transfers to/(from) Other Statutory Reserves	1,231	(200)	(1,274)	20	223	0	0	0	0	0
<b>Balance at 31 March 2020 carried forward</b>	(49,296)	(1,000)	(31,640)	0	(2,970)	(2,648)	(2,189)	(89,743)	(467,932)	(557,675)

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT


2018/19							2019/20		
Gross Expenditure £'000	Income £'000	Net Expenditure £'000		Notes	Gross Expenditure £'000	Income £'000	Net Expenditure £'000		
<b>COUNCIL SERVICES</b>									
179,690	(11,046)	168,644	Education & Children's Services		200,187	(20,813)	179,374		
132,809	(75,755)	57,054	Health & Social Care		139,621	(79,028)	60,593		
108,631	(25,626)	83,005	Housing & Environment		106,168	(26,028)	80,140		
68,000	(31,925)	36,075	Corporate and Democratic Services		65,277	(28,547)	36,730		
32,727	(27,336)	5,391	Housing Revenue Account		31,899	(28,029)	3,870		
1,149	0	1,149	Valuation Joint Board		1,248	0	1,248		
523,006	(171,688)	351,318	<b>COST OF SERVICES</b>		544,400	(182,445)	361,955		
0	(1,395)	(1,395)	Other Operating Income and Expenditure	8	0	(845)	(845)		
22,744	(1,409)	21,335	Financing and Investment Income and	9	25,693	(2,424)	23,269		
0	(348,962)	(348,962)	Expenditure	10	0	(381,175)	(381,175)		
545,750	(523,454)	22,296	Taxation and Non-Specific Grant Income						
			<b>Deficit on Provision of Services</b>		570,093	(566,889)	3,204		
			(Surplus)/Deficit on revaluation of non						
		(6,008)	current assets				1,459		
		(2,877)	Remeasurement of the net defined benefit						
			liability				(17,571)		
			<b>Other Comprehensive Income and</b>						
		(8,885)	Expenditure				(16,112)		
		13,411	<b>Total Comprehensive Income and</b>				(12,908)		
			<b>Expenditure</b>						

## BALANCE SHEET

<u>31 March 2019</u>		Notes	<u>31 March 2020</u>
£'000			£'000
1,100,893	Property, Plant & Equipment	21	1,158,353
27,781	Heritage Assets	22	27,781
13,095	Investment Property	23	13,290
1,757	Intangible Assets	24	979
798	Assets Held for Sale	25	719
761	Long Term Debtors	26	981
<b>1,145,085</b>	<b>Long Term Assets</b>		<b>1,202,103</b>
25,317	Short Term Investments		139,395
511	Assets Held for Sale	25	126
432	Inventories	27	470
27,488	Short Term Debtors	28	27,854
22,503	Cash and Cash Equivalents	44	67,611
<b>76,251</b>	<b>Current Assets</b>		<b>235,456</b>
(18,187)	Short Term Borrowing	39	(28,786)
(59,589)	Short Term Creditors	29	(59,141)
(562)	Provisions	30	(1,034)
<b>(78,338)</b>	<b>Current Liabilities</b>		<b>(88,961)</b>
(2,357)	Provisions	30	(2,239)
(372,580)	Long Term Borrowing	39	(535,038)
(223,294)	Other Long Term Liabilities	18,36	(253,646)
<b>(598,231)</b>	<b>Long Term Liabilities</b>		<b>(790,923)</b>
<b>544,767</b>	<b>NET ASSETS</b>		<b>557,675</b>
88,181	Usable Reserves		89,743
456,586	Unusable Reserves	32	467,932
<b>544,767</b>	<b>TOTAL RESERVES</b>		<b>557,675</b>

The Unaudited Annual Accounts were issued on 29 June 2020 and the Audited Annual Accounts were authorised for issue on 16 September 2020.

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

  
 Stewart MacKenzie CPFA  
 Head of Finance  
 17 September 2020

## CASH FLOW STATEMENT

<u>2018/19</u>		Notes	<u>2019/20</u>
<u>£'000</u>			<u>£'000</u>
(22,296)	<b>Deficit on the provision of services</b>		(3,204)
86,280	Adjustments to net surplus or deficit on the provision of services for non cash movements		75,411
(31,004)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(47,590)
<u>32,980</u>	Net cash flows from Operating Activities		<u>24,617</u>
(51,743)	Investing Activities	42	(147,487)
25,530	Financing Activities	43	167,978
<u>6,767</u>	Net increase in cash and cash equivalents		<u>45,108</u>
15,736	Cash and cash equivalents at the beginning of the reporting period		22,503
<u><u>22,503</u></u>	Cash and cash equivalents at the end of the reporting period	44	<u><u>67,611</u></u>

## STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS

### The Council's Responsibilities

The Council is required:

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

I confirm that these Annual Accounts were approved for signature by those charged with governance at the meeting of the Audit Committee on 16 September 2020.

Councillor Murray Lyle  
Leader of the Council

Date: 17 September 2020

### The Responsibilities of the Head of Finance

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

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

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

The Head of Finance has also:

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

I certify that the Annual Accounts give a true and fair view of the financial position of the Council and its group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2020.

Stewart MacKenzie CPFA  
Head of Finance

Date: 17 September 2020

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies

### General

The Statement of Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and adapted to the Code of Practice as required by the Local Authority Accounts (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and supported by International Financial Reporting Standards. The Statement of Accounts are intended to present a true and fair view of the financial position and transactions of the authority and have been prepared in accordance with the fundamental accounting principles of relevance, reliability, comparability, understandability and materiality.

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

### Accruals of Income and Expenditure

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

In particular:

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

### Cash and Cash Equivalents

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

### Changes in Accounting Policies and Estimates and Errors

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

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

### Charges to Revenue for Non-Current Assets

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

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

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

## Contingent Assets and Liabilities

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

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

## Employee Benefits

### Benefits Payable During Employment

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

### Termination Benefits

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

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

### Post-Employment Benefits

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

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

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

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

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the Tayside Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 2.35% which is based on the indicative rate of return on the high quality corporate bond index (i Boxx AA).

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

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

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

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

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

#### Discretionary Benefits

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

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

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

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

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

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

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

#### **Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

### **Financial Liabilities**

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

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

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

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

### **Financial Assets**

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

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

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

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

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

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

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

### **Foreign Currency**

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

### **Going Concern**

The Head of Finance is responsible for making an annual assessment of whether it is appropriate to prepare the accounts on a going concern basis. In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, an authority's financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for at least twelve months from the date of approval of the financial statements and it can only be discontinued under statutory prescription. The Council has significant net assets, investments and cash and a track record of preparing a balanced budget which incorporates significant savings that are subsequently achieved. In late 2019-20 and throughout 2020-21 Covid-19 will have a significant impact on the finances and operations of the Council. A medium term financial plan is produced covering a period of six years, and the Council considers and approves a three year revenue budget which sufficiently covers the going concern period. Work has been ongoing since the end of March to assess the impact and mitigating actions to ultimately deliver a balanced budget. This has been reported regularly to the Sounding Board, to full council in June 2020 and through a series of briefings to all members in August and September. It is anticipated that a further update with mitigating proposals will be presented to a council meeting on 30 September 2020. Taken together, the Head of Finance has determined that it remains appropriate to prepare the financial statements on a going concern basis.

### **Government Grants and Contributions**

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

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

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

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

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

### **Heritage Assets**

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

#### Tangible Heritage Assets

The Council's Heritage Assets are held in the Perth Museum & Gallery, Fergusson Gallery and Alyth Museum. The collections include Art, History and Natural History and are held in support of Council objectives i.e. to increase knowledge, understanding and appreciation of the local area and its history. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment.

However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The Council has embarked upon a revaluation programme for all collection items deemed to have significant value, these being mainly items within Fine and Applied Art collections. In recognition of the key qualitative characteristics of the financial statements, i.e. understandability, relevance, reliability and comparability, the Council has chosen to apply a £10,000 de-minimis level for which items will be recognised within the balance sheet. The exclusion of individual items having

a value of less than £10,000 does not impact upon the characteristics of the financial statements and a summary of the main collections and applicable accounting treatment is as follows.

#### Art Collection

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

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

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

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

#### History Collection

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

#### Natural History Collection

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

#### Heritage Assets – General

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

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

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

#### **Intangible Assets**

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

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

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

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

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

## **Inventories**

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

## **Investment Properties**

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

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

## **Leases**

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

### The Council as Lessee

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

### The Council as Lessor

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

## **Overheads and Support Services**

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

## **Property, Plant and Equipment**

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

#### Impairment

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

Where impairment losses are identified, they are accounted for:

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

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

#### Disposals and Assets Held for Sale

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

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

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

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

#### Depreciation

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

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

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

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

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

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

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

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

#### **Provisions**

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

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

#### **Reserves**

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure

Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and that do not represent usable resources for the Council – these reserves are explained in the relevant notes.

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

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

#### **VAT**

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

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

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

- IFRS 16 Leases will require the Council as lessee to recognise leases on the Balance Sheet as right-of-use assets along with the corresponding lease liabilities, except for low value and short-term leases. As a result of the current Covid-19 response CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2021.
- IAS 28 Investments in Associates and Joint Ventures: Long Term Interests in Associates and Joint Ventures. This amendment clarifies that IFRS 9 Financial Instruments is applied to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.
- IAS 19 Employee Benefits: Plan amendment, curtailment or settlement. If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

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

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

#### **Public Sector Funding**

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

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

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

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

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

The items in the Council's Balance Sheet at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are in respect of the Council's Net Pensions Liability and Property and Plant and Equipment.

#### 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 pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a reduction in the pension liability of £16,995,000. However,

the assumptions interact in complex ways. During 2019/20, the Council's actuaries advised that the net pension liability had increased by £2,890,000 following an updating of assumptions.

#### Uncertainty

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

#### Effect if Actual Results Differ from Assumptions

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £675,000 for every year that useful lives had to be reduced.

#### Uncertainty

In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), a material uncertainty has been declared in the valuation reports. This is due to market uncertainties caused by Covid-19. The Red Book defines material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.'

The valuation reports have been used to inform the measurement of non-current assets in these financial statements. Although the valuers have declared a material valuation uncertainty, they have continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to Council as at 31 March 2020 and can be relied upon.

Of the £586,573,000 net book value of Other Land & Buildings at 31 March 2020 and subject to valuation on a five year cycle, £483,312,000 relates to specialised assets valued on a depreciated replacement cost basis. Here the valuer bases their assessment on the cost to the Council of replacing the service potential of the assets; the uncertainty relates to the estimated costs of, rather than the extent of, service potential to be replaced. Covid-19 may also have a further impact of the value of assets subsequent to the balance sheet date. There is to date, limited market evidence to indicate the impact on particular categories of non-current asset.

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

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

#### Effect if Actual Results Differ from Assumptions

A sensitivity analysis has been undertaken by the valuer to examine the potential impact if the Adjustment Factor was increased or decreased by 5%, this being the tolerance listed within the valuation guidance published by the Ministry for Housing Communities and Local Government (MHCLG). The EUV-SH for the Council housing stock at 30 September 2019 is £294,573,740. A 5% increase or decrease to the Adjustment Factor would result in an increase or decrease of £34,893,830 (11.85%) to the value of the Council housing stock.

The sensitivity analysis for Investment property yields assumes a +/- 0.5% potential movement for the average yield across the total investment property portfolio. A 0.5% decrease in the average yield would result in an increase of £948,000 in the value of Investment property. If the average yield was to increase by 0.5%, the value of investment property would reduce by £829,000.

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

	Usable Reserves				Total	2018/19
	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	(36,987)	(12,676)	0	0	(49,663)	(47,692)
Revaluation Losses on Property, Plant & Equipment	(2,277)	(10)	0	0	(2,287)	(4,861)
Reversal revaluation gains	763	45	0	0	808	3,022
Movements in Fair Value of Investment Properties	195	0	0	0	195	(403)
Amortisation of Intangible Assets	(859)	0	0	0	(859)	(835)
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	35,658	10,604	0	0	46,262	25,847
Amounts of non current assets written off on disposal as part of the gain/loss	(1,014)	(51)	0	0	(1,065)	(3,859)
<u>Items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>						
Statutory provision for repayment of debt	11,745	4,436	0	0	16,181	17,001
Capital expenditure charged to the General Fund and HRA balances	1,552	2,089	0	0	3,641	5,435
<u>Adjustments involving the Capital Receipts Reserve</u>						
Transfer of sale proceeds credited as part of the gain/loss on disposal	1,147	175	(1,322)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0		1,255	0	1,255	2,307
<u>Adjustments involving the Capital Grants Unapplied Account</u>	0	0	0	1,391	1,391	(3,493)
<u>Adjustments involving the Financial Instruments Adjustment Account</u>	547	177	0	0	724	723
<u>Adjustments involving the Pensions Reserve</u>						
Employer's pensions contributions and direct payments to pensioners payable in the year	17,025	1,163	0	0	18,188	18,107
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(36,049)	(2,600)	0	0	(38,649)	(41,078)
<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	(939)	51	0	0	(888)	(617)
<b>Total Adjustments</b>	<b>(9,493)</b>	<b>3,403</b>	<b>(67)</b>	<b>1,391</b>	<b>(4,766)</b>	<b>(30,396)</b>

## 6. Expenditure and Funding Analysis - 2019/20

	Net Expenditure charged to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Education & Children's Services	157,763	21,611	179,374
Health & Social Care	56,611	3,982	60,593
Housing & Environment	56,585	23,555	80,140
Corporate and Democratic Services	29,459	7,271	36,730
Housing Revenue Account	(8,072)	11,942	3,870
Valuation Joint Board	1,248	0	1,248
Non Distributed Costs	1,553	(1,553)	0
<b>Cost of Services</b>	<b>295,147</b>	<b>66,808</b>	<b>361,955</b>
Other Income and Expenditure	(298,033)	(60,718)	(358,751)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(2,886)</b>	<b>6,090</b>	<b>3,204</b>
Opening General Fund and HRA Balance	(48,441)		
Surplus on General Fund and HRA Balance in Year	(2,886)		
Transfers from other Statutory Reserves	1,031		
<b>Closing General Fund and HRA Balance at 31 March 2020</b>	<b>(50,296)</b>		

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

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

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes Note A £ '000	Net change for the Pensions Adjustments Note B £ '000	Other Differences Note C £ '000	Total Adjustments £ '000
<b>COUNCIL SERVICES</b>				
Education & Children's Services	14,305	6,605	701	21,611
Health & Social Care	855	2,966	161	3,982
Housing & Environment	18,224	5,412	(81)	23,555
Corporate and Democratic Services	4,224	2,888	159	7,271
Housing Revenue Account	10,752	1,242	(52)	11,942
Non Distributed Costs	0	(1,553)	0	(1,553)
<b>Cost of Services</b>	<b>48,360</b>	<b>17,560</b>	<b>888</b>	<b>66,808</b>
Other Operating Expenditure and Income	(257)	0	0	(257)
Financing and Investment Income and Expenditure	(16,376)	2,901	(724)	(14,199)
Taxation and Non-Specific Grant Income	(46,262)	0	0	(46,262)
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(62,895)</b>	<b>2,901</b>	<b>(724)</b>	<b>(60,718)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(14,535)</b>	<b>20,461</b>	<b>164</b>	<b>6,090</b>

## Expenditure and Funding Analysis - 2018/19

	Net Expenditure charged to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Education & Children's Services	149,543	19,101	168,644
Health & Social Care	51,708	5,346	57,054
Housing & Environment	59,695	23,310	83,005
Corporate and Democratic Services	29,238	6,837	36,075
Housing Revenue Account	(7,402)	12,793	5,391
Valuation Joint Board	1,149	0	1,149
Non Distributed Costs	1,534	(1,534)	0
<b>Cost of Services</b>	<b>285,465</b>	<b>65,853</b>	<b>351,318</b>
Other Income and Expenditure	(287,491)	(41,531)	(329,022)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(2,026)</b>	<b>24,322</b>	<b>22,296</b>
Opening General Fund and HRA Balance	(52,099)		
Surplus on General Fund and HRA Balance in Year	(2,026)		
Transfers to other Statutory Reserves	5,684		
<b>Closing General Fund and HRA Balance at 31 March 2019</b>	<b>(48,441)</b>		

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

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

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net change for the			Total Adjustments £ '000
	Adjustments for Capital Purposes Note A £ '000	Pensions Adjustments Note B £ '000	Other Differences Note C £ '000	
<b>COUNCIL SERVICES</b>				
Education & Children's Services	11,760	6,761	580	19,101
Health & Social Care	2,476	3,052	(182)	5,346
Housing & Environment	16,143	7,051	116	23,310
Corporate and Democratic Services	3,195	3,603	39	6,837
Housing Revenue Account	11,356	1,373	64	12,793
Non Distributed Costs	0	(1,534)	0	(1,534)
<b>Cost of Services</b>	<b>44,930</b>	<b>20,306</b>	<b>617</b>	<b>65,853</b>
Other Operating Expenditure and Income	(1,030)	0	0	(1,030)
Financing and Investment Income and Expenditure	(16,596)	2,665	(723)	(14,654)
Taxation and Non-Specific Grant Income	(25,847)	0	0	(25,847)
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(43,473)</b>	<b>2,665</b>	<b>(723)</b>	<b>(41,531)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>1,457</b>	<b>22,971</b>	<b>(106)</b>	<b>24,322</b>

## Explanation to the Expenditure and Funding Analysis

### Adjustments for Capital Purposes

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

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

### Net Change for the Pensions Adjustments

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

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

### Other Differences

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

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

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

The Reserves Strategy that the Council approved in March 2020 earmarked funding towards specific or known future commitments. The following table sets out the updated balances as at 31 March 2020 for these Earmarked Reserves taking cognisance of the final year-end position.

	Balance as at 1 April 2019 £'000	Transfers (In)/Out £'000	Balance as at 31 March 2020 £'000
Developer Contributions: Commuted Sums & Infrastructure and Affordable Housing	(4,479)	(1,799)	(6,278)
Affordable Housing (Resources accrued from reduced Council Tax Discounts)	(5,244)	(578)	(5,822)
Transformation Programme (including Workforce Management and Organisational	(9,106)	3,784	(5,322)
Revenue Grants	(1,823)	(4,221)	(6,044)
Revenue Budget Flexibility	(3,591)	1,184	(2,407)
Perth High School	(1,699)	91	(1,608)
Remodelling of Residential Care (Children & Young People)	(1,693)	187	(1,506)
Devolved School Management (DSM)	(1,067)	(157)	(1,224)
Car Parking	(854)	(329)	(1,183)
Secondary Schools	(1,799)	786	(1,013)
Perth & Kinross Offer	0	(499)	(499)
Culture	(363)	(55)	(418)
PH2O	0	(407)	(407)
Works Maintenance	(1,550)	1,150	(400)
Modern Apprentices/Graduate Trainees	(212)	(97)	(309)
Community Action Partnerships	(135)	(95)	(230)
Grounds Maintenance	0	(225)	(225)
Planning Appeals and Public Inquiries	(208)	(3)	(211)
Contaminated Land	(176)	(27)	(203)
Health and Social Care Partnership	0	(180)	(180)
Central Energy Efficiency and Salix Funds	(150)	(24)	(174)
Financial Assistance	(136)	(20)	(156)
Events and Rural Communities	0	(120)	(120)
Bridge Feasibility Studies	(18)	(114)	(132)
Investment in North Inch Golf Course	0	(117)	(117)
Local Government Elections	(53)	(53)	(106)
Micro Loans Fund	0	(60)	(60)
Public Service Network	(17)	0	(17)
Community Improvement Fund	(21)	17	(4)
Flood Protection Works	(193)	193	0
Perth City Centre Projects	(180)	180	0
Earmarked Balances at 31 March 2020	<u>(34,767)</u>	<u>(1,608)</u>	<u>(36,375)</u>

### Purpose of Earmarked General Fund Balances

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

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

**Transformation Programme (including Workforce Management and Organisational Change)** – the Reserves Strategy in February 2018 approved these resources as earmarked to support the Council's transformation programme including the costs of any workforce management and cultural change measures required to respond to future financial challenges. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

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

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

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

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

**Devolved School Management (DSM)** – the amount shown is the accumulated sum available to be carried forward at 31 March 2020 under the approved scheme for managing these budgets. The purposes for which the earmarked amount can be used and the procedures for its management and control are detailed in the Council's approved DSM scheme.

**Car Parking** – this balance is the accumulated surplus at 31 March 2020 which is restricted in its application under the Road Traffic Regulation Act 1984. Any proposals to utilise these resources will require approval by the Strategic Policy and Resources Committee.

**Secondary Schools** – £649,000 of these resources were earmarked as part of the 2015/16 Revenue Monitoring Report 1 to the Strategic Policy & Resources Committee (report 15/395 refers) to equip the new secondary school at Bertha Park. A further £650,000 was approved as part of the 2016/17 and 2017/18 Revenue Budget processes as budget flexibility and £100,000 transferred from the amount earmarked for Investment and Learning. The 2017/18 Revenue Monitoring Report 3 (report 18/41 refers) approved a further £400,000 from the Education and Children's Services budget towards this project. The remaining £1,013,000 will be phased over a number of years.

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

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

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

**Works Maintenance** - The Council continues to earmark a remaining £400,000 for future works maintenance approved as part of the 2018/19 – 2020/21 revenue budget. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Modern Apprentices/Graduate Trainees** - the Strategic Policy and Resources Committee approved the transfer of the final under spend on modern apprentices and graduate trainees during 2019/20 to fund future expenditure in this area.

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

**Grounds Maintenance** – The Strategic Policy and Resources Committee approved the transfer of £225,000 as part of 2018/19 Revenue Monitoring Report 4 to fund road safety measures around the A9/A85 project. (Report No 19/110 refers). This will be utilised over the next 3 financial years.

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

**Contaminated Land** – these resources are earmarked to fund future remediation work to comply with the Council's statutory duty. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Health and Social Care Partnership** – The Council approved as part of the 2019/20 revenue budget £250,000 towards investment in health and social care transformation. There are £180,000 of resources remaining. (Report 19/46 refers)

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

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

**Events and Rural Communities** – The Strategic Policy and Resources Committee approved the transfer of £120,000 as part of 2019/20 Revenue Monitoring Report 1 to fund future expenditure on events and rural communities (Report No 19/246 refers). It is anticipated that this will be utilised in 2020/21.

**Bridge Feasibility Studies** - the Council originally earmarked £808,000 for testing and assessment of the Queens Bridge, Perth and Old Perth Bridge (Report No. 17/60 refers) with the remaining balance to be utilised in 2020/21.

**Investment in North Inch Golf Course**– The Strategic Policy & Resources Committee approved the transfer of £117,000 as part of Revenue Monitoring Report 2 to fund future investment in North Inch Golf Course (Report No 19/340 refers). This will be utilised in future years.

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

**Micro Loans Fund** – these resources were allocated during the revenue budget process for 2019/20, and are being earmarked as there was a delay in implementing the scheme for assisting small businesses with start up costs.

**Public Service Network** – these resources are earmarked in reserves to fund ongoing work required beyond initial accreditation. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Community Improvement Fund** – The Council earmarked £600,000 as part of the 2018/19 Revenue Budget and a further £600,000 was approved to be earmarked during 2019/20. These resources will be reported to the Strategic Policy & Resources Committee. The remaining balance of £4,000 continues to be earmarked.

**Flood Protection Works** – these resources were fully utilised during 2019/20.

**Perth City Centre Projects** – these resources were fully utilised during 2019/20.

## 8. Other Operating Expenditure / Income

	2019/20 £'000	2018/19 £'000
Gains on the Disposal of Non Current Assets	(257)	(870)
Share of Tayside Contracts surplus	(588)	(525)
Total	<u>(845)</u>	<u>(1,395)</u>

## 9. Financing and Investment Income and Expenditure

	2019/20 £'000	2018/19 £'000
Interest payable and similar charges	22,906	19,762
Pensions interest cost and expected return on pensions assets	2,901	2,665
Interest receivable and similar income	(1,426)	(357)
Income in relation to investment properties and changes in their fair value	(1,112)	(735)
Total	<u>23,269</u>	<u>21,335</u>

## 10. Taxation and Non Specific Grant Incomes

	2019/20 £'000	2018/19 £'000
Council Tax Income	(83,548)	(79,668)
Non Domestic Rates	(56,387)	(51,793)
Non Ringfenced Government Grants	(194,978)	(191,654)
Capital Grants and Contributions	(46,262)	(25,847)
Total	<u>(381,175)</u>	<u>(348,962)</u>

## 11. Material Items of Income and Expense

There have been no material items of income and expenditure during 2019/20 which are not disclosed on the face of the Comprehensive Income and Expenditure Statement.

## 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 2019/20, there were no such debt modifications.

The net amount of premium and discount debited to the General Fund and HRA, including for transactions prior to 1 April 2007 (as permitted by statutory guidance), from the Financial Instruments Adjustment Account was £707,000 (2018/19 £707,000).

### 13. General Grants, Bequests and Donations

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

During 2019/20 a total of £14,619,000 (2018/19 £14,224,000) was paid out in support of these organisations ranging from remission of hall rents of a few pounds to the contribution towards the operational and other costs of Live Active Leisure Limited of £4,686,000 (2018/19 £4,724,000). Details of grants are shown below.

	2019/20 £'000	2018/19 £'000
Service Level Agreements with Outside Organisations	3,380	3,408
Live Active Leisure Limited	4,686	4,724
Culture Perth & Kinross	3,256	3,264
Horsecross Arts Ltd	1,280	1,156
Perth Money Advice Service	409	402
Churches Action for the Homeless	254	248
Pitlochry Festival Theatre	220	220
Micro Business Grants	152	0
Perthshire Women's Aid	78	78
Perth & Kinross Heritage Trust	94	86
Perth & Kinross Countryside Trust	30	30
Vacant Property Grants	25	57
Perth & Kinross Sports Council	11	11
Other Miscellaneous Grants	744	540
	<b>14,619</b>	<b>14,224</b>

### 14. Expenditure and Income Analysed by Nature

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

	2019/20 £'000	2018/19 £'000
<b>Expenditure/Income</b>		
<b>Expenditure</b>		
Employee benefits expenses	220,391	210,462
Other services expenses	218,824	208,258
Net Contribution to Integration Joint Board	54,077	51,661
Support service recharges	2,089	2,174
Depreciation, amortisation, impairment	51,806	50,769
Interest payments	22,906	22,426
<b>Total Expenditure</b>	<b>570,093</b>	<b>545,750</b>
<b>Income</b>		
Fees, charges and other service income	139,186	131,727
Interest and investment income	2,424	1,409
Taxation and Non-Specific Grant Income	381,175	348,962
Government grants and contributions	43,847	40,486
Gain on the disposal of assets	257	870
<b>Total Income</b>	<b>566,889</b>	<b>523,454</b>
<b>Deficit on the Provision of Services</b>	<b>3,204</b>	<b>22,296</b>

## 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, which are included within the Comprehensive Income and Expenditure Account, are shown below.

	2019/20 Income £'000	2019/20 Expenditure £'000	2018/19 Income £'000	2018/19 Expenditure £'000
<u>Education &amp; Children's Services</u>				
Provision of Pupil Support Assistants to other local authorities	113	113	139	139
<u>Housing and Environment</u>				
Receipts from other local authorities for cross boundary bus services	17	17	16	16
<u>Corporate and Democratic Services</u>				
Income from Scottish Water	444	444	444	444
Totals	<u>574</u>	<u>574</u>	<u>599</u>	<u>599</u>

## 16. External Audit Costs

In 2019/20 Perth and Kinross Council incurred the following fees relating to external audit services provided in accordance with the Code of Audit Practice:

	2019/20 £'000	2018/19 £'000
External Audit Fees	<u>284</u>	<u>277</u>

This includes £3,500 in respect of the audit of charitable trusts where the Council is the sole trustee (2018/19 £3,100).

## 17. Termination Benefits

The Council terminated the contracts of a number of employees in 2019/20, incurring liabilities of £407,000 (£574,000 in 2018/19). These were in relation to 78 officers (97 in 2018/19) from all Services across the Council throughout 2019/20 and will deliver full year recurring savings of approximately £260,000.

## 18. Post-Employment Benefits

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

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

### Pensions Schemes Accounted for as Defined Contribution Schemes

#### Teachers

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

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

In 2019/20, the Council paid £12,590,572 to the Teachers' Pensions scheme in respect of teachers' retirement benefits, representing 23% of pensionable pay. The figures for 2018/19 were £9,608,382 and 17.2%. 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 £208,184 (2018/19 £216,616).

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

### **Local Government Pension Scheme**

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

#### **Benefits**

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

#### **Governance**

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

#### **Principal Risks**

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

#### **Discretionary Post-employment Benefits**

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

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

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

#### **Guaranteed Minimum Pension (GMP) Equalisation**

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

On 22 January 2018, the Government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching

State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016.

The Council's valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, the Council has assumed that the Fund will be required to pay the entire inflationary increase. Therefore, the Council has not made any adjustments to the value placed on the liabilities as a result of the above outcome.

#### McCloud Judgement

On 20 December 2018 the Court of Appeal ruled that transitional arrangements offered to some public sector pension scheme members amounted to unlawful discrimination. This related to new schemes set up in 2015 which typically meant older workers could stay in the existing, more generous schemes, while younger workers had to transfer to the new schemes. In June 2019, the Supreme Court upheld the ruling. The 2018/19 Statement of Accounts included a liability of £5.29m in respect of McCloud which has been included by the Actuaries in the starting position for the estimate of the 2019-20 pension liability and forms part of the remeasurement of the pension liability at 31 March 2020. The potential impact upon the pension liability is currently unknown, however the Actuary has advised that their approach closely replicates the proposed remedy. Any change is therefore unlikely to be material.

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

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

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

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

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

#### **Local Government Pension Scheme**

	2019/20 £'000	2018/19 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- Service Cost	35,748	38,413
Financing and Investment Income and Expenditure		
- Net Interest on the Defined Liability	2,636	2,332
Administration Expenses	265	333
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	<u>38,649</u>	<u>41,078</u>
Remeasurement of the net defined benefit liability comprising:		
Expected return on pension fund assets in excess of interest	61,465	(16,081)
Changes in demographic assumptions	0	(29,344)
Changes in financial assumptions	(79,036)	42,548
Total Post Employment Benefit Credited to the Comprehensive Income & Expenditure Statement	<u>(17,571)</u>	<u>(2,877)</u>
Movement in Reserves Statement		
- Reversal of net charges made to the surplus or deficit on the Provision of Services for post-employment benefits in accordance with the code	<u>(38,649)</u>	<u>(41,078)</u>
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions and direct payments payable to Tayside Pension Fund	<u>18,188</u>	<u>18,107</u>

#### **Pensions Assets and Liabilities Recognised in the Balance Sheet**

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

	31 March 2020 £'000	31 March 2019 £'000
Present Value of the Defined Benefit Obligation	840,283	881,269
Present Value of Unfunded Obligation	21,940	24,271
Closing Defined Benefit Obligation	<u>862,223</u>	<u>905,540</u>
Fair Value of Pension Fund Assets (Bid Value)	<u>(740,791)</u>	<u>(786,998)</u>
<b>Net Liability in Balance Sheet</b>	<u><u>121,432</u></u>	<u><u>118,542</u></u>

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

	31 March 2020 £'000	31 March 2019 £'000
Opening Defined Benefit Obligation	905,540	854,547
Current Service Cost	35,346	30,343
Interest Cost	21,484	21,561
Change in Financial Assumptions	(79,036)	42,548
Change in demographic assumptions	0	(29,344)
Estimated Benefits Paid Net of Transfers In	(25,718)	(26,091)
Past Service Costs (including Curtailments)	402	8,070
Contributions by Scheme Participants	6,082	5,549
Unfunded Pension Payments	(1,877)	(1,643)
Closing Defined Benefit Obligation	<u>862,223</u>	<u>905,540</u>

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

	31 March 2020 £'000	31 March 2019 £'000
Opening Fair Value of Scheme Assets	786,998	756,099
Interest on Assets	18,848	19,229
Return on Assets Less Interest	(61,465)	16,081
Administration Expenses	(265)	(333)
Contributions by Employer Including Unfunded	18,188	18,107
Contributions by Scheme Participants	6,082	5,549
Estimated Benefits Paid Plus Unfunded Net of Transfers (Out)/In	(27,595)	(27,734)
Closing Fair Value of Scheme Assets	<u>740,791</u>	<u>786,998</u>

Perth & Kinross Council's share of Tayside Pension Fund's assets at 31 March 2020 comprised:

	31 March 2020		31 March 2019	
	£'000	%	£'000	%
Equities	489,766	66%	543,619	69%
Gilts	10,276	1%	11,269	1%
Other Bonds	130,895	18%	118,082	15%
Property	91,116	13%	98,247	13%
Cash	18,738	2%	15,781	2%
Total	<u>740,791</u>	<u>100%</u>	<u>786,998</u>	<u>100%</u>

A further breakdown of the assets is as follows:

	29 February 2020	28 February 2019
Equities		
Consumer	7%	10%
Manufacturing	2%	3%
Energy and Utilities	2%	5%
Financial Institutions	10%	13%
Health and Care	5%	6%
Information Technology	7%	7%
Others	11%	14%
Industrials	<u>n/a</u>	<u>n/a</u>
	44%	58%
Debt Securities		
Corporate Bonds	14%	12%
UK Government Bonds	1%	1%
Others	<u>1%</u>	<u>1%</u>
	16%	14%
Property		
UK Property	<u>11%</u>	<u>12%</u>
	11%	12%
Investment Fund Unit Trusts		
Equities	23%	12%
Bonds	<u>3%</u>	<u>2%</u>
	26%	14%
Cash & Cash Equivalents	3%	2%
Total	<u>100%</u>	<u>100%</u>

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham Public Sector Consulting, an independent firm of actuaries. Estimates for the Tayside Pension Fund are based on the latest full valuation of the scheme as at 31 March 2020.

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

	2019/20	2018/19
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
- Men	19.7	19.6
- Women	21.7	21.6
Longevity at 65 for Future Pensioners:		
- Men	21.4	21.3
- Women	23.5	23.4
Rate of Inflation CPI	1.9%	2.4%
Rate of Inflation RPI	2.4%	3.4%
Rate of Increase in Salaries	2.9%	3.4%
Rate of Increase in Pensions	1.9%	2.4%
Rate for Discounting Scheme Liabilities	2.4%	2.4%

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £121,432,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains sound.

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

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 is £15,283,000.

### Change in Accounting Estimate

The derivation of the CPI assumption has changed at 31 March 2020. A long term gap between RPI and CPI of 80 basis points has been proposed, compared to 100 basis points at the prior year end. This results in an estimated increase in the defined benefit obligation of £35,000,000 compared to the approach taken the previous year.

### Sensitivity Analysis

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

Adjustment to discount rate	+0.1%	0.0%	-0.1%
- Present value of total obligation	£845,228,000	£862,223,000	£879,577,000
- Projected Service cost	£30,229,000	£30,986,000	£31,763,000
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
- Present value of total obligation	£864,408,000	£862,223,000	£860,057,000
- Projected Service cost	£31,001,000	£30,986,000	£30,971,000
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
- Present value of total obligation	£877,452,000	£862,223,000	£847,304,000
- Projected Service cost	£31,750,000	£30,986,000	£30,240,000
Adjustment to mortality age rating assumption	+ 1 year	None	-1 year
- Present value of total obligation	£900,667,000	£862,223,000	£825,534,000
- Projected Service cost	£32,048,000	£30,986,000	£29,959,000

## 19. Related Parties

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

### Scottish Government

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

### Tayside Valuation Joint Board

The Tayside Valuation Joint Board provides services on behalf of Perth & Kinross, Angus and Dundee Councils. The Council does not have any direct control or influence over the board and the amount payable to this body for valuation services and electoral registration services was £1,528,000 (2018/19 £1,420,000). £1,248,000 is disclosed in the Comprehensive Income and Expenditure Statement under Valuation Joint Board and £280,000 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 2019/20 is shown in the Remuneration Report. During 2019/20, two councillors had an interest in businesses from which the Council commissioned works and services to the value of £31,487 and £1,424 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.

### Live Active Leisure Ltd

This organisation provides leisure services within the area served by the Council. A grant was provided in 2019/20 amounting to £4,686,000 (2018/19 £4,724,000). It is a sole member Company with the Council as that member.

### Horsecross Arts Ltd

This organisation operates Perth Concert Hall and Perth Theatre. A grant was provided in 2019/20 amounting to £1,280,000 (2018/19 £1,156,000). It is a sole member Company with the Council as that member.

### Culture Perth & Kinross Ltd

This organisation has operated libraries, museums and arts galleries in Perth & Kinross since 1 April 2016. A grant was provided in 2019/20 amounting to £3,256,000 (2018/19 £3,264,000). It is a sole member Company with the Council as that member.

### Tayside Contracts Joint Committee

This organisation provides roads maintenance; catering and cleaning services to the Council. Payments to Tayside Contracts in 2019/20 amounted to £30,166,000 (2018/19 £25,963,000). The Joint Committee is administered and controlled by Dundee City, Angus and Perth & Kinross Councils.

### Health and Social Care Partnership

This organisation is a joint venture between Perth & Kinross Council and Tayside Health Board and has since 1 April 2016 provided an integrated Health and Social Care service. Payments to the Health & Social Care Partnership in 2019/20 amounted to £72,368,000 (2018/19 £69,541,000) and receipts amounted to £18,291,000 (2018/19 £17,880,000).

## 20. Leases

### Council as Lessee

The Council operates a Lease Car Scheme which is available to eligible employees and lease rental payments are recovered from employees. The car leasing agreements are due to expire during the financial years 2020/21 to 2021/22.

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:

	2019/20	2018/19
	£'000	£'000
Not later than one year	162	296
Later than one year and not later than five years	428	757
Later than five years	613	693
	<u>1,203</u>	<u>1,746</u>

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

	2019/20	2018/19
	£'000	£'000
Minimum lease payments	167	311
Sublease payments receivable	(13)	(11)
	<u>154</u>	<u>300</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:

	2019/20	2018/19
	£'000	£'000
Not later than one year	1,302	1,244
Later than one year and not later than five years	4,471	4,351
Later than five years	49,843	47,006
	<u>55,616</u>	<u>52,601</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 2018/19 and 2019/20.

## 21. Property, Plant and Equipment

Movements on Fixed Assets 2019/20 in respect of Property, Plant & Equipment are shown below:

<b>Movements in 2019/20</b>	<b>Council Dwellings £'000</b>	<b>Other Land &amp; Buildings £'000</b>	<b>Vehicles Plant &amp; Equipment £'000</b>	<b>Infrastructure Assets £'000</b>	<b>Community Assets £'000</b>	<b>Sub Total c/fwd £'000</b>
<u>Gross Book Value</u>						
As at 1 April 2019	362,208	589,572	48,205	338,850	20,529	1,359,364
Additions	14,718	54,392	6,705	21,317	2,224	99,356
Revaluation increases recognised in the Revaluation Reserve	0	3,961	0	0	0	3,961
Revaluation decreases recognised in the Revaluation Reserve	(72,820)	(352)	0	0	0	(73,172)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	0	420	0	0	0	420
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	0	(1,772)	0	0	0	(1,772)
Derecognition - disposals	(909)	(467)	(3,635)	0	0	(5,011)
Asset reclassifications	1,401	2,195	0	0	0	3,596
Other Movements	0	1	0	0	0	1
As at 31 March 2020	304,598	647,950	51,275	360,167	22,753	1,386,743
<u>Depreciation</u>						
As at 1 April 2019	(60,527)	(43,786)	(31,985)	(119,666)	(10,318)	(266,282)
Depreciation charge for 2019/20	(12,541)	(18,039)	(6,170)	(11,700)	(1,213)	(49,663)
Depreciation written out to the Revaluation Reserve - revaluation gain	0	56	0	0	0	56
Depreciation written out to the Revaluation Reserve - revaluation loss	67,176	96	0	0	0	67,272
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	0	158	0	0	0	158
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	0	47	0	0	0	47
Derecognition - disposals	909	4	3,579	0	0	4,492
Asset reclassifications	0	87	0	0	0	87
As at 31 March 2020	(4,983)	(61,377)	(34,576)	(131,366)	(11,531)	(243,833)
Net Book Value at 31 March 2020	299,615	586,573	16,699	228,801	11,222	1,142,910

**Property, Plant and Equipment cont'd**
**Movements in 2019/20**

	Sub total b/fwd £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	PFI & DBFM Assets Included in PPE £'000
<u>Gross Book Value</u>					
As at 1 April 2019	1,359,364	110	7,701	1,367,175	134,183
Additions	99,356	18	11,205	110,579	33,137
Revaluation increases recognised in the Revaluation Reserve	3,961	455	0	4,416	3,440
Revaluation decreases recognised in the Revaluation Reserve	(73,172)	(62)	0	(73,234)	0
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	420	230	0	650	0
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(1,772)	(506)	(112)	(2,390)	0
Derecognition - disposals	(5,011)	0	0	(5,011)	0
Asset reclassifications	3,596	1,490	(5,086)	0	555
Other Movements	1	0	0	1	0
As at 31 March 2020	<u>1,386,743</u>	<u>1,735</u>	<u>13,708</u>	<u>1,402,186</u>	<u>171,315</u>
<u>Depreciation</u>					
As at 1 April 2019	(266,282)	0	0	(266,282)	(17,818)
Depreciation charge for 2019/20	(49,663)	0	0	(49,663)	(5,961)
Depreciation written out to the Revaluation Reserve - revaluation gain	56	0	0	56	0
Depreciation written out to the Revaluation Reserve - revaluation loss	67,272	31	0	67,303	0
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	158	0	0	158	0
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	47	56	0	103	0
Derecognition - disposals	4,492	0	0	4,492	0
Asset reclassifications	87	(87)	0	0	0
As at 31 March 2020	<u>(243,833)</u>	<u>0</u>	<u>0</u>	<u>(243,833)</u>	<u>(23,779)</u>
Net Book Value at 31 March 2020	<u>1,142,910</u>	<u>1,735</u>	<u>13,708</u>	<u>1,158,353</u>	<u>147,536</u>

## Property, Plant and Equipment cont'd

### Comparative Movements in 2018/19

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Sub Total c/fwd £'000
<u>Gross Book Value</u>						
As at 1 April 2018	339,412	582,972	45,942	306,489	18,571	1,293,386
Additions	14,359	11,515	5,935	32,361	1,958	66,128
Revaluation increases recognised in the Revaluation Reserve	0	7,454	0	0	0	7,454
Revaluation decreases recognised in the Revaluation Reserve	0	(9,166)	0	0	0	(9,166)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	0	2,344	0	0	0	2,344
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	0	(5,031)	0	0	0	(5,031)
Derecognition - disposals	(1,296)	(516)	(3,672)	0	0	(5,484)
Asset reclassifications	9,733	0	0	0	0	9,733
As at 31 March 2019	362,208	589,572	48,205	338,850	20,529	1,359,364
<u>Depreciation</u>						
As at 1 April 2018	(47,813)	(36,698)	(29,526)	(108,732)	(9,188)	(231,957)
Depreciation charge for 2018/19	(13,972)	(15,635)	(6,021)	(10,934)	(1,130)	(47,692)
Depreciation written out to the Revaluation Reserve - revaluation gain	0	4,381	0	0	0	4,381
Depreciation written out to the Revaluation Reserve - revaluation loss	0	3,146	0	0	0	3,146
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	0	568	0	0	0	568
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	0	452	0	0	0	452
Derecognition - disposals	1,258	0	3,562	0	0	4,820
As at 31 March 2019	(60,527)	(43,786)	(31,985)	(119,666)	(10,318)	(266,282)
Net Book Value at 31 March 2019	301,681	545,786	16,220	219,184	10,211	1,093,082

## Property, Plant and Equipment cont'd

### Comparative Movements in 2018/19

	Sub total b/fwd £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	PFI Assets Included in PPE £'000
<u>Gross Book Value</u>					
As at 1 April 2018	1,293,386	915	8,588	1,302,889	134,152
Additions	66,128	0	10,242	76,370	31
Revaluation increases recognised in the Revaluation Reserve	7,454	0	0	7,454	0
Revaluation decreases recognised in the Revaluation Reserve	(9,166)	0	0	(9,166)	0
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	2,344	40	0	2,384	0
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(5,031)	(280)	0	(5,311)	0
Derecognition - disposals	(5,484)	(165)	(1,396)	(7,045)	0
Asset reclassifications	9,733	0	(9,733)	0	0
Assets reclassified to Held for Sale	0	(400)	0	(400)	0
As at 31 March 2019	<u>1,359,364</u>	<u>110</u>	<u>7,701</u>	<u>1,367,175</u>	<u>134,183</u>
<u>Depreciation</u>					
As at 1 April 2018	(231,957)	0	0	(231,957)	(13,357)
Depreciation charge for 2018/19	(47,692)	0	0	(47,692)	(4,461)
Depreciation written out to the Revaluation Reserve - revaluation gain	4,381	0	0	4,381	0
Depreciation written out to the Revaluation Reserve - revaluation loss	3,146	0	0	3,146	0
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	568	0	0	568	0
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	452	0	0	452	0
Derecognition - disposals	4,820	0	0	4,820	0
As at 31 March 2019	<u>(266,282)</u>	<u>0</u>	<u>0</u>	<u>(266,282)</u>	<u>(17,818)</u>
Net Book Value at 31 March 2019	<u><u>1,093,082</u></u>	<u><u>110</u></u>	<u><u>7,701</u></u>	<u><u>1,100,893</u></u>	<u><u>116,365</u></u>

### Capital Commitments

At 31 March 2020, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years budgeted to cost £30.572m. Similar commitments at 31 March 2019 were £19.949m. The total commitment is made up of the following:

	2019/20 £'000	2018/19 £'000
Education Projects	9,058	12,249
Roads & Bridges Improvement Schemes	3,353	2,268
Flood Prevention	364	95
Council Dwellings	13,404	0
Other Capital Projects	4,393	5,337
	<u>30,572</u>	<u>19,949</u>

## Valuation of Assets

### Revaluations

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

The Council commissioned a valuation for the Council dwellings which was performed during the last quarter of financial year 2019/20. In addition, the Council's internal valuers performed valuations for a number of assets, including Investment properties, and properties requiring revaluation due to redevelopment or a change of use, during the last quarter of financial year 2019/20. In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), a material uncertainty has been declared in the valuation reports. This is due to market uncertainties caused by Covid-19. The Red Book defines material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.'

The valuation reports have been used to inform the measurement of non-current assets in these financial statements. Although the valuers have declared a material valuation uncertainty, the valuers have continued to exercise professional judgement in preparing the valuations and, therefore, this is the best information available to Council as at 31 March 2020 and can be relied upon.

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

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

	Council Dwellings £'000	Other Land and Buildings £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	9,840	34,362	31	44,233
Values at current value as at:				
31 March 2020	294,758	52,014	1,640	348,412
31 March 2019	0	89,333	0	89,333
31 March 2018	0	75,509	0	75,509
31 March 2017	0	250,251	46	250,297
31 March 2016	0	146,481	18	146,499
Total Cost or Valuation	304,598	647,950	1,735	954,283

### Changes in Estimates

The Council has made no material changes to accounting estimates for Property, Plant and Equipment in 2019/20.

## 22. Heritage Assets

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

	2019/20 Art Collection £'000	2019/20 War Memorials £'000	2019/20 Total £'000	2018/19 Art Collection £'000	2018/19 War Memorials £'000	2018/19 Total £'000
Cost or Valuation						
Balance at 1 April	27,733	48	27,781	27,535	46	27,581
Additions	0	0	0	0	2	2
Revaluations	0	0	0	198	0	198
Balance at 31 March	27,733	48	27,781	27,733	48	27,781

### Art Collection

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

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

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

There were no significant additions to Heritage Assets in 2017/18 and 2018/19. In 2018/19, the existing collection of sculptures including pieces such as The Sentry by CS Jagger, Paris by John Gibson and various JD Fergusson sculptures were revalued, resulting in £0.2m being added to the value of Heritage Assets.

#### *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.

### **Further Information on the Museum and Art Gallery Collection**

#### **Art Collection**

##### **Fine and Applied Art**

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

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

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

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

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

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

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

### **23. Investment Properties**

	2019/20 £'000	2018/19 £'000
Rental income from investment property	(998)	(1,052)
Direct operating expenses arising from investment property	81	74
Balance at end of year	<u>(917)</u>	<u>(978)</u>

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

	2019/20 £'000	2018/19 £'000
Balance at start of year	13,095	13,858
Disposals	0	(360)
Net gains/(losses) from fair value adjustments	195	(403)
Balance at end of year	<u>13,290</u>	<u>13,095</u>

All of the Authority's investment properties are valued at Level 2 on the fair value hierarchy. Values as at 31 March 2019 and 31 March 2020 are as follows:

	Other Significant Observable Inputs (Level 2)	
	2019/20	2018/19
	£'000	£'000
Recurring fair value measurements using:		
Industrial and Commercial Land	11,805	11,635
Shops and Offices	1,035	1,160
Other Investment Properties	450	300
Total Fair Value	<u>13,290</u>	<u>13,095</u>

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

### Significant Observable Inputs – Level 2

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

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

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

### Highest and Best Use of Investment Properties

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

### Valuation Techniques

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

### Valuation Process for Investment Properties

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

In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), a material uncertainty has been declared in the valuation reports. This is due to market uncertainties caused by Covid-19. The Red Book defines material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.'

The valuation reports have been used to inform the measurement of Investment properties in these financial statements. Although the valuers have declared a material valuation uncertainty, they have continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to Council as at 31 March 2020 and can be relied upon.

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

## 24. Intangible Assets

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

	2019/20 Assets £'000	2018/19 Assets £'000
Balance at start of year		
Gross carrying amount	2,867	604
Accumulated amortisation	(1,110)	(275)
Net carrying amount at start of year	<u>1,757</u>	<u>329</u>
Additions: Purchases	81	2,263
Amortisation for the period	(859)	(835)
Net carrying amount at end of year	<u>979</u>	<u>1,757</u>
Comprising:		
Gross carrying amounts	2,948	2,867
Accumulated amortisation	(1,969)	(1,110)
	<u>979</u>	<u>1,757</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	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
Balance outstanding at start of year	511	116	798	2,008
Assets newly classified as held for sale:				
- Property, Plant and Equipment	0	400	0	0
Revaluation Losses	0	(5)	0	0
Revaluation Gains	0	0	0	68
Assets sold	(400)	0	(146)	(1,274)
Other movements	15	0	67	(4)
Balance outstanding at year end	<u>126</u>	<u>511</u>	<u>719</u>	<u>798</u>

## 26. Long Term Debtors

	2019/20 £'000	2018/19 £'000
Other Entities & Individuals	981	761
Total	<u>981</u>	<u>761</u>

## 27. Inventories

	Consumables & Maintenance Materials	
	2019/20 £'000	2018/19 £'000
Balance outstanding at start of year	432	445
Purchases	3,089	3,028
Recognised as an expense in the year	(3,052)	(2,945)
Written off balances	1	(96)
Balance outstanding at end of year	<u>470</u>	<u>432</u>

## 28. Debtors

	2019/20 £'000	2019/20 £'000	2018/19 £'000	2018/19 £'000
	Gross	Net	Gross	Net
Scottish Government		7,804		6,415
Central Government		3,739		4,879
Other Local Authorities		364		427
NHS Bodies		1,628		492
Public Corps & Trading funds		376		111
Other Entities & Individuals	13,887		14,132	
less Impairment	<u>(8,280)</u>		<u>(8,947)</u>	
		5,607		5,185
Trade	5,592		7,333	
less Impairment	<u>(1,022)</u>		<u>(914)</u>	
		4,570		6,419
Council Tax & Community Charge	17,026		16,862	
less Impairment	<u>(13,260)</u>		<u>(13,302)</u>	
		3,766		3,560
Total		<u>27,854</u>		<u>27,488</u>

## 29. Creditors

	2019/20 £'000	2018/19 £'000
Scottish Government	(2,168)	(393)
Central Government	(5,446)	(5,926)
Other Local Authorities	(450)	(736)
NHS Bodies	(204)	(364)
Public Corporations and Trading Funds	(487)	(474)
Other Entities and Individuals	(24,063)	(20,259)
Trade Creditors	(26,323)	(31,437)
Total	<u>(59,141)</u>	<u>(59,589)</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 2020.

### Compensation Payments

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

## Commercial Rent

The Council manages the rental leases for a number of commercial properties. The Council had previously made provision for rent refunds due to the downturn in the economic climate affecting retail trading performance. The provision at 31 March 2020 is to meet any potential liability for the years 2018/19 and 2019/20.

	Self Insured/ Uninsured Losses £'000	Compensation Payments £'000	Commercial Rent £'000	Total £'000
Balance as at 1 April 2019	1,407	1,472	40	2,919
Additional provisions made in 2019/20	609	584	20	1,213
Amounts used in 2019/20	(649)	(190)	(20)	(859)
Balance as at 31 March 2020	<u>1,367</u>	<u>1,866</u>	<u>40</u>	<u>3,273</u>
Balance Sheet Disclosure:				
Less than 12 months	437	577	20	1,034
Over 12 months	930	1,289	20	2,239
	<u>1,367</u>	<u>1,866</u>	<u>40</u>	<u>3,273</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

	2019/20 £'000	2018/19 £'000
Revaluation Reserve	(267,918)	(276,144)
Capital Adjustments Account	(346,950)	(324,324)
Financial Instruments Adjustment Account	19,101	19,825
Pensions Reserve	121,432	118,542
Employee Statutory Adjustment Account	6,403	5,515
Total Unusable Reserves	<u>(467,932)</u>	<u>(456,586)</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.

	2019/20 £'000	2018/19 £'000
Balance at 1 April	(276,144)	(277,711)
Upward revaluation of assets	(4,472)	(12,033)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	5,931	6,025
	<u>(274,685)</u>	<u>(283,719)</u>
Difference between fair value depreciation and historical cost depreciation	6,634	7,550
Accumulated gains on assets sold or scrapped	133	25
Amount written off to the Capital Adjustment Account	6,767	7,575
Balance at 31 March	<u>(267,918)</u>	<u>(276,144)</u>

### Capital Adjustment Account

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

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

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

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

	2019/20 £'000	2018/19 £'000
Balance at 1 April	(324,324)	(324,280)
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	49,663	47,692
Revaluation losses on Property, Plant and Equipment	1,479	1,839
Amortisation of intangible assets	859	835
Amounts of non current assets written off on disposal as part of the gain/loss	1,065	3,859
	<u>(271,258)</u>	<u>(270,055)</u>
Adjusting amounts written out of the Revaluation Reserve	<u>(6,767)</u>	<u>(7,575)</u>
	<u>(278,025)</u>	<u>(277,630)</u>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,255)	(2,307)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(44,160)	(22,354)
Application of grants to capital financing from the Capital Grants Unapplied Account	(3,493)	0
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(16,181)	(17,001)
Capital expenditure charged against the general fund and HRA balances	<u>(3,641)</u>	<u>(5,435)</u>
	<u>(346,755)</u>	<u>(324,727)</u>
Movements in the fair value of the Investment Properties	(195)	403
Balance at 31 March	<u><u>(346,950)</u></u>	<u><u>(324,324)</u></u>

### Financial Instruments Adjustment Account

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

The Council uses the Account to manage the balance of premiums and discounts which existed at 31 March 2007, which arose on the early redemption of loans. These are charged to the General Fund and Housing Revenue Account (HRA) in accordance with statutory provisions, and so spreading the burden on Council Tax and Housing Rents. These statutory arrangements allow for the annual charges to be made in accordance with the original amortisation schedules which existed at that time.

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

Accordingly, the balance on the FIAA as at 31 March 2020 in respect of the above provisions will be charged to the General Fund and HRA over the next 48 years. The movements on the FIAA during the year are shown below:

	2019/20 £'000	2018/19 £'000
Balance at 1 April	19,825	20,548
Proportion of discounts incurred in previous financial years credited against the General Fund & HRA Balance in accordance with statutory requirements in the year	4	4
Proportion of premiums incurred in previous financial years charged against the General Fund & HRA Balance in accordance with statutory requirements in the year	(711)	(711)
Difference on restatement of Stepped Interest Rate Loans	(17)	(16)
Balance at 31 March	<u>19,101</u>	<u>19,825</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.

	2019/20 £'000	2018/19 £'000
Balance at 1 April	118,542	98,448
Actuarial Losses on Pensions Assets and Liabilities	(17,571)	(2,877)
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	38,649	41,078
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(18,188)	(18,107)
Balance at 31 March	<u>121,432</u>	<u>118,542</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.

	2019/20 £'000	2018/19 £'000
Balance at 1 April	5,515	4,898
Cancellation of accrual made at the end of the preceding year	(5,515)	(4,898)
Amounts accrued at the end of the current year	6,403	5,515
Balance at 31 March	<u>6,403</u>	<u>5,515</u>

## **33. Impairment Losses**

Movements in the value of properties during the year were mainly due to the revaluation of Council Dwellings with various individual operational buildings such as Industrial Units, Offices and Shops and Investment Properties also being revalued within 2019/20. One revaluation loss for £112,000 has been treated as an impairment due to a project change which has resulted in the derecognition of historic capital expenditure. Any other 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 2019/20.

	2019/20	2018/19
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Scottish Government	42,451	22,687
Scottish Government Bodies & Directorates	312	263
Developer Contributions	1,402	1,455
Other Third Party Contributions	2,097	1,442
	<u>46,262</u>	<u>25,847</u>
<b>Credited to Services</b>		
Scottish Government	18,842	10,767
Scottish Government Directorates (incl Historic Scotland, NHS)	156	442
Sport Scotland	398	52
Local Authority	0	112
Other Scottish Government Bodies	240	452
Other Third Party Contributions	1,367	664
	<u>21,003</u>	<u>12,489</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.

	2019/20	2018/19
	£'000	£'000
Capital Financing Requirements b/fwd	540,265	513,013
<u>Capital Expenditure</u>		
Property, Plant & Equipment	110,661	78,635
Intangible Assets	81	0
Revenue Expenditure funded from Capital	<u>1,709</u>	<u>1,771</u>
	<u>112,451</u>	<u>80,406</u>
	<u>652,716</u>	<u>593,419</u>
<u>Sources of Finance</u>		
Capital Receipts	(1,260)	(3,335)
Government Grants and Contributions	(47,971)	(27,383)
Revenue Contributions	(3,641)	(5,435)
Loans Fund Principal Repayments	<u>(16,182)</u>	<u>(17,001)</u>
	<u>(69,054)</u>	<u>(53,154)</u>
Closing Capital Financing Requirement c/fwd	<u>583,662</u>	<u>540,265</u>
Movement	43,397	27,252
<u>Analysed as:</u>		
Increase in need to borrow	15,437	31,725
Net assets acquired under PPP contract	<u>27,960</u>	<u>(4,473)</u>
	<u>43,397</u>	<u>27,252</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 2019/20 for the office accommodation was £2,415,000 (2018/19 £2,416,000). In 2015/16 the facilities management element of the service charge was renegotiated resulting in a reduced unitary charge payment.

The unitary charge for 2019/20 for the car park was £380,000 (2018/19 £344,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2020/21 for the office accommodation will be £2,470,000 and for the car park is £363,000.

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

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

The unitary charge for 2019/20 for the campuses operating in the year was £16,984,000 (2018/19 £16,564,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2020/21 for all school campuses will be £17,445,000.

During 2019/20 the Council incurred an obligation for Bertha Park High School with the asset and liability recognised in the Statement of Accounts. The unitary charge for 2019/20 for the part year was £2,169,000 (2018/19 £nil).

Future agreed payments will increase in line with inflation. The unitary charge for 2020/21 for Bertha Park will be £3,044,000.

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

	2019/20	2018/19
	£'000	£'000
Net Book Value at 1 April 2019	116,365	120,795
Additions	33,137	31
Reclassification	555	0
Revaluations	3,440	0
Depreciation	(5,961)	(4,461)
Net Book Value at 31 March 2020	<u>147,536</u>	<u>116,365</u>

Movements in Public Private Partnership Liabilities during the year were:

	2019/20	2018/19
	£'000	£'000
Liabilities at 1 April 2019	109,225	113,698
Additional liabilities	33,047	0
Amounts repaid in year	(5,085)	(4,473)
Liabilities at 31 March 2020	<u>137,187</u>	<u>109,225</u>
Disclosed in the Balance Sheet as:		
Long Term Liabilities	132,214	104,752
Creditors	4,973	4,473
Liabilities at 31 March 2020	<u>137,187</u>	<u>109,225</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	4,973	7,046	6,654	2,443	2,175	23,291
Due in 2 to 5 years	23,594	24,647	28,621	9,959	11,292	98,113
Due in 6 to 10 years	22,319	23,084	37,482	19,741	17,667	120,293
Due in 11 to 15 years	28,841	17,357	42,554	18,528	26,101	133,381
Due in 16 to 20 years	38,228	9,639	48,547	17,171	36,118	149,703
Due in 21 to 25 years	19,232	1,681	17,567	7,790	12,904	59,174
Due in 26 to 30 years	0	0	0	0	0	0
Total	<u>137,187</u>	<u>83,454</u>	<u>181,425</u>	<u>75,632</u>	<u>106,257</u>	<u>583,955</u>

These figures are based on the actual cash amount estimated to be payable and not on prices at 31 March 2020.

### 37. Authorisation of Annual Accounts

The Unaudited Annual Accounts were authorised for issue by the Head of Finance on 29 June 2020 and the Audited Annual Statements were authorised for issue on 16 September 2020. 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 2020, 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 remains uncertainty as to whether the remaining assets of the TRC Insurance Fund will 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 Council has a number of contracts for the upgrade and redevelopment of buildings and infrastructure. Claims relating to compensation for works and land purchases for several schemes are currently being negotiated or refuted, however, no reliable estimate can be made at this time in respect of any potential amount to be paid by or to be received by the Council.

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

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

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

There has been considerable interruption to Council business due to the restrictions arising from Covid-19, with impact upon all Council services. The increased level of uncertainty remains, and it is not possible to predict the potential consequences which may arise from the Covid-19 restrictions.

A recent employment tribunal case (Goodwin v Department for Education) resulted in the issue of a UK Government Written Ministerial Statement on 20 July 2020 in respect of survivor benefits payable from the Teachers' Pension Scheme in England. Survivor benefits payable to male survivors of females in opposite sex marriages will now be equal to those payable to other categories of survivor.

The Statement has implications for other public service pensions schemes and changes will also be required to devolved schemes, including the Local Government Pension Scheme. The potential impact upon the pension liability for the Council is currently unknown.

### 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 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000
<b>Borrowings</b>						
Financial liabilities at amortised cost	535,038	372,580	28,786	18,187	563,824	390,767
Total borrowings	<u>535,038</u>	<u>372,580</u>	<u>28,786</u>	<u>18,187</u>	<u>563,824</u>	<u>390,767</u>
<b>Investments</b>						
Loans and receivables	922	654	207,243	47,978	208,165	48,632
Total investments	<u>922</u>	<u>654</u>	<u>207,243</u>	<u>47,978</u>	<u>208,165</u>	<u>48,632</u>

Lender Option Borrower Option (LOBO) borrowings of £44.408m have been included in long term borrowing as at 31 March 2020 but have a call date in the next 12 months.

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

### Financial Instruments Gains / Losses

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

	Financial Liabilities	Financial Assets		
	Liabilities measured at amortised cost £'000	Loans and receivables £'000	Total 2019/20 £'000	Total 2018/19 £'000
Interest expense	14,326	0	14,326	12,489
Interest payable and similar charges	14,326	0	14,326	12,489
Interest income	0	(1,517)	(1,517)	(467)
Interest and investment income	0	(1,517)	(1,517)	(467)
Losses on revaluation	33	0	33	16
Surplus arising on revaluation of financial assets	33	0	33	16
Net loss/(gain) for the year	<u>14,359</u>	<u>(1,517)</u>	<u>12,842</u>	<u>12,038</u>

## Fair Value of Liabilities Carried at Amortised Cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet as at 31 March 2020 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 2020, using bid prices where applicable.

The calculations are made with the following assumptions:

- For Public Works Loans Board (PWLB) debt, the discount rates used are the rates for new borrowing as per rate sheet number 128/20.
- For other market debt and investments the discount rates used are the rates available for an instrument with the same terms from a comparable lender.
- Interpolation techniques have been used between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values have been calculated for all instruments in the portfolio, but only those which are materially different from the carrying value have been disclosed.

The fair values are calculated as follows:

	31 March 2020		31 March 2019	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Public Works Loans Board (PWLB)	500,316	518,866	342,051	405,022
Lender Option Borrower Option (LOBO)	44,784	63,280	44,795	66,660
Short term borrowing	154	159	410	427
Other (Special Loans)	16,433	16,434	1,374	1,374
Other Market Loans	2,137	2,138	2,137	2,138
Financial Liabilities	563,824	600,877	390,767	475,621

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

For comparison, if the Council were to have repaid all the loans to the PWLB on the balance sheet date, a total of £861.7m 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 2020		31 March 2019	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Cash (including petty cash)	67,611	67,611	22,503	22,503
Deposits with Banks and Building Societies	139,395	139,395	25,317	25,317
Mortgages	287	287	117	117
Loans to Others	872	872	695	695
Financial Assets	208,165	208,165	48,632	48,632

The fair value is the same as the carrying amount in 2019/20 as the carrying amount reflects the prevailing interest rates.

## Nature and Extent of Risks Arising from Financial Instruments

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

### (i) Credit Risk

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

Under the terms of the Council's approved Treasury policy, only the highest rated banks and financial institutions are used. Accordingly, the expected credit loss on such deposits is deemed negligible, and no expected credit loss provision has been provided in the Income & Expenditure account for 2019/20 (2018/19 nil) on the grounds of immateriality. Applying historic default rates for the counterparties used by the Council as at 31 March 2020 shows the expected credit loss to be less than 0.02% 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 2020	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2020	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with banks and other financial institutions	206,912	0	0	0
Loans to Others	1,159	0	0	0
Debtors	9,379	13.1	13.1	1,229
Total	217,450	-	-	1,229

The Council's overall exposure to credit risk in relation to its deposits in banks and other financial institutions of £206.9m above cannot be assessed generally, as the risk of non-payment of the principle sums or interest is specific to each individual institution. Experience indicates that any such non-payment is rare, and there is no evidence that any risk of default existed at 31 March 2020. The repayment profile of these deposits, including loans to others, is shown below:

	31 March 2020 £'000	31 March 2019 £'000
Less than three months	75,853	28,619
Three to six months	106,990	9,523
Six months to one year	24,069	12,769
Total	206,912	50,911

### Loans to Others

The Council initiates a legal charge on property where, for example, clients require assistance with payment of care fees, but cannot pay immediately until such time as their property is sold. The total amount outstanding as at 31 March 2020 in this category is £872,000 and experience of default is minimal. The Council has granted mortgages for essential property repairs in shared ownership properties as well as 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 2020 is £287,000 with no experience of default. The total amount of Loans to Others of £1,159,000 can be analysed as follows:

	31 March 2020 £'000	31 March 2019 £'000
Less than three months	59	39
Three to six months	59	39
Six months to one year	119	80
More than one year	922	654
Total	1,159	812

## Debtors

The Council does not generally allow credit for customers, such that £7.757m of the £9.379m balance is past its due date for payment.

	31 March 2020 £'000	31 March 2019 £'000
Less than three months	2,673	4,294
Three to six months	373	799
Six months to one year	1,944	1,007
More than one year	2,767	1,830
<b>Total</b>	<b>7,757</b>	<b>7,930</b>

## (ii) Liquidity Risk

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

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

Loans outstanding	On 31 March 2020 £'000	On 31 March 2019 £'000
Public Works Loans Board	498,000	340,000
Market debt	43,368	43,635
Temporary borrowing	16,433	1,372
Local bonds	2,124	2,124
Bank Overdraft	0	3,127
<b>Total</b>	<b>559,925</b>	<b>390,258</b>
Less than 1 year	26,085	18,890
Between 1 and 2 years	12,500	7,528
Between 2 and 5 years	26,140	25,640
Between 5 and 10 years	37,500	40,500
Between 10 and 15 years	0	0
More than 15 years	457,700	297,700
<b>Total</b>	<b>559,925</b>	<b>390,258</b>

In the more than 15 years category there are £44.408m of LOBO borrowings which have a call date in the next 12 months.

## (iii) Market Risk

### Interest rate risk

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

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

- Reductions in interest rates will affect interest earned on variable rate investments, and reduces income credited to the Comprehensive Income and Expenditure Statement. There would only be a small reduction in the interest payable on variable rate borrowing.
- Increases in interest rates will affect interest paid on variable rate borrowings, and increases interest expense charged to the Comprehensive Income and Expenditure Statement, but offset by increased investment returns.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the balance sheet for assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the balance sheet for any assets held at fair value in the balance sheet, which would also be reflected in the Comprehensive Income & Expenditure Statement. However, no such assets at fair value were held by the Council as at 31 March 2020.

- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the balance sheet for liabilities held at amortised cost, but will impact on the disclosure note for fair value.

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

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

According to this assessment strategy, at 31 March 2020, 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	618
Increase in interest receivable on variable rate investments	(1,405)
Impact on Comprehensive Income and Expenditure Statement	(787)
Share of overall impact credited to the HRA	(193)

The impact of a 1% fall in interest rates would have been an estimated cost of £1,405,000 to the Council as a result of a reduction in investment income, whilst it would be unlikely that the lenders of the market loans borrowed would pass on the reduction in rates payable. However, there would be a reduction of £186,000 payable on other loans. Therefore the net cost of a 1% fall in interest rates would be £1,219,000, of which £299,000 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 2020 includes net surplus funds of £1,224,000 (31 March 2019 £1,067,000) in respect of schools participating in the Devolved School Management scheme. There are a number of schools with surpluses totalling £1,227,000 and a number of schools carrying forward deficits amounting to £3,000. These surpluses and deficits are earmarked in 2019/20 for the individual schools concerned.

There is Pupil Equity Funding from the Scottish Government of £686,000 which is being carried forward to 2020/21 for schools within the Council's earmarked general fund balances.

### **41. Operating Activities**

The cash flows for operating activities include the following items:

	2019/20 £'000	2018/19 £'000
Interest received	(696)	(444)
Interest paid	22,692	19,939
	<u>21,996</u>	<u>19,495</u>

### **42. Investing Activities**

	2019/20 £'000	2018/19 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(80,993)	(77,699)
Purchase of short-term and long-term investments	(180,412)	(74,544)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,322	4,889
Proceeds of short-term and long-term investments	66,334	69,764
Other receipts for investing activities	46,262	25,847
	<u>(147,487)</u>	<u>(51,743)</u>

#### 43. Financing Activities

	2019/20 £'000	2018/19 £'000
Cash receipts of short and long-term borrowing	217,564	101,188
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(5,086)	(4,473)
Repayments of short and long-term borrowing	(44,500)	(71,185)
Net cash flows from financing activities	<u>167,978</u>	<u>25,530</u>

#### 44. Cash and Cash Equivalents

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

	2019/20 £'000	2018/19 £'000
Cash held by officers	47	36
Bank current accounts	47	(3,127)
Short-term deposits with banks	67,517	25,594
Total cash and cash equivalents	<u>67,611</u>	<u>22,503</u>

#### 45. Trust Funds

Perth & Kinross Council administers a number of Charitable Funds of varying sizes. The Income and Expenditure Account and Balance Sheet are detailed on page 83.

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

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

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

	31 March 2020 £'000	31 March 2019 £'000
<b>Educational Trust - Financial Assistance</b>		
Net assets	829	915
Net Incoming/(Outgoing) Resources before other recognised gains and losses	1	(2)
<b>Educational Trust - Endowments</b>		
Net assets	45	53
Net Incoming/(Outgoing) Resources before other recognised gains and losses	0	0
<b>Other Charitable Trusts</b>		
Net assets	1,633	1,744
Net Incoming Resources before other recognised gains and losses	31	22
<b>TOTAL Net Assets</b>	<b>2,507</b>	<b>2,712</b>
<b>TOTAL Net Incoming Resources before other recognised gains and losses</b>	<b>32</b>	<b>20</b>

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

## 46. The Statutory Loans Fund

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

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

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

The value of Loans Fund advances outstanding at 31 March 2020 is £447,163,000. This is made up as follows:

	Advances 1 April 2019 £'000	Repaid 2019/20 £'000	New Advances 2019/20 £'000	Advances 31 March 2020 £'000
General Fund	284,098	(3,983)	10,934	291,049
Prudential Borrowing	44,273	(2,677)	2,971	44,567
Sub Total	328,371	(6,660)	13,905	335,616
HRA	103,354	(4,435)	12,628	111,547
Total	431,725	(11,095)	26,533	447,163

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

	General Fund £'000	Prudential Borrowing £'000	Sub Total: General Fund £'000	Housing Revenue Account £'000	Total £'000
Within 1 Year	3,237	2,660	5,897	3,484	9,381
Between 1 and 2 Years	2,994	2,505	5,499	3,556	9,055
Between 2 and 5 Years	7,245	5,715	12,960	11,191	24,151
Between 5 and 10 Years	2,843	4,754	7,597	16,834	24,431
Between 10 and 15 Years	(4,950)	3,603	(1,347)	21,064	19,717
Between 15 and 20 Years	23,807	3,437	27,244	14,487	41,731
Between 20 and 25 Years	29,295	3,193	32,488	4,049	36,537
More than 25 Years	226,578	18,700	245,278	36,882	282,160
Total	291,049	44,567	335,616	111,547	447,163

Comparison of the capital advances above with capital debt of £541.228m shows that the Council's borrowing is around £94m higher than immediate requirements as at 31 March 2020. This reflects the strategy adopted over the last year of undertaking new borrowing at historic low rates in order to fund the large Capital Financing Requirement over the next few years. This strategy reduces the risks of funding this requirement in future years as interest rates rise and provides budget certainty for future interest rates at a low level.

The latest approved General Fund (Composite) Capital Budget and Housing Investment Programme includes the amount of capital expenditure to be funded by borrowing (i.e. new Loans Fund advances) in each of the next 9 years is as follows:

	General Fund	Housing Investment Programme	Total
	£'000	£'000	£'000
2020/21	55,473	15,939	71,412
2021/22	95,426	4,259	99,685
2022/23	123,296	4,222	127,518
2023/24	34,015	7,619	41,634
2024/25	13,208	19,022	32,230
2025/26	13,023	0	13,023
2026/27	9,984	0	9,984
2027/28	7,878	0	7,878
2028/29	9,095	0	9,095
Total	<u>361,398</u>	<u>51,061</u>	<u>412,459</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. The Council will consider a new Capital Budget later this year.

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

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

2018/19		2019/20		
£'000		£'000	£'000	£'000
	<b>Income</b>			
(26,559)	Dwelling Rents	(27,205)		
374	less Voids	387		
			(26,818)	
(571)	Non-Dwelling Rents	(567)		
47	less Voids	39		
			(528)	
(627)	Other Income		(683)	
(27,336)	<b>Total Income</b>			(28,029)
	<b>Expenditure</b>			
7,700	Repairs & Maintenance		6,358	
9,132	Supervision & Management		12,479	
14,227	Depreciation, impairment and revaluation losses on non current assets		12,641	
67	Movement in the Impairment of Debtors		173	
1,601	Other expenditure		248	
32,727	<b>Total Expenditure</b>			31,899
5,391	<b>Net Expenditure for HRA Services as included in the Comprehensive Income and Expenditure Statement</b>			3,870
343	HRA services' share of Corporate and Democratic Core			325
5,734	<b>Net Expenditure for HRA Services</b>			4,195
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(108)	Gain on sale of HRA Non-Current Assets			(124)
2,882	Interest payable and similar charges			3,148
(16)	Interest and investment income			(13)
176	Net Interest on the net defined benefit liability			195
(3,673)	Capital Grants and Contributions Receivable			(10,604)
4,995	<b>Deficit/(Surplus) for the year on HRA services</b>			(3,203)

## 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>2018/19</u> <u>£'000</u>		<u>2019/20</u> <u>£'000</u>	<u>2019/20</u> <u>£'000</u>
(1,000)	Balance on the HRA at the end of the Previous Year		(1,000)
4,995	Deficit/(Surplus) for the year on the HRA Income and Expenditure Account	(3,203)	
<u>(4,035)</u>	Adjustments between Accounting Basis and Funding Basis Under Statute	<u>3,403</u>	
<u>960</u>	Net Decrease before Transfers to or from Reserves	200	
(960)	Transfer from Reserves	<u>(200)</u>	
0	Movement in Year on the HRA		0
<u>(1,000)</u>	Balance on the HRA at the end of the Current Year		<u>(1,000)</u>

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

<u>2018/19</u> <u>£'000</u>		<u>2019/20</u> <u>£'000</u>	<u>2019/20</u> <u>£'000</u>
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
108	Gain on sale of HRA Non-current assets	124	
(14,227)	Depreciation and impairment of non current assets	(12,641)	
	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement		
3,673	Adjustments involving Short Term Accumulated Absences Account	10,604	
(64)	Reversal of items relating to retirement benefits credited to the Comprehensive Income and Expenditure Statement	51	
<u>(2,713)</u>		<u>(2,600)</u>	
(13,223)			(4,462)
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		
1,164	Employer's pension contributions and direct payments to pensioners payable in the year	1,163	
172	Adjustments involving the Financial Instruments Adjustment Account	177	
4,022	Statutory provision for the repayment of debt	4,436	
3,830	Capital expenditure charged to the HRA balances	2,089	
<u>9,188</u>		<u>7,865</u>	
<u>(4,035)</u>	<b>Net additional amount required by statute to be (credited)/debited to the HRA Balance for the year</b>		<u>3,403</u>

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

### 1. Housing Stock at 31 March 2020

	No. of Dwellings 31 March 2020	<i>No. of Dwellings 31 March 2019</i>
Sheltered accommodation	285	285
Detached/Semi-Detached/Terraced	3,671	3,640
High Rise Flats	136	136
Tenement Flats/Other Flats/Maisonettes	3,587	3,575
Total	<u>7,679</u>	<u>7,636</u>

### 2. Rent Arrears at 31 March 2020

	Gross Arrears 31 March 2020		<i>Gross Arrears 31 March 2019</i>	
	£'000	% of Income	£'000	% of Income
Houses	1,982	7.3	1,745	6.6
Other Subjects	<u>27</u>	<u>4.7</u>	<u>47</u>	<u>8.3</u>
Totals	<u>2,009</u>	<u>7.2</u>	<u>1,792</u>	<u>6.8</u>

### 3. Impairment of Debtors

In 2019/20 an impairment of £1,365,498 has been provided in the Balance Sheet, an increase of £172,515 from the impairment in 2018/19.

## COUNCIL TAX INCOME ACCOUNT

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

<u>2018/19</u>			<u>2019/20</u>
£'000			£'000      £'000
97,595	<b>Gross Charge</b>		102,678
(3,389)	Deduct - Exemptions		(3,594)
(152)	Disabled Relief		(163)
(7,049)	Discounts and Reductions		(7,401)
(6,164)	Council Tax Reduction Scheme		(6,157)
80,841	<b>Net Council Tax</b>		85,363
	Deduct -		
(6)	Ministry Of Defence Properties	(7)	
6	Contribution Received	7	0
(1,083)	Provision for Bad and Doubtful Debts		(1,456)
79,758	<b>Total Council Tax Income</b>		83,907
(90)	Adjustments for prior years for Council Tax and Community Charge		(359)
79,668	<b>Total Council Tax / Community Charge Income to Comprehensive I&amp;E Statement</b>		83,548

## THE ACCOMPANYING NOTES TO THE COUNCIL TAX INCOME ACCOUNT

### 1. CALCULATION OF THE COUNCIL TAX BASE AT 31 MARCH 2020

	A	B	C	D	E	F	G	H	2019/20 TOTAL	2018/19 TOTAL
No. of Properties	8,752	14,887	12,492	11,010	11,768	7,776	6,287	688	73,660	72,839
Exemptions	(789)	(715)	(521)	(339)	(267)	(119)	(94)	(26)	(2,870)	(2,864)
Disabled Relief	75		6	40	(34)	5	(87)	(5)	0	0
Discounts	(1,376)	(1,961)	(1,382)	(1,102)	(912)	(458)	(299)	(60)	(7,550)	(7,425)
Effective No. of Properties	6,662	12,211	10,595	9,609	10,555	7,204	5,807	597	63,240	62,550
Ratio	240/360	280/360	320/360	360/360	473/360	585/360	705/360	882/360		
Band D Equivalents	4,438	9,498	9,418	9,609	13,867	11,707	11,373	1,463	71,373	70,510
Contributions in lieu									7	6
TOTAL									71,380	70,516
Provision for non-payment at 2.0% (2018/19 2.0%)									(1,428)	(1,410)
COUNCIL TAX BASE									69,952	69,106

### 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 2019/20 are set out below:

Valuation Band	Property Valuation Range	Fraction of band D	2019/20 Actual Charge	2018/19 Actual Charge
A	£0 - £27,000	240/360	£842.67	£810.67
B	£27,001 - £35,000	280/360	£983.11	£945.78
C	£35,001 - £45,000	320/360	£1,123.56	£1,080.89
D	£45,001 - £58,000	360/360	£1,264.00	£1,216.00
E	£58,001 - £80,000	473/360	£1,660.76	£1,597.69
F	£80,001 - £106,000	585/360	£2,054.00	£1,976.00
G	£106,001 - £212,000	705/360	£2,475.33	£2,381.33
H	Over £212,000	882/360	£3,096.80	£2,979.20

## 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.

2018/19		2019/20	
£'000		£'000	£'000
79,935	<b>Gross Rate Levied</b>		81,886
(352)	Transitional Relief		(138)
			<u>81,748</u>
	Deduct:		
(2,640)	Rate Rebates	(2,617)	
(19,682)	Reliefs, Charities etc.	(21,133)	
(187)	Provision for Bad and Doubtful Debts	(366)	
			<u>(24,116)</u>
	Adjustments to Previous Years:		
(611)	Gross Rate Levied	(1,305)	
5	Transitional Surcharge/Relief	256	
(173)	Reliefs, Charities etc.	(604)	
(60)	Impairment for Bad and Doubtful Debts and Abatements	(166)	
			<u>(1,819)</u>
<u>56,235</u>	<b>Net Non Domestic Rate Income</b>		<u>55,813</u>
(56,437)	Contribution to National Non Domestic Rate Pool	(56,016)	
<u>51,953</u>	Contribution from National Non Domestic Rate Pool	<u>56,590</u>	
(4,484)	Net contribution from/(to) National Non Domestic Rate Pool		574
<u>51,751</u>	<b>Total Non Domestic Rate Income (before Council retentions)</b>		<u>56,387</u>
42	Non-Domestic Rate Income Retained by Council (Business Rates Incentivisation Scheme)		0
<u>51,793</u>	<b>Total Non Domestic Rate Income to Comprehensive Income and Expenditure Statement</b>		<u>56,387</u>
<u>202</u>	Discretionary Relief funded by the Council		<u>202</u>

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

### 1. NON DOMESTIC RATES

All non domestic rate income collected by Scottish local authorities is paid into a national pool. It is redistributed to authorities in proportion to the resident population in each authority's area and therefore bears no direct relationship to the amount collected by those authorities. The rate poundage set by the Scottish Government for 2019/20 was 49.0p (2018/19 48.0p).

The Small Business Bonus Scheme, introduced from 1 April 2008, provides relief to businesses based on their combined rateable value. From 1 April 2014 the combined rateable value threshold has been set at £35,000 with relief available on all individual properties with a rateable value of £18,000 or less. Subject to eligibility, this provides relief of between 25% and 100%. This scheme replaced the Small Business Rates Relief Scheme.

A supplement of 2.6p (2018/19 for 2.6p) was charged on properties with a rateable value of over £51,000 (£51,000 for 2018/19) to contribute towards the additional cost of the scheme.

### 2. RATEABLE SUBJECTS AND VALUES

<i>No. of Subjects at 1 April 2018</i>	<i>Rateable Value £'000 at 1 April 2018</i>		<i>No. of Subjects at 1 April 2019</i>	<i>Rateable Value £'000 at 1 April 2019</i>
1,673	36,305	Shops	1,686	36,772
86	1,800	Public Houses	86	1,799
1,052	14,245	Offices (including banks)	1,057	14,051
232	13,675	Hotels etc.	234	13,917
1,592	23,086	Industrial Subjects etc.	1,692	23,390
1,653	11,484	Leisure, Entertainment, Caravans etc.	1,789	11,662
152	4,788	Garages and Petrol Stations	154	4,937
62	1,400	Cultural	58	1,361
1,402	3,049	Sporting Subjects	1,396	2,984
122	15,243	Education and Training	118	15,117
410	8,061	Public Service Subjects	412	8,071
1	0	Communications	1	0
22	406	Quarries, Mines etc.	21	406
2	3,597	Petrochemical	2	3,597
247	1,676	Religious	246	1,690
113	6,716	Health, Medical	112	6,664
725	1,811	Other	717	1,883
63	3,150	Care Facilities	66	3,209
36	120	Advertising	35	118
82	11,923	Undertaking	86	11,062
<b>9,727</b>	<b>162,535</b>	<b>Total</b>	<b>9,968</b>	<b>162,690</b>

## CHARITABLE TRUSTS

The Council administers Perth & Kinross Educational Trust and various other Charitable Trusts and Endowments. The figures below summarise the aggregate income and expenditure for the year and the assets and liabilities at 31 March 2020.

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2020

	2019/20 £'000	2019/20 £'000	2018/19 £'000
<b>INCOMING RESOURCES</b>			
Incoming resources from generated funds:			
Investment Income	116		118
<b>Total Incoming Resources</b>		116	118
<b>RESOURCES EXPENDED</b>			
Costs of generating funds:			
Investment management costs	9		13
Charitable activities	61		74
Governance costs	9		9
Reorganisation of trusts	5		2
<b>Total Resources Expended</b>		84	98
<b>Net Incoming Resources Before Other Recognised Gains &amp; Losses</b>		32	20
<b>OTHER RECOGNISED GAINS</b>			
Gain/(Losses) on Investment assets		(237)	62
<b>Net Movement in Funds for the Year</b>		(205)	82
<b>RECONCILIATION OF FUNDS</b>			
Total Funds Brought Forward at 1 April 2019		2,712	2,630
<b>TOTAL FUNDS CARRIED FORWARD AT 31 MARCH 2020</b>		2,507	2,712

### BALANCE SHEET AS AT 31 MARCH 2020

	31 March 2020 £'000	31 March 2020 £'000	31 March 2019 £'000
<b>FIXED ASSETS</b>			
Tangible Assets		90	90
Investments		2,203	2,453
<b>CURRENT ASSETS</b>			
Debtors	4		3
Investments - Amounts due by Perth & Kinross Council Loans Fund	216		185
	220		188
<b>LIABILITIES</b>			
Creditors: amounts falling due within one year	(6)		(19)
<b>NET CURRENT ASSETS</b>		214	169
<b>NET ASSETS</b>		2,507	2,712
<b>TOTAL FUNDS</b>		2,507	2,712

#### Notes to Charitable Trusts

- The market value of Investments at 31 March 2020 was £2,203,000 (31 March 2019 £2,453,000).
- The unaudited accounts were issued on 29 June 2020 and the audited accounts were authorised for issue on 16 September 2020.

Stewart MacKenzie CPFA  
Head of Finance  
17 September 2020

## COMMON GOOD

The Council administers the Common Good Accounts for ten former burghs within Perth & Kinross. The figures below summarise the aggregate income and expenditure for the year and detail the Assets and Liabilities at 31 March 2020.

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2020

	2019/20 £'000	2019/20 £'000	2018/19 £'000
<b>EXPENDITURE</b>			
Grants to Voluntary Organisations	139		105
Christmas Lighting	62		64
Property Costs	63		252
Supplies & Services	20		15
		284	436
<b>INCOME</b>			
Rents, Fees, Charges etc.	258		255
Interest on Loans	22		18
Other	28		2
		308	275
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		24	(161)
Revenue Balance Brought Forward		1,801	1,962
Revenue Balance Carried Forward		1,825	1,801

### BALANCE SHEET AS AT 31 MARCH 2020

	31 March 2020 £'000	31 March 2020 £'000	31 March 2019 £'000
<b>FIXED ASSETS</b>		4,761	4,744
<b>CURRENT ASSETS</b>			
Debtors	13		14
Investments	2,003		2,003
Revenue Advances to Perth & Kinross Council Loans Fund	179		145
	2,195		2,162
<b>CURRENT LIABILITIES</b>			
Creditors and Accruals	(95)		(89)
<b>NET CURRENT ASSETS</b>		2,100	2,073
<b>TOTAL NET ASSETS</b>		6,861	6,817
<b>RESERVES</b>			
Revenue		1,825	1,801
Capital		386	386
Capital Adjustment Account		91	91
Revaluation Reserve		4,559	4,539
		6,861	6,817

The unaudited accounts were issued on 29 June 2020 and the audited accounts were authorised for issue on 16 September 2020.

Stewart MacKenzie CPFA  
Head of Finance  
17 September 2020

## THE ACCOMPANYING NOTES TO THE COMMON GOOD ACCOUNTS

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

### 2. Common Good Reserve Funds

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

FUND	Balance at 1 April 19	Income 2019/20	Expenditure 2019/20	Balance at 31 March 20
	£'000	£'000	£'000	£'000
Perth City	1,170	282	261	1,191
Aberfeldy	123	1	1	123
Abernethy	1	0	0	1
Alyth	20	0	0	20
Auchterarder	292	21	20	293
Blairstown	20	0	0	20
Crieff	11	2	1	12
Kinross	157	2	1	158
Pitlochry	7	0	0	7
<b>TOTAL</b>	<b>1,801</b>	<b>308</b>	<b>284</b>	<b>1,825</b>

### 3. Common Good Fixed Assets

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

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

The review of titles for the former Burghs, other than Perth, is complete and it is anticipated that the findings will be reported to the relevant Common Good Fund Committees and Community Councils as the Council progresses with the programme of Recovery and Renewal, prior to publication of the review on the Perth & Kinross Council website. The review of Perth is underway but has been delayed due to restrictions on the workplace from COVID-19.

# GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Housing Revenue Account	Capital Fund	Renewal & Repair Fund	Insurance Fund	Capital statutory funds	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	TOTAL Authority Reserves	Authority's share of subsidiaries	Authority's share of associates & joint ventures	TOTAL Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2018</b>	(51,099)	(1,000)	(25,060)	(20)	(2,815)	0	(87)	(80,081)	(478,097)	(558,178)	(13,478)	(3,514)	(575,170)
<b>Movement in reserves during 2018/19</b>													
Total Comprehensive Income and Expenditure	17,301	4,995	0	0	0	0	0	22,296	(8,885)	13,411	2,868	1,456	17,735
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(20,287)	(4,035)	0	0	0	(2,581)	(3,493)	(30,396)	30,396	0	0	0	0
<b>Decrease in 2018/19</b>	(2,986)	960	0	0	0	(2,581)	(3,493)	(8,100)	21,511	13,411	2,868	1,456	17,735
Transfers to/(from) Other Statutory Reserves	6,644	(960)	(5,306)	0	(378)	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2019 carried forward</b>	(47,441)	(1,000)	(30,366)	(20)	(3,193)	(2,581)	(3,580)	(88,181)	(456,586)	(544,767)	(10,610)	(2,058)	(557,435)
<b>Movement in reserves during 2019/20</b>													
Total Comprehensive Income and Expenditure	6,407	(3,203)	0	0	0	0	0	3,204	(16,112)	(12,908)	(58)	1,953	(11,013)
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(9,493)	3,403	0	0	0	(67)	1,391	(4,766)	4,766	0	0	0	0
<b>(Increase) or Decrease in 2019/20</b>	(3,086)	200	0	0	0	(67)	1,391	(1,562)	(11,346)	(12,908)	(58)	1,953	(11,013)
Transfers to/(from) Other Statutory Reserves	1,231	(200)	(1,274)	20	223	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2020 carried forward</b>	(49,296)	(1,000)	(31,640)	0	(2,970)	(2,648)	(2,189)	(89,743)	(467,932)	(557,675)	(10,668)	(105)	(568,448)

# GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT


2018/19 Net Expenditure £'000		Note	2019/20		
			Gross Expenditure £'000	Income £'000	Net Expenditure £'000
	<b>SERVICES</b>				
168,644	Education & Children's Services		200,187	(20,813)	179,374
57,054	Health & Social Care		139,621	(79,028)	60,593
83,005	Housing & Environment		106,168	(26,028)	80,140
38,024	Corporate and Democratic Services		77,410	(38,498)	38,912
5,391	Housing Revenue Account		31,899	(28,029)	3,870
1,149	Valuation Joint Board		1,248	0	1,248
98	Charitable Trusts		84	0	84
179	Common Good		284	(286)	(2)
<b>353,544</b>	<b>COST OF SERVICES</b>		<b>556,901</b>	<b>(192,682)</b>	<b>364,219</b>
(1,395)	Other Operating Expenditure / Income		0	(845)	(845)
21,085	Financing and Investment Income and Expenditure	4	25,693	(2,390)	23,303
(348,962)	Taxation and Non-Specific Grant Income		0	(381,175)	(381,175)
<b>24,272</b>	<b>Deficit on Provision of Services</b>		<b>582,594</b>	<b>(577,092)</b>	<b>5,502</b>
822	Share of the Deficit on the provision of services by Associates and Joint Ventures				3,113
<b>25,094</b>	<b>Group Deficit/(Surplus)</b>				<b>8,615</b>
(5,835)	(Surplus)/Deficit on revaluation of non current assets				1,439
(1,907)	Remeasurement of the net defined benefit liability				(20,037)
0	Other gains				289
383	Share of the other comprehensive income and expenditure of Associates and Joint Ventures				(1,319)
<b>(7,359)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>(19,628)</b>
<b>17,735</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(11,013)</b>

## GROUP BALANCE SHEET

<u>31 March 2019</u>		Notes	<u>31 March 2020</u>
<u>£'000</u>			<u>£'000</u>
1,117,200	Property, Plant & Equipment		1,174,113
27,781	Heritage Assets		27,781
13,095	Investment Property		13,290
1,757	Intangible Assets		979
798	Assets Held for Sale		719
1,235	Investment in Joint Venture		580
761	Long Term Debtors		981
<u>1,162,627</u>	<b>Long Term Assets</b>		<u>1,218,443</u>
29,773	Short Term Investments	5	143,601
511	Assets Held for Sale		126
516	Inventories		529
28,960	Short Term Debtors	6	28,604
32,086	Cash and Cash Equivalents		77,663
<u>91,846</u>	<b>Current Assets</b>		<u>250,523</u>
(18,187)	Short Term Borrowing		(28,786)
(62,944)	Short Term Creditors	7	(62,046)
(562)	Provisions		(1,034)
<u>(81,693)</u>	<b>Current Liabilities</b>		<u>(91,866)</u>
(2,357)	Provisions		(2,239)
(372,580)	Long Term Borrowing		(535,038)
(8,707)	Liabilities in associates and joint ventures		(9,843)
(231,701)	Other Long Term Liabilities		(261,532)
<u>(615,345)</u>	<b>Long Term Liabilities</b>		<u>(808,652)</u>
<u>557,435</u>	<b>NET ASSETS</b>		<u>568,448</u>
88,181	Usable Reserves		89,743
456,586	Unusable Reserves		467,932
3,139	Group Reserves		1,405
9,529	Charitable and Common Good Reserves		9,368
<u>557,435</u>	<b>TOTAL RESERVES</b>		<u>568,448</u>

The unaudited Accounts were issued on 29 June 2020 and the audited accounts were authorised for issue on 16 September 2020.

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

  
 Stewart MacKenzie CPFA  
 Head of Finance  
 17 September 2020

## GROUP CASH FLOW STATEMENT

<u>2018/19</u>		<u>Notes</u>	<u>2019/20</u>
£'000			£'000
(24,272)	<b>Deficit on the provision of services</b>		(5,502)
87,537	Adjustments to net surplus or deficit on the provision of services for non cash movements		77,939
(31,004)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(47,590)
<u>32,261</u>	<b>Net cash flows from Operating Activities</b>		<u>24,847</u>
(52,302)	Investing Activities	10	(147,248)
25,599	Financing Activities	11	167,978
<u>5,558</u>	<b>Net increase in cash and cash equivalents</b>		<u>45,577</u>
26,528	Cash and cash equivalents at the beginning of the reporting period		32,086
<u><u>32,086</u></u>	<b>Cash and cash equivalents at the end of the reporting period</b>		<u><u>77,663</u></u>

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

<u>2018/19</u>		<u>2019/20</u>
<u>£'000</u>		<u>£'000</u>
22,296	Deficit on the single entity Comprehensive Income & Expenditure Statement for the year	3,204
	Add:	
79	• Managed Funds - Charitable Trusts & Common Good	181
(1,235)	• Joint Venture	655
2,057	• Associates	2,457
1,897	• Subsidiaries	2,118
<u>25,094</u>	Deficit for the year on the Group Comprehensive Income & Expenditure Statement	<u>8,615</u>

## NOTES TO THE GROUP ACCOUNTS

### 1. Combining Entities

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

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

For the purpose of consolidation and incorporation within the Group Accounts recognition has been made of the Council's interest which is based on its share of the contributions made to the Tayside Valuation Board, which in 2019/20 was 42.08% (2018/19 41.27%). The accounting period for the Board is the year to 31 March 2020 and the Board Statements of Accounts presents fairly its individual financial position.

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

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

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

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

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

The income, expenditure, assets and liabilities of the Charitable Trusts which are administered and controlled by the Council have also been included as a managed fund. The nature of the assets of the managed fund are heritable property, investments and debtors. The assets are not the property of Perth & Kinross Council and are subject to charitable trust regulations. The Income and Expenditure Account of the Charitable Trusts is detailed on page 83 of the Annual Accounts.

The income, expenditure, assets and liabilities of the Common Good Accounts which are administered and controlled by the Council have also been included as a managed fund. The nature of the assets of the managed fund are heritable property, investments and debtors. The assets are the property of Perth & Kinross Council and are subject to the Accounting Code of Practice. The Income and Expenditure Account of the Common Good is detailed on page 84 of the Annual Accounts.

Perth & Kinross Council's share of the assets and liabilities of Tayside Contracts Joint Committee which is jointly administered and controlled with Dundee City Council and Angus Council has been included in the Group Accounts using the equity method for an associate due to the Council having significant influence rather than joint control over the entity. The Council's investment in Tayside Contracts for 2019/20 is 35.6% (2018/19 36.7%). Copies of Tayside Contracts Joint Committee's individual accounts are published separately, and can be obtained from Head of Financial Services, Tayside Contracts, 1 Soutar Street, Dundee, DD3 8SS.

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

In addition the CIPFA Code requires the realignment of accounting policies for entities included within the Group Accounts. The pension liability at 31 March 2020 for Horsecross Arts Ltd of £922,000 has been included within the Group Reserves balance at 31 March 2020.

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

## 2. Nature of Combination

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

## 3. Financial Impact of Consolidation and Going Concern

The effect of inclusion of the Subsidiaries and Associates listed above in the Group Balance Sheet is to increase both reserves and net assets by £10,773,000 (2018/19 £12,668,000 increase).

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

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

	2019/20 £'000	2018/19 £'000
Council Financing and Investment Income & Expenditure	23,269	21,335
Subsidiaries	(65)	(51)
Charitable Trusts	121	(181)
Common Good	(22)	(18)
	<u>23,303</u>	<u>21,085</u>

## 5. Group Balance Sheet - Investments

	2019/20 £'000	2018/19 £'000
Council Investments	139,395	25,317
Charitable Trusts Investments	2,203	2,453
Common Good Investments	2,003	2,003
Total Group Investments	<u>143,601</u>	<u>29,773</u>

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

	2019/20 £'000	2018/19 £'000
Net Debtors Balance - Note 28 to the Financial Statements	27,854	27,488
Subsidiary Debtors	733	1,455
Charitable Trust		
Debtors	220	188
Inter-company elimination	(216)	(185)
Common Good		
Debtors	192	159
Inter-company elimination	(179)	(145)
Total Group Debtors	<u>28,604</u>	<u>28,960</u>

## 7. Group Balance Sheet – Short term Creditors

	2019/20 £'000	2018/19 £'000
Net Creditors Balance - Note 29 to the Financial Statements	(59,141)	(59,589)
Charitable Trust		
Creditors	(6)	(19)
Inter-company elimination	216	186
Common Good		
Creditors	(95)	(89)
Inter-company elimination	179	145
	<u>(58,847)</u>	<u>(59,366)</u>
Subsidiary Creditors	<u>(3,199)</u>	<u>(3,578)</u>
Total Group Creditors	<u><u>(62,046)</u></u>	<u><u>(62,944)</u></u>

## 8. Group Balance Sheet - Pension Liability

	2019/20 £'000	2018/19 £'000
Net Pensions Liability at 31 March - Note 18 to the Financial Statements	(121,432)	(118,542)
Subsidiaries	<u>(7,887)</u>	<u>(8,408)</u>
Group Pension Liability at 31 March	<u><u>(129,319)</u></u>	<u><u>(126,950)</u></u>

## 9. Group Cash Flow Statement

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

The impact of the inclusion of Live Active Leisure Ltd., Horsecross Arts Ltd. and Culture Perth & Kinross Ltd. within the Group Cash Flow Statement is to increase the movement in the net cash position by £10,052,000 (2018/19, increase of £9,583,000). A cash increase of £8,297,000 represents the Council's 100% share of Live Active Leisure Ltd., a cash increase of £320,000 represents the Council's 100% share of Horsecross Arts Ltd and a cash increase of £1,435,000 represents the Council's 100% share of Culture Perth & Kinross Ltd.

## 10. Group Cash Flow – Investing Activities

	2019/20 £'000	2018/19 £'000
Council Investing Activities	(147,487)	(51,743)
Subsidiaries	<u>239</u>	<u>(559)</u>
	<u><u>(147,248)</u></u>	<u><u>(52,302)</u></u>

## 11. Group Cash Flow – Financing Activities

	2019/20 £'000	2018/19 £'000
Council Financing Activities	167,978	25,530
Subsidiaries	<u>0</u>	<u>69</u>
	<u><u>167,978</u></u>	<u><u>25,599</u></u>

## 12. Related Party Transactions

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

	Balance Due		Balance Due	
	From 31.3.20 £'000	To 31.3.20 £'000	From 31.3.19 £'000	To 31.3.19 £'000
Tayside Valuation Joint Board	8	0	1	0

# **REMUNERATION REPORT FOR FINANCIAL YEAR 2019/20**

## **1. Introduction**

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

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

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

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

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

- 3.1 The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either, the Leader of the Council, the Civic Head (Provost), Senior Councillors or Councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure.
- 3.2 When determining the level of remuneration for Councillors the Scottish Ministers considered the recommendations of the former Scottish Local Authority Remuneration Committee (SLARC). SLARC was an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors. The Committee was stood down in February 2013.
- 3.3 The Regulations set out the salary that is to be paid to the Leader of the Council in accordance with bandings also set out in the Regulations. The Regulations also permit the Council to remunerate one Civic Head, which in the case of Perth & Kinross Council is the Provost and set out the maximum salary that may be paid to that Civic Head. For 2019/20 the maximum salary for the Leader of Perth & Kinross Council is £34,944 and the Council has agreed that the Civic Head be paid 75% of the salary of the Leader, which for 2019/20 is a maximum of £26,208. Please refer to Table 1.
- 3.4 In addition to the Leader of the Council and Civic Head, Regulations also set out the maximum number of Senior Councillors the Council may have; the maximum yearly amount that may be paid to a Senior Councillor (75% of the total yearly amount payable to the Leader of the Council) and the maximum yearly amount payable by the Council for all Senior Councillors. Perth & Kinross Council may have a maximum of 14 Senior Councillors with a maximum salary of £26,208. The maximum yearly amount payable for all Senior Councillors of £305,746 in 2019/20 (excluding the Council Leader, Civic Head, Conveners and Vice Conveners of Joint Boards). The Council can exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. Perth & Kinross Council's policy in 2019/20 was to pay Senior Councillors up to 90% of the maximum of £26,208 as prescribed by SLARC.
- 3.5 The Regulations also set out the remuneration payable to Councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board such as Tayside Valuation Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convener or Vice-Convener is a member. Joint Board Conveners and Vice-Conveners are considered to be Senior Councillors for remuneration disclosure purposes. In financial year 2019/20, Councillor Drysdale from Perth & Kinross Council served as Convener of the Integration Joint Board but incurred no remuneration for that responsibility.
- 3.6 During 2019/20 Perth & Kinross Council had a total of 10 Senior Councillors at any one time and a total of 13 Senior Councillors during the year for the purposes of the Remuneration Report. Details are provided in Table 1. Together with the Leader of the Council and the Provost, the total remuneration including taxable expenses paid to these Councillors was £293,272. The individual amounts payable to the Leader of the Council, the Provost and the Senior Councillors of Perth & Kinross Council in 2019/20 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 2019/20**

<b>Name and Post Title</b>	<b>Salary, Fees &amp; Allowances 2019/20</b>	<b>Taxable Expenses 2019/20 (Note 1)</b>	<b>Total Remuneration 2019/20</b>	<b>Total Remuneration 2018/19</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
D Murray Lyle Council Leader, Convener Strategic Policy & Resources Committee	34,944	61	<b>35,005</b>	34,083
Dennis Melloy Provost (Civic Head)	26,208	37	<b>26,245</b>	25,572
Chris Ahern Convener Licensing Committee	23,468	57	<b>23,525</b>	17,874
Henry Anderson Convener Local Review Body (from 25/09/19)	12,120	87	<b>12,207</b>	n/a
Kathleen Baird Convener Licensing Board	23,468	7	<b>23,475</b>	22,838
Peter Barrett Convener Housing & Communities Committee (to 24/09/19)	11,321	79	<b>11,400</b>	22,965
Bob Brawn Convener Housing & Communities Committee (from 25/09/19)	12,120	52	<b>12,172</b>	n/a
Rhona Brock Convener Licensing Committee (to 19/6/18)	n/a	n/a	<b>n/a</b>	4,994
Dave Doogan Leader of the Opposition (to 19/02/20)	17,601	68	<b>17,669</b>	22,955
Eric Drysdale Convener Audit Committee	23,468	78	<b>23,546</b>	22,905
Angus Forbes Convener Environment & Infrastructure Committee	23,468	0	<b>23,468</b>	22,831
Grant Laing Convener Scrutiny Committee (to 19/02/20), Leader of the Opposition (from 20/02/20)	23,468	94	<b>23,562</b>	22,962
Roz McCall Convener Planning & Development Management Committee	23,468	13	<b>23,481</b>	22,883
Sheila McCole Convener Scrutiny Committee (from 20/02/20)	2,599	57	<b>2,656</b>	n/a
Caroline Shiers Convener Lifelong Learning Committee	23,468	0	<b>23,468</b>	22,831
Lewis Simpson Convener Local Review Body (to 24/09/19)	11,321	72	<b>11,393</b>	19,126
Willie Wilson Convener Local Review Body (to 31/5/18)	n/a	n/a	<b>n/a</b>	3,838
<b>TOTAL (Note 2)</b>	<b>292,510</b>	<b>762</b>	<b>293,272</b>	288,657

**Notes:**

- (1) Taxable Expenses relate to meals provided by the Council. Only those expenses incurred whilst undertaking a Senior Councillor role are included.
- (2) After adjusting for the salaries of the Leader of the Council and the Civic Head (Provost), the total salaries paid to Senior Councillors in 2019/20 was £231,358 which compares with the maximum under Regulations of £305,746.

3.7 The arrangements for political decision-making structures within Perth & Kinross Council as at 31 March 2020, which encompassed the salaries of all Elected Members including the Council Leader, Civic Head and Senior Councillors, were agreed at the meeting of the full Council on 17 May 2017 (Report No. 17/81 refers) and are available on the Council's website.

3.8 The Council paid the following salaries and expenses to all Councillors (including those listed in Table 1 above) in financial year 2019/20:

**Table 2: Remuneration Paid to Councillors 1 April 2019 to 31 March 2020**

Type of Remuneration	2019/20 £	2018/19 £
Salaries	779,644	762,679
Taxable Expenses	1,546	2,368
Total	<u>781,190</u>	<u>765,047</u>

3.9 The annual return of Councillors' salaries and expenses for 2019/20 is available for any member of the public to view at Perth & Kinross Council, 2 High Street, Perth; libraries and local area offices during normal working hours when these buildings re-open to the public. It is also available on the Council's website at Councillors Expenses and members of the public can request a copy from the Council's Communication's Team.

3.10 The information in the annual return of Councillors' salaries and expenses for 2019/20 differs from the information presented within the Remuneration Report as the Remuneration Report excludes the payment of expenses which are not subject to taxation such as receipted car mileage expenses; expenditure on public transport and subsistence expenses.

#### **4. Remuneration of Senior Employees**

4.1 The Council is required to publish the remuneration of Senior Employees as defined by the disclosure regulations. Senior Employees are defined with reference to their management authority; to the political restriction placed upon their post under section 2(1) (a), (b) or (c) of the Local Government Housing Act 1989 and with reference to their reporting relationship to the Council's 'Head of Paid Service' or Chief Executive. The disclosure requirements also include any employee whose annual remuneration is £150,000 or more. No employee of Perth & Kinross Council was remunerated at this level in 2019/20.

4.2 The application of the disclosure regulations in relation to the management structure of Perth & Kinross Council defines the following post-holders as Senior Employees in 2019/20:

- The Chief Executive as the statutory head of paid service.
- The Deputy Chief Executive and Chief Operating Officer as the officer responsible for the management of the authority to the extent that they may direct or control the major activities of the authority either solely or collectively.
- The Executive Director of Education & Children's Services as the Council's Chief Education Officer, the Head of Legal and Governance Services as the Council's statutory monitoring officer; the Head of Finance as the Council's proper officer for financial administration and the Deputy Director of Education & Children's Services as the Council's statutory Chief Social Work Officer.
- The Executive Director of Housing and Environment and the Chief Officer of the Perth & Kinross Health & Social Care Partnership, that are officers who are directly accountable to the Council's head of paid service and/or are directly accountable to the Council or any committee or sub-committee.

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

4.4 The remuneration of Senior Employees of Perth & Kinross Council and its Subsidiaries for 2019/20 is detailed in table 3 below:

**Table 3: Remuneration of Senior Employees of the Council and its Subsidiaries for Financial Year 2019/20**  
(Job titles as at 31 March 2020)

Name and Post Title	Salary, Fees & Allowances 2019/20 £	Compensation for Loss of Office £	Total Remuneration 2019/20 £	Total Remuneration 2018/19 £
Karen Reid Chief Executive (Note 1)	139,042	n/a	<b>139,042</b>	75,905
Bernadette Malone Chief Executive (retired 01/07/18)	n/a	n/a	<b>n/a</b>	32,531
James Valentine Depute Chief Executive & Chief Operating Officer	123,926	n/a	<b>123,926</b>	117,104
Gordon Paterson Chief Officer, Perth & Kinross Health & Social Care Partnership (Note 2)	108,024	n/a	<b>108,024</b>	n/a
Sheena Devlin Executive Director of Education & Children's Services and Chief Education Officer	108,024	n/a	<b>108,024</b>	106,524
Barbara Renton Executive Director of Housing & Environment	109,459	n/a	<b>109,459</b>	106,634
Jacqueline Pepper Depute Director of Education & Children's Services and Chief Social Work Officer	94,948	n/a	<b>94,948</b>	92,183

Name and Post Title	Salary, Fees & Allowances 2019/20 £	Compensation for Loss of Office £	Total Remuneration 2019/20 £	Total Remuneration 2018/19 £
Lisa Simpson Head of Legal & Governance Services	93,840	n/a	<b>93,840</b>	90,369
Stewart MacKenzie Head of Finance	89,592	n/a	<b>89,592</b>	86,735
Nick Williams Horsecross Arts Limited – Chief Executive (from 02/12/19)	21,667	n/a	<b>21,667</b>	n/a
Michael Griffiths Horsecross Arts Limited – Interim Chief Executive (left 30 June 2019)	15,250	n/a	<b>15,250</b>	77,000
Paul Cromwell Live Active Leisure – Chief Executive	75,954	n/a	<b>75,954</b>	73,461
James Moyes Live Active Leisure – Chief Executive (retired 30/06/18)	n/a	n/a	<b>n/a</b>	20,313
Helen Smout Culture Perth & Kinross Limited – Chief Executive	61,360	n/a	<b>61,360</b>	59,577
<b>TOTAL</b>	<b>1,041,086</b>	0	<b>1,041,086</b>	<b>938,336</b>

Notes:

- (1) The substantive salary for the Chief Executive is laid down in COSLA Circular CO/150.
- (2) The previous post holder who left on 31 March 2019, was remunerated by NHS Tayside and therefore is not included in the table above.

4.5 Election fees are included with senior employee salaries. No other taxable benefits or bonuses were received by the above-named senior employees of Perth & Kinross Council in 2019/20.

## 5. General Disclosure of Remuneration by Pay Band

5.1 In accordance with the disclosure regulations, Table 4 below details the number of Perth & Kinross Council employees (including teachers) whose annual remuneration in 2019/20 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 2019/20**

Remuneration Bands	Number of Employees	
	2019/20	2018/19
£50,000-£54,999	143	96
£55,000-£59,999	104	43
£60,000-£64,999	36	18
£65,000-£69,999	18	4
£70,000-£74,999	2	4
£75,000-£79,999	3	6
£80,000-£84,999	4	10
£85,000-£89,999	15	1
£90,000-£94,999	3	3
£95,000-£99,999	0	0
£100,000-£104,999	0	0
£105,000-£109,999	3	2
£110,000-£114,999	0	0
£115,000-£119,999	0	1
£120,000-£124,999	1	0
£125,000-£129,999	0	0
£130,000-£134,999	0	0
£135,000-£139,999	1	0
<b>Total</b>	<b>333</b>	<b>188</b>

5.2 The overall large increase in the total number of staff in the table consists mainly of teaching staff entering the table for the first time. There was a 7% pay award for teaching staff at all levels with effect from 1 April 2019 which brought many teaching staff into the £50,000 - £54,999 pay band for the first time and moved a large number of teaching staff from that pay band to the £55,000 - £59,999 pay band. There are currently 116 teaching staff in the £50,000 - £54,999 pay band and 77 teaching staff in the £55,000 - £59,999 pay band. Similarly, the increase in numbers in the £65,000 - £69,999 pay band, resulting from the Teachers pay increase, includes 15 Principal, Depute and Head Teachers.

5.3 There was also a pay increase for single status staff of 3% which has also had some effect on movement between bands. The increase in the £60,000 - £64,999 pay band arises from both the teacher and the single status pay increases and include 16 Single Status staff in this band. At the £85,000 - £89,999 pay band the increase is mainly due to the pay rise for Single Status staff and comprises of 10 Single Status staff in this group.

**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	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20 £'000	2018/19 £'000
£0 - £20,000	0	0	73	88	73	88	39	159
£20,001 - £40,000	0	0	0	5	0	5	0	124
£40,001 - £60,000	0	0	2	1	2	1	95	43
£60,001 - £80,000	0	0	1	1	1	1	65	62
£80,001 - £100,000	0	0	1	2	1	2	95	186
Over £100,000	0	0	1	0	1	0	113	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>78</b>	<b>97</b>	<b>78</b>	<b>97</b>	<b>407</b>	<b>574</b>

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

5.5 All of the individual exit packages included within Table 5 have been subject to a full business case (where appropriate) outlining the implications for the Council. In terms of the financial assessment for each business case, the maximum payback period is up to five years. The departure of the individuals included in the above table has delivered significant recurring savings to the Council and facilitated the delivery of an ambitious and challenging transformation / modernisation programme.

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

6.1 Councillors and senior employees of Perth & Kinross Council serve as board members; officials and technical advisors to subsidiary bodies of the Council. In 2019/20, the Head of Legal & Governance Services served as a proper officer to the Tayside and Central Scotland Transport Partnership (TACTRAN). No remuneration was paid to Councillors or Senior Employees of Perth & Kinross Council by subsidiary bodies of the Council in 2019/20.

## **7. Disclosure of Pension Benefits**

7.1 The disclosure regulations require the separate disclosure of accrued pension benefits for Senior Councillors and Senior Employees of Perth & Kinross Council. Pension Benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). Councillors have only been eligible to join this scheme since May 2007.

7.2 Councillor's pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the uplift for 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 2019/20**

Actual Pensionable pay	Contribution Rate 2019/20
On earnings up to and including £21,300	5.5%
On earnings above £21,300 and up to £26,100	7.25%
On earnings above £26,100 and up to £35,700	8.5%
On earnings above £35,700 and up to £47,600	9.5%
On earnings above £47,600	12%

7.5 Pensionable Pay includes salary, plus any contractual elements of pay such as shift payment, night working payment, standby and the monetary value of any accommodation or other allowances in kind pertaining to employment.

7.6 Under the scheme there is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The pension is built up based on pensionable pay in the year with an accrual rate of 1/49<sup>th</sup> added to the pension account. (Prior to 2015 the accrual rate was 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service).

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

## 7.8 Pension Entitlements of Senior Councillors

The pension entitlements of Senior Councillors of Perth & Kinross Council for the year to 31 March 2020 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 2019/20**

Name and Post Title	In-year pension contributions		Accrued Pension Benefits			
	2019/20	2018/19		as at 2019/20	as at 2018/19	Difference
	£	£		£	£	£'000
D Murray Lyle Council Leader, Convener Strategic Policy & Resources Committee	5,940	5,779	Pension Lump Sum	62	52	10
Dennis Melloy Provost (Civic Head)	4,455	4,334	Pension Lump Sum	82	62	20
Chris Ahern Convener Licensing Committee (from 20/06/18)	3,990	3,660	Pension Lump Sum	10	10	00
Henry Anderson Convener Local Review Body (from 25/09/19)	3,493	n/a	Pension Lump Sum	40	n/a	n/a
Kathleen Baird Convener Licensing Board	3,990	3,881	Pension Lump Sum	20	20	00
Peter Barrett Convener Housing & Communities Committee (to 24/09/19)	3,458	3,881	Pension Lump Sum	52	52	00
Bob Brawn Convener Housing & Communities Committee (from 25/09/19)	3,493	n/a	Pension Lump Sum	10	n/a	n/a
Rhona Brock Convener Licensing Committee (to 19/6/18)	n/a	3,103	Pension Lump Sum	n/a	20	n/a
Dave Doogan Leader of the Opposition (to 19/02/20)	2,992	3,881	Pension Lump Sum	30	30	00
Eric Drysdale Convener Audit Committee	3,990	3,881	Pension Lump Sum	10	10	00
Angus Forbes Convener Environment & Infrastructure Committee	3,990	3,881	Pension Lump Sum	10	10	00
Grant Laing Convener Scrutiny Committee (to 19/02/20), Leader of the Opposition (from 20/02/20)	3,990	3,881	Pension Lump Sum	30	20	10
Roz McCall Convener Planning & Development Management Committee	3,990	3,881	Pension Lump Sum	10	10	00
Sheila McCole Convener Scrutiny Committee (from 20/02/20)	3,074	n/a	Pension Lump Sum	10	n/a	n/a
Caroline Shiers Convener Lifelong Learning Committee	3,990	3,881	Pension Lump Sum	51	41	10
Lewis Simpson Convener Local Review Body (to 24/09/19)	3,458	3,716	Pension Lump Sum	52	42	10
William Wilson Convener Local Review Body (to 31/05/18)	n/a	3,054	Pension Lump Sum	n/a	10	n/a
<b>TOTAL</b>	<b>58,293</b>	<b>54,694</b>				

Notes:

- (1) The pension benefits shown relate to the benefits that the individual has accrued because of their total local government service, including any service with a Council subsidiary body, and not just their current appointment. Councillors have only been eligible to join the Local Government Pension Scheme since May 2007.

## 7.9 Pension Entitlements of Senior Employees

The pension entitlements of senior employees of Perth & Kinross Council and its subsidiaries for the year to 31 March 2020 are shown in table 7 below, together with the contribution made by the Council to each Senior Employee's pension during the year.

**Table 7: Pension Entitlements of Senior Employees of the Council and its Subsidiaries for Financial Year 2019/20  
(Post titles as at 31 March 2020)**

Name and Post Title	In-year pension contributions		Accrued Pension Benefits (Note 1 and 2)			
	2019/20 £	2018/19 £		as at 31/03/2020 £'000	as at 31/03/2019 £'000	Difference £'000
Karen Reid Chief Executive	22,784	12,904	Pension Lump Sum	26 1	22 0	4 1
Bernadette Malone Chief Executive (retired 01/07/18)	n/a	5,530	Pension Lump Sum	n/a	49 129	n/a
James Valentine Depute Chief Executive & Chief Operating Officer	20,876	19,889	Pension Lump Sum	58 109	54 104	4 5
Gordon Paterson Chief Officer, Perth & Kinross Health & Social Care Partnership	18,364	n/a	Pension Lump Sum	49 92	n/a	n/a
Sheena Devlin Executive Director of Education & Children's Services and Chief Education Officer	18,364	18,109	Pension Lump Sum	55 103	51 101	4 2
Barbara Renton Executive Director of Housing and Environment	18,364	18,109	Pension Lump Sum	24 7	21 7	3 0
Jacqueline Pepper Depute Director of Education & Children's Services and Chief Social Work Officer	16,141	15,671	Pension Lump Sum	24 25	21 24	3 1
Lisa Simpson Head of Legal & Governance Services	15,824	15,363	Pension Lump Sum	9 0	7 0	2 0
Stewart MacKenzie Head of Finance	15,187	14,745	Pension Lump Sum	39 63	36 61	3 2
Nick Williams Horsecross Arts Limited – Chief Executive (from 02/12/19)	3,683	n/a	Pension Lump Sum	0 0	n/a	n/a
Michael Griffiths (Note 2) Horsecross Arts Limited – Interim Chief Executive (left 30 June 2019)	0	0	Pension Lump Sum	n/a	n/a	n/a
Paul Cromwell Live Active Leisure – Chief Executive	12,912	12,488	Pension Lump Sum	18 11	16 11	2 0
James Moyes Live Active Leisure - Chief Executive (retired 30/06/18)	n/a	3,428	Pension Lump Sum	n/a	44 94	n/a
Helen Smout Culture Perth & Kinross Limited - Chief Executive	10,431	10,128	Pension Lump Sum	20 22	18 21	2 1
<b>TOTAL</b>	<b>172,930</b>	<b>146,364</b>				


Notes:

- (1) Accrued pension benefits include total benefits accumulated during all membership of the Local Government Pension Scheme and not just service in their current role.
- (2) Michael Griffiths opted out of the pension scheme.

Signed:

  
Karen Reid  
Chief Executive

Perth & Kinross Council  
17 September 2020

  
Councillor Murray Lyle  
Leader of the Council

Perth & Kinross Council  
17 September 2020

## **GLOSSARY**

### **ACCOUNTING PERIOD**

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

### **ACCRUALS**

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

### **BEACON METHOD (ADJUSTED VACANT POSSESSION METHOD)**

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

### **CAA**

Capital Adjustment Account

### **CAPITAL EXPENDITURE**

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

### **CAPITAL FINANCING**

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

### **CAPITAL RECEIPT**

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

### **CONTINGENT LIABILITY**

A contingent liability is either:

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

### **CORPORATE & DEMOCRATIC CORE**

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

### **CREDITOR**

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

### **CRR**

Capital Receipts Reserve

### **CURRENT VALUE**

The measurement of operational assets used for the delivery of Council services. Property, plant and equipment is measured on the basis of service potential using existing use value for assets where an active market exists, existing use value-social housing for operational Council dwellings or depreciated replacement cost for assets where there is no market and/or the asset is specialised.

### **DBFM**

Design Build Finance Maintain - A Non-Profit Distribution (NPD) model to Design, Build, Finance, and Maintain infrastructure which requires the private sector to take a fixed rate of return. The DBFM agreement provides the Council with the right to receive services in return for an annual payment (unitary charge) which comprises the costs of construction, finance, and maintenance, and for the provision of any agreed additional services, for the duration of the agreement.

### **DISCOUNTED CASH FLOW METHOD**

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

### **DEBTOR**

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

**EXISTING USE VALUE FOR SOCIAL HOUSING (EUV-SH)**

Is the estimated amount for which a property should exchange on the date of valuation, between a willing buyer and a willing seller in an arm's length transaction.

**FAIR VALUE**

Fair value is the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

**FIAA**

Financial Instruments Adjustment Account

**IMPAIRMENT**

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

**MATERIALITY**

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

**NET BOOK VALUE**

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

**NON-DISTRIBUTED COSTS**

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

**PPE**

Property, Plant & Equipment

**PRIOR YEAR ADJUSTMENT**

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

**PROVISION**

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

**PUBLIC WORKS LOAN BOARD (PWLb)**

An agency of HM Treasury, which provides loans mainly for capital purposes of one year or more to authorities at interest rates of up to 2% above those at which the UK Government can itself borrow at.

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services.





# Perth and Kinross Council

Annual audit report to the Members of Perth and Kinross Council and the Controller of Audit for the year ended 31 March 2020

22 September 2020

# Contents

	Page
<b>Executive Summary</b>	<b>3</b>
<b>Introduction</b>	<b>4</b>
<b>Financial statements and accounting</b>	<b>5</b>
<b>Wider scope and Best Value</b>	<b>19</b>
<b>Appendices</b>	<b>33</b>

## About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's Code of Audit Practice ("the Code").

This report is for the benefit of Perth and Kinross Council and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scoping and purpose section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

## Complaints

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Michael Wilkie, who is the engagement leader for our services to Perth and Kinross Council, telephone 0141 300 5890 or email to michael.wilkie@kpmg.co.uk, who will try to resolve your complaint. If your problem is not resolved, you should contact Hugh Harvie, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 527 6682 or by emailing hugh.harvie@kpmg.co.uk. We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Diane McGiffen, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.

# Executive summary

## Significant risks

Pages 7-12

- Management override of controls fraud risk
- Fraud risk from income recognition and expenditure
- Revaluation of property, plant and equipment, and investment property
- Retirement benefits

Page 7

Page 8

Page 9

Page 11

Wider scope areas (*no significant risks identified*)

Page 18

## Period of appointment

In June 2020, we were notified of Audit Scotland's intention to extend the audit appointment an additional year to mitigate any potential impact on the appointments process as a result of Covid-19, this equally applies Perth and Kinross Charitable Trusts. We have been appointed to 2021-22 inclusive

## Going concern

As part of the revised requirements of the Financial Reporting Council, we completed detailed testing of management's assertion that the Council is a going concern. We consider that the Council has sufficient net assets, and sufficient tax raising powers to support this assertion. We also report that legislation ultimately requires the Council and Group accounts to be prepared on a going concern basis, and we were satisfied with this assessment.

## Misstatements

We reported no misstatements corrected or uncorrected. There were some minor presentational changes, and changes arising during the audit through circumstances outwith management's control. We did not consider these to be misstatements.

## Open recommendations

Appendix three

Number

Significant recommendations

0

Other recommendations

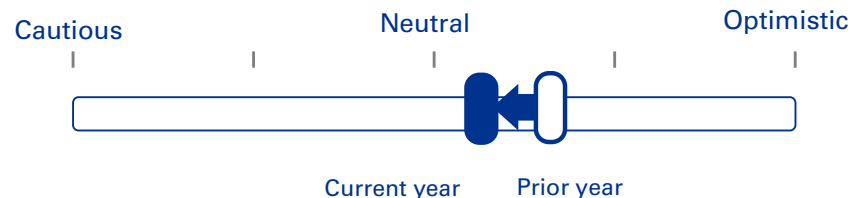
0

Minor recommendations (inclusive of a 2018-19 recommendation)

4

## Accounting judgements related to estimates

Page 13



Overall we are satisfied with the key accounting judgments taken and that discussion of these matters in the section of the accounting policies appropriately addresses the matters we have communicated to you.

## Introduction

# Scope and responsibilities

### Purpose of this report

The Accounts Commission has appointed KPMG LLP as auditor of Perth and Kinross Council (the Council) under part VII of the Local Government (Scotland) Act 1973 (“the Act”). The period of appointment is 2016-17 to 2021-22, inclusive. Our engagement has been extended by Audit Scotland to 2021-22 in order to mitigate any potential impact of Covid-19 on the process for the next period of appointment.

Our annual audit report is designed to summarise our opinions and conclusions on significant issues arising from our audit. It is addressed to both those charged with governance at the Council and the Controller of Audit. The scope and nature of our audit are set out in our audit strategy document which was presented to the audit committee on 5 February 2020.

Audit Scotland's Code of Audit Practice (“the Code”) sets out the wider dimensions of public sector audit which involves not only the audit of the financial statements but also consideration of wider scope areas. The reports incorporate both aspects of the Code.

### Accountable officer responsibilities

The Code sets out the Council's responsibilities in respect of:

- corporate governance;
- financial statements and related reports;
- standards of conduct for prevention and detection of fraud and error
- financial position; and
- Best Value.

### Auditor responsibilities

This report reflects our overall responsibility to carry out an audit in accordance with our statutory responsibilities under the Act and in accordance with International Standards on Auditing (UK) (“ISA”) issued by the Financial Reporting Council (“FRC”) and the Code. Appendix seven sets out how we have met each of the responsibilities set out in the Code.

### Scope

An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. Weaknesses or risks identified are only those which have come to our attention during our normal audit work in accordance with the Code, and may not be all that exist.

Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Under the requirements of ISA 260 *Communication with those charged with governance*, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity.

This report to those charged with governance and our presentation to audit committee, together with previous reports to the audit committee throughout the year, discharges the requirements of ISA 260.

### Limitations on work performed

This Report is separate from our audit report in the annual accounts and does not provide an additional opinion on the Council's annual accounts nor does it add to or extend or alter our duties and responsibilities as auditors in accordance with the Code.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

# Audit conclusions

### Audit opinion

Following approval of the annual accounts by the audit committee, we issued an unqualified opinion on the truth and fairness of the state of the Council's affairs as at 31 March 2020, and of the deficit on the provision of services for the year then ended. We also issued unqualified opinions on the truth and fairness of the state of the Perth and Kinross Council Charitable Trusts' affairs as at 31 March 2020. There are no matters identified on which we are required to report by exception.

### Financial reporting framework, legislation and other reporting requirements

The Council is required to prepare its annual accounts in accordance with International Financial Reporting Standards ("IFRS"), as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 ("the CIPFA Code"), and in accordance with the Local Authority Accounts (Scotland) Regulations 2014. Our audit confirmed that the annual accounts have been prepared in accordance with the CIPFA Code and relevant legislation.

The Perth and Kinross Council Charitable Trust's financial statements are prepared in accordance with the Charities SORP (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audits confirmed that the annual accounts have been prepared in accordance with the relevant charity accounting legislation.

### Annual accounts preparation and audit readiness

The accounts were made available to us on 29 June 2020, and were subsequently considered by the Audit Committee on 22 July 2020. The Council's finance team continued to perform well in its delivery of high quality annual accounts, particularly considering the operational impact of Covid-19. We appreciate that management effectively prioritised preparation of the financial statements and worked with KPMG to ensure continued responsiveness to audit. In 2018-19, a recommendation was made to review the accounts preparation process. All parties agreed that this work would be deferred until 2020-21 in order to support council delivery of key services during the Covid-19 pandemic.

### Statutory reports

We have not identified any circumstances to notify the Controller of Audit that indicate a statutory report may be required.

### Other communications

We did not encounter any significant difficulties during the audit. There were no other significant matters arising from the audit that were discussed, or subject to correspondence with management that have not been included within this report. There are no other matters arising from the audit, that, in our professional judgement, are significant to the oversight of the financial reporting process.

### Audit misstatements

We have not identified any audit misstatements.

### Written representations

Our representation letter does not include any additional representations to those that are standard as required for our audit.

# Materiality and summary of risk areas

### Materiality

We summarised our approach to materiality in our audit strategy document. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels and concluded that the level of materiality set at planning was still relevant.

We used a materiality of £9.5 million for the Council's standalone financial statements, and £9.8 million for the Group financial statements. The Council's materiality equates to 1.9% of Council gross expenditure on the provision of services, adjusted for revaluation charges recognised in the year, and funding provided to the Perth and Kinross Integration Joint Board ("the IJB"). We designed our procedures to detect errors in specific accounts at a lower level of precision than our materiality. For the standalone accounts our performance materiality was £7.1 million, and for the Group accounts it was £7.4 million. We report all identified misstatements greater than £250,000.

### Forming our opinions and conclusions

In gathering the evidence for the above opinions and conclusions we:

- performed controls testing and substantive procedures to ensure that key risks to the annual accounts have been covered;
- communicated with the Chief Internal Auditor and reviewed internal audit reports as issued to audit committee to ensure all key risk areas which may be viewed to have an impact on the annual accounts had been considered;
- reviewed estimates and accounting judgements made by management and considered these for appropriateness;
- considered the potential effect of fraud on the annual accounts through discussions with senior management and internal audit to gain a better understanding of the work performed in relation to the prevention and detection of fraud; and

- attended audit committee meetings to communicate our findings to those charged with governance, including private sessions with members, and to update our understanding of the key governance processes.

### Significant risks and other focus areas in relation to the audit of the financial statements

We summarise below the risks of material misstatement as reported within the audit strategy document.

Significant risks:

- Management override of controls fraud risk;
- Fraud risk from income recognition and expenditure;
- Revaluation of property, plant and equipment, and investment property; and
- Retirement benefits.

We also report on the previously identified audit focus area in respect of Capital Expenditure.

As described in more detail on page 12, we updated our understanding of the risks relating to retirement benefits as a result of the legal judgements on McCloud and GMP but did not change our assessment of the risk overall. No other changes to significant risks or other matters were identified during the course of our audit.

### Most significant assessed risks of material misstatement

We set out on pages 7 through 12 the significant risks identified in the audit, together with our conclusions. The audit opinion within the annual accounts includes a reference to the most significant assessed risks of material misstatement, which equates to the significant risks included in this annual audit report. This annual audit report does not constitute our audit opinion; the opinion is included within the annual accounts.

# Significant risks

We set out below the significant risk identified in the audit, together with our conclusion. The audit opinion within the annual accounts includes a reference to the most significant assessed risks of material misstatement, which is the significant risk included in this annual audit report. This annual audit report does not constitute our audit opinion; the opinion is included within the annual accounts.

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Management override of controls fraud risk</b></p> <p>A presumed risk we are required to consider covers fraud risk from management override of control.</p> <p>Management is typically in a position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk.</p> <p>This is an assumed risk per ISA 240 <i>The Auditor's responsibilities related to fraud in the audit of financial statements</i>.</p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. We did not identify any specific additional risks of management override relating to the audit of the Council.</p> <p>Strong oversight of finances by management provides additional review of potential material errors caused by management override of controls.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— controls testing and substantive procedures, including over journal entries and accounting estimates (such as over property revaluations and pensions); and</li> <li>— review of significant transactions that are outside the Council's normal course of business, or are otherwise unusual.</li> </ul>	<p><i>We did not identify any indicators of management bias or management fraud during the audit or as a result of our controls testing as presented on page 22.</i></p> <p>Our testing of journal entries was satisfactory and we have obtained sufficient audit evidence as a result of our planned procedures. No issues were identified.</p> <p>We did not identify any significant transactions that are outside the Council's normal course of business, or are otherwise unusual.</p>

## Significant risks (continued)

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Fraud risk from income recognition and expenditure</b></p> <p>Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of income. This requirement is modified by Practice Note 10, issued by the FRC, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We consider that the Council's significant income streams, which include taxation and non-specific grant income are free of management judgement or estimation. We do not consider recognition of remaining income to represent a significant risk for the Council as there are limited incentives or opportunities to manipulate income recognition, and these are not likely to be materially inappropriate. We rebut this risk and did not incorporate specific work in this area beyond our standard fraud procedures.</p> <p>We consider that there is not a risk of improper recognition of expenditure in respect of payroll costs, financing and investment expenditure, or depreciation. These costs are routine in nature and not at risk of manipulation. We rebutted the risk of fraud over other operating expenditure on the basis of materiality.</p> <p>We did not rebut the assumed risk in respect of the remaining expenditure.</p>	<p>In respect of material income:</p> <ul style="list-style-type: none"> <li>– non-ringfenced government grants are agreed in advance of the year, with any changes requiring government approval. There is no estimation or judgement in recognising this stream of income and we do not regard the risk of fraud to be significant. We agreed significant grants to supporting documentation.</li> <li>– the other major sources of income are from annual local taxes and rental income (council tax, non-domestic rates and housing incomes). These incomes are prescribed by law and other specific regulations, which prescribe the period in which annual local taxes and rental income is recognised as income. We performed tests of detail and substantive analytical procedures in our audit of these sources of income.</li> </ul> <p>We performed procedures in respect of expenditure to:</p> <ul style="list-style-type: none"> <li>– compare the outturn with the in year budget monitoring, considering variances;</li> <li>– test controls specific to confirm correct capital vs revenue allocation;</li> <li>– test expenditure cut-off including a search for unrecorded liabilities and journals posted towards the year end;</li> <li>– test transactions focusing on the areas of greatest risk, including debtors, creditors, accruals, prepayments and provisions to challenge completeness and existence of these balances; and</li> <li>– review and challenge of management in respect of estimates for evidence of bias.</li> </ul>	<p><i>We have concluded that that income and expenditure are appropriately recognised.</i></p> <p>Our review of variances of actual performance against budget did not highlight any errors.</p> <p>We undertook a detailed search for unrecorded liabilities, as well as testing estimates over accruals which did not identify any errors in expenditure cut off.</p> <p>No exceptions were identified in respect of the specific controls testing, and expenditure testing covering purchase ledger, and journals.</p> <p>No indications of management bias were identified.</p>

## Significant risks (continued)

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Revaluation of property, plant and equipment and investment property</b></p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the appropriate fair value at that date. In common with other councils, the Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. In 2019-20 HRA housing stock, shops, miscellaneous non-operational properties, investment properties, and industrial properties were subject to revaluation. The revaluation model also includes revaluation of assets with significant capital investment, and consideration of impairment indicators for all Council assets.</p> <p>In 2019-20, all valuations were performed internally with the exception of the HRA housing stock which was carried out by the District Valuer Service (DVS).</p> <p>The Council uses a valuation date of the 1 April 2019 for the 31 March 2020 year end and 1 August 2019 for all investment properties. The HRA valuation date was 30 September 2019. We consider there to be a risk of material movement between these dates.</p>	<p>Our procedures included:</p> <p><b>Control design:</b></p> <p>We tested a control ensuring sufficient segregation of duties and authorisation of valuations before being submitted to Corporate Accounting.</p> <p><b>Assets revalued in the year:</b></p> <p>A number of the Council's assets are revalued on an annual basis, including investment properties and assets held for sale. In relation to those assets which have been revalued during the year we assessed the valuer's qualifications, objectivity and independence to carry out such valuations. We tested the accounting treatment for assets revalued to challenge whether the accounting treatment is appropriate and consider valuation inputs and assumptions using the approach above.</p> <p>We also assessed the risk of the valuation changing materially during the year, or between the date of valuation and the year end.</p> <p><b>Assessing methodology choice and benchmarking assumptions:</b></p> <p>We reviewed management's assessment of impairment indicators and assessed for completeness.</p> <p>We utilised our internal specialist to assess the methodology used including testing the underlying data inputs and assessing the assumptions used in comparison to available market information.</p> <p>We selected a representative sample of 8 HRA properties and agreed the comparable sales data used in their valuation to third party sources.</p> <p>We selected a further sample of 10 assets to agree calculation inputs to supporting evidence, consider in detail the revaluation calculations and challenge the underlying assumptions. These assets were considered representative of the asset categories subject to revaluation in the year.</p>	<p><i>We found the resulting valuation of council dwellings, other land and buildings, surplus assets and investment properties to be acceptable on an appropriate basis, which resulted in a net decrease in the assets revalued.</i></p> <p>We tested a sample of 15 revaluations to confirm that the Senior Estates Surveyor had reviewed revaluations, and that senior colleagues responsible for review and valuation were appropriately qualified.</p> <p>We inspected management's roll forward of valuations from the date of valuation to the year end date and confirmed it was completed.</p> <p>Our internal valuation specialist, in conjunction with the audit team, concluded that the valuation methodology used by the Council's valuer and the DVS was appropriate and consistent with the requirements of the CIPFA Code.</p> <p>We challenged the assumptions used in calculating the valuations including Building Cost Information Service ("BCIS") rates, estimated useful lives, and comparable data. The supporting documentation provided for the assumptions was readily available and of sufficient quality.</p>

# Significant risks (continued)

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Revaluation of property, plant and equipment and investment property (continued)</b></p> <p>Given the quantum of the asset carrying values and the inherent use of assumptions in their valuation, we consider there to be a significant risk of misstatement.</p> <p>The 2019-20 code also requires consideration that the carrying amount of assets do not differ materially from the current value at the end of the reporting period. Therefore, we consider there to be a risk in relation to the assets not revalued in the year, as their current value at year end may be materially different.</p>	<p>Continued...</p> <p>We considered whether there are any indicators for impairment across the region that would suggest an impairment review is required.</p> <p><b>Assets not revalued in the year:</b></p> <p>We reviewed the approach that the Council has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach, including any indicators of impairment.</p>	<p>Continued...</p> <p>Due to the level of uncertainty in the property market as a result of the Covid-19 pandemic, both the Council's valuer and the DVS have included material uncertainty clauses in their respective valuation reports. This reflects the risk that property values could be impacted in the coming months. There is currently insufficient evidence available to make a reliable estimate as to the extent of the impact.</p> <p>In light of this uncertainty, management have performed an impairment review which considers the potential impact on all significant categories of assets. We reviewed this assessment and did not identify any indicators of impairment that required further review.</p>

## Significant risks (continued)

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Retirement benefits</b></p> <p>The net pension liability (£121.4m as at 31 March 2020, including assets of £740.8m) represents a material element of the Council's Balance Sheet. The Council is an admitted body of Tayside Pension Fund, which had its last triennial valuation completed as at 31 March 2017. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the pension liability estimate, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions should be derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Council's pension obligation are not balanced. This could have a material impact to net pension liability accounted for in the financial statements.</p>	<p>Our audit approach included:</p> <p><b>Control design:</b></p> <ul style="list-style-type: none"> <li>Testing the design and operating effectiveness of controls over the provision of membership information to the actuary who uses it, together with management's review of assumptions, to calculate the pension obligation.</li> </ul> <p><b>Benchmarking assumptions:</b></p> <ul style="list-style-type: none"> <li>Challenging, with the support of our own actuarial specialists, the key assumptions used by the actuary (the discount rate, inflation rate and mortality/life expectancy) against externally derived data.</li> <li>Challenging the rate of increase in pensionable salaries assumption, by comparing it to other evidence such as business and transformation plans and our understanding of Government and staff expectations.</li> <li>Considering the consistency of methodology</li> </ul> <p><b>Assessing transparency:</b></p> <ul style="list-style-type: none"> <li>Considering the adequacy of the disclosures in respect of the sensitivity of the deficit to these assumptions</li> <li>Assessing if the disclosures within the financial statements are in accordance with the 2019-20 CIPFA Code's requirements.</li> </ul>	<p><i>We are satisfied that the retirement benefit obligation:</i></p> <ul style="list-style-type: none"> <li><i>is correctly recognised on the balance sheet as at 31 March 2020;</i></li> <li><i>has been accounted for and disclosed correctly in line with International Accounting Standard ("IAS") 19 Retirement benefits; and</i></li> <li><i>assumptions used in calculating this estimate and management's judgements are appropriate and within a range which we consider to be acceptable (see Appendix nine)</i></li> </ul> <p>Results of testing of controls in respect of provision of information to the actuary were satisfactory.</p> <p>The disclosures in the annual accounts are in line with the CIPFA Code's requirements, including relevant sensitivity analysis.</p> <p><b>Assumption Change</b></p> <p>Our actuarial specialists identified a change in the methodology of calculating CPI. This change was identified as a result of the UK Chancellor and UK Statistics Authority jointly publishing a change in the calculation of RPI which is linked to CPI. This change in methodology has been observed on a significant number of pension funds in the UK, and our actuarial specialist concluded the change was reasonable, and the CPI assumption remains within our normally acceptable range.</p>

## Significant risks (continued)

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Retirement benefits (continued)</b></p> <p><b>Guaranteed minimum pensions ("GMP") equalisation</b></p> <p>Following a UK High Court judgement on 26 October 2018, the Government published the outcome to its indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age ("SPA") before 6 April 2021.</p> <p><b>Updates to our significant risks</b></p> <p>Two significant court cases were concluded upon in the prior year, relating to Gross Minimum pensions equalisation, and the McCloud case.</p> <p>Both judgements are considered by KPMG to have an impact on the pension liability due to the level of estimation and assumptions used by management and the actuary. We therefore included these areas within our significant risk.</p> <p>In addition, CIPFA issued guidance during the year relating to the Goodwin case, which relates to a male survivor of a female scheme member and is alleging direct sexual orientation discrimination.</p>	<p>We discussed with management any updates regarding this matter, and how these impacted the audit.</p>	<p>Continued...</p> <p><b>Guaranteed minimum pensions ("GMP") equalisation</b></p> <p>Full allowance for GMP equalisation was taken into account by the Council during 2018-19. We confirmed that no additional changes were required in 2019-20.</p> <p><b>McCloud consultation</b></p> <p>The council, informed by its actuary, concluded no adjustment was required in respect of the value placed on the liability for McCloud in 2019-20.</p> <p>Formal consultation on how the McCloud judgement will be implemented began in July 2020 and is expected to conclude in October 2020. We agreed with management's assertion that the impact is unlikely to be material but requested additional disclosure be included in the financial statements to explain that there is some uncertainty surrounding the outcome of the consultation.</p> <p><b>Goodwin case</b></p> <p>During the annual accounts audit, we discussed the inclusion of a contingent liability in the accounts. We concluded that it was prudent to include such disclosure, and did not view it as a misstatement of omission.</p>

# Other areas of audit focus

Other area of audit focus	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Capital expenditure</b></p> <p>The Council has a ten year £576 million capital plan, which includes the Cross Tay Link Road, A9/A85 road junction improvement project and Perth City Hall upgrade. The initial budget in 2019-20 was £74 million.</p> <p>Due to the significance of this capital investment programme and complexity of some of the projects, we consider there to be a risk of misstatement. This is in respect of ensuring that the classification of costs between operating and capital expenditure is appropriate and in respect of capturing all relevant costs and contributions.</p> <p>We also consider that any large capital project inherently brings a fraud risk to an entity, which we consider appropriate for the Council. We note that this was not a fraud risk relating to the financial statements.</p>	<p>Our audit approach includes:</p> <p><b>Control design:</b></p> <ul style="list-style-type: none"> <li>– Testing the design and operating effectiveness of controls in respect of the review of costs allocated to capital and income projects.</li> </ul> <p><b>Control re-performance:</b></p> <ul style="list-style-type: none"> <li>– Comparing the total capital expenditure reported in the financial statements with that reported in reports to those charged with governance.</li> </ul> <p><b>Tests of detail:</b></p> <ul style="list-style-type: none"> <li>– Use of substantive sampling methods to evaluate the appropriateness of capital or income accounting classification by reference to supporting documentation.</li> <li>– Assessing a sample of items allocated to revenue expenditure to determine whether they are correctly classified.</li> <li>– Review and corroboration of manual journals.</li> </ul>	<p>The controls tested were found to be effective.</p> <p>No exceptions were identified in the tests of detail, with supporting documentation available for each item sampled.</p> <p><i>We have concluded that the treatment of capital expenditure is satisfactory.</i></p>

# Going concern

### Going concern

Going concern means the ability of the Council to remain solvent for the twelve month period from the accounts being signed.

The Council had net assets of £557.7 million (2018-19 £544.8 million) as at the balance sheet date. Net assets increased on 2018-19 by £12.9 million, reflecting the total comprehensive expenditure for the year and accounting adjustments required by the CIPFA Code (see page 20 for further detail).

Management considers it appropriate to continue to adopt the going concern assumption for the preparation of the annual accounts. The Council is in a net asset position, and it considers that the confirmed Scottish Government funding (which includes non-domestic rates income) of £271 million is sufficient to meet debts as they fall due. The council also has reasonable certainty over income sources, such as Council Tax income. Financial assets comprising short term investments, and cash and cash equivalents were £207.0 million (2018-19: £47.8 million) as at 31 March 2020. This is offset by an increase of £162.5 million in long-term borrowings.

The council has produced its five year medium term financial plan (MTFP) in each October of our appointment, though this was postponed in October 2019 owing to uncertainty over Brexit negotiations, and subsequently delayed until October 2020 as a result of continued uncertainty resulting from Covid-19. However, the Council have produced a three year revenue budget, which supports the ability of the Council to continue as a going concern.

In recent financial years, there has been managed reduction in the overall cost base and further efficiency savings are incorporated into budgets. The Council endorsed a 2019-20 savings requirement of £16.5 million in the October 2018 medium term financial plan. The Council approved a savings target of £4.0 million in the 2019-20 budget across a wide range of the activities of the Council, in order to achieve a balanced budget.

In addition to planned savings of £4.0 million, the 2020-21 budget identifies the planned use of £5.2 million of general fund reserves to achieve a balanced budget. This would reduce the general fund reserve to £44.1 million, of which £7.4 million is not earmarked.

In a typical year, the council would develop and approve a five-year medium term financial plan, however, we accept the decision of management to delay this process during 2019-20 due to continuous changes and uncertainty due to Brexit.

Whilst the current MTFP has not been updated, it continues to demonstrate the medium term planning intent by management.

In February 2019, a ten-year composite capital budget was approved which takes a longer-term view in respect of financial planning. This demonstrates strong financial oversight, and planning of future pressures. This supports our assessment that the forecasting undertaken by management, and the comprehension of key financial pressures will mean management can take action to mitigate or resolve in future years.

# Going Concern (continued)

### Response to Covid-19

The financial implications of the Covid-19 pandemic were assessed by the Council and submitted to the Convention of Scottish Local Authorities (COSLA) as part of a national data collection exercise in June 2020. The findings were also submitted by the Head of Finance in a report at the 24 June 2020 Council meeting. The report provided an update on the financial position of the council, highlighting the additional expenditure pressures and expected reduction in income. It also provided information on the additional funding made available to support the Council in its response. The potential gross cost to the Council was estimated to be between £21.8 million and £26.2 million in 2020-21 as reported to members on 31 August 2020.

Due to the continuing level of uncertainty, the financial impact of the pandemic will require regular review in the coming months. Further work is planned to set out the impact on the Council's budget and to inform a review of the MTFP in September 2020. It is likely that a significant revision to the 2020-21 revenue budget will be required, and officers intend to present a proposed revision to council on 30 September 2020.

This presents an additional challenge to the delivery of a balanced budget and will increase the need to identify and deliver savings. Despite this, we do not believe the impact of Covid-19 brings into question the use of the going concern assumption.

### Conclusion

The Council has a strong net assets position and a significant value of available financial assets. It has put in place savings plans and prepared short, medium and long term financial forecasts. These are inherently dependent on a number of assumptions out with the Council's control although the Council is currently performing broadly in line with budget. Management has demonstrated strong leadership in taking action on overspends to ensure tight budgetary control.

In light of the financial position, the short-term and medium-term forecasts, the confirmation of general revenue grant and the reasonable certainty over other significant income streams, we are content that the going concern assumption is appropriate.

# Management reporting in financial statements

REPORT	SUMMARY OBSERVATIONS	AUDIT CONCLUSION
<b>Management commentary</b>	<p>The Local Authority Accounts (Scotland) Regulations 2014 require the inclusion of a management commentary within the annual accounts, similar to the Companies Act requirements for listed entity financial statements. The requirements are outlined in the Local Government finance circular 5/2015.</p> <p>We are required to read the management commentary and express an opinion as to whether it is consistent with the information provided in the annual accounts. We also review the contents of the management commentary against the guidance contained in the local government finance circular 5/2015.</p>	<p>We are satisfied that the information contained within the management commentary is consistent with the annual accounts.</p> <p>We reviewed the contents of the management commentary against the guidance contained in the local government finance circular 5/2015 and, following some suggested enhancements are content with the proposed report.</p>
<b>Remuneration report</b>	<p>The remuneration report was included within the unaudited annual accounts and supporting reports and working papers were provided.</p>	<p>We are satisfied that the information contained within the remuneration report is consistent with the underlying records and the annual accounts and all required disclosures have been made.</p> <p>Our independent auditor's report confirms that the part of the remuneration report subject to audit has been properly prepared. In accordance with the relevant regulations.</p>
<b>Annual governance statement</b>	<p>The statement for 2019-20 outlines the corporate governance and risk management arrangements in operation in the financial year. It provides detail on the Council's governance framework, review of effectiveness, continuous improvement agenda and group entities and analyses the efficiency and effectiveness of these elements of the framework.</p>	<p>We consider the governance framework and annual governance statement to be appropriate for the Council.</p> <p>The arrangements and disclosures surrounding Covid-19 were sufficient and, following some suggested enhancements, we are content that the annual governance statement complies with guidance and reflects our understanding of the Council.</p>

# Group financial statements

Our audit appointment of the Council extends to the audit of the Perth and Kinross Council Charitable Trusts and Perth and Kinross Integration Joint Board. Appendix five sets out the group structure. The table below sets out the key audit findings from these entities and also significant matters discussed with the component auditor. There are no findings to report in relation to other group entities.

ENTITY	WORK PERFORMED	AUDIT CONCLUSION
<b>Charitable Trusts</b>	<p>We assessed materiality based on our knowledge and understanding of the charities' risk profile and annual accounts balances. Materiality was determined at 3% of total assets.</p> <p>We planned our materiality for the charitable trusts based on the closing 2018-19 total asset position. As a result of Covid-19, the total assets of the charitable trusts fell from £1.58 million to £1.46 million, resulting in a materiality of £43,500 and a reporting threshold of £2,100.</p> <p>We considered and confirm our independence as auditor and our quality procedures, together with the objectivity of the audit director and audit staff. The engagement lead in 2019-20 was Michael Wilkie.</p>	We issued an unqualified audit opinion on the charitable trusts.
<b>Common Good</b>	Perth and Kinross Council Common Good does not prepare separate financial statements, and is incorporated as disclosure notes within the Council's financial statements. Common Good holds investment properties as well as other assets.	The Common Good amounts are included within the Group financial statements, for which we issued an unqualified opinion.
<b>Integration Joint Board ('IJB')</b>	A separate annual audit report is planned to be presented to the Audit and Performance Committee of the Perth and Kinross Integration Joint Board on 23 September 2020. No significant exceptions were identified during the audit.	We issued an unqualified audit opinion for the IJB on 17 September.

# New accounting standards

### Future accounting and audit developments

In March 2020, CIPFA/LASAAC agreed to delay the implementation of IFRS 16 *Leases* until the 2021-22 financial year as a result of the COVID-19 pandemic. The standard removes the previous classifications of operating and finance leases for lessees (with exemptions for short-term and low value leases) and requires a right-of-use asset to be recognised, with a corresponding lease liability. It is expected that this standard will now be incorporated in to the 2021-22 CIPFA Code.

The Council planned to perform a detailed review of the impact IFRS 16 will have on its balance sheet during 2020. However, owing to the council prioritising key services as a result of Covid-19, this project has been delayed. We will report on the Council's progress as part of our audit strategy for the 2021-22 audit, and will consider the accounting of IFRS 16 as part of our audit of the 2021-22 financial statements

Amendments to IAS 29 *Employee Benefits* will be implemented in to the 2020-21 CIPFA Code. Where a pension scheme amendment, curtailment or settlement occurs during the year, the amended assumptions are to be applied in relation to the benefits for the remainder of the year.

### Qualitative aspects

ISA 260 requires us to report to those charged with governance our views about significant qualitative aspects of the Council's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

We consider the accounting policies adopted by the Council to be appropriate. There are no significant accounting practices which depart from what is acceptable under IFRS or the CIPFA Code.

Significant accounting estimates relate to the present value of defined benefit obligations and valuation of non-current assets. For defined benefit obligations, the estimate is calculated under IAS 19 (as calculated by the Council's actuary, Barnett Waddingham using agreed financial assumptions). We found the assumptions and accounting for pensions to be appropriate (page 44). Non-current asset impairment is considered by the Council's valuation team. We used our internal valuation specialists to assess the assumptions used in these reports. We did not identify indications of management bias.

Financial statement disclosures were considered against requirements of the CIPFA Code, relevant legislation and IFRS. No departures from these requirements were identified.

# Wider scope introduction

### Audit dimensions introduction

The Code sets out four audit dimensions which, alongside Best Value, set a common framework for all the audit work conducted for the Controller of Audit and for the Accounts Commission. The dimensions are: financial management; financial sustainability; governance and transparency; and value for money.

It remains the responsibility of the audited body to ensure that it makes proper arrangements across each of these audit dimensions. These arrangements should be appropriate to the nature of the audited body and the services and functions that it has been created to deliver. We review and come to a conclusion on these arrangements.

During our work on the audit dimensions we considered work carried out by internal audit and other scrutiny bodies to ensure our work meets the proportionate and integrated principles contained within the Code.

All appointed auditors are also required to consider areas of focus identified by Audit Scotland, we include our view on each area as within the relevant wider scope section.

### Best Value

The Accounts Commission agreed the overall framework for a new approach to auditing best value in June 2016. Best Value is assessed over the five year audit appointment, as part of the annual audit work. There are seven areas considered over the five years. In addition a best value assurance report ("BVAR") for each council will be considered by the Accounts Commission at least once in the five year period.

In 2018-19, a BVAR was prepared for the Council, and was presented to the Accounts Commission in August 2019. A copy of this report can be found on Audit Scotland's website.

As part of our planned audit procedures, we followed up those recommendations made in the BVAR, and where our work is reported as a result of these recommendations, these have been highlighted as 'recommendation'.

### Strategic Audit Priorities

The Accounts Commission agreed five strategic audit priorities as part of the Code:

- the clarity of Council priorities and quality of long-term planning to achieve these;
- how effectively councils are evaluating and implementing options for significant changes in delivering services;
- how effectively councils are ensuring that members and officers have the right knowledge, skills and time to lead and manage delivery of council priorities;
- how effectively councils are involving citizens in decisions about services; and
- the quality of council public performance reporting to help citizens gauge improvements.

We consider the strategic audit priorities when performing the wider scope work over the five year appointment.

### Our approach

In our fourth year of audit work was planned to, and has covered the following areas as set out in our audit strategy:

- Demand pressures, and the Transformation programme (page 24);
- Medium and long term planning (page 23);
- EU withdrawal (page 25);
- Partnership working and empowering communities (page 32);
- Performance and outcomes (page 27); and
- Fraud and corruption in procurement (page 31).

### Conclusion

We concluded that the council has reasonable procedures and practices in place to support a positive conclusion. We consider that overall, the council is working towards achieving areas of best value where they are recognised, and there is a positive attitude towards maintaining this pace.

# Financial management

**Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.**

### 2019-20 financial performance

The Comprehensive Income and Expenditure Statement shows a deficit on the provision of services of £3.2 million for the year to 31 March 2020, of which £6.4 million deficit relates to the General Fund and £3.2 million surplus on the Housing Revenue Account. The Council set a net revenue expenditure budget of £353.8 million on the general fund and a gross revenue budget of £29.6 million on the HRA for 2019-20. The core outturn is a surplus of £12.2 million being on the General Fund and HRA in respect of the net cost of services. After minor variances relating to income and finance and investment income and expenditure, the total variance against budget was a £13.9 million underspend, which increased reserves by £1.9 million.

### General Fund

A balanced budget was approved in February 2019. The £3.0 million General Fund surplus represents 1.0 % of the net services expenditure, as a net result of over and underspends and re-profiling of Loans Fund charges. The largest underspends were:

- Education and Children's services (£8.9 million), reflecting underspend on teachers and support staff costs, and supplies and services. In addition, £3.0 million was received in 2019-20 but transferred to earmarked reserves for future use.
- Housing and Environment (£4.0 million), reflecting deferred expenditure relating to projects covering flood management, winter maintenance and staff costs.

We continue to highlight the good practice of budget flexibility, which encourages Council services to plan longer term, in which an estimated £2.3 million was carried forward as part of the 2020-21 budget.

### Financial headlines

#### Deficit on provision of services

**£3.2 million**

*2018-19: £22.3 million*

#### Surplus on general fund

**£3.0 million**

*2018-19: £3.0 million surplus*

#### Total reserves

**£557.7 million**

*2018-19: £544.8 million*

#### General fund reserve

**£49.3 million**

*2018-19: £47.4 million*

#### Pension liability

**£121.4 million**

*2018-19 £118.6 million*

#### Capital financing requirement

**£583.7 million**

*2018-19 £540.3 million*

(Source: audited annual accounts)

# Financial management (continued)

## 2019-20 financial performance (continued)

### Housing Revenue Account ("HRA")

The Council is required by legislation to maintain a separate HRA and to ensure that rents are set to cover the costs of its social housing provision. Rent levels are set in order to achieve a breakeven position based on forecast expenditure. The capital HRA budget was approved in January 2019 by the Housing & Communities Committee, and set a budget of £12.5 million revised to £14.3 million. The increase in budget was as a result of higher than forecast Council Buy-Backs and an increased investment in Central Heating and Rewiring works. The final outturn was £14.8 million.

### Financial reporting and budgetary control

Regular financial reporting is provided to the Strategic Policy and Resources Committee ("SP&R"), comprising details of budget, a revised budget, and detailed explanations of movements against budget. A final outturn is included as part of the Management Commentary in the audited annual accounts. We have focused upon 'utilisation of reserves, as this is the key driver for performance against budget for the Council and its members. The General Fund reserve allows the Council to smooth out financial pressures over a number of years.

The forecast outturn for the 2019-20 £351.1 million general fund budget as reported quarterly is presented below, with the full year forecast as reported at each quarter presented to show the changes in expectations over the year.

Forecast outturn (£000)	Sep-19	Nov-19	Jan-20	Mar-20	Final
Budgeted use of reserves	14,071	14,045	12,824	11,771	12,064
Variance of financed from/ (returned to) reserves against budget	3,380	1,875	(295)	(1,053)	(13,919)

We note that the March 2020 monitoring report was not taken to committee owing to the suspension of committees as a result of Covid-19. The section 95 officer authorised the changes to budget under the council's emergency powers, which were subsequently considered by council as required. The final outturn was included as

part of the financial statements review in July 2020 to the audit committee, and we understand will be considered by the full council when it reviews the accounts in October 2020. Whilst we note an underspend of £13.9 million against budget, there has been an overall increase in usable reserves of £1.9 million.

The annual accounts advised of a £13.9 million underspend across the Council as part of its management commentary. This was made up of underspends in Education & Children's Services (£8.9 million), Housing & Environment (£4.0 million), Corporate & Democratic Services (£0.4 million) and other corporate budgets (£1.0 million). This was partially offset by a projected overspend on Health & Social Care (£1.2 million).

The final under spend for the Council was £13.9 million – a movement of £14.2 million on the position reported to SP&R in January.

We conclude that management reported regularly, and in sufficient detail to members in order that timely decisions could be made by the Council.

### Capital budget

The Composite Capital Budget approved in February 2019 for the period 2019-20 set net expenditure of £62.1 million, against a final net budget of £48.1 million reported at year end.

Significant expenditure was undertaken in respect of the School Modernisation programme of £14.1 million, roads Structural Maintenance of £12.8 million, and Perth Transport Futures programme of £1.2 million.

The final outturn of budget against actual was net expenditure of £42.9 million, and underspend of £5.2 million on budget.

The net budget reduced during the year owing to the re-phasing of projects, such as the School Modernisation programme, Environmental Place-making Programme, and the Cultural Attractions programme.

# Financial management (continued)

### Accounts and audit process

Draft annual accounts were authorised for issue under the council's emergency powers on 29 June 2020. In line with legislation, the audit committee considered the draft annual accounts on 22 July 2020 as required before 31 August. We received a copy of the draft annual accounts on 29 June 2020.

We note that management would usually present the annual accounts for consideration to the audit committee prior to submission to us, which we consider to be best practice and allows members to challenge the unaudited accounts before the audit commences. As committees were suspended due to Covid-19 restrictions, management presented the unaudited annual accounts to committee for consideration on 22 July 2020, which we consider to be in compliance with The Local Authority Accounts (Scotland) Regulations 2014.

Owing to Covid-19, the way that Council has operated since 23 March 2020 has changed significantly. We recognise the efforts of the finance team given significant Covid-19 pressures to deliver a set of accounts with no identified misstatements to us in accordance with the normal timeframes. Members of the finance team have been retasked during the pandemic in order to support key council services. In this context, this represents a significant achievement.

High quality working papers were provided at the start of the audit fieldwork and management responded effectively to our queries. No significant issues arose during the audit and no audit misstatements were identified.

### Internal control

We consider that the Council has a robust control environment. We tested the operating effective controls within certain financial processes, where reliance upon them enabled an efficient testing approach. No exceptions were identified from the testing and the controls tested were:

- Review of valuations (relates to a significant risk).
- Transfer of pensionable data and management review of assumptions and assets (relates to a significant risk).

- Capital and revenue budget monitoring (relates to a significant risk)
- Bank reconciliations.
- Procurement: contract awards.
- BACS authorisations.
- HRA income reconciliation.
- Council tax and non-domestic rates assessor report reconciliation, and council tax and non-domestic rates reliefs.

In 2018-19 we made a total of two recommendations and a summary of their status is presented below. The action plan detail is shown on page 37 onwards. We report that one recommendation has been carried forward to 2020-21 in agreement with officers, and the other was implemented with no further recommendations made.

Status	Grade one	Grade two	Grade three
Implemented	-	1	-
Deferred	-	-	1

### Internal audit review of controls

As part of its annual plan and reporting, internal audit made 18 control objective recommendations, down from 26 in 2018-19. As noted on page 29, this is despite more focused work by the internal audit function and demonstrates the role that internal audit play in supporting service improvement.

### Our view – financial management

We consider that the approach to financial management, including budget setting and monitoring is appropriate with clear supporting governance arrangements. The Council demonstrates good practice, in a local authority context, through regular financial reporting

The controls tested for the purposes of forming an opinion on the annual accounts were found to be effective.

# Financial sustainability

**Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.**

The best value assurance report considered that the Council has robust financial planning and management arrangements, including effective monitoring and reporting and medium-term financial planning. The financial outlook is challenging, but the council is well placed to address projected funding gaps through its transformation programme and savings identified as part of the medium-term financial plan.

### Annual budget presentation

The annual budget for 2019-20 was approved by Council on 20 February 2019. The budget report set out the general fund revenue budget for 2019-20, together with the provisional general fund revenue budget for 2020-21 and 2021-22. The capital budget was set for the period 2019-20 to 2028-29.

The Council is required to set a balanced budget in each financial year, and in 2019-20 proposed budget flexibility of £3.2 million (underspends from the prior year), and utilisation of reserves totalling £6.1 million.

**BVAR Recommendation:** The council should build on its strong financial management and consider developing a longer-term financial plan covering a five to ten-year period as part of its modernisation agenda.

The council have historically produced its five-year medium-term financial plan. As noted on page 23, the preparation of the October 2019 MTFP was firstly delayed to the uncertainty as a result of Brexit, then the Covid-19 pandemic. This draft included a six-year plan to extend financial planning into the longer term as a response to the best value recommendation.

The full council will consider a revised six-year plan for 2020-2026 in September 2020. In addition, the council is developing a thirty-year Capital Investment Blueprint plan, which is anticipated to be considered in early 2021.

The council have built on existing strong financial management, and have developed financial models to demonstrate long term planning.

We consider the development of a six year plan is an appropriate response to the recommendation and will support longer term financial planning. However, in light of the global pandemic, the need to develop further long-term financial planning beyond six years is further highlighted.

### Other focus area: Medium-term financial plan

In October 2019, council Officers noted that due to uncertainty over the UK's withdrawal from the EU, there would be a planned deferral of the production of a medium-term financial plan until such time that Officers could present a forecast with assumptions based on known outcomes.

The plan was subsequently deferred due to the Covid-19 pandemic which introduced further uncertainty, and all Council officers were prioritised to delivering key council services.

Given the Council's primary function is to deliver services, we consider the deferral of the medium-term financial plan to be reasonable. Our inquiry of management indicates that the financial planning arrangements will resume once restrictions are lifted.

The October 2018 medium-term financial plan was prepared by the Council for making planning assumptions on future finances, covering the following five years. When preparing this medium-term financial plan, the Council considered assumptions over increasing service demands, pay settlements and uncertainty in respect of Local Government grant settlements. The MTFP highlighted that a significant level of recurring savings will continue to be needed. The total mid-range value required to 2023-24 is forecast as £52.3 million, and the pessimistic outlook is £106.8 million. The plan does not account for the outcome of the UK's withdrawal from the EU, nor the impact of Covid-19 on its income and expenditure.

As highlighted on page 26, members were given financial updates during the pandemic in June 2020.

# Financial sustainability (continued)

### Other focus area: Demand pressures

The council considers the increasing demand on its services through a number of routes.

The primary document covering demand pressures is the MTFP, which in the October 2018 update highlighted pressures covering social care, changing demographics and the need to invest in the school estate. Through the MTFP, council officers communicate the broad direction of travel for financial management, with further details and options for managing pressures being considered as part of the revenue budget process.

The detailed demand pressures are highlighted as part of the revenue budget in February of each year. Such pressures included refuse collection and waste disposal in the February 2019 budget report. As such revenue budgets are considered in detail by both council officers and members of the Council, we consider this appropriate oversight of pressures.

The council's largest area of demand pressure relates to the delivery of social care in partnership with the integration joint board ('IJB'). In order to best manage increased pressures, the IJB and council work together to set a budget in order to deliver these services, with the IJB's budget including analysis of the demand pressures there. The council has allocated all additional funding in respect of social care to the IJB, as well as additional funding in 2019-20 and 2020-21 budgets to support the management of these demand pressures.

The Chief Officer of the IJB is also a member of the council's executive officer team, and is therefore able to work with senior management of the council to share information and align strategies and resources to address demand pressures in respect of social care.

### Other focus area: Transformation programme

The councils five year transformation programme covering 2015-20 ended during the 2019-20 financial year. Progress is reported to the Strategic Policy and Resources Committee approximately every two months, and we consider that best practice would be to review the outcomes of this transformation programme to determine whether the overall strategy has been a success.

#### Recommendation one

As part of the development of a programme for 2021 onwards, bids for new projects were submitted to the Strategic Investment and Improvement Board ('SIIB') at the end of 2019 for evaluation and prioritisation. The outcome of these discussions – a prioritised list of new projects and continuing projects - was subsequently submitted to the executive officer team for consideration.

Further work to refine and align bids with the Perth and Kinross Offer was requested, and work continued to identify funding sources during March 2020, when council resources were reprioritised to deal with the Covid-19 pandemic.

The development of these plans has led to the scope of work being extended, which demonstrates that a wider view is being taken to support efficient and best value transformation, though has resulted in the several projects end date being delayed. Covid-19 has also resulted in transformation projects such as Mobile working/online services, which had a planned end date of 2023 being amended in order to respond to a new way of working.

# Financial sustainability (continued)

### Use of reserves

The Council continued to invest its reserves in the future of the organisation during 2019-20, including £3.8 million in respect of the earmarked Transformation Programme. The Council increased the total of the General Fund reserve by £1.9 million in delivering the 2019-20 financial outcome.

As at 31 March 2020, the Council had uncommitted general fund reserves of £12.9 million which equates to 3.6% of actual Net Cost of Services (3.6% as at 31 March 2019). These reserves are to support the delivery of services in the case of unexpected issues, and a reserves strategy is in place.

We consider that this level of reserves is reasonable for a Council of the size of Perth and Kinross Council. The total held is in line with the Reserves Strategy approved in March 2020, which targets an uncommitted reserves balance between 2% and 4%. However the risk for the Council is the non-delivery of savings which would impact on these reserves.

General Fund Reserves	31 March 19 £000	Increase /(utilisation) £000	31 March 20 £000
Transformation Programme	9,106	(3,784)	5,322
Other Earmarked Reserves	25,661	5,392	31,053
Uncommitted General Fund Reserve	12,674	247	12,921
<b>Total General Fund Reserves</b>	<b>47,441</b>	<b>1,855</b>	<b>49,296</b>

### Borrowing

Total borrowing as at 31 March 2020 was £173.1 million greater than as at 31 March 2019, with overall borrowing being £564.8 million. The increase in borrowing is primarily funding investment in capital. The Council undertook £130 million of new long-term borrowing during the summer of 2019 to take advantage of exceptional low rates to secure funding for the Capital Plan.

### Cash and Short Term Investments

Liquidity	31 March 2019 £000	31 March 2020 £000	Movement £000
Cash and cash equivalents	22,503	67,611	45,108
Short term investments	25,317	139,395	114,078
Short term borrowing	(18,187)	(28,786)	(10,599)
<b>Current liquidity</b>	<b>29,633</b>	<b>178,220</b>	<b>148,587</b>

As at 31 March 2020 cash and short term investments increased by £148.6 million as a result of significant increases in borrowing that were unutilised at 31 March 2020.

### Other focus area: EU withdrawal

As part of the 2018-19 audit, Audit Scotland mandated the consideration of EU withdrawal on the operations of the audited entity. We continued to consider this issue as part of our 2019-20 audit work.

Officers reported that a briefing paper was provided to senior officers and members in June, which detailed updates to EU Withdrawal, and the impact of various outcomes on the economy. The paper also highlighted key areas of concern for the Perth and Kinross region, and reports on current actions to mitigate and resolve these areas.

Our conclusion for EU readiness in our previous annual audit report was that 'We recognise planning for EU withdrawal is challenging for any entity, however, based on key areas highlighted across the public sector, we consider the Council to have been moderately prepared for EU withdrawal. At 29 March 2019, the Council had made clear progress in identifying risks, and developing mitigating actions to reduce potential impact on the delivery of services.'

The council continues to make progress on identifying risks and their actions for mitigation in respect of the uncertainty of the UK's future relationship with the EU.

# Governance and transparency

**Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making, and transparent reporting of financial performance.**

### Governance

The BVAR highlighted several findings regarding the governance arrangements within the Council.

The council operates with a total of 20 committees, ten of which administer common good funds. In addition to the scrutiny committee, the key committees include the strategic policy and resources committee, the lifelong learning committee, the environment and infrastructure committee, the housing and communities committee and the audit committee.

The council established the current committee structure after the last election when the new council decided to review and implement changes to adapt to scrutiny and new challenges. The key changes included reducing the overall number of committees and increasing the membership of the scrutiny committee from seven to 11 members.

### Governance arrangements during Covid-19

As a result of the Covid-19 pandemic, the council adopted a command structure that would support rapid decision making where scenarios and demands were changing regularly. The council also adopted Emergency Powers effective under section 15.5 of the Scheme of Administration, and management presented a paper to the Council on 20 May 2020, which was approved by members.

The arrangements were agreed that any decisions made by the Chief Executive, Depute Chief Executive or any Executive Director that would normally require approval would be reported to Council or relevant committee as soon as possible for subsequent ratification and challenge. These emergency powers were given an initial expiry date of 30 September 2020, and management reported to us that the emergency powers expired on 16 August 2020, and the Council returned to normal democratic operating processes. In addition, there were various 'sounding boards' of which the corporate board included the senior management team, the leaders of each political party, and independent representatives.

During lockdown, the council introduced service level sounding boards, which also included members with responsibility for the service and heads of services

In order to maintain financial governance, the council provided regular updates to these sounding boards, and updates were made to full council when it was convened. Management provided two Covid-19 financial implications reports to members in June 2020 (on the 1<sup>st</sup> and on the 24<sup>th</sup>), discussing key topics such as income at risk, and partnership working. We consider this level of reporting and engagement with elected members to be sufficient and appropriate.

**Recommendation:** As part of the ongoing governance review the council should consider simplifying arrangements to improve decision-making.

BVAR

The council have commenced implementation of smaller changes to governance arrangements primarily covering residential planning.

The Head of Legal and Governance Services has been charged with overseeing a wider review of governance arrangements. This review will be shaped as the Offer continues to be developed to ensure it is fit for purpose and supports closer collaboration with partners and communities. The council's progress on implementing changes has been delayed by the Covid-19 pandemic, and as part of the Recovery and Renewal programme, key objectives will be identified with linked outcomes to implement.

The council has indicated that other models of decision-making are being considered to ensure that processes or models that support best practice are identified. Any changes will be made in line with the International Framework for Good Governance, and CIPFA's Framework for Local Government Good Governance, and well as the establishment of a working group to ensure wider stakeholder input.

# Governance and transparency (continued)

### Best Value focus area: Performance and outcomes

The best value assurance report for 2018-19 reported that the Controller of Audit judged “Overall outcomes for the community are improving. More could be done to consistently demonstrate that performance management drives changes and improvement. Residents are generally satisfied with the council’s services.”

#### Performance management

The Council produces an annual performance report (“APR”) which summarises its own key performance indicators. This is submitted to the full council, and is also available through the ‘PK Performs’ dashboard within the council’s website.

There are a total of 63 indicators which the council use, of which 20 (38%) improved against 2018-19, 20 remained steady, and 8 needed further attention. The council do not consider it appropriate to report trends on 4 of the indicators. At the time of the report’s publication, a total of 11 had no trend data available due to timing pressures which occur in each financial year. There are however subsequently updated on ‘PK Performs’ once available as noted as part of the best value assurance report.

#### Improvement plans

Each service produces an annual business management improvement plan (“BMIP”). In relation to service-led improvements, each BMIP has a section focussing on the performance of improvements identified in the prior year, and the action plan for the following year which drives the outcomes and improvements to deliver.

However, it is not always clear those reasons for performance falling below target and the associated actions and the outcomes the service intends to achieve through the improvement plan.

**BVAR Recommendation:** The council should consistently demonstrate how it uses performance management and performance reporting to drive continuous improvement.

The council prepared its annual Planning Performance Framework, which is a national monitoring tool scrutinised by Scottish Ministers. The main purpose of this tool is to demonstrate how, as a planning authority the council are working towards achieving a high quality planning service.

This includes both forward and backward consideration of performance, and steps to improve. The report clearly shows the performance against targets, whether delivered, or on target. The report makes clear the planned service improvements for 2020-21 and discusses the intended outcomes

The council is progressing the Modernising Performance Review to review and invest resources to change the way it uses data and information. As part of the best value assurance report, management reported that completion was due by March 2020, however, this has not been achieved.

The council have also introduced a more accountable process for driving improvements within the Education and Children’s Service. Performance information is presented to the Senior Management Team before progressing to challenge performance and allow sharing of best practice.

We consider that the council is improving the way it uses its performance reporting, and how it links to improvement and outcomes delivered for service users.

**Recommendation:** The council needs to make public performance reporting more transparent, clear and balanced. The Annual Performance Report should include ambitious targets and be clear about the reasons for underperformance and planned improvement actions.

BVAR

As a result of the recommendation from the BVAR, the APR was redeveloped to improve transparency and balanced reporting. This included improved narrative describing the indicator, how it is measured, what influences performance. Furthermore, the performance over time, and against target are key inclusions which improve the transparency of the report.

In order to support continuous improvement, the report considers performance against others, and discloses the actions that are being taken to address.

We consider this is an improvement in the level of public performance reporting, which shows how the council is managing its performance at an overarching level. The council continue to seek ways to improve the APR, and note that improvements were not sought in 2019-20 due to pressures arising from Covid-19.

# Governance and transparency (continued)

### Annual Governance Statement

The Annual Governance Statement within the Council's annual accounts sets out the Council's conclusion on the effectiveness of governance and the basis for that conclusion. It describes the sources of assurance to support the Council's compliance with the seven principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*, and the requirements of Finance Circular 10/2020. The Annual Governance Statement includes areas where there is future development in governance and where governance issues have been identified. It concludes that the Council's governance arrangements operate effectively.

We consider that the Annual Governance Statement shows an appropriate and accurate reflection of the governance arrangements at the Council.

### Risk management

During 2019-20, the council further embedded its risk management model within services, running risk workshops across the council. In addition, the Head of Legal and Governance Services supported a refresh of the Risk Management Strategy, refining requirements to bring in best practice.

The Risk Management Strategy was well used during the period of emergency powers, being relied upon to support the decision making process of the Council. For example, each workstream set up by the council completed a risk log, which then fed into the strategic and Covid-19 risk registers which managed the council action and response to identified risks. Management considered the processes in place a demonstration that officers understood the risk management process within the council.

The risk management strategy has also highlighted the long term risks arising from Covid-19, and forms part of the decision making process for how council will respond to the risks, whether that be at a strategic level, or an operational level to be delivered by services.

### National Fraud Initiative ("NFI")

The NFI in Scotland brings together data from local government, health boards and other public sector bodies. Matching data obtained from the systems of participating

bodies allows the identification of potentially fraudulent claims on the public purse including housing benefit fraud, occupational pension fraud and payroll fraud. In 2019-20, we considered progress against our reporting from 2018-19. The NFI exercise for 2018-19 was deemed complete, and the results reported to the audit committee in February 2020.

This included that 84% of the high risk matches were investigated, which resulted in the council has begun to recover the small level expenditure as a result of error, not fraud. We completed a questionnaire considering the Council's participation in NFI for submission in February 2020, with a generally positive conclusion.

### Standards of conduct for prevention and detection of fraud and error

The Council has a range of procedures for preventing and detecting fraud and irregularity including: a whistleblowing policy; fraud, bribery and bribery policy; and codes of conduct for members and officers. We assessed these to confirm that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

We consider that the Council has appropriate arrangements for the prevention and detection of bribery and corruption.

**Recommendation:** Following completion of its updated maturity assessment the council should revise its digital strategy in line with its ambition.

BVAR

The Council's current digital strategy spans 2016-20, and progress is being made to complete a revision which is scheduled for release during 2021. The ICT Transformation Board previously oversaw digital development, however, as part of the planned revision, the Board has been renamed to the Digital Board, with changed terms of reference and membership to improve oversight and challenge.

As part of the revision, three separate audits have been carried out to inform developments, including from Audit Scotland and the Local Government Digital Office with feedback due in national reports during 2020.

It is clear that developments have continued, and the council is working towards revising a digital strategy informed by external stakeholders which will support its ambition to improve.

# Governance and transparency (continued)

### Internal audit

We considered the activities of internal audit against the requirements of Public Sector Internal Audit Standards (“PSIAS”), focusing our review on the public sector requirements of the attribute and performance standards contained within PSIAS.

We reviewed internal audit reports and conclusions, and consider that they do not indicate additional risks and there was no impact on our audit approach. Internal audit’s annual report confirmed, “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 2018/19, subject to management implementation of the agreed actions detailed in Internal Audit reports and summarised within this report.”

Internal audit completed 13 of the 17 planned audits per the 2019-20 Internal Audit Plan, and where Council projects extend into 2019-20, these have been carried forward. Of those audits not completed, audit work has been completed for two, with the final reports being agreed with services. In addition, internal audit completed 31 pieces of unplanned work or requests for advice, a significant increase over the prior year. This represents the drive to use internal audit to improve and support service delivery.

Internal audit recommendations are considered by officers in each service and the actions reviewed by Internal Audit prior to closure. As detailed in the Internal Audit Report 2019-20, 61 actions were identified as a result of the work undertaken. The Chief Internal Auditor highlighted that there were 22 high risk actions to implement, compared to 7 in 2018-19. In our opinion this increase in high risk actions is as a result of the changes implemented in 2018-19 which redirected the internal audit function to focus on issues that were identified or considered as high risk.

### ***Our view – governance and transparency***

We consider that the Council operates in an appropriately transparent manner.

The Council has good governance arrangements, with sufficient scrutiny offered from Council members through the Scrutiny Committee, and from an internal audit service that is sufficiently independent from finance and service delivery.

# Value for money

Best value is assessed over the five-year audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (“BVAR”) for each council will be considered by the Accounts Commission at least once in this five-year period. The BVAR for Perth and Kinross was published on 8 August 2019, with the Commission’s findings on 22 August 2019. As part of our audit cycle, we consider the council’s responses and actions to recommendations made, factoring in the delays and changes that may arise as a result of the Covid-19 pandemic.

**BVAR Recommendation:** It is important that the council maintains the pace of development of the Perth and Kinross Offer as part of the framework and timeline it is currently developing.

The Perth and Kinross Offer (“the Offer”) aims to change how services are designed and delivered, and aims to further improvement in respect of areas such as equality, economy and environment.

In December 2019, the full council were provided with an update on progress made between June and December. This included reporting the appointment of a Lead Officer on a secondment basis to lead an implementation team, and 40 engagement opportunities delivered by the Executive Officer Team and the Offer team, engaging with over 1000 participants. Work to collate feedback and suggestions to form collaboration and projects in the five key areas of the offer were underway.

There has also been work to engage local elected members to determine how to continue the development of the framework. This Steering Group has agreed to continue to offer direction, focus and ongoing input into the development of the Offer.

Council officers were also invited to form a working group, with 50 members giving feedback and input into key workstreams and projects arising from the offer.

As a result of the Covid-19 pandemic, the Council introduced the Recovery and renewal programme. The Perth and Kinross Offer now overarches this programme, which has been introduced to deal with the financial, welfare and economic impact on the region and is based on the principals of the Offer, and key stakeholders were consulted as part of this strategy creation.

The programme agreed to build upon the 5Es: Education and Learning, Economy, Environment, Equality and Empowerment.



The council continue to progress the Offer, supported by the renewal and recovery programme as it seeks to determine the impact of Covid-19 on the region, and how the council can support recovery, whilst undertake its own workstreams to improve its own performance.

# Value for money (continued)

### Audit Scotland area of focus: Fraud and corruption in procurement

As highlighted in our audit strategy, this is a matter of focus as directed in the annual planning guidance for 2019-20.

The council produced its Procurement Strategy for 2019-20 as a result of its 2019-20 budget, and linked strategy with a Contract Delivery Plan. The plan gave estimated costs where contracts to be procured could be reasonably predicted, with others unknown at time of publication.

In addition, the Council make their contracts register publicly available for both corporate and private citizen use as required by statutory legislation.

The SP&R committee is responsible for oversight of expenditure including procurement expenditure, through the revenue monitoring reports throughout the year. Variances in excess of £100k are reported to this committee, and explanations made for these variances. Members of all committees are required to notify the Convenor of potential conflicts of interests. We have observed a standing item in key committees which gives members the opportunity to raise these as necessary to prevent members voting on contracts that may require committee consideration.

The risk of fraud and corruption within procurement is not on the corporate risk register, which as the highest level register is overseen by members and senior officers. Given the nature of the procurement function covers all areas and services delivered by the council, such prominence on the key risk register would allow for an appropriate level of scrutiny by members. The council should consider introducing this risk on its corporate risk register.

### Recommendation two

As part of the Internal Audit Annual Report 2019-20, the Chief Internal Auditor reported that the council's Counter-Fraud and Corruption Strategy, along with associated policies, have been in place since February 2015. These remain largely fit for purpose and are currently being refreshed to ensure that they take account of recently highlighted good practice.

The procurement function operates under the new 'Contract Rules' policy, produced by the Head of Legal and Governance Services in November 2019. This document details the rules and processes procurement officers must follow when completing tenders. There are explicit requirements for officers to follow the employee Code of Conduct, and the Conflict of Interest Procedure, which include reporting potential conflicts of interest, and segregation of duties.

The employee code of conduct refers to the Gifts and Hospitality procedure, which is maintained by the Head of Legal and Governance Services. The Gifts and Hospitality Register is available on the council's website, and reaffirms that all gifts and hospitality exceeding £25 received by any officer must be declared.

The Contract Rules policy also highlights that only those officers who have completed appropriate training, specifically accredited by the Corporate Procurement Team may invite and enter into contracts on behalf of the Council. We reviewed the register of training in respect of procurement, and identified that key officers had completed various courses covering quick quotes, how to tender, and procurement awareness training, all within the last 18 months which is appropriate.

The Council also has an appropriate whistle-blowing policy available on the internal intranet. The policy indicates appropriate officers within the council to which issues may be reported, and offers external contacts including Audit Scotland, Public Concern at Work and Police Scotland.

As part of the 2019-20 internal audit plan, an audit covering 'Contracting' was included, which was due to completion in April 2020. As at July 2020, the Chief Internal Auditor reported that all internal audit work had been paused as a result of the Covid-19 pandemic, and internal audit resources were diverted to support the council in supporting the population and region of Perth and Kinross.

### ***Our view – Fraud and corruption in procurement***

We consider that overall, the Council has appropriate policies, procedures and controls to prevent and detect material fraud and corruption within the procurement function.

# Value for money (continued)

### Best Value focus area: Partnership working and empowering communities

The best value assurance report for 2018-19 reported that the Controller of Audit judged “Perth and Kinross Council works well with partners, in particular with regional partners across Tayside. The effectiveness of working arrangements with the integration joint board has improved over the last 12 months. However, the community planning partnership board needs to take a more active role in leading partnership working and strategic direction. Community empowerment is not yet fully embedded in the way the council and its communities work. The Perth and Kinross Offer is a new approach that aims to empower communities and give them more influence over what matters to them.”

BVAR

**Recommendation:** The council should improve how it involves communities. This includes earlier involvement in strategic planning processes, more involvement in budgeting processes, and better promotion of the Community Empowerment (Scotland) Act 2015 and providing appropriate resource to support delivery.

The council have commenced implementation of smaller changes to governance arrangements primarily covering residential planning.

The Head of Legal and Governance Services has been charged with overseeing a wider review of governance arrangements. This review will be shaped as the Offer continues to be developed to ensure it is fit for purpose and supports closer collaboration with partners and communities. The council's progress on implementing changes has been delayed by the Covid-19 pandemic, and as part of the Recovery and Renewal programme, key objectives will be identified with linked outcomes to implement.

The council has indicated that other models of decision-making are being considered to ensure that processes or models that support best practice are identified. Any changes will be made in line with the International Framework for Good Governance, and CIPFA's Framework for Local Government Good Governance, and well as the establishment of a working group to ensure wider stakeholder input.

#### Engagement with communities

The council has continued to use its Consultation Hub as a way of engagement with communities and its stakeholders. The 2020-21 budget consultation is an example of how the council continues to expand opportunities to engage with communities, which

includes a number of other consultations on businesses and the effect of Covid-19, and review of audit social work and social care contributions policy.

In addition, new processes behind the consultation hub include reporting “We Asked, You Said, We Did” which summarises council action and decisions on consultations. A good example observed covered the rent increases for the 2020-21 budget, of which a range of options were provided. The council reported that the rent increase was set at 3.5%, which was the most preferred option. We consider it an opportunity for the council to undertake such an exercise over other significant consultations, particularly the 2020-21 budget consultation. Whilst the council provided a summary of responses, it was not apparent how these were considered in the overall budget. For example, the consultation included a question on Council Tax increases, to which respondents indicated a 1% increase, whereas the budget included 4% though there is no clear link to how the response was factored into the budget setting process.

#### Recommendation three

The hub improves the transparency and consistency of service consultation with communities and stakeholders. The overall process is managed centrally, supported by champions, though services maintain responsibility for the overall consultation. This central oversight ensures that the standard of consultation is maintained, and that outputs from consultations are explained transparently.

#### Partnership working

The council continues to work well with partners, in particular the councils within Tayside, and the IJB. We have observed discussion with both councils and the IJB over Covid-19 financial management. Partnership working includes the continued use of Tayside Contracts which delivers services across the Tayside region to support best value for money services.

#### Our view – Partnership working and empowering communities








The council's ongoing development of the consultation hub drives continuous improvement in how it engages with communities. The council continue to work well with partners to ensure best value for money.










# Appendices

## Appendix one

# Required communications with the Audit Committee

Type	Response
<b>Our draft management representation letter</b>	 We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2020.
<b>Adjusted audit differences</b>	 There were no adjusted audit differences identified.
<b>Unadjusted audit differences</b>	 There were no unadjusted audit differences identified.
<b>Related parties</b>	 There were no significant matters that arose during the audit in connection with the entity's related parties.
<b>Other matters warranting attention by the Audit, Risk and Scrutiny Committee</b>	 There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
<b>Control deficiencies</b>	 We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicated in writing.
<b>Actual or suspected fraud, noncompliance with laws or regulations or illegal acts</b>	 No actual or suspected fraud involving Group or Component management, employees with significant roles in Group-wide internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.

Type	Response
<b>Significant difficulties</b>	 No significant difficulties were encountered during the audit.
<b>Modifications to auditor's report</b>	 None.
<b>Disagreements with management or scope limitations</b>	 The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
<b>Other information</b>	 No material inconsistencies were identified related to other information in the annual accounts. The Management Commentary is fair, balanced and comprehensive, and complies with the law.
<b>Breaches of independence</b>	 No matters to report. The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence.
<b>Accounting practices</b>	 Over the course of our audit, we have evaluated the appropriateness of the Group's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
<b>Significant matters discussed or subject to correspondence with management</b>	 The key audit matters (summarised on pages seven to 11) arising from the audit were discussed, or subject to correspondence, with management.

## Appendix two

# Auditor independence

### Assessment of our objectivity and independence as auditor of Perth and Kinross Council and its Charitable Trusts ("the Council")

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

### Independence and objectivity considerations relating to the provision of non-audit services

#### Summary of fees

We have considered the fees charged by us to the Council and its affiliates for professional services provided by us during the reporting period. We have detailed the fees charged by us to the Council and its related entities for significant professional services provided by us during the reporting period below. Total fees charged by us for the period ended 31 March 2020 can be analysed as follows:

	Current Year £000 (inc VAT)	Prior Year £000s (inc VAT)
<b>Audit of Council</b>	163	162
<b>Audit of Charitable Trusts</b>	4	3
Total Audit	167	165
<b>Tax Advisory services</b>	0	1
Services relating to Taxation	0	1
Total non-audit services	0	1
Total Fees	167	166

## Appendix two

# Auditor independence (continued)

The ratio of non-audit fees to audit fees for the year was 0:1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

### *Subsidiaries*

We are appointed by the Accounts Commission via Audit Scotland as external auditor of Perth and Kinross Council Charitable Trusts; the Tayside and Central Scotland Transport Partnership and Perth and Kinross Integration Joint Board.

### **Independence and objectivity considerations relating to other matters**

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

### **Confirmation of audit independence**

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This report is intended solely for the information of the Audit, Risk and Scrutiny Committee and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

**KPMG LLP**



## Appendix three

# Action Plan

The action plan summaries specific recommendations arising from our work, together with related risks and management's responses.

### Priority rating for recommendations

Grade one (significant) observations are those relating to business issues, high level or other important internal controls. These are significant matters relating to factors critical to the success of the Council or systems under consideration. The weaknesses may therefore give rise to loss or error.

Grade two (material) observations are those on less important control systems, one-off items subsequently corrected, improvements to the efficiency and effectiveness of controls and items which may be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified.

Grade three (minor) observations are those recommendations to improve the efficiency and effectiveness of controls and recommendations which would assist us as auditors. The weakness does not appear to affect the availability of the control to meet their objectives in any significant way. These are less significant observations than grades one or two, but we still consider they merit attention.

Finding and risk	Recommendation	Management proposed actions
<b>1. Review of transformation plan goals (Grade three)</b>		
The Council's transformation plan ended during 2020, with as yet no formal review and reporting of the success or development points from the plan.	We encourage management to consider whether the transformation plan achieved the goals as intended, and whether there are any lessons to be learned from during the next transformation plan.	<p><b>Response:</b> Internal Audit are finalising a review of the 2015-20 Transformation Programme. This review has highlighted some lessons to be learned for future programmes and will inform any future actions. This report will be considered by the Audit Committee in December 2020.</p> <p><b>Responsible Officer:</b> Head of Innovation</p> <p><b>When:</b> 31 March 2021</p>
<b>2. Fraud and corruption in procurement (Grade three)</b>		
<p>As part of its planning guidance for 2019-20, Audit Scotland have highlighted the requirement for external audit scrutiny over the processes and procedures in place to prevent and detect fraud and corruption in procurement.</p> <p>In the guidance, there is an expectation that entities consider the risk at a corporate level, such that there is sufficient oversight and scrutiny from members and senior management. We could not identify the risk on the risk register, though accepted that the procurement function have reasonable controls and processes in place.</p>	Management should consider whether the risk of fraud and corruption in procurement be included on the corporate risk register to allow oversight and scrutiny by members.	<p><b>Response:</b> This will be raised with the Executive Officer Team by the Head of Finance for consideration.</p> <p><b>Responsible Officer:</b> Head of Finance</p> <p><b>When:</b> 31 December 2020</p>

## Appendix three

# Action Plan (continued)

Finding and risk	Recommendation	Management proposed actions
<b>3. Transparency of consultations (Grade three)</b>		
<p>We highlighted the positive developments the Council has made in respect of stakeholder and community consultations, and identifying a number of consultations where responses have been considered and reported upon.</p> <p>We identified that significant consultations should have a clear and transparent response to input made by communities and stakeholders. In particular, it was not fully clear how the consultation to the 2020-21 budget influenced the budget approved in March 2020.</p>	<p>Management should articulate explicitly how the consultation has been passed to members as part of their budgetary discussions.</p>	<p>Response: Agreed</p> <p>Responsible Officer: Chief Accountant</p> <p>When: 31 March 2021</p>

## Appendix four

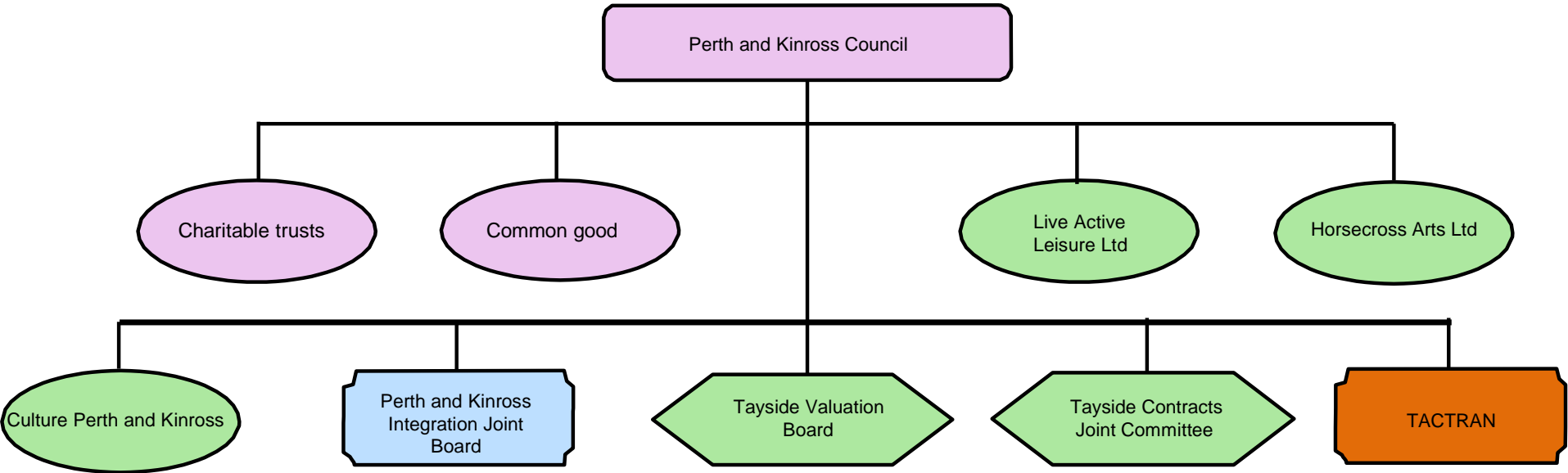
# Prior Year Recommendations

This section provides an update on prior year external audit recommendations, to determine whether they have been addressed. The table below summarises the recommendations made during the 2018-19 audit, and highlights our final conclusion on those recommendations not yet due when we reported in May 2020.

Original finding and risk	Recommendation	Original actions	Status
<b>1. Financial statements preparation (Grade three)</b>			
While the Council has a robust process, as highlighted in the BVAR, it "has a higher number of traditional, manual components than other local authorities". The Council has expanded the number of individuals involved in the financial statement production process to reduce reliance on key individuals.	It is recommended that management continue to work with external audit to consider whether there are opportunities for efficiency.	<p><b>Management response:</b> The Council will build on the existing work with KPMG to identify areas to streamline the preparation of the financial statements.</p> <p><b>Implementation date:</b> 31 March 2020</p> <p><b>Responsible officer:</b> Chief Accountant</p>	<p>The final accounts process runs from 1 May, until the end of June when financial statements are provided to us.</p> <p>In order to ensure that statutory requirements were achieved, we did not consider it appropriate to challenge management on their financial statements preparation process during a pandemic.</p> <p>We will roll-forward this action to 2020-21, subject to Covid-19 restrictions.</p>
<b>2. Valuation of property, plant and equipment (Grade three)</b>			
We made a recommendation in 2017-18 relating to the use of external valuation firms to support to the ongoing valuation cycle of the Council's property assets. The Council has improved, and engaged two firms to deliver these external valuations.	Building on good practice in 2018-19, management should consider annually and agree with external audit any unusual valuations which may benefit from additional ext. valuation. Where such valuations are obtained and differ significantly from internal valuer's opinion, the explanation for the differences should be documented to support reasonableness of the internal valuations.	<p><b>Management response:</b> The Council's Estates Team will build on the provision of narrative to support how internal valuations are reached.</p> <p><b>Implementation date:</b> 30 June 2020</p> <p><b>Responsible officer:</b> Senior Estates Surveyor</p>	<b>Implemented</b>

# Perth and Kinross Council group structure

The below diagram sets out our scoping of group entities in relation to the group financial statements, and related group audit instructions.



Key

- Audited by KPMG “core team”
- Audited by KPMG – separate audit team
- Audited by KPMG – separate audit team, not consolidated on the grounds of materiality
- Audited by component auditor – group audit instructions to be issued where considered significant components

Main body

Subsidiary

Associate

Joint Venture /  
Joint Board /  
Partnership

## Appendix six

# Grant claims and WGA return

We set out below the “other reporting” responsibilities of our audit appointment. We will update the audit committee at the September meeting should there be any exceptions arising from the testing.

RETURN	DESCRIPTION	STATUS
<b>Whole Government Accounts (“WGA”)</b>	WGA is the consolidated financial statements for all components of government in the UK. Most public bodies are required to provide information for the preparation of WGA. External auditors are required to review and provide assurance on WGA returns over a prescribed threshold.	There has been a change in process for the WGA for 2019-20, although no finalised guidance is available at this time. We expect to complete our work in line with legislation.
<b>Non Domestic Rates (“NDR”)</b>	NDR in Scotland is collected by local authorities on an agency basis and notionally placed in a national ‘pool’, which is then redistributed among authorities based on each authority’s estimated collection levels.  In April each year, authorities submit an estimate of their expected NDR following the year end, authorities are required to submit their actual NDR yield, known as ‘the notified amount’ in a final return to the Scottish Government.	We did not identify any exceptions in our testing and issued an unqualified opinion on the NDR return.
<b>Housing Benefits (“HB”)</b>	The HB subsidy scheme is the means by which local authorities claim subsidy from the Department for Work and Pensions (“DWP”) towards the cost of paying HB in their local areas.  Claimants benefits either by direct application to the authority or by applying simultaneously for income support/jobseekers allowance and HB to the DWP. Eligibility for, and the amount of, HB is determined in all cases solely by the local authority.  Monthly instalments of subsidy are made by the DWP on the basis of authorities’ estimates in March and August. Final subsidy claims are made on claim form MPF720B which requires to be certified by the external auditor.	Our testing is ongoing and we expect to issue an opinion on the HB return in advance of the 30 November deadline.
<b>Education Maintenance Allowance (“EMA”)</b>	EMA is a means tested weekly allowance payable to young people from low income families to encourage them to remain in education beyond the compulsory school leaving age. Local authorities manage the delivery of the EMA programme in respect of schools, home education, and all other learning other than college provision.  EMA payments comprise a weekly allowance of £30 and are made by local authorities to eligible young people. The Scottish Government reimburses the costs incurred by authorities through monthly payments of grant. An allowance for the costs of administering the programme is also paid by the Scottish Government.	We did not identify any exceptions in our testing and issued an unqualified opinion on the EMA return.

## Appendix seven

# Appointed auditor's responsibilities

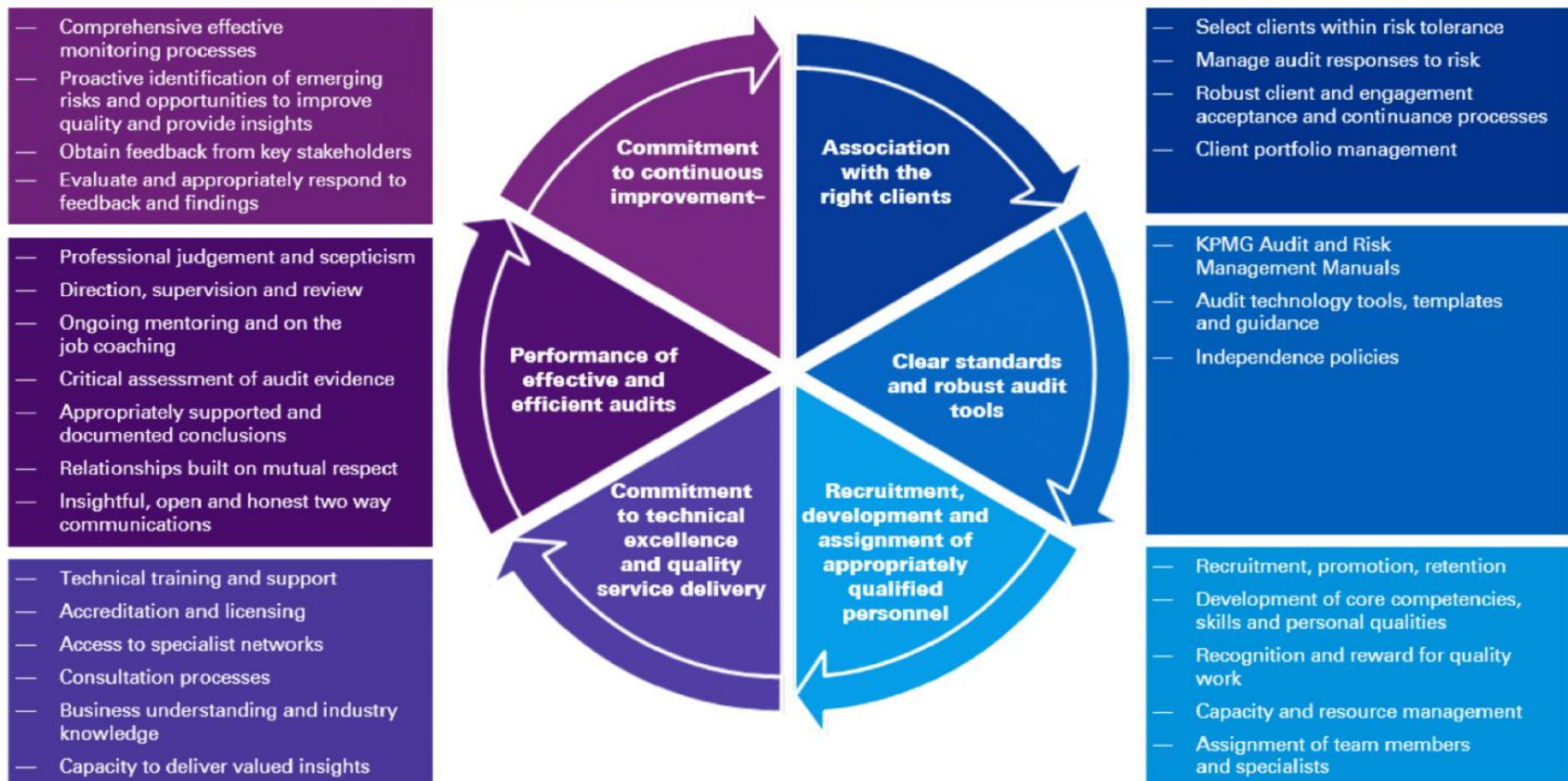
AREA	APPOINTED AUDITOR'S RESPONSIBILITIES	HOW WE HAVE MET OUR RESPONSIBILITIES
<b>Statutory duties</b>	Undertake statutory duties, and comply with professional engagement and ethical standards.	Appendix two outlines our approach to independence.
<b>Financial statements and related reports</b>	<p>Provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions.</p> <p>Review and report on, as appropriate, other information such as annual governance statements, management commentaries, remuneration reports, grant claims and whole of government returns.</p>	<p>Page eight summarises the opinions we have provided.</p> <p>Pages 16 reports on the other information contained in the financial statements, covering the annual governance statement, management commentary and remuneration report.</p> <p>Appendix six reports that we have not yet issued opinions in respect of all grant claims and whole of government accounts.</p>
<b>Financial statements and related reports</b>	Notify the Auditor General or Controller of Audit when circumstances indicate that a statutory report may be required.	On page 22, we concluded on the effectiveness and appropriateness of arrangements and systems of internal control, including risk management, internal audit, financial, operational and compliance controls.
<b>Corporate governance</b>	Participate in arrangements to cooperate and coordinate with other scrutiny bodies.	Page 28 includes arrangements to cooperate and coordinate with other scrutiny bodies.
<b>Wider audit dimensions</b>	<p>Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':</p> <ul style="list-style-type: none"> <li>- Effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets;</li> <li>- Suitability and effectiveness of corporate governance arrangements;</li> <li>- Financial position and arrangements for securing financial sustainability;</li> <li>- Effectiveness of arrangements to achieve best value; and</li> <li>- Suitability of arrangements for preparing and publishing statutory performance information</li> </ul>	We set out our conclusions on wider scope and best value in from page 19 onwards.

## Appendix eight

# KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework



# Pensions assumptions



Overall assessment of assumptions for IAS 19 for audit consideration							
The overall assumptions adopted by the Employer are considered to be balanced relative to our central rates and within our normally acceptable range overall.						<div><div></div></div> <i>Balanced</i>	
Underlying review of individual assumptions		Methodology	Consistent methodology to prior year?	Compliant methodology with IAS 19?	Employer	KPMG central	Assessment Significant vs KPMG assumptions central
Discount rate		AA yield curve	✓	✓	2.35%	2.25%	<div><div></div></div> ✓
CPI inflation		Deduction to inflation curve	No, see page 11	✓	1.90%	1.78%	<div><div></div></div> ✓
Salary increases		Employer best estimate	✓	✓	CPI plus 1.0%	In line with long-term remuneration policy	<div><div></div></div> ✓
Pension increases		In line with CPI	✓	✓	1.90%	1.78%	<div><div></div></div>
Mortality	Base tables	In line with most recent Fund valuation	✓	✓	130% of S2PxA	In line with best-estimate Fund experience	<div><div></div></div> ✓
	Future improvements	In line with most recent Fund valuation	✓	✓	CMI 2018 projections model, 1.5% long-term trend rate and default smoothing and initial addition parameters	CMI 2019 projections model, 1.25% long-term trend rate and default smoothing and initial addition parameters	<div><div></div></div> ✓
Other demographics		In line with most recent Fund valuation	✓	✓	Members assumed to commute 50% of the maximum tax-free cash	In line with Fund experience	<div><div></div></div>

We also considered the impact of the McCloud judgement. The Council's actuary estimated a total of £5.29 million relating to pre-2012 actives only where as our estimate would be £7.0 million.

KPMG consider that all active members of the scheme should be included, and therefore a liability of £10.5 million exists, however, we accepted this as a difference of judgement that was within our scope of materiality.



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## PERTH AND KINROSS COUNCIL

7 October 2020

### THE PERTH AND KINROSS OFFER COVID-19 – UPDATE INCLUDING RECOVERY AND RENEWAL

#### BUILDING AN EVEN BETTER PERTH AND KINROSS

#### Report by Chief Executive (Report No. 20/181)

This report updates Members of the Council on progress with developing the Perth and Kinross Offer. It provides an interim summary of engagement feedback that will inform our emerging vision, key priorities and approach to recovery and renewal. It also seeks agreement from elected members on the draft Organisational Development plan.

### 1. Introduction & Background

- 1.1 At Council on 30 July 2020, the Recovery and Renewal Framework and Strategy were approved (report 20/124 refers). Members noted progress made in terms of our response to the pandemic and the 3 Horizons framework (Discover, Design, Deliver), which detailed our approach to consultation and engagement in this initial phase. Council also agreed that an Organisational Development plan be produced to support the approach agreed through the Perth and Kinross Offer and recovery and renewal.
- 1.2 Members noted the clear connection between our response to the pandemic and the Perth and Kinross Offer, acknowledging that the pandemic has evidenced groups and the Council working together to support communities, in a range of ways, to cope with the restrictions of lockdown and the general impact of Covid-19.
- 1.3 The Perth and Kinross Offer is at the heart of the overall approach to recovery and renewal and acknowledges that *'everyone has something to offer'*. As the key driver for our recovery and renewal approach, the Offer will ensure that we build on recent progress and work more closely with citizens and communities to achieve considerable change in how services are co-created and delivered.
- 1.4 This report provides a progress update on;
  - the Perth and Kinross Offer priorities as set out in the Council report (Report No.19/361 refers) in December 2019.
  - The summary overview of feedback gathered through our communications and engagement activity (appendix 1) and explains how this will be used to inform our emerging vision and progress our four workstreams, Equality; Education; Economy and Environment.
  - the proposed Organisational Development plan (appendix 2) which will support staff and elected members to develop the key skills required to embrace and deliver our ambition for the PK Offer.

- draft proposals for the PK Offer in practice (appendix 3) for future consultation and engagement, and which will be subject to plain English edits.
- 1.5 There is a continued need to put arrangements in place to respond to the ongoing pandemic such as the Council's requirements to provide proactive isolation calls and welfare support to those self-isolating. As such, the timescales originally indicated within the December report will require to be amended, especially those for phase 2. More importantly, this will also ensure that as wide a range of individuals and communities can be involved in the development of the vision as possible.

## 2. Our PK Offer / Recovery & Renewal Approach

- 2.1 While the 3 horizons framework was agreed as an approach to guide us from where we are now to where we need to be in the future, it was also noted that the language required to be simplified. It was noted that emerging change, such as the current pandemic, will challenge our current assumptions about how things are and how they might be in the future, as over time, many of today's ways of working will become obsolete.
- 2.2 We have continued to use the framework as an approach to consider the current and emerging situation in Perth and Kinross, and for the Council, and will use this to identify what needs to be different in the future. As previously agreed, this will be undertaken in three phases as detailed below:

### ➤ Phase 1 – Discover

- 2.3 During the **first phase**, between June and September, we set out to undertake a wide range of engagement activity to understand the impact of the pandemic including community impact assessments, service recovery and renew assessments along with a wide range of stakeholder engagement activities.
- 2.4 We are now nearing the end of the first phase and although stakeholder engagement will be an ongoing iterative process, we are in a position to fully consider the information gathered and start working towards phase 2 when we will collaborate, engage and work together as appropriate, with our communities, to agree the emerging vision and our key priorities.

### ➤ Phase 2 – Vision and Define

- 2.5 All the qualitative and quantitative information collated to date in Phase 1 has been analysed and considered with emerging themes and issues identified.
- 2.6 During phase 2, from October to March (originally December), the approach we will adopt will be one of challenge, with a series of workshops, events and innovation opportunities for staff, elected members and stakeholders. The emerging themes and issues will inform:
- the development of our vision
  - the approach for the Offer, and
  - potential new models of service delivery

- 2.7 We will then collectively agree a key set of assumptions regarding the new vision and approach for the Perth and Kinross Offer and this will inform the overall delivery plan and key milestones. The attached summary impact report (Appendix 1) and section 4 below provides an overview of the key themes that have been identified. This, combined with the approach adopted by teams in response to the pandemic, is already highlighting a developing vision and will inform the workshop sessions. The approach will more fully define the emerging Perth and Kinross Offer vision, priorities and outcomes for the communities of Perth and Kinross alongside the Council.

➤ **Phase 3 Deliver**

- 2.8 Once we have agreed the broad vision and approach for the Offer and any emerging models of operation, we will move to Phase 3 and progress with the designing and delivering.
- 2.9 Our four 'E' Workstreams (Equality; Education; Economy and Environment) will continue to receive support from HR, finance, business improvement with innovation tools and techniques and finance support. The Organisational Development plan (Appendix 2) will be progressed, and all activity will continue to be underpinned by the ongoing engagement and involvement of communities in the re-design process.

Elected members will continue to have a key and central role throughout in shaping the strategic direction and the vision during phase 2 and in scrutinising, challenging and supporting teams with the delivery of key milestones and any agreed outcomes.

### **3. Update on the Perth and Kinross Offer priority areas**

- 3.1 In December 2019, an update report on the implementation of the Perth and Kinross Offer (Report No. 19/361 refers) was approved at Council. Transforming the way we work with our communities, citizens, partners, businesses, employees and other stakeholders, the PK Offer is being designed to ensure that public services are co-created and delivered sustainably to achieve better outcomes for the people of Perth & Kinross. The report acknowledged that this transformation would require a change in the traditional relationship between public services, citizens, businesses, investors and visitors and a need to move from the relationship of provider and consumer to a more collaborative one, agreeing joint priorities and designing the future we want together.
- 3.2 Five priority areas of work for implementation in 2020 were approved by Council in December 2019, with agreement to update Council in Spring 2020. However, lockdown restrictions in March required an emergency response and redirection of our resources, impacting on many areas of activity, including the PK Offer. Although national lockdown restrictions have begun to ease, local and regional restrictions have been introduced to address or prevent local outbreaks, as was the case in Coupar Angus during August 2020. Furthermore, as control measures continue to be stepped up or eased to respond to the ongoing pandemic, communities are still very much

experiencing the impact of the pandemic, with many staff continuing to focus on response activity.

- 3.3 It is clear that the Council and its partners will continue to be required to respond to the pandemic and its impacts for many months to come. This will continue to test our ability and appetite for agility and flexibility as an organisation, and this will also be the case for our communities. Despite the ever-changing situation our recovery and renewal planning is progressing. In addition, the agreed priority workstreams below, to support delivery of the PK Offer are continuing to move forward;

- **building our Perth and Kinross Offer vision**
- **creating a Communication and Engagement Plan**
- **developing our Employee Experience**
- **promoting “Quick Wins” / Successes**
- **enhancing our digital engagement platforms**

**PK Offer - Building our Perth and Kinross Offer vision / Creating a Communication and Engagement Plan**

- 3.4 A communication and engagement plan for our recovery and renewal programme was approved in June 2020 (Report No. 20/107 refers), acknowledging the need to engage and consult with our stakeholders. The Communications and Engagement plan set out how we would engage, involve and listen to our staff, partners, communities, businesses and people with aims to:

- understand how the coronavirus pandemic has impacted on them, how it has affected their health and wellbeing, their family, their community and work
- understand what is different now and what has worked well, but also what has not worked so well
- inform how we recover from the pandemic and what we need to stop, start and keep doing as we return to a new normal
- build an even better Council and Perth and Kinross

- 3.5 The input of individual residents, elected members, businesses and community leaders have been, and will continue to be, essential to build a comprehensive picture of the impacts and what we collectively need to do to support people and communities to recover. Our approach is to listen to, and to act upon the feedback from as many people as possible, building our vision for the PK Offer and ultimately, a better Perth and Kinross. This includes making contact with our seldom heard communities and offering maximum reach in terms of connecting with the people of Perth and Kinross, particularly those who have been most affected by the pandemic. This will be an iterative process and will help us to work effectively in collaboration with all of our stakeholder groups.

- 3.6 The Council has sought and captured information from previous consultation exercises, for example, the work of the Health and Social Care Partnership's Big Conversation feedback, Fairness Commission and Fairer Futures and

tenant feedback. It is likely that much of this feedback is still relevant, and therefore will be an important source of information and reference. In addition, we have been collaborating with our partners such as the HSCP, Scottish Fire and Rescue Service and NHS Tayside to share our collective efforts in gathering feedback from key stakeholders on the impact of the pandemic. We are also taking into account local engagement and research which is available.

- 3.7 The table below indicates our engagement methods to date and the responses received:

Method of engagement	Audience	Responses
Health & Wellbeing survey	PKC Employees	1136
Staff impact questionnaire	PKC Employees	1472
External Engagement Survey	Residents of Perth and Kinross	787
Community Impact Assessment Survey	Partners, community groups, third sector organisations	47
Business Barometer	Local businesses	1048
Ward meetings	Elected Members and community representatives	30+

- 3.8 In addition, on-line team sessions to discuss new ways of working, ideas and innovations for future improvement, challenges due to current working practices and how we can engage and involve our workforce regularly have been held on an ongoing basis.
- 3.9 It is also intended that Ward meetings become a regular feature of the Council's on-going engagement with communities. To date, seven meetings of the fourteen planned have been held with positive feedback and requests to continue discussions on an ongoing basis. Bringing together community representatives, volunteers, elected members and officers, they have highlighted some key local issues and themes and provided two-way communication between the Council and the people of Perth and Kinross.
- 3.10 The feedback that has been received to date, is summarised in Appendix 1, and the key emerging themes have been identified which include:
- increased volunteering and mobilisation of community groups
  - strong sense of community with greater connections with neighbours and communities
  - provision of support to those most vulnerable
  - greater use of technology
  - developing wider markets
  - more online sales and diversification
  - children spending more time with family
  - learning in a different environment
  - quieter roads and more people walking and cycling
  - maintenance of open spaces

3.11 Key feedback also re-emphasised the issues that have arisen or been exacerbated as a result of Covid, including:

- isolation, loneliness and mental wellbeing
- a decrease in household incomes leading to poverty
- communication challenges for some groups
- reduction in social activities
- businesses folding
- increased unemployment
- digital connectivity issues
- missed schooling
- home schooling and caring, work responsibilities

3.12 The Council and its partners will consider these themes and the feedback received to shape our future vision and priorities in line with what people need and want. Although the impact of COVID-19 across Perth and Kinross is clearly considerable and we have gathered valuable feedback, it is still too early to quantify its full effect. This will not be known for months or even years. It will be dependent on a number of factors, including the duration and phasing of the lockdown restrictions, the discovery of a vaccine, and also human behaviour, such as social interactions, working practices and travelling.

### **PK Offer - Developing our Employee Experience**

3.13 In December 2019, it was anticipated that our Employee Experience would take place over a three-month period in the Autumn 2020, establishing and embedding our internal organisational values and behaviours for leaders and the wider workforce. Due to the pandemic, these events have been delayed. However, we have gained significant learning from our staff responses to the pandemic which have demonstrated great agility, commitment and flexibility as well as feeling empowered to adopt a Think Yes! approach and work with minimum supervision and with a focus on the needs of communities. Our new way of working has meant that our workforce has had to learn quickly to;

- be less reliant on buildings and embrace digital technology
- be more agile and flexible
- operate in a less bureaucratic manner
- work within revised governance arrangements
- take more informed risks
- work in partnership with key community groups to provide support to neighbourhoods and the most vulnerable in our society
- be focused on inequality issues in communities, for example food poverty, rural transport and social isolation
- work at pace to ensure the timely interventions and support required by communities

3.14 The events of the past six months have allowed us to accelerate our learning in these areas, start embedding the behaviours of the PK Offer and develop a greater understanding of how we can utilise these new and emerging skills to progress our vision over the next few years. We have also prioritised a focus

on engaging with our staff to promote and maintain their health and wellbeing during a time which, for many, has been challenging and unprecedented. Below are examples of organisational development work that has been prioritised over the past six months;

Leadership Development	<ul style="list-style-type: none"> <li>introduced the framework for EOT / CMG Leadership Development sessions including Recovery &amp; Renewal, Unwritten Ground Rules and Cultural Change</li> <li>use of the Insights model for team development</li> </ul>
Health and Wellbeing	<p>Appointed a Health &amp; Wellbeing (H&amp;W) Champion to take forward workstreams such as;</p> <ul style="list-style-type: none"> <li>publishing 2 staff health and wellbeing questionnaires and a follow up “you said, we did” report</li> <li>developed and distributed a H&amp;W monthly newsletter with advice, support and information; hold regular learning sessions on health and wellbeing (resilience, mindfulness etc)</li> <li>held a conference on mental health with over 300 participants</li> <li>established methods of staff engagement and interaction, such as our Employee Podcast, Lockdown Lounge, Latte Lounge and Book Club.</li> </ul>
Cultural Change	<ul style="list-style-type: none"> <li>engagement sessions with individual directorate and service teams to discuss Unwritten Ground Rules (UGR) and Cultural Change</li> <li>Proposed Organisational Development Plan for structure and direction</li> <li>scheduled training for UGR Leads</li> </ul>

3.15 This includes Employee Engagement Sessions (Points of View) where we will discuss themes highlighted within internal survey feedback and set actions for progress as well as develop an Employee Offer.

3.16 Our Organisational Development plan (Appendix 2) sets out how we will build on recent progress and add pace to our cultural change work in line with the PK Offer, supporting staff and elected members to further develop their skills required to take this forward. The plan is based around four key programmes of work to take place over the next three years;

- Enabling cultural change
- Developing leaders
- Maximising potential
- Nurturing good health & wellbeing

- 3.17 A range of opportunities such as coaching, resilience and frontline leadership, community capacity building and delivery of the Think Yes! approach have been included within the key themes. Support will also be provided to community members interested in becoming more involved and training, information, support and learning opportunities will be offered to enable effective participation.

### **PK Offer - Promoting “Quick Wins” / Successes**

- 3.18 We made a commitment in December 2019 to promote quick wins in embedding our approach to the Perth and Kinross Offer. Whilst the pandemic has impacted on progress in some areas, it has accelerated progress in many others. We recognise the significant contribution of volunteers and community groups in supporting communities to respond to the pandemic, highlighting the importance of developing and maintaining this strong partnership between communities and the many agencies and services that work with them. This strong partnership approach is more important now than ever and has demonstrated the Perth and Kinross Offer in practice. Examples of what our communities did during this time is detailed below;
- mobilised very early on and provided critical support to vulnerable people
  - registered to volunteer with the Council
  - delivered and provided an estimated 10,000 – 15,000 hot meals and food packs
  - provided information and befriending services and delivered leaflets and prescriptions
  - worked in partnership with the Welfare and Community Resilience team
  - helped neighbours with shopping, gardening and small tasks
  - took a proactive approach to keeping informed about the services available
  - managed their income and kept in touch when they were facing financial hardship
  - took a proactive approach to supporting children with home schooling and encouraged them to stay in touch with their teacher
  - encouraged children to keep active and healthy during the lockdown
  - encouraged children to write to our elderly residents to help with social isolation
  - undertook minor repairs within their home when we couldn't visit due to restrictions
  - took responsibility for dealing with small disputes with neighbours
  - helped out by maintaining greenspace within their community
  - worked with us to support their business and staff
- 3.19 Appendix 3 provides a recent example of the Offer in practice, based on the summary community impact report. We also have numerous examples of the Offer in practice with teams and communities that have been well established and operating for some years. Examples of these include Community Greenspace activity, Housing and tenant engagement work and our Food Network. Teams are currently working with their communities to more fully develop the work that they do within the framework of the Offer.

Ongoing activity includes the following:

- through our ward meetings, we have discussed the Offer with attendees and at the next meetings will start to discuss in more detail what the Offer means to each community and how we can work together to bring it to life.
- we have started to prepare locality profiles and these will be used to form the basis of discussions with communities about the issues affecting them and their priorities.
- we have soft launched our new Perth and Kinross Offer web page which provides details of what we mean by the Offer, how to get involved and examples of the PK Offer in practice. This can be accessed at <https://www.pkc.gov.uk/pkoffer>
- our newly formed staff points of view panel has a focus on our internal staff Offer and experience
- we are drafting a volunteering proposal and strategy which will detail our Offer to community volunteers who need support to get involved and build their own skills and experience.
- we are developing a Digital Inclusion Strategy to ensure that everyone who needs and wants to get involved with us online can do so

### **Enhancing our digital engagement platforms**

- 3.20 Since the introduction of lockdown and with it, enforced home working practices in many areas of Council business, the need for virtual and digital engagement platforms to keep connected has never been greater. We have been using MS Teams on a regular basis to keep in touch, gather feedback, hold webinars and conferences and engage with our workforce and the wider community. A dedicated staff website was created to ensure those, who did not have access to systems from home in the first few weeks, were kept informed and up to date. In addition, we have also created videos, blogs and podcasts focussing on specific topics or events.
- 3.21 We have also continued to increase our methods of engagement with our communities, residents and businesses. Our social media channels were used to engage more frequently and informally, and we have experienced increases in both Twitter and Facebook in terms of followers and interest such as shares and likes in our posts.
- 3.22 In addition, we have used virtual meetings to engage with our residents and communities very effectively. Examples include the ward meetings, and residents' meetings following the flooding in August, as well as Parent Council meetings. These have been well received by all participants, including council officers and, given the geographical spread of the Council area, this has enabled officers to attend more meetings, including those in the evenings.
- 3.23 Further to this, dedicated PK Offer webpages have been created and launched as a result of feedback from our residents. These are intended to give information about the Perth and Kinross Offer, accompanied by examples of how it is currently working in practice in our communities. We will continue to update these webpages, responding to feedback and taking on board

suggestions for improvement, while ensuring that the language is easy to read and accessible.

#### **4. Financial Implications**

- 4.1 In July 2020, Council requested that a costed report be presented this month following the review of the revenue budget and the setting of the capital budget.
- 4.2 The Council received an update on the 2020/21 Revenue Budget at its meeting on 30 September 2020 (Report No. 20/173 refers). This update set out a gross financial pressure of Covid-19 of between £22.4 million and £26.8 million. A number of potential mitigation measures were identified that could reduce the gap to between £1.7 million and £6.1 million. However, the full impact of Covid 19 on the Council's finances remains uncertain, particularly with regard to the potential cost of education recovery; social care and ongoing welfare support together with increased pressure on the Council's income as well as the cost of recovery and renewal.
- 4.3 The current crisis has impacted upon the Council's ability to deliver previously agreed investment decisions and savings, some of these decisions will require to be reassessed in the context of a challenging financial landscape; new and emerging priorities and changes in operating models and methods of service delivery arising from the Council's response to COVID-19.

#### **5. Conclusion and next steps**

- 5.1 The impact of COVID 19 on communities within Perth and Kinross has been significant and this will continue for some time to come. The Council has worked alongside communities, businesses and partners to support those affected. We will continue to strengthen these relationships, ensuring effective joint working to collectively build an even better Perth and Kinross and more fully deliver our ambitions and commitments for the Perth and Kinross Offer.
- 5.2 As we continue to develop and deliver our recovery and renewal strategy through the three phases, we will work together with communities and elected members to agree the emerging vision and add pace to delivery of the PK Offer. Our Organisational Development plan will enable delivery of the PK Offer and ensure that all of our stakeholders are supported, informed and involved in influencing the new approach.

In terms of next steps, we will:

- use feedback received to date to inform the Council's four Recovery and Renewal Workstreams to assist with the ongoing development and progress of plans.
- now commence phase 2 activity to support the vision setting and priorities for the wider PK Offer.
- continue ongoing communication and engagement to ensure that the Council fully understands the changing situation and on-going impact of COVID-19 as well as promoting and embedding the collaborative approach of our PK Offer.

- commence delivery of the Organisational Development plan.
- continue to consider the financial and resource implications of the ongoing pandemic and our plans for the future.
- commence the Governance Review based upon the International Framework for Good Governance in the Public Sector. This will be led by a Governance Review Member Officer Working Group, which will link into the Perth and Kinross Offer Member Officer Working Group.

## 6. Recommendations

### 6.1 It is recommended that the Council:

- a) notes the progress made to date, in terms of advancing the agreed priority workstreams, to support delivery of the PK Offer
- b) notes the feedback received and the emerging themes and issues as detailed in the community impact summary report (appendix 1)
- c) approves the proposed Organisational Development Plan (as attached at Appendix 2) and agrees that this will be subject to further design and plain English edits.
- d) notes and agrees the proposed direction for consultation and engagement on the PK Offer drafts (Appendix 3) and agrees that this will be subject to further design and plain English edits.

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### Approved

Name	Designation	Contact Details
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You can also send us a text message on 07824 498145.

All Council Services can offer a telephone translation facility.

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

1. Strategic Implications

Community Plan/Single Outcome Agreement

- 1.1 The proposals relate to the delivery of all of the priorities as set out within the Perth and Kinross Community Plan.

Corporate Plan

- 1.2 The proposals relate to the achievement of all of the priorities in the Council's Corporate Plan.

2. Resource Implications

Financial

- 2.1 There are no direct financial implications of this report, although the estimated financial implications of the COVID-19 pandemic to the Council are set out in section 4 of this report.

Workforce

- 2.2 The recommendations in this report do not have any direct implications for the Council's workforce. However, recent events have seen some employees retasked to undertake different duties, and others continue carrying out their work in a completely different manner. Many have worked from home and adopted new working patterns. The Council would want to build on some of this new way of working, which will undoubtedly lead to reduced commuting and a reduction in the reliance on the use of buildings.

- 2.3 Moving forward the Council may seek to continue with the current ways of working, or develop new ways of working, which would undoubtedly have an impact on employees. Furthermore, it is important to note, that there may be an impact on the number of people that the Council employ longer term, which will be driven by the long term financial implications of the pandemic on the Council. In addition, continued requirements to respond to the pandemic as a result of any further outbreaks may mean that priorities change with employees being required to move back into support arrangements. Council also needs to be mindful of the impact on our workforce in relation to winter absence either through ill-health (covid, flu) or the ongoing pressure linked to response, recovery and renewal processes.

#### Asset Management (land, property, IT)

- 2.4 The Council has relied much more heavily on I.T in recent weeks and it is likely that this will be a key feature of any Recovery and Renewal plan. However, its use of office accommodation has considerably reduced, which, as stated above, is also something which will be a key feature of the new way of working.

### **3. Assessments**

#### Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties. Equality Impact Assessments will be a key feature of any future Recovery and Renewal plan(s) as will be discussions and consultation with equality groups in the development of these plans.

#### Strategic Environmental Assessment

- 3.2 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals. As plans and proposals are being developed, the environmental impacts will be a key consideration and environmental assessments will be undertaken as appropriate. The proposed approach includes a specific Environment Workstream which will focus on these issues.

#### Sustainability

- 3.3 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. Under the Climate Change (Scotland) Act 2009 the Council also has a duty relating to climate change and, in exercising its functions must act:
- in the way best calculated to delivery of the Act's emissions reduction targets;

- in the way best calculated to deliver any statutory adaptation programmes; and
- in a way that it considers most sustainable.

3.4 Addressing Climate Change is a priority for Perth and Kinross and the Council will deliver on its duties in this regard as recovery and renewal plans are developed and drafted. As stated above, the current approach includes a specific Environment Workstream which will place a focus on climate change issues.

#### Legal and Governance

3.5 The Head of Legal and Governance has been consulted on this report.

#### Risk

3.6 The development of Recovery and Renewal plans for Perth and Kinross is a significant piece of work, which could cover a long period of time and effect everything that the Council does. There will be many risks associated with this work and these will be identified and managed using recognised risk management approaches.

### **4. Consultation**

#### Internal

4.1 All members of the Council's Corporate Management team have been consulted in the preparation of this report.

#### External

4.2 The Council's approach to Recovery and Renewal has been discussed with the Community Planning Partnership. It will be essential that external consultation and the views of all stakeholders are gathered in the preparation of any recovery and renewal plans or proposals. Ongoing discussions are taking place with ward representatives and elected members.

### **5. Communication**

5.1 The communication arrangements are contained within an extensive Recovery and Renewal communication and engagement plan.

## **2. BACKGROUND PAPERS**

2.1 None

## **3. APPENDICES**

3.1 Appendix 1 – Interim Feedback Analysis Report  
 Appendix 2 – Organisational Development Plan  
 Appendix 3 – the Offer in practice summary document



## Recovery & Renewal – Phase 1

### Feedback Analysis

#### Background

In adopting the 3 Horizon Planning Framework for Recovery & Renewal, the first phase of this approach was to review and evaluate the impact COVID-19 has had on residents of P&K, businesses and the economy, staff and the services the Council delivers.



The various surveys are aimed at identifying the impact of the coronavirus outbreak on the people of Perth and Kinross, the challenges that they faced and how we can learn from the experience to recover and inform opportunities to build an even better Perth and Kinross. The information from these (and other past and future consultation and engagement exercises) will be influential in developing our recovery and renewal plans and to form a platform for further engagement with our communities and stakeholders to create a long-term vision based around the Perth & Kinross Offer.

It is important to bear in mind that the responses have been received over the last 2 – 3 months and therefore reflect the situation and mindset of respondents at that time.

This update provides a summary of feedback received from the following:

- Public Survey on the impact of the pandemic
- Business Barometer Summary
- Ward meetings
- Staff survey
- Community Impact Assessment – PKAVS Third Sector Interface reflections

It is not the intention of this report to attribute emerging themes to each of the individual feedback sources but to pull together the **recurring** themes and linking them to the **4 key workstreams (Economy; Equalities, Empowerment & Fairness; Education & Learning; the Environment)**. Summary reports with more detail and analysis are available and it is these documents which will inform ongoing discussions with communities/partners in how we take forward the Perth & Kinross Offer. The emerging themes also resonate with some of the findings contained within the Fairness Commission's report: Fairer Futures (2017).

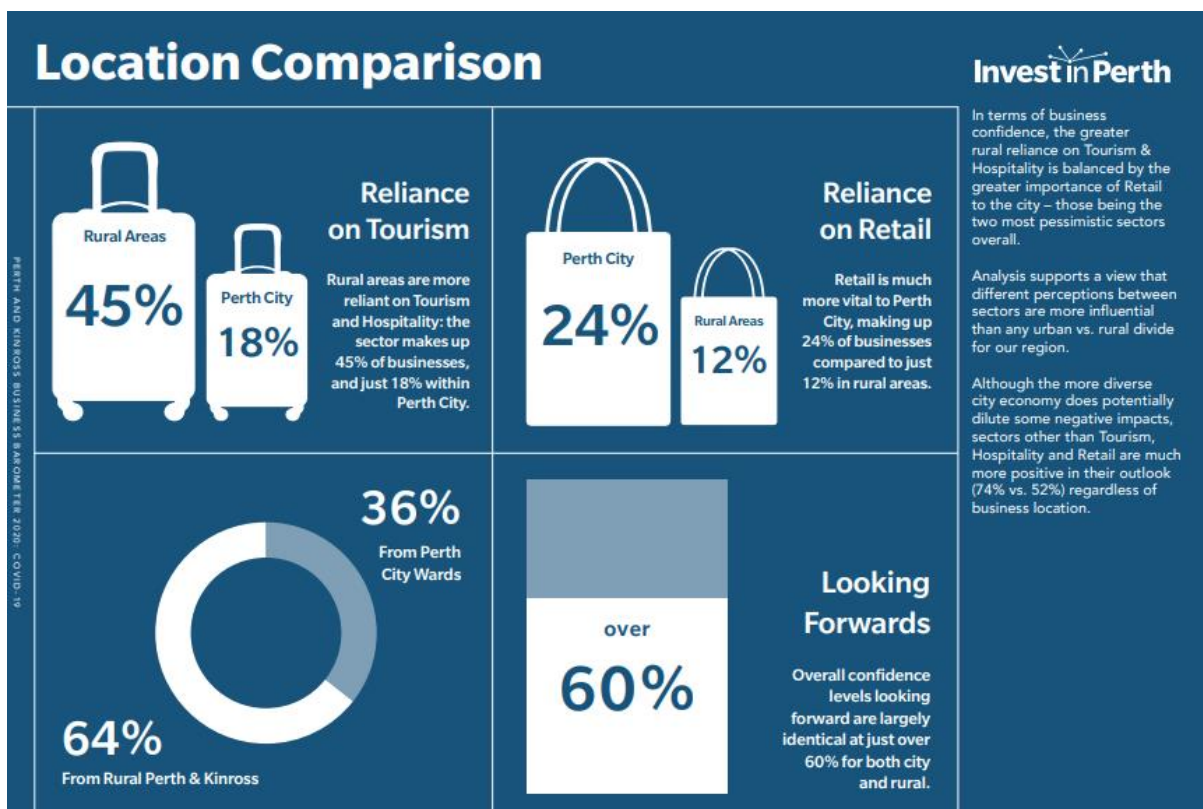
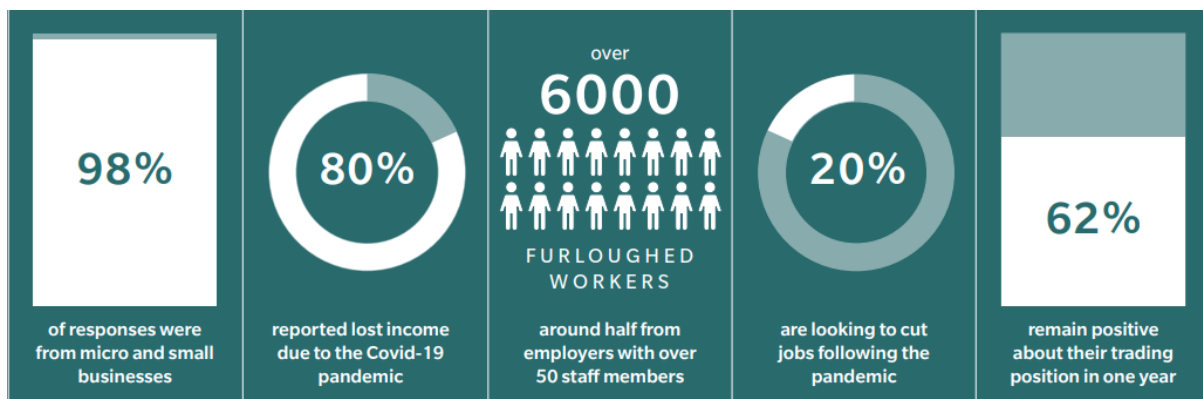
**Public Survey** - In relation to the public consultation exercise, this was open from 24 June 2020 to 31 July 2020 with 787 responses. **A third of all responses came from residents of Carse of Gowrie (30%), response from the other 11 wards in Perth and Kinross was fairly evenly spread (8% to 4% range).** The age profile of respondents was skewed towards the **50+ demographic** with relatively few responses from those aged under 36 years with majority of **respondents being employed or retired.**

High level overview:

- Comments regarding impact of the pandemic on individuals and their families were dominated by comments that expressed negative sentiment related to missing friends/family and isolation/mental health and anxiety.
- In contrast responses around impact of the pandemic on their neighbourhood were predominantly positive and related to community spirit.
- Almost a half of comments said there had been no change in the Council's support for themselves/their family during the pandemic.
- Where change was mentioned, communication, continued provision of essential services and education/childcare were common topics.
- Communication and continued provision of essential services were most commonly viewed in a positive or neutral manner, there was more negativity around education and childcare.
- On the subject of what the Council could support communities to do more effectively and potentially stop doing itself, three key areas for consideration were identified. These were support for community-led groups, support for third/sector/volunteering and financial support.

**Business Barometer** – This survey closed on 3 June 2020 with the results reported to full Council on 24 June 2020. 1,048 local businesses completed the survey. Respondents represented every part of the region with **36% Perth City, 19% Highland Perthshire, 12% Eastern Perthshire and 10% Strathearn (i.e. Crieff, Comrie)** being the major contributors.

Tourism & Hospitality was the largest sector with 35% of total respondents. Retail businesses accounted for 17%, with other parts of the Service sector (from Legal and Education to Plumbers and Dog-walkers) accounting for almost 30%. Manufacturing and Agri-Food made-up some 5% each, with the remainder identifying primarily as the Third Sector or Clubs and other bodies.



A second Business Barometer Survey has been undertaken and closed 6 September 2020 with 215 respondents. Some key messages:

- Business confidence looking forward has dropped 4% from May/June Barometer.
- Over 50% rank future access to further grant support of key importance.
- 11% have already, or intend to, make staff redundant but over half are back at work with no job losses.
- Perth City**
- Rural Perthshire**



**Ward Meetings** – By mid-September 2020 there have been 5 ward events along with 3 Social Renewal Advisory Board Listening Events undertaken. The comments received at these events were typical of what was heard from the feedback received through the public consultation and have been included in the summary finding later within this report.

Some of these concerns included:

- Loneliness and isolation
- The loss of usual activities
- Lack of communication in other languages e.g. shielding letters only being in English)
- Limited volunteers who speak different languages
- Challenge to get on-line – confusing and hard to get connected. Digital inclusion and digital connectivity were particular challenges, as was the lack of having appropriate IT equipment.
- Lack of timely communication around the cessation of council services
- Concerns around the lack of communications and assistance for people with disabilities particularly as there were new layouts to streets and whilst shopping
- There was a desire from residents for more say in how services were delivered locally
- There was a recognition of the importance of local facilities. (e.g. village halls) and residents wanted to see them open again as quickly as possible.

**Staff Survey** - The survey was open for responses from all Perth & Kinross Council employees from 25 May to 8 June 2020 resulting in **1,472 responses which equates to 26% of the PKC workforce**. It is important to recognise that during the initial stages of the lockdown the Council reduced its activity across many services, maintaining 18 critical services and that this may have impacted on people's ability to respond. Responses came from 26% of the workforce with **52% of the respondents being school based**.

The following table provides a high level summary overview from what staff said:

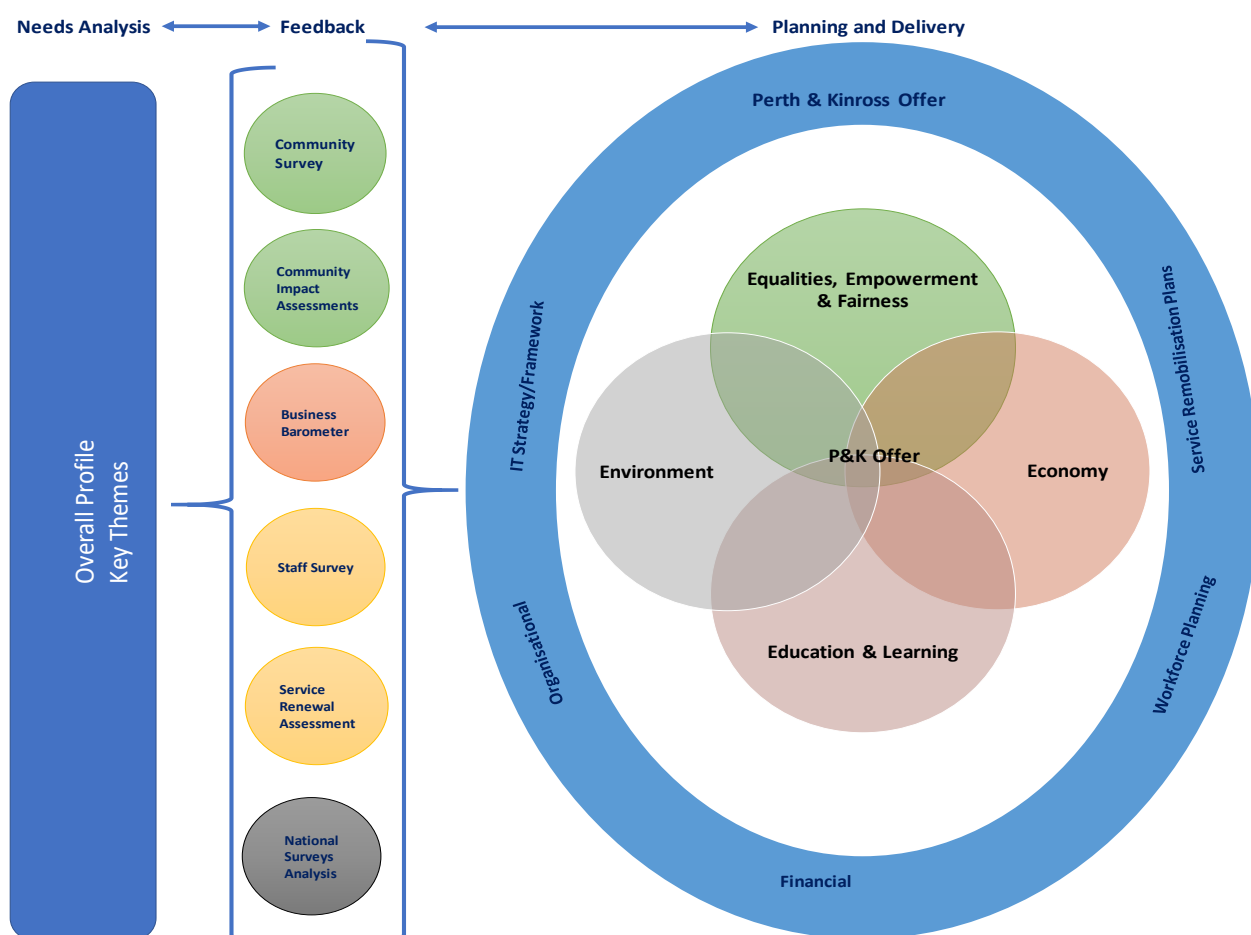
	Benefits of current working arrangements	Challenges of current working arrangements
To Staff	<ul style="list-style-type: none"> <li>▪ Flexibility in working hours and reduced time spent commuting</li> <li>▪ developing new skills</li> <li>▪ productivity and time efficiency</li> <li>▪ collaboration</li> <li>▪ MS Teams uptake</li> <li>▪ Mental/ physical health and ability to focus</li> </ul>	<ul style="list-style-type: none"> <li>▪ Communication informally/socially/within teams</li> <li>▪ Engagement with service users/ clients etc</li> <li>▪ Learning new skills</li> <li>▪ Adjusting to new circumstances</li> <li>▪ Mental &amp; Physical health</li> <li>▪ overlap of work/ home life</li> <li>▪ Restrictions to work/ volume of work</li> </ul>
To Customers / communities	<ul style="list-style-type: none"> <li>▪ Home learning, time with family, parental / pupil engagement (from school staff)</li> <li>▪ More widely greater efficiency in getting things done and new ways of working and communicating, also new ways of engaging with communities in response to the pandemic</li> </ul>	<ul style="list-style-type: none"> <li>▪ Communication: restrictions of face to face and issues with telephones</li> <li>▪ Education and learning (for those normally at school); engaging with parents and pupils</li> <li>▪ Restrictions / changes to services due to the pandemic</li> <li>▪ Vulnerable people were mentioned as facing particular challenge.</li> <li>▪ Wider awareness of the impacts of lockdown</li> </ul>

**Community Assessment** – A survey is currently underway seeking the views of local community groups and closed on 20 September however due to the timing of this report these have not been included within this paper.

PKAVS Third Sector Interface has provided information on the engagement they have had with third sector groups. At present they have held 3 sessions which included 57 organisations the purpose of which was to listen and learn from how Covid-19 has affected their clients/service users, staff and organisations. Some of the points raised relate specifically to the organisations themselves and how, as a third sector, they could work better together. There were however specific observations made which have been included within the recurring themes section of this report.

## Feedback Process

The Recovery and Renewal Framework includes 4 workstreams and in recognition that the feedback received could apply across different workstreams the following process will ensure that overlapping information is linked appropriately.



(Diagram 1)

Feedback received will be communicated across all the workstreams and considered in designing and developing plans with a focus on community engagement, consultation and empowerment putting Perth & Kinross Offer front and centre.

There will however be recurring themes, which sit across all groups and these will be pulled together to form overall frameworks e.g. the Perth & Kinross Offer, Finance, IT, Organisations Development and Workforce Planning.

Members of the public were asked about the Council's handling of the pandemic and, from those who made comment, this was, on the whole positive. However, many felt that they were unable to comment as they did not have sufficient knowledge of council services. There also appears to be a real desire for improved communication, greater community involvement, greater focus on local solutions and to move away from the Council bureaucracy. Comments included:

"I think the council did the best they could and it's not easy for anyone in the community who all face different challenges." "we are totally self-sufficient and thankfully have not required Council help"


"I don't feel that there has been much change in Council support to our family - but I have to say that the services we take for granted, such as refuse collection and recycling, have been wonderful"

"They have done well during the coronavirus pandemic to support those who need it. Prior to that, I could not say the same thing."

"Not informing people of changes happening in Perth and Kinross regarding Coronavirus, or previous changes which people may have had difficulty understanding. A regular newsletter not just for tenants would be useful where local information is better provided and explained."

## What are the emerging key themes and suggested opportunities?

The following tables provide some highlights as well as any suggestions identified within the various surveys. These are intended only as an overview with the intention that these form discussion points and indeed further analysis within the specific workstreams/service areas.

 <b>Equalities, Empowerment &amp; Fairness</b>	
<b>Key Themes</b>	<b>Suggestions</b>
<ul style="list-style-type: none"> <li>▲ An increased offer for volunteering</li> <li>▲ Greater involvement and mobilisation of existing community groups</li> <li>▲ Connections with neighbours and communities pulling together</li> <li>▲ Provision of support to those shielding, food and pharmacy deliveries as well as wellbeing calls</li> <li>▲ Stronger sense of community – new initiatives and services were established and existing ones expanded e.g. Community Fridge, Debt Counselling, Too Library</li> <li>▲ Use of technology to maintain contact (Zoom/skype etc)</li> </ul>	<ul style="list-style-type: none"> <li>▲ Social care - reprioritise spending to this area</li> <li>▲ Plan for care and support should lockdown measures be reintroduced</li> <li>▲ More mental health support</li> <li>▲ Helping local foodbanks</li> <li>▲ Support community-led groups to get established and funded</li> <li>▲ Capitalise on community mobilisation</li> <li>▲ Delegate to appropriate community services and remove silos</li> <li>▲ Engage (properly) with well-established organisations and charities.</li> <li>▲ Empower community groups – greater responsibility on activities to be funded</li> <li>▲ Greater communication between council services and local communities with a focus on rural communities.</li> <li>▲ Greater involvement from communities in developing processes and e.g. Pandemic Strategy</li> <li>▲ Better engagement with Community Councils and Community Planning Partners</li> <li>▲ More activities for teenagers – not just sport</li> <li>▲ Focus on meeting the needs of people, not the system or environment operated within.</li> <li>▲ Third Sector to be considered an equal partner and respected by statutory services. A commitment to collaboration and co-production.</li> <li>▲ Digital inclusion for all</li> </ul>
<ul style="list-style-type: none"> <li>▼ Isolation, loneliness and mental wellbeing – Before, during and following relaxation of lockdown.</li> <li>▼ Decrease in household incomes</li> <li>▼ Cessation/reduction to social activities – particularly felt by those from ethnic minority groups and people with disabilities</li> <li>▼ Some felt unsafe – increase in anti-social behaviour</li> <li>▼ Families struggling with costs, home- schooling and access to IT equipment</li> <li>▼ Overcrowded households</li> <li>▼ Devolvement of decisions to local communities</li> <li>▼ Desire to move away from council bureaucracy</li> <li>▼ Lack of partnership working has been detrimental to the Covid response.</li> <li>▼ Feeling that the need to operate at pace has been utilised as an excuse for not involving groups and organisations to the response</li> <li>▼ Lack of communication – particularly where English is not the first language</li> </ul>	


“We are new to the street and we were able to meet neighbours we hadn’t had the chance to speak to until we were in lockdown.”

“Installed an emergency alarm, provided food boxes until supermarket deliveries set up. Contacted me when shielding started.”

“We’ve received funding for free school meals for my son which has been very helpful. Due to my benefit, I’ve now discovered I can apply for this for the coming school year also which would help a lot.”

“No ASN provision that was fit for purpose and met my autistic son’s needs.”

This resonates with what we heard within the **Fairness Commission** work - People wanted us to understand the different challenges people face at a local level, and their aspirations. The ask being that public, private and third sector organisations work more closely with local communities and encourage/support jointly created solution and opportunities. They also told us that work should be undertaken to further develop socially inclusive, inter-generational and cultural initiatives across the area to reduce social isolation, share skills and knowledge and increase the resilience of individuals and communities.

 <b>Economy</b>	
<b>Key Themes</b>	<b>Suggestions</b>
<ul style="list-style-type: none"> <li>▲ Take up of business grants</li> <li>▲ Confidence in trading position for manufacturing and those not involved in tourist/ hospitality/retail</li> <li>▲ Developing wider markets</li> <li>▲ Develop more on-line sales and diversification</li> <li>▲ PKC Business Bulletin and response</li> <li>▲ Referrals to a business adviser</li> </ul>	<ul style="list-style-type: none"> <li>▲ More grants to close gaps and to help with re-start</li> <li>▲ Clear guidance on re-opening</li> <li>▲ Detailed plans for more outside hospitality</li> <li>▲ More Park and Ride facilities</li> <li>▲ Promote buy local – simplify procurement</li> <li>▲ Streamline planning and licensing</li> <li>▲ Aggressive marketing of the region</li> <li>▲ Extension of business rates relief</li> <li>▲ Open schools and ensure more childcare provision to help workers get back to work</li> <li>▲ Support to tourism, the arts and to local restaurants and bars – support to open later and utilise outdoor spaces</li> </ul>
<ul style="list-style-type: none"> <li>▼ Going out of business if restrictions continue</li> <li>▼ Concerns on trading position for tourism/hospitality/retail</li> <li>▼ Reduction in staff once restrictions eased (Tourism/hospitality/retail)</li> <li>▼ More focus on events promoting the region</li> <li>▼ Facilitation of access to finance</li> <li>▼ More action around loyalty programmes</li> <li>▼ Promotion of local goods and services</li> <li>▼ Improved digital infrastructure and connectivity</li> <li>▼ Connectivity issues when more than one person requiring broadband access</li> <li>▼ Reduced turnover for self-employed</li> </ul>	

“PKC did a first-class job in getting help out to businesses quickly.”

“Grants have helped my partner and his business during this period and payments have been awarded very quickly which is a live saver.”



## Education & Learning

Key Themes	Suggestions
<ul style="list-style-type: none"> <li>▲ Benefits of children spending time with family</li> <li>▲ Learning in different environment</li> <li>▼ Missed schooling</li> <li>▼ Parental engagement as well as parents having to juggle carer/work/home schooling.</li> <li>▼ Face-to-face contact with pupils and parents due to the COVID restrictions.</li> <li>▼ Lack of child care for non-key workers</li> <li>▼ Disruption to after school activities – children bored</li> <li>▼ Variances across schools in approaches to home learning</li> </ul>	<ul style="list-style-type: none"> <li>▲ Standardisation of home learning approaches</li> <li>▲ Easy to follow online lessons</li> <li>▲ Provision of IT equipment for those who don't have (or hire)</li> <li>▲ Consider approach to home and flexi schooling</li> </ul>

“Home schooling - teachers have been fantastic.”

“Schools dealt very well with constantly changing goalposts.”

“Really disappointed no child care. Key workers are getting free childcare and I'm not so I may end up in debt now.”

As a result of the changes to school provision during lockdown many of the indicators of disadvantage such as free meal entitlement, additional support needs as well as access to extra-curricular activities particularly impacted on those most in need – these were all factors highlighted through the **Fairness Commission** work.




## ENVIRONMENT

Key Themes	Suggestions
<ul style="list-style-type: none"> <li>▲ Quieter roads and more people walking/cycling</li> <li>▲ Spending more time and work in gardens</li> <li>▲ Refuse collections</li> <li>▲ Maintenance of open spaces – grass cutting</li> <li>▲ Climate Change Strategy</li> <li>▼ Closure of recycling centres</li> <li>▼ Increase in litter and fly tipping</li> <li>▼ Local parks and grass areas – access and aesthetics</li> <li>▼ Public transport reduced</li> <li>▼ New traffic light system</li> <li>▼ Road maintenance</li> </ul>	<ul style="list-style-type: none"> <li>▲ Use some kind of powers to encourage respect for the environment.</li> <li>▲ Greater responsibility for Bloom Groups</li> <li>▲ Communities involvement in developing the Climate Change Strategy and support the actions</li> <li>▲ Improve bus services to villages</li> <li>▲ Improve pedestrian and cycle routes.</li> </ul>

“Greatly appreciated the continuation of all services, despite the difficulties. Council workers

come with a wave and a cheery hello..... much appreciated.”

“I have been impressed by the service from PKC Refuse Collectors, who have managed to maintain services throughout the period of lock-down and beyond. Grass has also continued to be cut at the usual places, which keeps the village looking good.”

 <b>Ways of Working within the Council</b>	
<b>Key Themes</b>	<b>Opportunities</b>
<ul style="list-style-type: none"> <li>▲ Productivity levels increased</li> <li>▲ Quick roll out and use of Microsoft teams</li> <li>▲ Flexibility and willingness of staff working across the Council through re-tasking</li> <li>▲ Internal and external communication</li> <li>▲ Greater work life balance</li> </ul>	<ul style="list-style-type: none"> <li>▲ More live talk should have been available for online queries.</li> <li>▲ Need to advertise consultations properly and ensure there is a wide representation of people when changes are planned</li> </ul>
<ul style="list-style-type: none"> <li>▼ Staff juggling carer/home school/working</li> <li>▼ Connectivity issues and some not having the appropriate kit</li> <li>▼ Processes for re-tasking</li> <li>▼ Less social contact with both team members and missed the more informal work discussions</li> <li>▼ Information/communication overload</li> <li>▼ Public experienced difficulties trying to speak to members of staff</li> <li>▼ Very confusing trying to make enquiries.</li> <li>▼ Not everyone clued up or has online experience.</li> <li>▼ Access and connectivity issues – as well as lack of IT skills as more and more on-line activities and services are developed</li> </ul>	<ul style="list-style-type: none"> <li>▲ Simplify customer processes</li> <li>▲ Prompt replies to queries</li> <li>▲ Greater flexibility in relation to working hours and work locations</li> <li>▲ Different communication channels – internally and externally (awareness that not everyone uses social media)</li> <li>▲ More on-line forms e.g. bus pass</li> <li>▲ Locality working to support communities</li> </ul>

“Work have been hugely supportive (I work for the council)”

“PKC should ensure relevant staff are advised of changes rather than reading it on social media”

“At the start of COVID staff members had to fill in questionnaire about whether they had ever been a grave digger, worked in care home etc. This was highly stressful sitting at home wondering if I was going to be called to do these things.”

Through the **Fairness Commission: Fairer Futures** we heard that people wanted family-friendly working practices and that these should be promoted across all sectors in the area, to ensure that more people with children can access and sustain employment. People also told us that digital approaches should be used appropriately and not create additional barriers for anyone, at any age or stage of life.

## What was the outcome of the public consultation by locality?

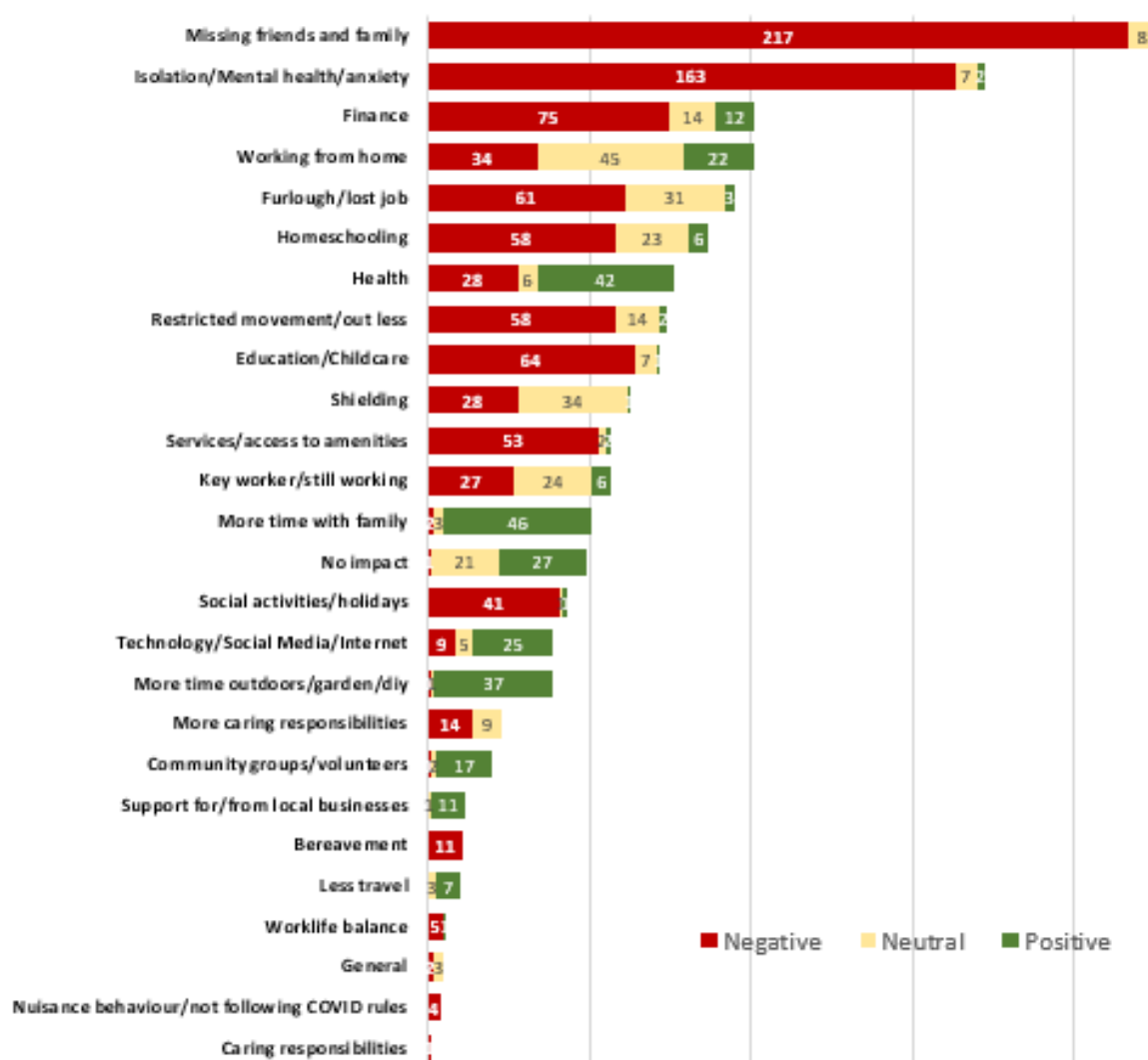
**A third of all 787 responses came from residents of Carse of Gowrie (30%), response from the other 11 wards in Perth and Kinross was fairly evenly spread (8% to 4% range).**

From the results of the public consultation we have some indication of areas which had the most impact on individuals and their communities. The nature of the survey was to gather individual

thoughts and concerns and therefore open questions were asked. The information received were then grouped into recurring themes.

The following provides an overview to one of the key questions within the summary:

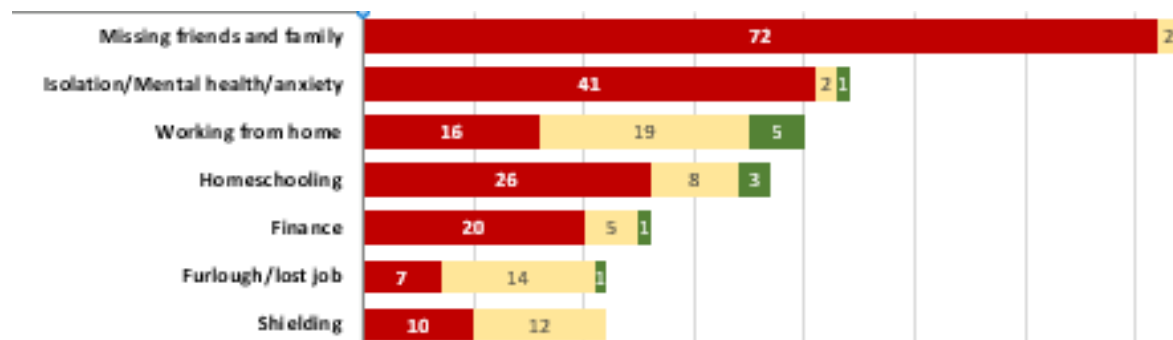
#### Q5. What has been the impact of the pandemic on you and your family? (All respondents)



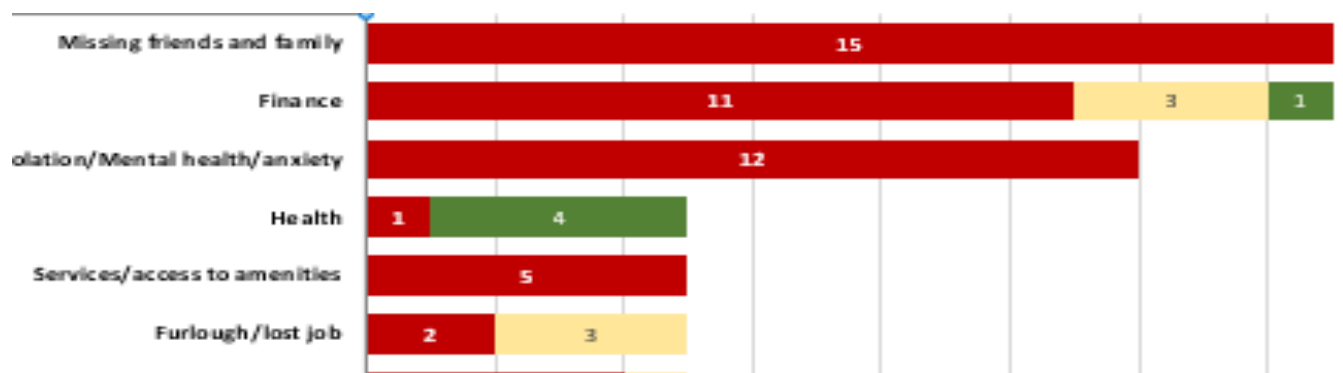
In relation to the same question the following provides a summary of the top six concerns across the different ward areas.

Key: ■ Negative ■ Neutral ■ Positive

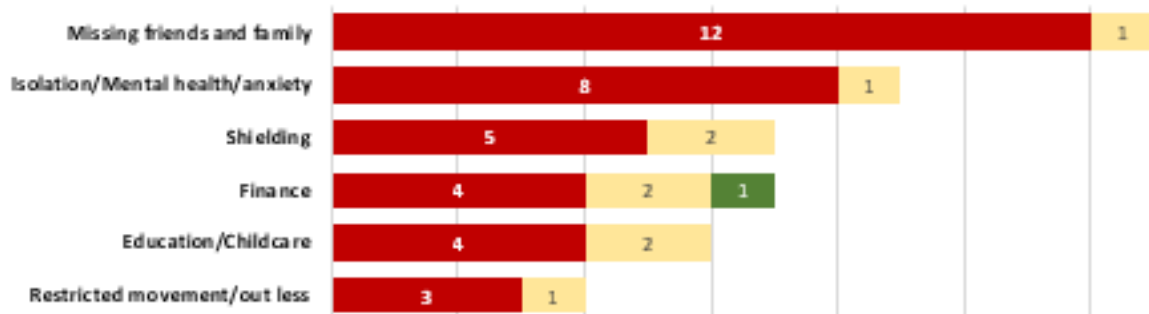
## Carse of Gowrie



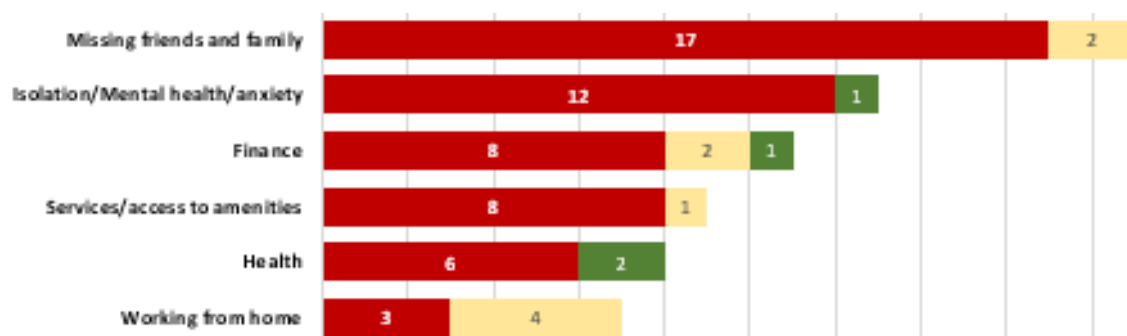
## Highland



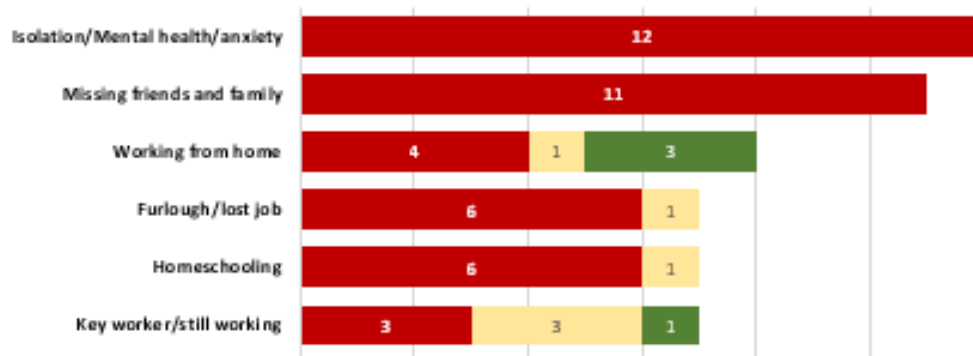
## Kinross-shire



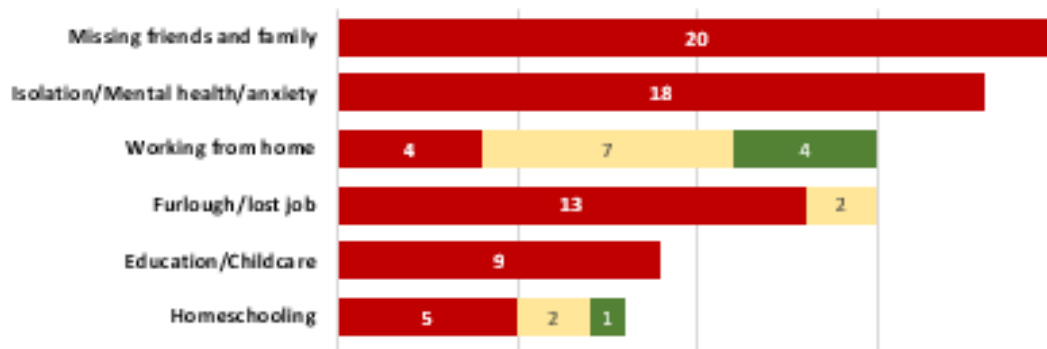
## Perth City Centre



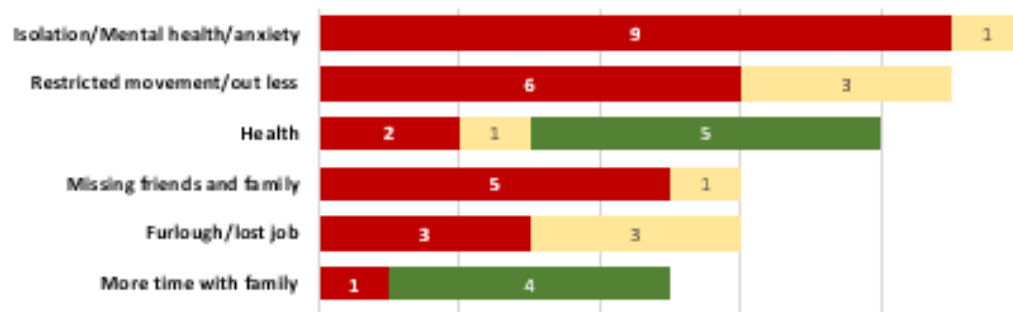
## Perth City North



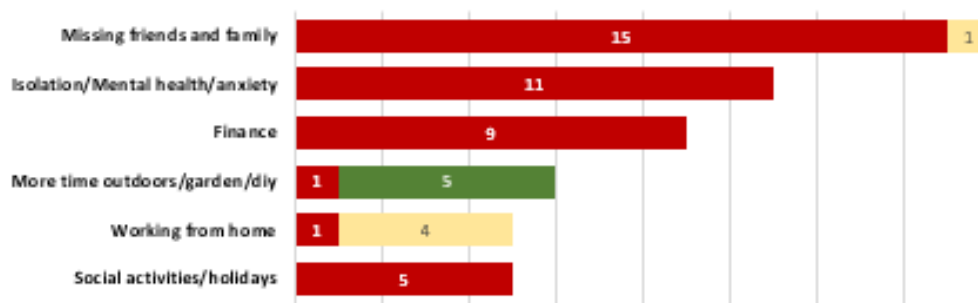
## Perth City South



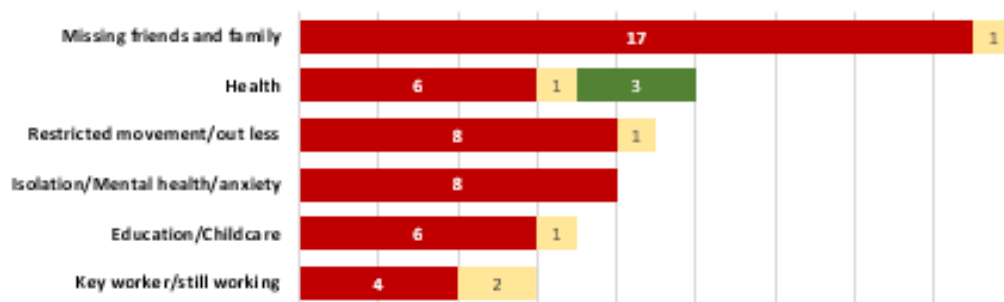
## Strathallan



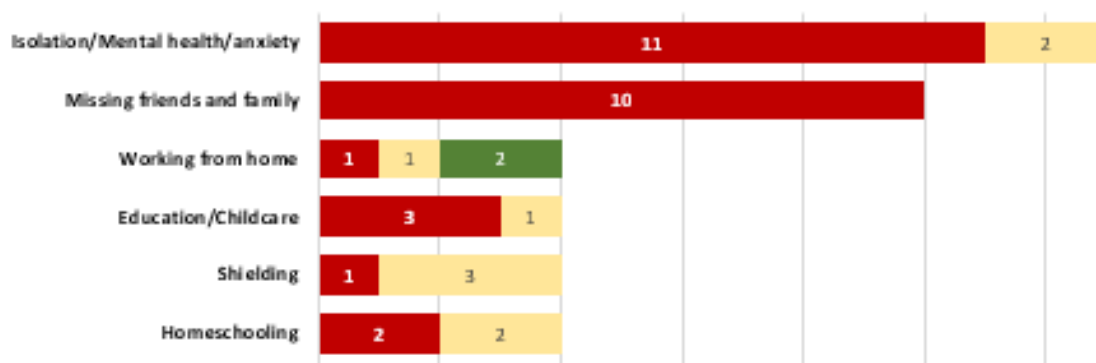
## Strathearn



## Strathmore



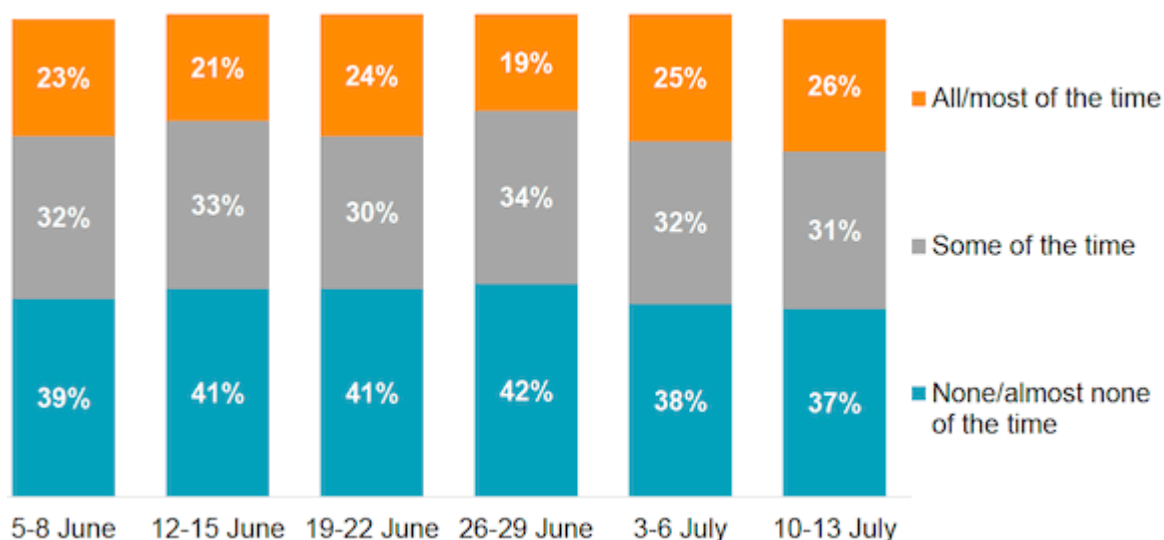
## Strathtay



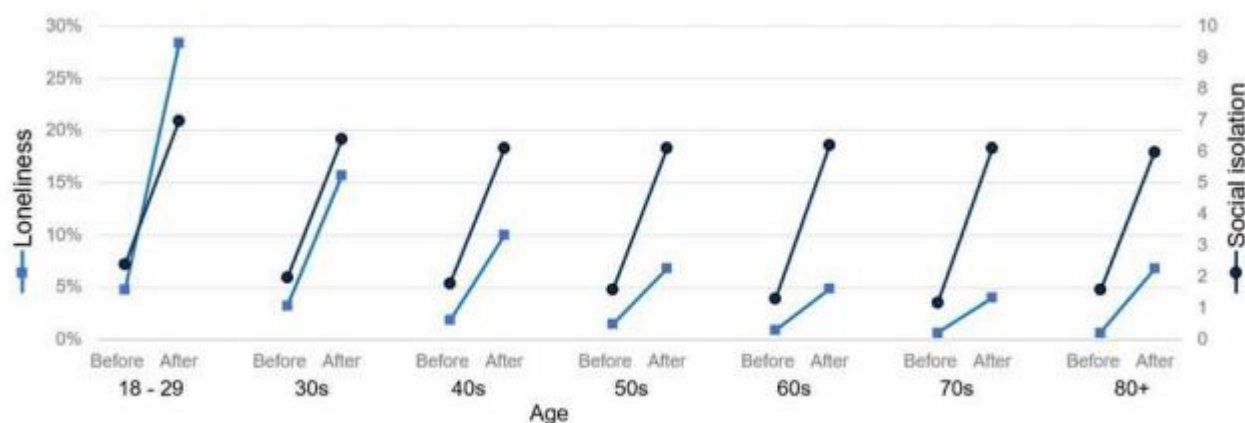
## What other evidence are we aware of?

**National surveys** – A number of national surveys have been undertaken some of which will continue to further ongoing research particularly around health and wellbeing and the economy.

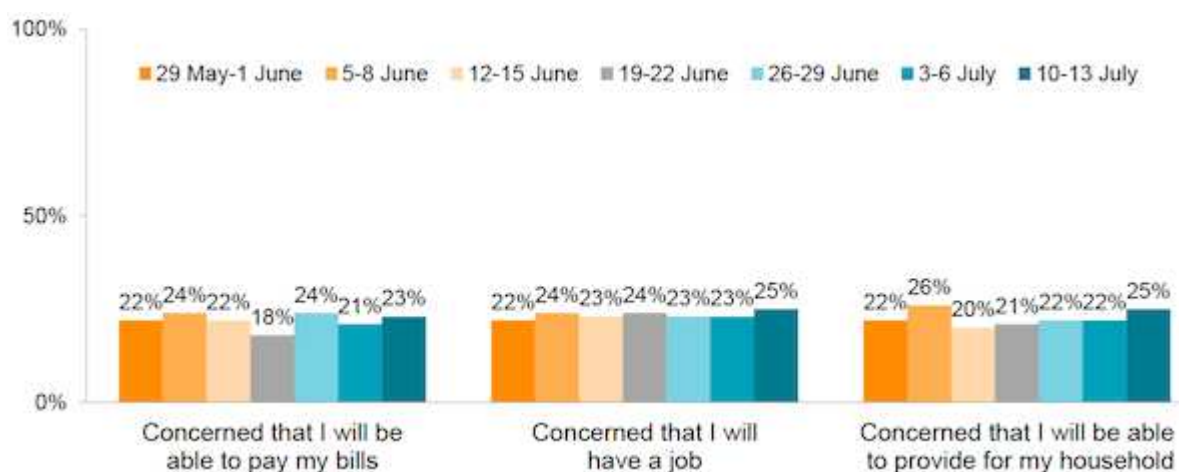
In relation to **Health and Wellbeing** the findings are not too dissimilar to the comments we received within our local surveys. Generally feeling stressed or anxious was the most common way adults experiencing some form of depression felt their well-being was being affected.



## Scottish Survey on Lockdown – Loneliness and isolation - Feelings of loneliness and isolation before and during 'lockdown', by age group



**Working and Finance** - The national picture on the impact COVID has on people in relation to their income and finance is detailed in the chart below and again this resonates with what we heard from some respondents to our local survey.



**Business** – Some national data is detailed below and again these are not too dissimilar to the Perth & Kinross experience.

- 11% of the workforce remain on furlough leave, with 63% of furloughed employees receiving top ups to their pay;
- Of those businesses which had not permanently ceased trading, 36% of the workforce were working remotely
- The accommodation and food service activities industry reported the highest percentage of businesses reporting their risk of insolvency was severe to moderate, at 23%, compared with 11% across all industries.
- The arts, entertainment and recreation industry reported the largest percentage of businesses indicating that operating costs had exceeded turnover, at 40%.

## **Programme for Government 2021: “Protecting Scotland, Renewing Scotland”**

The programme sets out measures to deal with the coronavirus as well as set programmes to aid recovery. The three themes are:

- A National Mission to Create New Jobs, Good Jobs and Green Jobs
- Promoting Equality and Helping our Young People Grasp Their Potential
- Promoting Lifelong Health and Wellbeing

These themes all linking into the four Recovery & Renewal workstreams.

## **Conclusion**

Despite the situation that individuals, businesses, the third sector and the Council have experienced there has been some very positive feedback as well as some significant learnings for the four workstreams to consider in their planning processes.

What we heard across all the feedback received was the impact that the pandemic has had on peoples lives, their family, income and their mental health and wellbeing. There are a number of lessons for the Council and its’ partners to consider and improve, as well as a number of suggestions on how we can engage and involve communities more in decision making.

The findings and suggestions on how we can move forward with the Perth & Kinross Offer and to build a better Council are also echoed within the Fairer Futures report commissioned by the Fairness Commission in 2017.

- A Fairer Perth & Kinross: People, Place & Equality
- A strong start: An Equal Footing for Life – Chances, Choices and Confidence
- Fairer Working Lives: Opportunity, Security & respect
- A Thriving Third Age: Living Well, Belonging & Contributing
- Better Connected: Services, Transport & Digital Lives

The feedback we have received together with all our other intelligence, both local and national, will go on to inform discussions with communities, planning partners and staff on how we build back and even better council and taking forward the Perth & Kinross Offer.

## PK Offer Recovery and Renewal

Organisational  
Development Plan  
2020 – 2023

Full Council  
7 October 2020



## Our recovery & renewal ambition

- We recover from the impacts of the COVID 19 virus, develop a stronger economy and become a more sustainable and prosperous place to live and work
- We learn from the experiences of the pandemic, add pace to the Perth & Kinross offer and “build an even better Council” around Education and Learning, the Economy and Environment underpinned by Equalities and Empowerment





## Our draft Recovery & Renewal Principles

<b>Bold vision</b>	We will be ambitious and agile in our approach and thinking to develop the "Offer" and deliver a bold vision for everyone to live life well.
<b>Enabling</b>	We will enable a culture of possibility, opportunity and capability by listening to what matters and embracing everyone in our community as having something to "Offer". We will address inequalities and focus on areas of specific need.
<b>Partnership</b>	We will develop joined up solutions and integrated approaches, connecting all forms of resources together in new and productive ways.
<b>Kindness</b>	<p>We will treat everyone fairly with kindness, compassion, respect and dignity. Our new ways of thinking and doing will include everyone.</p> <p>We will nurture a think yes culture, act upon our values, and reflect upon our learning and progress to enable continual development.</p>



## Developing our "OD Offer"

- Our OD Work is aligned with The PK Offer and will support and develop our recovery and renewal workstreams and approach
- Our OD Offer is based upon what we think – and know from previous engagement and consultation - that our workforce wants
- We will seek feedback and suggestions on getting this right

## Our Organisational Development Offer

Our Offer to you is that <b>we will</b> ;	Our ask of you is that <b>you will</b> ;
Listen to you and provide bespoke support to achieve your individual needs and team objectives	Participate fully, reflect on your experience and use what you have learned to make a difference in your role and team
Nurture and develop effective leaders who focus on creating the environment that enables colleagues to develop, deliver and flourish	Be curious and willing to learn, seeking out opportunities and keeping an open mind to development
Promote and care for your health and wellbeing	Practice self care and ask for support when required if not already offered
Promote an empowering culture where everyone irrespective of role, recognises the value of their contribution and is accountable for delivery.	Be accountable, positive and take responsibility for your behaviours and actions
Put people at the heart of all the work we do	Put people at the heart of your work
Believe you have something to offer	Believe you have something to offer

## Our organisational development journey 2020 - 2023



Programme	Key Features		
<b>Enabling Culture Change</b>	Training and development of UGR's and UGR Leads	Promote and embedding a coaching culture	Development of values & behaviours
<b>Developing our Leaders</b>	EOT / CMG Development Framework	Engagement of leaders and completion of needs analysis assessments	Development of Aspiring / Leaders of the Future incorporating Induction / Succession Planning
<b>Maximising Potential</b>	Engagement / Consultation / Review of Development Discussions	Development and Integration of Leadership Management System	Engaging and promoting coaching and performance culture
<b>Nurturing Health &amp; Wellbeing</b>	Staff surveys & temperature checks	Information Hub & internal engagement	Bespoke workshops, conferences
<b>Elected member development</b>	Development Needs Analysis & Individual Plans	Schedule and delivery of bespoke support sessions and events	Strengthening external networks and development support

## Enabling Cultural Change

We want everyone to have a clear understanding of the expected values, behaviours and ultimately culture, here at PKC. Aligning with our strategic aims, we need to develop a culture where everyone is included in the journey.

### OUR GOALS;

- Adopt agreed values and behaviours which set the tone and culture of PKC
- Encourage open and honest discussions with our workforce
- Collaborate on our cultural journey through various engagement opportunities open to all
- Develop our wider “Employee Offer”



## Developing Leaders

Everyone can be a leader in our organisation, at any level. This is not managing others but meeting challenges, accountability for your own actions, role modelling our organisational behaviours and becoming the change you want to see.

### OUR GOALS;

- Increase leadership development opportunities
- Design and implement Aspiring Leaders programme for our potential future leaders
- Promote a coaching approach and culture for everyone
- Provide learning opportunities and programmes where everyone can acquire the skills and experience to show leadership at any level



## Maximising Potential

Maximising performance and potential is about developing a process that enables employees and managers to build relationships, clarify expectations, set priorities and agree developmental goals. It can help set a path for each individual to add value to our organisational objectives, contributing to the best of their ability.



### OUR GOALS;

- Review existing Development Discussion process and carry out needs analysis with our workforce
- Developing a shared understanding of performance management and embedding an agreed approach
- Concentrating on development as well as performance
- Investing in a robust Learning Management System which provides ongoing support, data and evidence

## Nurturing good health & wellbeing

The wellbeing of our employees has never been more important. Having healthy and happy employees matters. It makes us a stronger, more resilient organisation and improves performance. We are creating a culture that places value and promotes good health and wellbeing in all aspects of their lives.



### OUR GOALS;

- Promote the importance of health & wellbeing widely
- Offer responsive support and interventions for our employees when required
- Cultivate a resilient, open and honest culture where people can speak up

## Elected Member Development

Elected Members are skilled and experienced in setting the strategic direction of the organisation. This is the key to our success so ensuring learning support and development plans are in place for Members is key and will allow us to work towards a consistent and united culture. Supports offered will include;



- Individual Development Needs Analysis
- Bespoke Service Briefings to keep abreast of developments and changes
- Access to online learning and support modules
- Scheduled development sessions on general topics (e.g. Media Training)
- Using external networks & organisations such as the Improvement Service online platform/ COSLA guidance
- Coaching / mentoring platforms
- Support for digital skills

## The OD offer in practice 2020 - 23



Personal Development	Team Development	Leadership Development	Organisational Development
<ul style="list-style-type: none"> <li>• Coaching</li> <li>• Resilience Coaching</li> <li>• Mentoring</li> <li>• Learning programme</li> <li>• eLearning platform</li> <li>• Induction process</li> <li>• Bespoke development plans</li> <li>• Health &amp; Wellbeing events, tools and conferences</li> </ul>	<ul style="list-style-type: none"> <li>• Bespoke team building sessions</li> <li>• Team resilience</li> <li>• Team trust and healthy conflict</li> <li>• Insights Team Discovery</li> <li>• Afina Team Coaching programme</li> </ul>	<ul style="list-style-type: none"> <li>• Coaching</li> <li>• Mentoring</li> <li>• Project Lift (self assessment questionnaires / career conversations)</li> <li>• Succession Planning</li> <li>• Talent management</li> <li>• Leadership attributes and development</li> <li>• Direct conversations and challenge</li> </ul>	<ul style="list-style-type: none"> <li>• Cultural Change</li> <li>• Unwritten Ground Rules</li> <li>• Values and behaviours</li> <li>• Change Management</li> <li>• Developing employee offer and experience</li> <li>• Development discussion review and maximising potential</li> <li>• Staff engagement and feedback</li> </ul>

## **Organisational Development Plan 2020 – 2023 Background Information**

### **The role of Organisational Development**

We have bold and ambitious aims to transform the way we work with our communities, citizens, partners, businesses, employees and other stakeholders and; to ensure that public services can be co-created and delivered sustainably to achieve better outcomes for the people of Perth & Kinross.

To achieve these aims will require a cultural and behavioural shift in how we build and sustain relationships, deliver our services and carry out our day to day roles. Building upon the many examples of best practice already evident in the organisation, it is the role of Organisational Development to support and develop our individuals, teams, leaders and elected members to enable them to undertake any changes required.

Our Organisational Development Plan has been developed as an “Offer” of different learning programmes, packages and supports. These are designed for different groups and levels within the organisation; individual; team; leaders; organisational and our elected members. It outlines our approach to achieving these aims and the workstreams that will support and nurture our people to Think Yes. In addition, we will support and develop approaches in partnership with other areas of the organisation and wider colleagues to continue increasing the capacity of volunteers and communities to get involved and influence our work.

### **Community engagement and capacity building**

Community capacity building activities carried out by PKC Community Learning and Development (CLD) are a priority activity within the Community Learning and Development Plan (2019-2022). This is a statutory plan required by Education Scotland which sets out the commitments of PKC and its partners to deliver CLD which improves people’s lives and increases equality. CLD supports people and communities to engage in learning, personal development and active citizenship. Key priority groups for the Plan include volunteers and community groups, building their capacity to be positive influencers in their local area.

It is acknowledged that as we all have different skills and experience in working and engaging with our various communities, businesses, partners and people, we

need a flexible and responsive approach to the learning and support made available.

Workstream	Actions	Responsibility
Community capacity building	<ul style="list-style-type: none"> <li>• Literacy support</li> <li>• ESOL training</li> <li>• Good governance</li> <li>• Funding bids</li> <li>• Building local networks and partnerships</li> <li>• Business Planning</li> <li>• Community asset transfers</li> </ul>	Communities team
Volunteer Support	<ul style="list-style-type: none"> <li>• Supporting local volunteer groups (Bloom groups, Duke of Edinburgh, business volunteering to help charities with specific needs)</li> </ul>	Communities team; Greenspace team; Housing team; HR team; Services for Young People (via DoE); Community Care
Employee development re: Community engagement, collaboration, coproduction	<ul style="list-style-type: none"> <li>• Walk a mile in someone's shoes</li> <li>• Learning lunches</li> <li>• Shadowing &amp; observing</li> <li>• Coaching, facilitation and negotiation skills</li> <li>• Short films and animations</li> <li>• Infographics</li> <li>• Engagement events</li> </ul>	Communities team; Organisational Development team

## Key areas of Organisational Development Progress

Our OD Plan focusses on four key programmes of work over the next three years;

- **Enabling Cultural Change**
- **Developing Leaders**
- **Maximising Potential**
- **Nurturing good Health & Wellbeing**

Based around these four areas, we are developing an online resource for employees, managers and elected members to access information, resources and materials in relation to the specific supports, tools and development opportunities available. At present, all these programmes will be developed and delivered online with virtual events, conferences and team development sessions offered. In this new virtual world, we are inhabiting, it is important that all learning and development opportunities for the foreseeable future are available online and while working from home. Although we are hopeful that the traditional organisational development support and face to face individual or group will commence at some point in the near future, this is not yet feasible as our offices remain closed and the majority of staff carry out their duties from home. Moving forward, our preference would be for a hybrid of activities that cater to our different preferences and learning styles – allowing everyone to actively take part and get involved.

In terms of our online approach, however, it has become clear that the PKC workforce have adapted well to this new way of working and since March 2020, our online learning platform has experienced an increase in usage from 43% to 86%. We have had feedback on various reasons for this such as;

- ongoing regulatory courses required for continuing professional development
- updating essential eLearning modules
- staff, keeping abreast of training opportunities
- retasked staff carrying out learning and development modules to increase competency and prepare for new roles
- recovery and renewal eLearning programmes – teams are requesting eLearning solutions in future to support induction and staff learning e.g. Assessing and Charging, First Aid, Climate Change and Sustainable Development and Fuel Poverty. A one day first aid course was developed and published by Organisational Development mid-August and 83 staff have completed this learning to date.

There has also been an increase in staff accessing online learning and development materials through the PK Learning website and other available online channels and links. This signifies a huge cultural shift in not only how we carry out development and learning but fundamentally in how our workforce is experiencing the “way we do things around here”.

## Culture and principles

In 2019, we held around 30 employee events to discuss the PK Offer and how we can bring this to life with a culture of empowerment, Think Yes and Just do it! Moving in this direction, may mean a cultural and behavioural change for some of us, both as employees and/or managers.

Our culture is experienced differently by all of us although we all contribute. It is made up of our own expectations, past experiences, philosophy and differences. It is based upon the shared attitudes, beliefs, customs and rules (written and unwritten) that have been developed over time and are considered acceptable to us. We show our organisational culture to others in the way we conduct ourselves and communicate with others – how we move forward, change and develop.

Our culture needs to underpin and support our organisational aims and principles. For our recovery & renewal programme, we have set out the following internal draft principles which although set a focus and direction, may change and evolve as we continue our engagement discussions;

<b>Bold vision</b>	We will be ambitious and agile in our approach and thinking to develop the “Offer” and deliver a bold vision for everyone to live life well.
<b>Enabling</b>	We will enable a culture of possibility, opportunity and capability by listening to what matters and embracing everyone in our community as having something to “Offer”. We will address inequalities and focus on areas of specific need.
<b>Partnership</b>	We will develop joined up solutions and integrated approaches, connecting all forms of resources together in new and productive ways.

<b>Kindness</b>	<p>will treat everyone fairly with kindness, compassion, respect and dignity. Our new ways of thinking and doing will include everyone.</p> <p>We will nurture a think yes culture, act upon our values, and reflect upon our learning and progress to enable continual development.</p>
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These principles underpin the culture we are working towards and will be reflected in our key programmes and the resulting projects.

## Engagement and consultation

We want our employees to be clear what we mean by Organisational Development, how it affects them and what development opportunities are available to them. Cultural change will only become a reality if everyone engages and understands their own contribution. To ensure that we are engaging and listening in relation to our proposed approaches, we will be adopting a few specific methods;

1. Unwritten ground rules (UGRs) – we will be carrying out an in-depth project with around 30 UGR Leads being trained internally to facilitate smaller group meetings and events where teams can discuss culture and how they think we could build upon where we are now and what we can improve.
2. Staff surveys and temperature checks – our OD Plan will impact on each team and every individual. In using employee engagement mechanisms, we will clarify the development support our people need and want.
3. Discussion sessions – we will hold learning events to ask for feedback and suggestions in relation to our OD Plan and organisational development support in general.

It is important that we include everyone who wants to get involved, in our organisational development approach. While a plan in “black and white” is useful to relay our intent and be clear on priorities, it is the discussions, engagement and two-way communication that we hold with our people that will capture hearts and minds and lead us forward into an organisation that is working towards building a better Perth & Kinross.

## Elected Member Development Plan

In addition to our four organisational workstreams, we are also developing a fifth workstream to ensure a consistent and structured framework for Elected Member development. As our Members are responsible for setting the strategic direction of the organisation while providing healthy challenge and support to Officers, it is important to ensure that they are equipped for and supported in carrying out these demanding roles.

Ensuring that we support their learning and development effectively will allow us to work together to achieve our aims and ultimately, a united culture. It is proposed that individual development plans are created which will be reinforced with specific and general learning opportunities including;

- Specific services conduct bespoke briefings around areas of interest and development throughout the year when appropriate.
- Range of online modules and packages that are available for Elected members to work through at their own pace.
- Scheduled development sessions based upon need or request e.g. Media / digital Training
- Coaching and Mentoring
- External networks and organisations e.g. Improvement Service online platform is a free service for Elected Members in Scotland to access information, guidance, development and support.  
<https://www.improvementservice.org.uk/what-we-do/support-for-elected-members>

We will also use our PK Offer / Renewal and Recovery Member Officer Working Group to give a steer on any areas of learning and development requested by the wider Member group.

## Evaluating and Monitoring our OD Programmes

To ensure we remain responsive and flexible in delivering the Organisational Development Plan, it is important that we measure the impact and success of our learning and change programmes, reflecting on the final results and overall value. To do this, it is proposed we adopt Kirkpatrick's Model of training evaluation which consists of four distinct stages as below:

	1.Reaction	2.Learning	3.Behaviour	4.Results
<b>Definition</b>	Feedback on experience and	Difference between performance	Transfer of knowledge and	Quantifiable impact on the organisation

	reaction of learners	pre and post learning	success "on the job"	
<b>Sources to be used</b>	-Feedback Surveys -Scales/Ratings	-Pre/post self assessments -Focus Groups -Sharing	-Manager feedback -Peer comments -Mentoring / Coaching	-Culture temp checks -staff surveys - feedback -employee stats (promotion)

The first two levels are carried out by the Organisational Development and integrated into learning programmes. Levels three and four are more complex and require a higher level of manager and individual accountability and involvement. To carry out all levels of evaluation effectively, the introduction of an online Learning Management System is being explored. This will allow all aspects of learning and support to be recorded electronically and a joined up approach between all parties involved.

## Risks

At present, we are unable to carry out any face to face development sessions and are supporting our colleagues to learn remotely via online resources. However, we remain hopeful that a hybrid approach of both online and in person learning and development will be reintroduced in the coming months as restrictions continue to ease. There are both benefits and risks of an online only approach and we have outlined below some of these risks and the ways in which we can mitigate against them:

Risks	Mitigation / Benefits
Engagement can be challenging and not everyone will want to get involved online and some of our workforce do not have day to day access to a computer in their roles.	We have been using MS Teams technology to great effect internally and will trial other ways this can work externally as well as using tried and tested methods such as social media and telephone.
Resilience of I.T. infrastructure as we continue working from home longer terms in greater numbers.	I.T have been responsive and efficient – adapting new ways of coping with the demand for homeworking on our systems.

Resourcing; not having the required amount of dedicated time or people to work effectively in this area which can lead to over promising and under delivering.	Online learning can be cost effective per person and requires no travelling costs and time. Some online learning requires no facilitation and allows people to work through at their own pace.
New waves / strains of Covid-19 and the uncertainty faced in this area has the potential to cause further disruption.	Once developed, online learning can be easily updated and be available to a large number of employees at the same time.
Lack of intelligence and information gathering in some areas means we will need to find creative ways of reaching all of our communities.	Communities have come together and worked to protect the most in need and we have witnessed more volunteering, togetherness and community cohesion during this time than ever before.
Gaps in existing data for external engagement. We have not been able to make contact with people using our services in the same face to face way and will need to ensure that we find different methods of engagement.	For some people who live rurally or are unable to travel, online meetings and events have been a welcome addition to their lives. They have felt included in meetings that they would have been unable to before and are keen to see us continue and develop these ways of working.
This is a new way of working so reluctance to change, take risks or think creatively and reverting to what we have always done.	People have embraced the enforced new ways of working and we have seen a real increase in online learning and engagement. We need to continue to think creatively around this so we can include these new ways as we increase our face to face interactions.

### Building and Even Better Perth and Kinross

The Perth and Kinross Offer aims to enable everyone in Perth and Kinross to play their part in making this a fairer place for all. It will mean different things to different people; new way of working that will help individuals, communities and businesses to share their ideas, skills and connections. Everyone in our active and diverse communities, every person, every group and every organisation, from our independent retailers, our gyms, our Firefighters, to our Bloom Groups, our schools, our NHS, our cyclists, our amazing third sector groups.

### Everyone has something to Offer

This will require a change in how we deliver our services and the traditional relationship between public services, citizens, businesses, investors and visitors. We need to move away from the relationship of provider and consumer to work together, to agree joint priorities and designing the future we want.

## Perth & Kinross Offer



## Perth & Kinross Offer

What we will do	What we would ask you to do
<ul style="list-style-type: none"> <li>➤ Believe in our bold vision that everyone in Perth and Kinross can live life well</li> <li>➤ Have an open mind and an ethos that everyone has something to offer by listening to your views and working together to achieve the best outcomes.</li> <li>➤ Understand our communities and have a clear approach which allows communities to flourish</li> <li>➤ Provide our services in a flexible way, focused on the people receiving them</li> <li>➤ Ensure everyone has the same opportunities and people feel they belong and are included.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Promote Perth and Kinross as an attractive place to live and work and where everyone lives life well</li> <li>➤ Get involved and tell us your views</li> <li>➤ Support your community and if you can, volunteer</li> <li>➤ Look after you and your loved ones' health and wellbeing</li> </ul>



We want to work with communities to tackle inequality and provide better outcomes for individuals, building stronger communities, delivering services based around what communities and individuals tell us they need.

Together we wish to:

- Find new ways for the Council to deliver services in a more joined-up and flexible way, able to be more responsive to the needs within local communities, and to work together in partnership to address them.
- Shift more decision making to local communities, with budgets and resources.
- Keep working to tackle discrimination and prejudice, promoting equal opportunities for all, creating a fairer Perth & Kinross
- Fully understand the impact of COVID-19 on communities across Perth and Kinross, and what support is needed to recover



## Equalities, Empowerment & Fairness

What we will do	What we would ask you to do
<ul style="list-style-type: none"><li>➤ Work with community groups to have a shared understanding of particular needs of the area and how we can work better together to determine the most appropriate solutions</li><li>➤ Greater collaboration with partners and communities – all stakeholders having an equal voice and recognising that everyone has something to offer</li><li>➤ Collaborate and co-produce solutions and activities which best meet the needs of the local community</li><li>➤ Support community groups to identify funding solutions and provide advice and guidance on applications</li><li>➤ Work with all our partners to support your health and wellbeing</li><li>➤ Be digitally inclusive – but also recognising that this may be a barrier for some, and alternative solutions may be required</li><li>➤ Adapt our processes which best meet the needs of people as well as our legislative requirements</li></ul>	<ul style="list-style-type: none"><li>➤ Engage with local community groups and encourage others to get involved and let us know if there are any barriers or things getting in the way</li><li>➤ Work with us to have a shared understanding of local needs as well as legislative requirements</li><li>➤ Contribute to forums to connect with your community and the Council and share information</li><li>➤ Tell us if anything in your area is concerning you</li><li>➤ Get online and access services digitally where possible and encourage other to do so</li><li>➤ Take forward funding applications to support community activities</li><li>➤ Look out for people who may not have anyone to support them</li><li>➤ Take responsibility for your own health and wellbeing</li></ul>



Our aim is to build an even better Perth and Kinross by embedding the principles of the UN Sustainable Development Goals by working with our key partners, and citizens in the spirit of the Perth & Kinross Offer.

- Capitalise on the great work done by communities and the voluntary sector in delivering community resilience. Key will be understanding the assistance the Council requires to provide to enable effective action.
- This joint working will include activities such as:
  - Transport
  - Buildings & energy
  - Waste
  - Land use
  - Business and industry
  - Adaptation activities



## Environment

What we will do	What we would ask you to do
<ul style="list-style-type: none"> <li>➤ We will work with our partners and do our part to take forward the climate change strategy</li> <li>➤ Collaborate with partners and communities to identify the best solutions in relation to public transport and accessibility to towns and villages</li> <li>➤ Consult and engage with community groups to have a shared understanding around the repair and maintenance of our road networks.</li> <li>➤ Consult and engage with community groups to have a shared understanding around waste and recycling</li> <li>➤ Build on the work we do with community groups in maintaining our outdoor green spaces and ensure these are accessible and user friendly</li> <li>➤ Fulfil our legislative duties</li> </ul>	<ul style="list-style-type: none"> <li>➤ Engage and encourage involvement of local community groups to get involved in keeping our parks and play areas attractive places</li> <li>➤ Do what you can to reduce your carbon footprint by walking, cycling and use of public transport</li> <li>➤ Recycle your waste</li> <li>➤ Do your part and encourage others to keep our streets clean and tidy by not dropping litter and reducing dog fouling.</li> <li>➤ Let us know if there are particular environmental concerns in your area (pot holes, street lighting, waste/refuse)</li> <li>➤</li> </ul>



There have been some remarkable stories of resilience and entrepreneurial thinking with some of our local businesses providing new products or services or quickly managing to find innovative way to service customers, all through these challenging time. This can-do spirit lies at the hear of our assertion in these challenging times that “Everybody has something to offer”.

Our aims:

- ▲ Devise an economic recovery and growth strategy that takes account of any longer-term strategic regeneration and economic development opportunities in Perth and Kinross
- ▲ Support affected businesses and unemployed individuals
- ▲ Engage with partner organisations able to provide financial and other support for recovery/regeneration
- ▲ Devise actions for longer term transition to a wellbeing economy and advise on physical infrastructure matters in support of economic development



## Economy

What we will do	What we would ask you to do
<ul style="list-style-type: none"> <li>▲ Promote events across the region to support tourism</li> <li>▲ Support businesses to develop by signposting to business advisors</li> <li>▲ Support local businesses to access grants</li> <li>▲ Support people to access training and develop skills to enable them to get into work</li> <li>▲ Promote grant/loan schemes to support local businesses</li> <li>▲ Promote and support businesses to access international markets</li> <li>▲ Promote buy, shop and eat local campaign</li> <li>▲ Work with partners to further development digital connectivity</li> </ul>	<ul style="list-style-type: none"> <li>▲ Take advantage of the opportunities available, through business advice, funding etc</li> <li>▲ Take up the opportunity of training and developing skills</li> <li>▲ Employ and develop young talent in the workplace</li> <li>▲ Be ambitious and take up opportunities to diversify and adapt to different economic landscapes</li> <li>▲ Promote Perth &amp; Kinross as a place to live, work and enjoy</li> <li>▲ Attend and encourage others to attend local events</li> <li>▲ If you are an employer, pay the living wage</li> <li>▲ Exploit digital opportunities to make the most of your business</li> <li>▲ Support local businesses by shopping locally</li> <li>▲</li> </ul>



Our focus along with our Tayside partner is to reduce inequalities, promote educational attainment and enable children and young people with additional and complex health concerns to access high quality healthcare services.

Our vision is that:

**“Our children and young people will have the best start in life and Tayside will be the best place in Scotland to grow up”**

- Working with all our partners and with the participation of local communities that we make the best use of available resources, learn from each other and develop momentum to improve services.
- We will work together to strengthen families and improve the lives and the long-term chances of all our children and young people



## Education & Learning

What we will do	What we would ask you to do
<ul style="list-style-type: none"> <li>➤ School environment which encourages learning and development which provides children and young people with the skills they need for the future</li> <li>➤ We will work alongside families to improve children’s wellbeing and encourage early social and emotional development</li> <li>➤ Focus on groups of children and young people who are more likely to experience inequalities and poor outcomes in health, wellbeing, education and post-school destinations.</li> <li>➤ Protect our children and young people from harm at home, school and in the community</li> </ul>	<ul style="list-style-type: none"> <li>➤ Support your child to get the best out of their education</li> <li>➤ Encourage your child to join local groups or clubs and after school activities</li> <li>➤ Talk to your child about their mental health and wellbeing</li> <li>➤ Access early year nursery places</li> <li>➤ Look after you and your family’s health and wellbeing</li> <li>➤ Get involved in your child’s school</li> </ul>



## PERTH AND KINROSS COUNCIL

7 October 2020

### REVIEW OF PERTH AND KINROSS INTEGRATION SCHEME

Report by Chief Executive (Report No. 20/182)

#### PURPOSE OF REPORT

This report advises the Council of the requirement to review the Perth and Kinross Integration Scheme, which established the Integration Joint Board, and outlines the next steps which require to be taken to progress a review.

#### 1. BACKGROUND / MAIN ISSUES

- 1.1 Under the Public Bodies (Joint Working) (Scotland) Act 2014, all Councils and Health Boards were required to establish an Integration Scheme to take forward integration of health and social care functions in their areas.
- 1.2 The Integration Scheme setting out the arrangements for health and social care integration in Perth and Kinross was approved by Perth and Kinross Council on 25 March 2015 (report 15/419 refers). The Scheme was approved by the Cabinet Secretary for Health, Wellbeing and Sport on 14 September 2015. An Order to establish the Integration Joint Board was passed on 3 October 2015.
- 1.3 Since that date, the Board has exercised strategic responsibility for health and social care services in Perth and Kinross and the integration of those services.
- 1.4 The Perth and Kinross Integration Scheme was updated in February 2018 to include functions under the Carers (Scotland) Act 2016 as integrated functions.
- 1.5 Section 44 of the Act provides that a Council and a Health Board must carry out a review of its Integration Scheme before the expiry of the relevant period. The purpose of the review is to identify whether any changes to the scheme are necessary or desirable. The “relevant period” is defined as the period of five years beginning with the day on which the Scheme was approved by the Scottish Ministers. The Integration Scheme between the NHS Tayside and Perth and Kinross Council was approved by the Scottish Ministers on 14 September 2015. Therefore, there was a requirement for the current Integration Scheme to be reviewed by 13 September 2020. The changes made in 2018 in relation to the Carers (Scotland) Act 2016 have not affected this date.
- 1.6 If it is identified that changes to the Scheme are necessary or desirable, the Council and Health Board may then vary the Integration Scheme by preparing

a revised Integration Scheme. This is then submitted to Scottish Ministers for approval. Before the revised Integration Scheme is submitted for approval, consultation must take place with a specified range of persons and groups, including professionals, service users and providers of health and social care in the area. Consultation may also take place with other persons or bodies and this should include the Integration Joint Board. The views expressed by any of those persons or groups must be taken into account before preparing the final version of a revised Scheme.

- 1.7 In common with other Councils and Health Boards, work to commence a review of the Scheme was delayed as a result of the response to Covid-19. On 17 March 2020, correspondence was received from the Scottish Government in relation to the duty on Councils and Health Boards to review their Schemes. This correspondence advised that, given the work required across local health and social care systems to respond to Covid-19, the Scottish Government did not expect work to continue on developing successor schemes. The correspondence also confirmed that the Act does not require the Health Board and local authority to produce a successor scheme and only requires a review to determine whether changes to the Scheme are necessary or desirable. Health Boards and local authorities were asked to ensure that they jointly carried out the minimum requirement of a review, with further work continuing once priority could be given to the task.

## **2. PROPOSALS**

- 2.1 During August 2020, officers of the Council and Health and Social Care Partnership carried out an initial, high level review of the Scheme to determine whether changes were necessary or desirable. The outcome of that initial review was that there were a number of aspects of the Scheme where changes were both necessary and desirable to reflect changing practice as integration has evolved.
- 2.2 Initial discussions have also taken place with NHS Tayside and representatives from Angus Council and Dundee City Council which has identified a range of areas where the all three Schemes will need more comprehensive revision for example in relation to clinical and care governance. It is proposed that these matters, along with those identified from the initial review conducted by officers will be considered as part of a comprehensive revision of the Scheme. In addition, any further areas identified as a result of consultation carried out in line with paragraph 1.5 will be considered. It is intended that this review will be advanced by several short life working groups and will include formal consultation with relevant stakeholders. There will be close collaboration and consultation with the Integration Joint Board as part of this process.
- 2.3 An indicative timetable has been set out and it is proposed that a first draft be made available for consultation in March 2021, with a final draft being submitted to the Council for approval in around July 2021.

### 3. CONCLUSION AND RECOMMENDATION(S)

3.1 It is recommended that the Council:

- (a) Notes the requirement to review the Integration Scheme for Perth and Kinross to identify if changes are necessary or desirable;
- (b) Notes the assessment of officers that changes to the Integration Scheme are necessary and desirable;
- (c) Authorises the Chief Executive to take the necessary steps to prepare a revised Integration Scheme;
- (d) Requests the Chief Executive to consult as required with interested persons or groups, including the Integration Joint Board, and takes account of any views expressed in revising the Integration Scheme; and
- (e) Requests the Chief Executive to prepare a final draft revised scheme for approval by the Council by July 2021, or as close as possible thereafter.

#### Author(s)

Name	Designation	Contact Details
Sarah Rodger	Legal Manager	01738 475000

#### Approved

Name	Designation	Date
Karen Reid	Chief Executive	28 September 2020

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	<b>Yes</b>
Corporate Plan	<b>Yes</b>
<b>Resource Implications</b>	
Financial	<b>No</b>
Workforce	<b>No</b>
Asset Management (land, property, IST)	<b>No</b>
<b>Assessments</b>	
Equality Impact Assessment	<b>No</b>
Strategic Environmental Assessment	<b>No</b>
Sustainability (community, economic, environmental)	<b>No</b>
Legal and Governance	<b>Yes</b>
Risk	<b>No</b>
<b>Consultation</b>	
Internal	<b>Yes</b>
External	<b>Yes</b>
<b>Communication</b>	
Communications Plan	<b>No</b>

### 1. Strategic Implications

#### Community Plan/Single Outcome Agreement

- 1.1 The proposals relate to the delivery of the Perth and Kinross Community Plan/Single Outcome Agreement in terms of the following priorities:

(iv) Supporting people to lead independent, healthy and active lives

#### Corporate Plan

- 1.2 The proposals relate to the achievement of the Council's Corporate Plan Priorities:

(iv) Supporting people to lead independent, healthy and active lives; and

### 2. Resource Implications

#### Financial

- 2.1 There are no financial implications arising from this report. There may be financial implications arising from any revised Integration Scheme and these will be addressed in any future reports.

### Workforce

- 2.2 There are no workforce implications arising from this report.

### Asset Management (land, property, IT)

- 2.3 Not applicable.

## **3. Assessments**

Required assessments will be completed as part of the process of revising the Integration Scheme.

### Equality Impact Assessment

- 3.1 The proposals in this report have been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:
- (i) Assessed as **not relevant** for the purposes of EqIA. However, relevant assessments including an EqIA will be carried out as part of the work to revise the Scheme and any impact will be identified in future reports.

### Strategic Environmental Assessment

- 3.2 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.
- 3.3 The proposals have been considered under the Act and no further action is required as they do not qualify as a PPS as defined by the Act and is therefore exempt.

### Sustainability

- 3.4 Not applicable.

### Legal and Governance

- 3.5 There is a requirement under section 44 of the Public Bodies (Joint Working) (Scotland) Act 2014 to carry out a review of the Integration Scheme every five years to determine whether changes to the Scheme are necessary or desirable. If changes are necessary or desirable then the Council and Health Board may vary the Scheme by preparing a revised Scheme, under section 46 of the 2014 Act.

### Risk

- 3.6 Not applicable. Risk will be addressed as part of the process of revising the Scheme

#### **4. Consultation**

##### Internal

- 4.1 The Head of Legal and Governance Services has been consulted in connection with the proposals and the preparation of this report.

##### External

- 4.2 Discussions have taken place with Angus Council and Dundee City Council and NHS Tayside to develop a proposed plan for taking forward changes to the Integration Scheme.

#### **5. Communication**

- 5.1 Not applicable

#### **2. BACKGROUND PAPERS**

No background papers have been relied on in preparing the report.

## PERTH AND KINROSS COUNCIL

7 October 2020

### CHIEF SOCIAL WORK OFFICER ANNUAL REPORT 2019/20

Report by Chief Social Work Officer, Jacquie Pepper (Report No. 20/183)

#### PURPOSE OF REPORT

This report provides the Chief Social Work Officer's (CSWO) overview of social work services in Perth and Kinross during the financial year 2019/20. It sets out how social care and social work and criminal justice social work services have been delivered up until the end of March 2020 and the key challenges in responding to COVID-19 up until the end of July 2020. The report also details the arrangements to enable the CSWO to fulfil the responsibilities outlined in Section 5 (1) of the Social Work (Scotland) Act 1968 (as amended).

#### 1. BACKGROUND/MAIN ISSUES

- 1.1 The Social Work (Scotland) Act 1968 requires every Local Authority to appoint a single Chief Social Work Officer.
- 1.2 Scottish Ministers published statutory guidance in 2016 on the role of the CSWO for local authorities and partnerships which have certain social work functions delegated to them. The CSWO role was established to ensure the provision of appropriate professional advice in the discharge of the full range of the local authority's statutory functions and the updated guidance sets out the importance of the CSWO role within Integrated Joint Boards.
- 1.3 The CSWO is accountable to elected members of the Council and must be:
  - A qualified social worker, registered with the Scottish Social Services Council;
  - Designated as a 'proper officer' of the local authority;
  - Of sufficient seniority and experience in both the operational and strategic management of social work services; and
  - A non-voting member of the integration authority.
- 1.4 The CSWO is a role and function, rather than a specific job description and is therefore distinct from the post holder's operational management responsibilities and from the role of the Chief Officer of the integration authority. It is for the CSWO to use their authority to challenge and intervene when proposals may have a detrimental impact on vulnerable citizens or to the workforce on whom they depend. In leading the social care and social work profession, the CSWO provides:
  - Professional independent advice to the Chief Executive and elected members in relation to the discharge of the local authority's statutory functions as outlined in the Social Work (Scotland) Act 1968;

- Strategic and professional leadership in the delivery of social work services;
  - Assistance to local authorities and their partners in understanding the complexities and cross-cutting nature of social work services and the key role they play in meeting local and national outcomes; and
  - Support for performance management and the management of corporate risk.
- 1.5 Together with the CSWO, elected members have duties to oversee that effective, professional and high-quality social work and social care services are delivered to professional standards. The annual CSWO report, and its consideration by Perth and Kinross Council and the Perth and Kinross Integrated Joint Board, is one important way to accomplish this. The CSWO annual report is an opportunity to gauge the quality of performance of social work and social care services and to identify the challenges for continuing to meet the needs of local people and communities into the future.
- 1.6 Over 2019/20, the CSWO role was carried out by Jacquie Pepper alongside her responsibilities as Depute Director (Education and Children's Services). The Head of Adult Social Work and the Head of Services for Children, Young People and Families deputise and provide cover when required.

## **2. PROPOSALS**

- 2.1 The Office of the Chief Social Work Adviser (CSWA) uses all 32 CSWO Reports to produce a national summary report and this provides an opportunity to set our local social care and social work services in the wider national context.
- 2.2 The report considers how social work and social care services have been delivered over the last financial year (1 April 2019 to 31 March 2020). It also identifies the challenges which have faced social work and social care services as a result of the COVID-19 pandemic, and where possible, provide performance information for the period 1 April 2020 to 31 July 2020. It was important to provide an overview and give assurance to elected members at the earliest opportunity through an accurate appraisal of demand and performance during a period of unparalleled challenge, and, when the wellbeing of our most vulnerable citizens has never been so compromised.
- 2.3 The report illustrates how social care and social work services delivered outcomes for service users over 2019/20 including:
- Continuing to achieve a balance of care for children who are looked after in the community at 96% for the second year running.
  - The successful implementation of REACH as a new intensive service providing support for young people on the edges of care and their families has helped to maintain the low numbers of young people becoming looked after away from home in residential care since 2018.

- Continued good practice in promoting and supporting Kinship Care and successful efforts to expand the availability of foster care and family-based care.
  - The numbers of young people over the age of 16 who are supported to remain in the care placement up to the age of 18 and to take up the option of Continuing Care continues to increase and is currently 27.
  - Sustained strong performance in low reconviction rates for adult offenders against national comparisons.
  - Sustained performance in reducing delayed discharge and supporting people to return to their own home with independence.
  - Continued upward trend in the numbers of people opting for Self- Directed Support and as a percentage of total social work spending on adults aged 18 or over.
  - Care services continue to provide high quality care to local people with 86% of quality themes that were evaluated, as good or very good, which is higher than the Scotland figure of 82%.
- 2.4 Key priorities for 2019/20 were taken forward within a context of integration and multi-agency partnership working. This includes the actions to address demand pressures across a number of key areas. Considerable progress has been made in taking forward transformational change towards earlier intervention and new sustainable models of service delivery which better meet the needs of our communities.
- 2.5 During the response to COVID-19, social work and social care staff have worked ceaselessly to care for and protect the most vulnerable people across all communities in Perth and Kinross. The Chief Social Work Officer is confident that staff across all sectors have done everything possible to minimise the impact of COVID-19 and have acted professionally, selflessly and safely throughout this unparalleled time. They stepped up to the plate reliably to provide essential services for people from the point of lockdown, learning to work in new ways and managing increasingly complex circumstances and entrenched difficulties. As a result, the needs of our citizens with the most acute and enduring difficulties have been prioritised.
- 2.6 The Chief Social Work Officer's Report highlights the significantly higher workload as a result of COVID-19 within Services for Children, Young People and Families and notes that the social work teams are managing higher child protection caseloads with no additional staffing resource. In order to ensure that resources are not directed away from preventative, earlier intervention work, it is proposed that additional social work staff are recruited to this area on a temporary basis.
- 2.7 The Coronavirus (Scotland) Act 2020 (the Act) commenced in April 2020 and provided Local Authorities with the power to apply easements to statutory requirements set out in:
- Section 12A of the Social Work (Scotland) Act 1968– this relates to the duty to support people in need of assistance, carry out an assessment of need and to act to meet these needs;

- Section 23 of the Children (Scotland) Act 1995—this relates to the duty to safeguard and promote the welfare of children in particular for children and their families affected by disability;
  - Section 29 of the Children (Scotland) Act 1995— this relates to the duty to provide after-care (in the form of advice, guidance and assistance) to young people, for example, those who were formerly looked after; and
  - Section 24 of the Social Care (Self-directed Support)(Scotland) Act 2013 and Sections 6 and 12 of the Carers (Scotland) Act 2016— these relate to the duty to provide support to adult carers and young carers.
- 2.8 The purpose of the Act and associated statutory guidance was to allow local authorities and integration authorities to manage intense localised outbreaks and to work in a more flexible way to assess and meet needs. Demand pressures and staffing have been monitored closely since March 2020 and it has not been necessary to apply these powers to date. Staff and managers have responded with huge determination to continue to offer the optimum response and level of service to all service users and it is to their credit that statutory requirements have continued to be met. As we move into winter and with the prospect of a resurgence of the virus, the option to “switch on” these easements will remain under constant review.
- 2.9 The CSWO annual report emphasises a commitment across social work and social care services to the principles of recovery and renewal agreed by Council. There are many heartening and successful examples of involving people who use services in their redesign. In addition, there are many examples of inventive and adaptive changes to working practices that have been put into place to ensure that essential services are maintained and core statutory duties fulfilled during the global pandemic. Many of these changes have proven to be efficient and effective and work will be taken forward in the renewal and recovery work in due course.
- 2.10 The key challenges going into 2020/21 will be:
- Pressing ahead with review and transformation in line with the principles for Recovery and Renewal and the Perth and Kinross Offer to address recurring demand pressures and to secure earlier intervention and prevention including:
    - Developing new models of support for adults with complex needs and to improve transitions from children to adult services
    - Continued development of technology enabled care
    - The increased demand in relation to adults with incapacity or mental disorder
    - Extending the reach of early help and family support learning the lessons of REACH (taking a preventative approach to address the increase in the numbers children and young people for whom there is a concern for their welfare or who need protection)
  - Continuing to meet our corporate parenting responsibilities and responding to the recommendations of the Independent Care Review set out in The Promise to achieve whole-systems change for care experienced children and young people;

- Continuing the support for care home and care at home services to manage the ongoing impact of COVID-19 focusing on infection, prevention and control and managing the additional demands arising from that and workforce pressures;
- Procurement and implementation of a new fit for purpose social work and social care IT system and associated staff development;
- Embedding positive changes to working practices, including the use of technology;
- Managing the financial pressures and increasing demands across all sectors;
- Responding to workforce pressures and recruitment challenges in social care services;
- Enhancing the availability of Self-Directed Support to provide personalised care for individuals and families;
- Working in partnership with key third sector organisations to deliver a range of essential services and continuing to explore areas for collaboration and jointly commissioning services with partners;
- Developing and implementing new workforce development programmes in public protection and disseminating learning from case reviews; and
- Implement a new service for supporting men in the justice system early in 2021.

### **3. CONCLUSION AND RECOMMENDATION**

- 3.1 The CSWO's assessment of performance over 2019/20 is that overall performance in securing high quality experiences for people who use social work and social care services has remained good despite major challenges. The continued improvements in outcomes for children and young people in need of care are demonstrated showing that the focus on prevention is having a positive impact on outcomes and bringing down spend on external residential placements. Within adult services, the strong partnership approach that exists at team and practitioner level continues to be evident. Determined and committed staff are delivering a high quality of service to our citizens. That is a huge achievement and demonstration of the contribution our social care and social work staff can make to the experience of our most vulnerable citizens.
- 3.2 Since COVID-19 restrictions were imposed in March 2020, social work and social care staff have worked continuously to care for and protect the most vulnerable people across all communities in Perth and Kinross. They have adapted well to new working conditions and have shown creativity in devising new ways of working that continue to meet needs. There is a challenge to ensure that this valued workforce receive the support they need to continue to provide these essential and critical services heading into winter and during resurgences of the virus. The Recovery and Renewal work in the Education and Learning and Equalities and Fairness workstreams should help to address this and the development of the Perth and Kinross Offer will be central to the redesign and transformation of social work and social care services.

- 3.3 This report provides examples of social work and social care professionals leading the redesign of services towards prevention, earlier intervention and personalisation. This innovation and investment in new ways of working are now making significant inroads to addressing longstanding pressures in areas such as residential care for young people. Continued investment in a skilled, adaptable and digitally aware workforce which is supported by a more advanced IT system from 2020 will be key over the next few years.
- 3.4 It is recommended that Council:
- (i) Approves the CSWO Annual Report for 2019/20 as set out in Appendix 1.

#### Author

Name	Designation	Contact Details
Jacquie Pepper	Chief Social Work Officer	<a href="mailto:ECSCCommittee@pkc.gov.uk">ECSCCommittee@pkc.gov.uk</a> 01738 475000

#### Approved

Name	Designation	Date
Sheena Devlin	Executive Director (Education and Children's Services)	29 September 2020

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

### 1. Strategic Implications

#### Community Plan/Single Outcome Agreement

- 1.1 This section sets out how the proposals relate to the delivery of the Perth and Kinross Community Plan/Single Outcome Agreement in terms of the following priorities:

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

This report relates to Objective No. (i), (ii) and (iv).

#### Corporate Plan

- 1.2 This section sets out how the proposals relate to the achievement of the Council's Corporate Plan Priorities:

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

This report relates to Objective No. (i), (ii) and (iv).

- 1.3 The report also links to the Education & Children's Services Policy Framework in respect of the following key policy area:

- Integrated Working

## 2. Resource Implications

### Financial

- 2.1 None

### Workforce

- 2.2 Any future workforce implications will be reported via individual service reports.

### Asset Management (land, property, IT)

- 2.3 None

## 3. Assessments

### Equality Impact Assessment

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

The proposals have been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:

- (i) Assessed as **not relevant** for the purposes of EqIA

### Strategic Environmental Assessment

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

This section reflects that the proposals have been considered under the Act and no action is required as the Act does not apply to the matters presented in this report. This is because the Committee are requested to note the contents of the report only and the Committee are not being requested to approve, adopt or agree to an action or to set the framework for future decisions.

### Sustainability

- 3.3 Not applicable

#### Legal and Governance

3.4 Not applicable

3.5 Not applicable

#### Risk

3.6 Not applicable.

### **4. Consultation**

#### Internal

4.1 Head of Service Adult Social work and Head of Services for Children, Young People and Families have contributed to this report.

#### External

4.2 Not applicable.

### **5. Communication**

5.1 Not applicable

## **2. BACKGROUND PAPERS**

None

## **3. APPENDICES**

Appendix 1 - Chief Social Work Officer Annual Report 2019/20





## Chief Social Work Officer Annual Report 2019/20



Artwork credit with thanks to **Lisa Z** from OWLS

*"The painting is one I did the other day, my submission to the Grayson Perry's Art Club on Channel 4, for the theme 'View from my window'. I used to see this couple walking by every morning, they must in their 80's/90's, and the sight of them would always bring a smile to my face. Haven't saw them for a couple of weeks now, hope they're ok."*

## Table of Contents

1	Introduction	3
2	Governance and Accountability	4
3	Service Quality and Performance	7
3.1	<i>Public Protection</i>	7
3.2	<i>Adult Support &amp; Protection</i>	7
3.3	<i>The Alcohol &amp; Drug Partnership</i>	10
3.4	<i>Mental Health Officers</i>	11
3.5	<i>ACCESS Team</i>	14
3.6	<i>Home Assessment and Recovery Team (HART)</i>	16
3.7	<i>Hospital Discharge Hub</i>	17
3.8	<i>Self Directed Support (SDS)</i>	18
3.9	<i>Social Prescribing</i>	19
3.10	<i>Criminal Justice Social Work Service</i>	19
3.11	<i>Child Protection</i>	26
3.12	<i>Social Work Services to Protect Children</i>	27
3.13	<i>Corporate Parenting &amp; Children and Families</i>	33
3.14	<i>Services for Young People</i>	41
3.15	<i>Support for Carers</i>	43
3.16	<i>Adult Social Work and Social Care Services</i>	46
4	Quality of Care and Support – Independent Scrutiny	49
5	Resources	53
6	Workforce	54
7	Recovery and Renewal	58
	Glossary	60

# 1 Introduction

This Chief Social Work Officer Annual Report for 2019/20 provides an overview of social work and social care delivery, statutory social work functions as well as local achievements and challenges. Although this report looks back over the last financial year, it has been written at a time when our social work and social care services have been dealing with unprecedented demands as a result of the impact of the COVID-19 pandemic. Social work and social care staff have worked ceaselessly, skilfully and professionally, facing their own fears and anxieties with huge selflessness as they have continued to care for and protect the people they support.

I would like to thank each frontline care worker, social worker and unpaid carer for the compassion, commitment and hard work that has been demonstrated in huge measure across Perth and Kinross. I would also like to thank care providers, their representative bodies, our managers and a wide range of local organisations who have worked at pace and in partnership to support the care sector during this difficult time.

The measures to combat COVID-19 have been necessary to save lives. But those measures also cause harm and can have negative impacts on people in our society who are least able to withstand them. Sadly, Scotland has witnessed the loss of lives across its communities and in care homes. The harms caused by the pandemic are not felt equally and our recovery must recognise these unequal impacts. Just as we have sought to shield those most at risk during lockdown, we must continue to provide additional support for those who will need it into the longer term and seek to advance equality and protect human rights.

I am confident that our social work and social care staff across all sectors have done everything possible to minimise the impact of COVID-19 and have acted professionally, selflessly and safely throughout this unparalleled time. They stepped up to the plate reliably to provide essential services for people from the point of lockdown, learning to work in new ways and managing increasingly complex circumstances and entrenched difficulties. The work has been relentless as the unremitting demands of the pandemic has continued. I am conscious of the need to support our skilled and valued staff in new ways as we pass six months of working through the complexities and stresses of COVID-19, as looking ahead, there is still a lot to do. The demand for social work and social care services has increased as lockdown has been eased, and winter is approaching. Nationally, and locally we will need to consider how the most vital services of social work and social care are properly recognised and strengthened. This report aims to reaffirm the value of the skilled and devoted people we have. During COVID-19, the additional demands in both adult and children's services have been acute, yet staff have rallied. In this report, I acknowledge how difficult that will be to sustain in the longer term without additional resources and highlight areas with a pressing need for increased capacity in the short to medium term.

As Chief Social Work Officer, I am both proud and humbled by the dedication, creativity and quiet can-do attitude of everyone working in social work and social care in Perth and Kinross. They consistently go the extra mile and are truly dedicated to making a positive and lasting impact on the lives of our more vulnerable citizens.

*Jacquie Pepper*

Chief Social Work Officer

## 2 Governance and Accountability

### Discharging the requirements of the Chief Social Work Officer

The role of Chief Social Work Officer (CSWO) includes providing professional governance, leadership and accountability for the delivery of social work and social care services.

The CSWO reports to the Chief Executive, Elected Members and Integration Joint Board. Alongside the role of CSWO, the current CSWO is also the Depute Director of Education and Children's Services.

The CSWO has direct access to Elected Members, the Chief Executive, Chief Officer of the Integration Joint Board, Executive Directors, Heads of Service, managers and front-line practitioners both within the Council and Health and Social Care Partnership, and with partner agencies in relation to professional social work issues. During 2019/20, the CSWO discharged the requirements of the role as follows:

- Reporting to a range of Perth and Kinross Council committees
- Member of the Council's Executive Officer Team and Corporate Management Group
- Access to elected members, Chief Executive and Chief Officers as required
- Member of the Community Planning Partnership delivery groups for Children, Young People and Families and Community Justice
- Member of the Perth and Kinross Chief Officers Group for Public Protection
- Member of the Adult and Child Protection Committees (including chairing the Multi-agency Practice Review Group and providing advice and challenge in relation to case review)
- Close links with key partnerships such as Violence Against Women Partnership and Alcohol and Drug Partnerships and is linked to the Multi-Agency Public Protection Arrangements (MAPPA) Strategic Oversight Group for Tayside;
- Non-voting member and professional advisor to the Perth and Kinross Integrated Joint Board (IJB)
- Non-voting member and professional advisor to the Perth and Kinross Integrated Joint Board's Audit and Performance Committee
- Co-chair of the Health and Social Care Partnership's Care and Professional Governance Forum
- Member of the NHS Tayside Clinical Quality Forum alongside the CSWO for Angus and Dundee

The CSWO takes part in the budget review process across all relevant services ensuring that the needs of vulnerable and at-risk groups needs are highlighted and considered. The CSWO also leads the Council's panel for safe recruitment, ensuring proportionate decision-making to protect service-users and the public and at the same time ensuring that the Council is an inclusive employer. The CSWO is the lead signatory for the Scottish Social Services Council as the regulator of the social care workforce ensuring that the codes of practice are adhered to and acting as a point of contact when there are concerns about an employee's fitness to practice.

The Heads of Service for Adult Social Work and Services for Children, Young People and Families, as senior social work leaders, support the CSWO to have oversight of key local, regional and national developments and considering the most appropriate local response.

The CSWO has continued to provide visible leadership over the last year by meeting with staff teams across Perth & Kinross to learn first-hand of the issues faced by the workforce in social work services and to encourage good practice and innovation. This has included visits to day care centres, care homes, out of hours services, practice teams, the two prisons and opportunities to engage with staff and people who use services.

In support of the Tayside Children's Services Collaborative, the CSWO chairs Priority Group 5 of the Tayside Children's Services Plan which is taking forward a collaborative approach across the three Child Protection Committees to improve practices and standards in child protection and safeguarding.

Nationally, the CSWO takes part in bi-monthly meetings of all 32 CSWO supported by Social Work Scotland. She is also Co-Chair of Social Work Scotland's Children and Families Standing Committee and a member of Scottish Government Steering Groups for the revision of the National Child Protection Guidance and a new strategic approach for conducting Significant Case Reviews.

## **COVID-19 Response**

During the emergency response to the national pandemic presented by COVID-19, the Chief Social Work Officer was a member of Perth and Kinross Council's Gold Command and attended daily and weekly meetings to ensure that the Council responded quickly and effectively, ensuring that the most vulnerable and at-risk citizens needs were met.

The priority for social work and social care services was to focus on the delivery of *essential* services. The immediate response to the pandemic required the identification of the highest priority services, adequately resourcing these and adapting delivery in line with government guidelines. The Chief Social Work Officer ensured the design and publication of local practice guidelines, robust guidance on risk assessment and the use of Personal Protection Equipment (PPE) applicable to the range of tasks carried out by all social work and social care staff.

The Coronavirus (Scotland) Act 2020 (the Act) commenced in April 2020 and provided Local Authorities and Integration Authorities with the power to apply easements to statutory requirements set out in:

- Section 12A of the Social Work (Scotland) Act 1968– this relates to the duty to support people in need of assistance, carry out an assessment of need and to act to meet these needs;
- Section 23 of the Children (Scotland) Act 1995–this relates to the duty to safeguard and promote the welfare of children in particular for children and their families affected by disability;
- Section 29 of the Children (Scotland) Act 1995– this relates to the duty to provide after-care (in the form of advice, guidance and assistance) to young people, for example, those who were formerly looked after; and
- Section 24 of the Social Care (Self-directed Support)(Scotland) Act 2013 and Sections 6 and 12 of the Carers (Scotland) Act 2016– these relate to the duty to provide support to adult carers and young carers.

The purpose of the Act and associated statutory guidance was to allow local authorities and integration authorities to manage intense localised outbreaks and to work in a more flexible way to assess and meet needs. Demand pressures and staffing have been monitored closely since March 2020 and reported through the Gold Command arrangements. It has not been necessary to apply these powers to date. Staff and managers have responded with huge determination to continue to offer the optimum response and level of service to all service users and it is to their credit that statutory requirements have continued to be met. As we move into winter and with the prospect of a resurgence of the virus, the option to “switch on” these easements will remain under constant review.

The Chief Social Work Officer was also a member of the Perth and Kinross Interim COVID-19 Public Protection Chief Officer's Group and Adult and Child Protection Executive Group established on 24 March 2020 in response to the COVID-19 pandemic, to ensure business continuity and delivery of frontline services. Initially, meetings were held twice weekly, then weekly and currently fortnightly and up to the 31 July 2020, a total of 19 meetings were held. Membership of the Group included representatives from all the public protection partnerships and key representatives from education, health, police, social work, children's services and adult services. Much of the work focussed on ensuring the continued effective delivery of frontline services informed by weekly local data and risk management.

The Scottish Government published interim guidance for Child Protection and Adult Protection with our position considered against the national guidance. Following assessment, it was concluded that the local interim arrangements we had already put in place were fully compliant. A positive

development has been the creation of a protecting people weekly meeting with a wide representation of partner agencies that allows practitioners to present and discuss complex cases arising in the community and requiring a multi-agency response.

The Chief Social Work Officer was also a member of the Tayside-wide COVID-19 Enhanced Professional Clinical and Care Strategic Oversight of Care Homes Group (SOCHG). The SOCHG is responsible and accountable for the provision of clinical and professional oversight, analysis of issues, and development and implementation of solutions required to ensure Tayside's Care Homes remain as safe and as free from COVID-19 as possible and to sustain services during the COVID-19 Pandemic.

The Chief Social Work Officer contributed to the development of local monitoring arrangements for care homes to ensure that care quality and adult protection were key aspects of the local oversight and support for care homes. During the response to COVID-19, the Chief Social Work Officer met with the Perth and Kinross oversight group, Care Home Managers and Care at Home Managers to understand the challenges they were experiencing and to offer support. Daily huddles were set up in May 2020 to support 43 care homes in Perth and Kinross, reducing to twice weekly meetings from July 2020. The Perth and Kinross Oversight Group undertook joint health and social care assurance visits to all care homes and provided support to address infection control, and implement mitigating measures during the pandemic. The oversight group has also facilitated COVID-19 staff testing for all health and social care staff and supported care homes during localised outbreaks. This successful approach will be continued along with the introduction of a multi-disciplinary care home support team over the longer term.

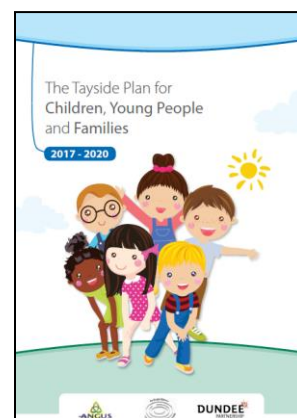
## Organisational Governance

Social work services in Perth and Kinross operate within the context of the following governance structures.

### Perth and Kinross Community Planning Partnership

The 2017-2027 Community Plan/Local Outcomes Improvement Plan for Perth and Kinross provides the overarching vision and key objectives for all services. The plan aims for positive outcomes for everyone in the area and to tackle stubborn and persistent inequalities which can reduce life chances and opportunities. The Plan is about improving the lives and experiences of everyone who lives, works and visits here and its delivery is overseen by the Community Planning Partnership (CPP). This Community Plan is about positive outcomes for everyone in Perth and Kinross; prioritising preventive approaches; and tackling stubborn inequalities where they exist and the vision is ***about creating a confident, ambitious and fairer Perth and Kinross, for all who live and work here.***

The joint Tayside Children's Services Plan (CSP) for 2017-20 sets out a shared and compelling vision that ***"Our children and young people will have the best start in life and Tayside will be the best place in Scotland to grow up"***. Collaboration across local authorities has been promoted and supported by the activity of the Tayside Regional Improvement Collaborative (TRIC). The joint plan serves to meet our requirements in relation to integrated planning for children's services and to raise attainment through the TRIC. A collaborative approach to delivering the aims of the CSP has been developed and over the last 12 months, 5 multi-agency regional Priority Groups have continued to focus on the delivery of action plans which aim to build and make best use of available capacity across the three areas. There have been significant developments over the last year in relation to five key priorities. Progress is reported to the Children, Young People and Families Partnership and Lifelong Learning Committee.



The collective achievement of community justice outcomes, at a Perth and Kinross level, is the responsibility of the Community Justice Partnership. Statutory partners have produced a local plan for community justice, known as a Community Justice Outcomes and Improvement Plan (CJOIP). The statutory partners are required to engage and involve the Third Sector in the planning, delivery and reporting of services and improved outcomes and report on progress against the CJOIP annually. The Perth and Kinross Community Justice Partnership was established in April 2017 and is working towards the outcomes set in its 3-year CJOIP.

### Perth and Kinross Council

Social work services for children, young people and families are managed within the Council's Education and Children's Services and the Head of Services for Children, Young People and Families. Service priorities include:

- Keeping children and young people safe and protected;
- High quality experiences and outcomes for children and young people who are looked after; and
- Keeping children and young people within their own family's communities wherever possible.

Leadership of criminal justice social work services was integrated into Education and Children's Services in April 2018 and now managed by the Depute Director (Education and Children's Services) who is also the CSWO.

## **Perth and Kinross Integrated Joint Board and the Health and Social Care Partnership**

Social work and social care services for adults are managed within the Health and Social Care Partnership and the Head of Adult Social Work and Social Care Services. Locality teams provide support for older people, adults with mental ill-health, adults with a learning difficulty or disability and addictions services.

The CSWO retains responsibility for the professional leadership and standards of Mental Health Officers in order to avoid a conflict of interest when social work staff make decisions about a person's capacity and the need for detention.

### **3 Service Quality and Performance**

#### **3.1 Public Protection**

The Perth and Kinross Chief Officer's Group (COG) has oversight of all public protection matters including the work of the Child Protection Committee; the Adult Protection Committee; the Violence Against Women Partnership; the Multi-Agency Public Protection Arrangements Strategic Oversight Group (MAPPA SOG), Violence Against Women Partnership and the Alcohol and Drugs Partnership. The CSWO is a key member of these groups with a role to ensure connectivity between the respective agendas of these committees and in the identification of and mitigation of key risks. Over 2019/20, the COG intended to further strengthen its oversight and strategic direction of public protection with a programme of meetings with themed agendas.

The Adult and Child Protection Committees are chaired independently bringing support and challenge to these strategic arrangements. Both committees now report annually to Perth and Kinross Council and the Integrated Joint Board on standards and quality in child and adult protection. Over the last year, the Adult Protection and Child Protection Committees have continued to strengthen their connections, working together on a whole family approach unless there is a particular reason to work separately, culminating in a Joint Development Day in May 2019, which was an important step towards a coherent public protection strategy.

An independent chair for the Tayside MAPPA SOG has also been appointed working across the three local authority areas with the assistance of a MAPPA coordinator. An annual report on MAPPA activity is presented to the Community Justice Partnership, Chief Officers Group and the Council's Housing and Communities Committee.

In April 2019, the Chief Executive and the Chief Social Work Officer hosted a joint leadership event which brought together Chief Officers and members of CPCs across Angus, Dundee and Perth and Kinross. The revised national guidance for Chief Officers Groups was examined and a commitment was made to further explore collaborative leadership for public protection and support the implementation of best practice for multi-agency case reviews across Tayside. This has been advanced locally by commissioning a researcher with UK expertise to identify a profile of the children and families subject to case review in Tayside; themes and areas for practice improvement and policy implications. This work will also examine the effectiveness of our work to embed improvement. The completion of this work was delayed by COVID-19 and the final research report will be completed in September 2019 in time to develop a set of objectives for the Children's Services Plan for 2021-23 and set out a comprehensive multi-agency workforce development plan.

#### **3.2 Adult Support and Protection**

##### **The Adult Protection Committee**

Under section 42 of the Adult Support and Protection (Scotland) Act 2007, each council must establish an Adult Protection Committee. The membership should be multi-agency and include representatives of the council, the relevant NHS Board, the police and other organisations who have a role to play in adult protection.

The Perth and Kinross Adult Protection Committee (APC) oversees the multi-agency work of services for adults at risk of harm and is committed to continuous improvement.

It is a requirement that the committee publishes a biennial report on performance and within Perth and Kinross the Committee prepares an annual report, and this is presented to Perth and Kinross Council and the Integrated Joint Board for consideration and scrutiny.

The APC has continued to develop its oversight of adult protection and has identified key priorities for development for 2020/21. Effective engagement and participation with adults at risk and their carers using a range of technologies will be a priority going forward given the experiences under COVID-19. A multi-agency short-life working group has been established to ensure that practices across the public protection agenda take account of the changes required for working within the context of the pandemic and supports the development and continuation of new and effective practices.

The APC compares local management information with national data and examines any differences. The rising trend in vulnerable person's reports has continued from 2018/19 into 2019/20, however, performance in screening Adult Protection Concerns has remained high with 98% screened within 24 hours.

The variation in referrals relating to people with a learning disability and the number of referrals from Care Homes has been high compared to the national average and these will be areas for closer examination by the committee in the coming year. The main areas for closer examination are:

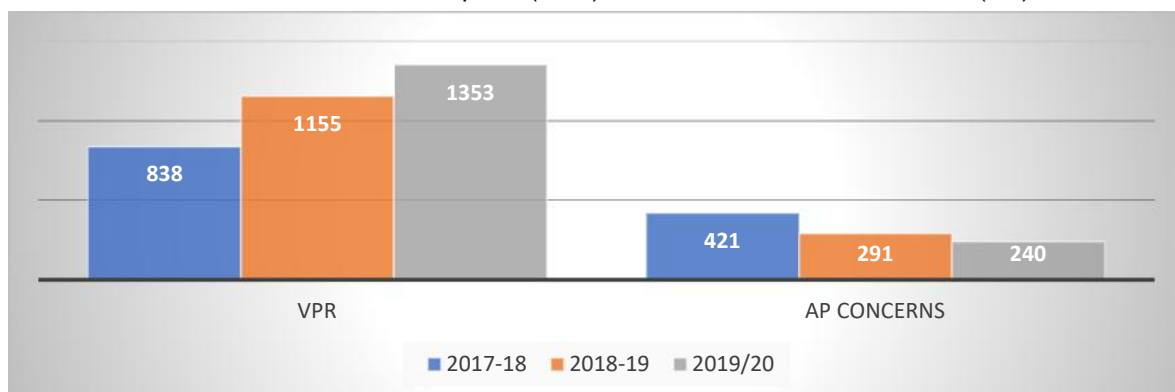
- An audit of referrals of people with learning disability as the numbers have fluctuated over the last 3 years.
- An audit of cases to examine decision-making as the conversion rate from Adult Support & Protection (ASP) investigation to Adult Protection Case Conference is low compared to national data.
- The number of referrals from Care Homes has been high compared to the national average.

Other areas include continued development of management information and ASP framework more focused on outcomes; engagement with minority groups and religious groups, re-evaluation of processes such as Inter-Agency Referral Discussion (IRD), adverse events, case conferences to take account of new ways of working. These areas are included within an improvement plan for 2020-21.

### Management Information – Adult Protection

The Council must make inquiries about a person's well-being, property or financial affairs if it is believed that they are at risk and may need intervention to ensure they are kept safe. Over 2019/20, there were 1593 referrals that comprised 1353 Vulnerable Person Reports (VPR) from Police Scotland and 240 Adult Protection (AP) concerns. There had been a continuing reduction in the number of VPR over the past few years but although the number has increased over the last 2 years, it is still below the level experienced in 2014/15 (1523).

**Table 1:** Vulnerable Person Reports (VPR) and Adult Protection Concerns (AP)



Performance in screening Adult Protection Concerns has remained high with 98% screened within 24 hours and 204 proceeding to an adult protection process.

Older people, especially those over the age of 81, account for 39% (147) of all ASP cases and are disproportionately represented in relation to other age groups. The majority of people who may be at risk of abuse and harm were already receiving a care service and this indicated their high levels of dependency and vulnerability.

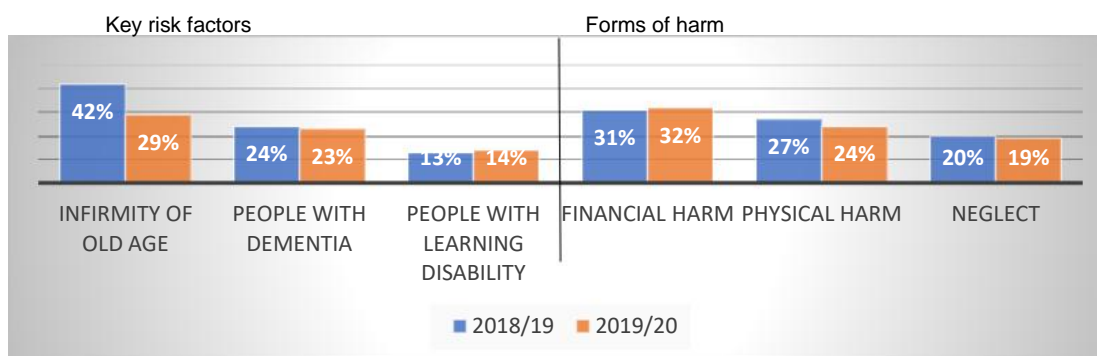
Over the last two years, the most common location for harm to have taken place is within the home address (56%) and just under one third (29%) of all adult support and protection investigations related to people resident in care homes. This may reflect the work that has been done with Care Homes, initially to heighten awareness of adult protection and more recently to offer support and advice to the sector in managing difficult situations.

The main forms of harm experienced by vulnerable adults have remained steady over the last year and these are financial harm (32%), physical harm (24%) and neglect (19%).

The key risk factors for people who need protection from harm are old age, dementia and frailty.

The proportion of people with a learning disability who were the subject of an adult protection investigation, remained steady over the last year. No protection orders were undertaken in 2019/20.

**Table 2:** Profile of adults who may be at risk of harm



**Table 3:** Adult Protection Case Conferences (APCC)

Source	2015/16					Year on Year Change (%)				
	2015/16	2016/17	2017/18	2018/19	2019/20	2015/16	2016/17	2017/18	2018/19	2019/20
Initial	15	10	8	10	8	N/A	-33%	-20%	25%	-20%
Large Scale Inquiry - Initials	0	9	8	0	0	N/A	0%	-11%	-100%	0%
Large Scale Inquiry - Review	0	5	5	2	0	N/A	0%	0%	-60%	-100%
Network Meeting	1	1	0	2	0	N/A	0%	-100%	0%	-100%
Review	12	12	2	10	4	N/A	0%	-83%	400%	-60%
<b>Total</b>	<b>28</b>	<b>37</b>	<b>23</b>	<b>24</b>	<b>12</b>	<b>N/A</b>	<b>32%</b>	<b>-38%</b>	<b>4%</b>	<b>-50%</b>

The number of APCCs has remained relatively low over the last 5 years compared to the number of ASP concerns received and investigations commenced. This area is currently the focus of independent audit to examine decision-making in this regard.

Historically, the number of large-scale investigations (LSI) where more than one person is identified as being at high risk in Perth and Kinross in relation to comparators. There have been measures put in place to reduce the number of LSI which has included awareness raising; early identification of concerns; and support from the Care Inspectorate where appropriate. The number of LSI has steadily reduced over the last five years from 22 in 2014/15 to 4 in 2018/19 and 3 in 2019/20. This is now more in line with national data.

There have been two Initial Case Reviews (ICR) undertaken over the last year with one progressing to a Significant Case Review (SCR). This review is underway and being taken forward by an experienced independent reviewer.

### 3.3 The Alcohol & Drug Partnership

The Alcohol & Drug Partnership (ADP) is a multi-agency strategic partnership which focuses on the misuse of substances in Perth & Kinross. Members include those agencies with an interest in providing treatment and intervention for people experiencing problem alcohol and drug use, and other key stakeholders. The ADP is responsible for developing local strategies for tackling, reducing and preventing problem alcohol and drug use. The ADP also has responsibility for planning and commissioning services to deliver improved core and local outcomes, taking account of local needs.

The ADP continues to develop a Recovery Oriented System of Care (ROSC), the recovery pipeline has been produced to help individuals and their families with their recovery journey. The aim is to sign-post to community resources which are inclusive in their approach and support the recovery of wellbeing. This is complementary to specialist or stand-alone support.



The Social Work Drug & Alcohol team is continuing to build and strengthen relationships with Community Safety, Housing & Homelessness and Services for Children, Young People and Families services and to increase knowledge of substance use related issues. The overall aim is to ensure that responses to Non-Fatal Overdose incidents and drug deaths are consistent across the area. The Non-Fatal Overdose Pathway is being developed and expanded to include a wide range of relevant staff across services.

The key priorities for all services which focus on substance misuse are **promoting recovery** and **harm reduction**. Ensuring timely responses and engagement of the person using these services is a key outcome. The Social Work Drug & Alcohol team has continued to meet the required timescale set out in the Health Improvement Efficiency Access to services and Treatment (HEAT) Standard ensuring that every person (100%) referred for a service will be seen, receive their first intervention and start a recovery plan within 21 days of referral.

The ADP has a workforce development plan to raise the level of skill/knowledge expected for different roles. This is underpinned by the National Trauma Training Framework and the ADP is working alongside the Scottish Government to support the development of a similar framework for Substance Use and Recovery.

Weekly “multi-agency assessment clinics” staffed by both statutory and third sector workers have been established in 2019/20 to improve outcomes for people and families in line with the Quality Principles for Care and Support in Drug & Alcohol Services. The Social Work Drug & Alcohol Team is also working with Scottish Prison Service to introduce a similar model within HMP Perth and HMP Castle Huntly.

At the start of lockdown, NHS Tayside Substance Misuse Service (TSMS) undertook reviews for every patient, to assess their prescribing regime (daily/weekly) and the potential for medications to be delivered, should this be required due to either, showing symptoms of COVID-19, complex issues or vulnerabilities. Through intensive multi-agency working between NHS, Council Substance Misuse and Hillcrest Futures Community Recovery Service, individuals have been successfully getting their prescriptions delivered.

To enable individuals/families and carers to make contact during lockdown, additional mobile duty phones were purchased. This allowed workers to respond to calls from people who were needing assistance or in distress. Moving forward, this approach will continue, and mobile duty phones will be shared along with a rota across all services to continue this much needed support.

With the use of technology, there are opportunities for triage meetings to meet up more than once a week enhancing support for individual/families/carers needs. Moving forward, people will be asked if they would like to be contacted through video conferencing, considering the current environment from the point of view of risk. The platform 'Near Me' as well as video conferencing through Microsoft Teams is currently being tested to allow the opportunity for this to be used for individual consultations and therapeutic interventions. This is also being used for prisoners and future prison and other group work sessions.

### 3.4 Mental Health Officers

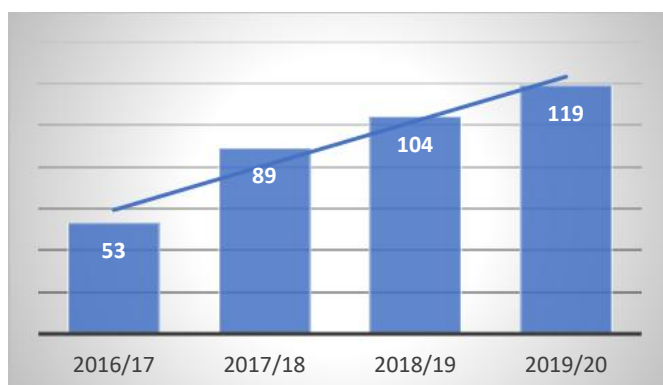
The Chief Social Work Officer retains responsibility for the professional leadership and standards of Mental Health Officers (MHOs) in order to avoid a conflict of interest when social work staff make decisions about a person's capacity and the need for detention.

Perth & Kinross remains well-resourced with accredited and practicing MHOs. The Council is committed to the delivery of a sufficient, competent and confident MHO service and the workforce plan includes funding to support a minimum of one candidate through the MHO trainee programme each year. This is a post-graduate qualification for an experienced social worker. One MHO graduated in 2019/20 and the process is underway to identify candidates for 2020/21. The Scottish Government, through the Chief Social Work Adviser, provided national funding to address national shortages in MHO where this is most acute. Perth and Kinross did not receive any funding in 2019/20.

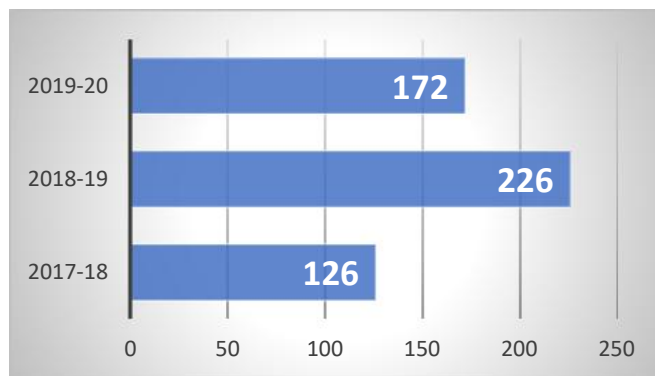
Local data for the period 2019/20 shows that there was a reduction in the use of the Mental Health (Care and Treatment) (Scotland) Act 2003 to safeguard the welfare of an adult or child in Perth and Kinross. This is commensurate with the national rates for the compulsion and comparable with the use of detention and compulsion across Angus and Dundee.

There has been an incremental increase in the use of Emergency Detention Certificates (EDC) which has more than doubled over the last 4 years. This was acknowledged in the recent Independent Inquiry Report into Mental Health Services in Tayside and a link made to the limited availability of suitably qualified psychiatrists across Tayside who are able to impose a Short-Term Detention Certificate (STDC). The use of a STDC is preferable to the use of EDC in that it provides greater rights of challenge and appeal to those being detained. Where an adult or child is subject to a STDC, there is a requirement for the MHO to complete a Social Circumstance Report which includes an assessment of risk, the reasons for the necessity for detention and to set out a person centred, multi-disciplinary discharge plan.

**Table 4:** The Number of Emergency Detention Certificates  
(The Mental Health (Care and Treatment) (Scotland) Act 2003)



**Table 5:** The Number of Short-Term Detention Certificates  
(The Mental Health (Care and Treatment) (Scotland) Act 2003)



The MHO team has achieved 100% completion rate for Social Circumstance Reports within the required 21-day timescale. This compares very favourably to the National average of 36%. This high completion rate has been sustained over the 3 years (98% in 2017/18 and 99% 2018/19).

It has been recognised that data around the use of detention across Tayside needs to be better aligned with the mental health pathway and as part of the Mental Health Tayside – Whole System Recovery and Renewal Plans for 2020. The collation and analysis of MHO data can assist service planning and understanding trends in mental health activity. This is an important area for development for Perth & Kinross MHO service throughout 2020/2021.

The restrictions placed on the service as a consequence of COVID-19 has been minimal. Perth & Kinross Council played a central part in shaping a number of proposed 'easements' to Incapacity legislation due to the actual or proposed restrictions during COVID-19. After ongoing national review, the majority of these 'easements' were not implemented because it was considered that the pressure on services did not justify the implementation of these changes. MHOs continued to practice in line with existing legislation and legislative process.

The number of detentions used as a means to safeguard the welfare of an adult or child throughout the COVID-19 period dropped in the comparable reporting period throughout 2018/19. During this time, there were 45 Short Term Detentions and 36 Emergency Detentions, totalling 81 detentions between April 2020 and end of June 2020. This is commensurate with the use of detentions used across Angus and Dundee.

COVID-19 has brought a number of key challenges in delivering MHO services. However, much of the role is dictated by the different incapacity legislation. Therefore, although much of the workforce has successfully managed to work from home, much of the work has involved face to face contact. Therefore, the service delivery has been supported by the established PPE processes and pathways. Where face to face contact is not required, the service has engaged in meetings and mental health tribunals by using either telephone or video conferencing. COVID-19 has had no impact on the number of practicing MHOs between April and June 2020. As we move beyond COVID-19, the MHO role will, by and large, continue to be dictated by legislation

### **Welfare Guardianships**

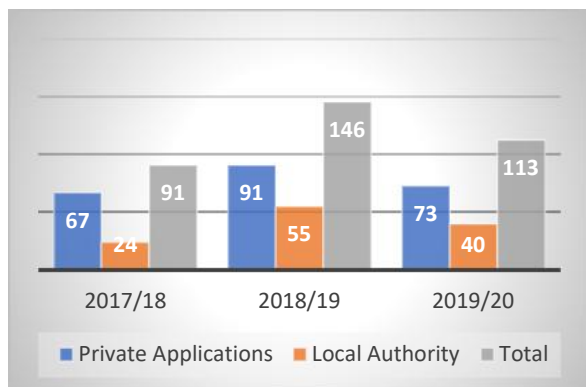
If an adult is considered incapable to make key decisions or take necessary actions to safeguard their welfare due to a mental illness, learning disability, dementia or related condition or an inability to communicate, a Court can appoint a welfare guardian to do this for them.

The Adults with Incapacity (Scotland) Act 2000 provides the legal framework for welfare guardians and the necessary authority to make key decisions using five key principles underpinning the Act. A welfare guardian may be a relative, friend or carer. Where guardianship is required to safeguard welfare and nobody else is able to take this, it is the local authority's duty to make an application for guardianship.

A Mental Health Officer has responsibility for preparing an application for guardianship and the Court can appoint the Chief Social Work Officer to be a person's welfare guardian. The Act also sets out further duties and provisions that sit with a local authority relating to the supervision of those appointed as welfare guardian.

The reliance on welfare guardianship has reduced over 2019/20 as a result of continued use of person-centred, multi-agency case conferencing and identifying incapacity at its earliest point so that the least restrictive incapacity legislation can be implemented as a means of safeguarding welfare. This includes the use of Section 13za of the Social Work (Scotland) Act and promoting the use of Power of Attorney. The Mental Health Officer team is also able to respond promptly to all requests for Local Authority applications or Private Welfare Guardianships without any waiting lists. Guardianship orders reduced further as a result of COVID-19 restrictions.

**Table 6:** Welfare Guardianships



The Coronavirus (Scotland) Bill brought one key change to the implementation of the Adults with Incapacity (Scotland) Act. The Bill stopped the clock on guardianship orders that were due to expire on or after 3 April 2020 from lapsing, extending these automatically for 6-months. This decision was based on a number of factors, but primarily influenced by reduced Court time to allow guardianship applications to be heard and the difficulty in getting the required medical reports that underpins an application given pressures faced by General Practitioners (GPs) and other health practitioners elsewhere during the pandemic.

28 welfare guardianship orders within Perth & Kinross have or will have ordinarily lapsed between 3 April 2020 and 3 October 2020. This will undoubtedly bring the service additional pressure on or after 3 October 2020 in submitting 'lapsed' applications to ensure that adults remain safeguarded, as well as completing the pending backlog for those new applications that would have ordinarily been submitted during this 6-month period.

National guidance is awaited to set out the arrangements for reinstatement. An assessment of capacity to manage a potential temporary surge in guardianship applications has been carried out and it is anticipated that this can be met within existing resources.

## Suicide Prevention

A comprehensive suicide prevention training programme is underway in Perth and Kinross. Partners work together to run awareness raising campaigns and training, as well targeted initiatives such as the Tayside Suicide Multi-Agency Review Group and Bereaved by Suicide Support. Training includes Scotland's Mental Health First Aid training; Suicide Intervention and Prevention Programme; safeTALK; and, specialist Applied Suicide Intervention Skills Training and Safety Plan Training.

Promotion of Suicide Prevention Week helps to raise awareness of suicide and mental health and wellbeing. A website promotes support services that are available to everyone, and importantly, what they can do to keep people safe from suicide. In 2019, Suicide Prevention Week focussed on male suicide and was marked with screenings of the documentary 'Evelyn' and talks from Michael Byrne from Lived Experience Trauma Support (LETS).

Perth and Kinross Health and Social Care Partnership (HSCP), the Railway Chaplaincy and Samaritans collaborated to provide information sessions.

Mental Health First Aid (Adults and Young people) courses are open to everyone and targeted widely to public and professionals. Feedback from participants included reports of being more comfortable with asking about suicide directly, a key component of preventing suicide via supportive communication:

*"It is reassuring to know that I am doing the right things with the young people I work with, but I leave here with a better understanding. I will not be afraid to use the word 'suicide'. The Resource Directory will be invaluable"*

At the start of lockdown, the existing Mental Health Directory was repurposed and updated to give comprehensive information about the mental health and suicide prevention services available during the novel coronavirus pandemic. This included which services were still operating, how to get in touch with services while they were not at their premises, and the extent of support that would be available. This Directory was updated throughout lockdown, hosted on the PKC external webpage and sent out to mailing lists and to professionals who were concerned about where to signpost vulnerable people during the lockdown.

*"Can I just say what a fantastic resource this is. Even out with COVID 19 I think that this is going to be really useful for so many people."*

Mental Health Awareness Week was conducted online and via radio in collaboration with Heartland FM, the radio station based in Pitlochry, and two interviews were aired from the Suicide Prevention Co-ordinator on how to maintain mental wellbeing during the lockdown and how to incorporate kindness in mental wellbeing practice. These interviews were played twice on air and were then available on the Heartland FM Soundcloud site.

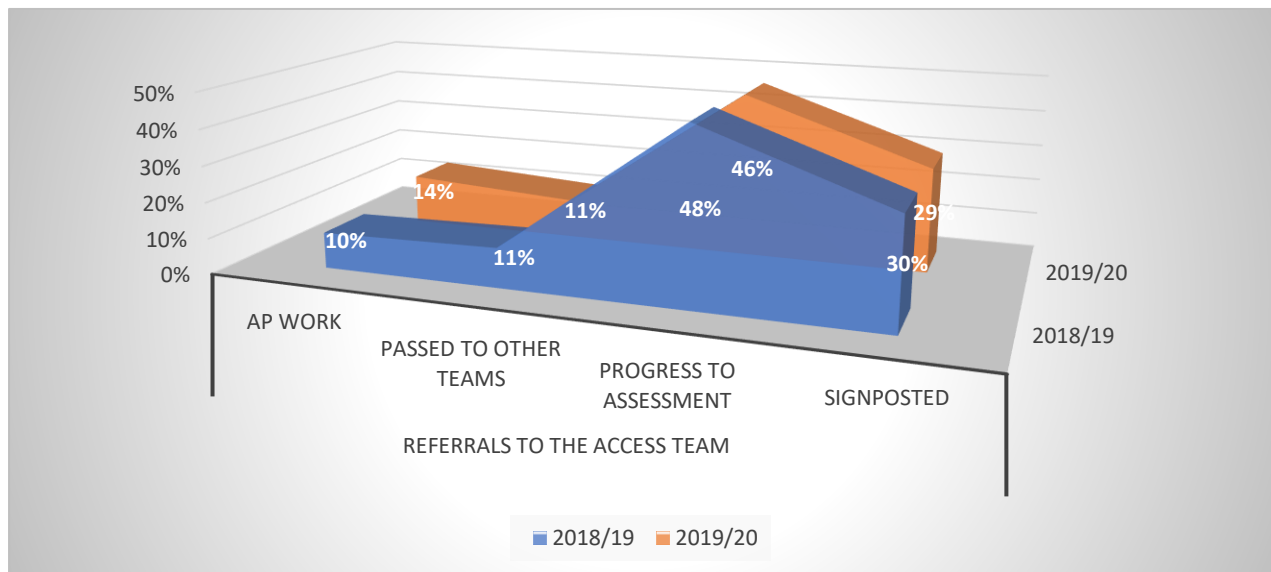
### **3.5 ACCESS TEAM**

The Access Team is the first point of contact for all adult social work and social care enquiries. Streamlined processes enable the team to respond to demand effectively. Referrals to the Access team has been stable over the last year and on a par with demand in 2018/19. The proportion of work related to adult protection increased from 10% in 2018/19 to 14% in 2019/20.

The Access Team has focused on team development, upskilling staff and maintaining a broad skill level. During 2018/19, a Mental Health Nurse Practitioner was appointed to complement the expertise within the Access Team and to enable a more holistic response to people with mental health needs in line with the Mental Health and Wellbeing Strategy. This is a three-year post and has proved invaluable during this COVID-19 lockdown period.

The Access Team remained the largest referrer to the Social Prescribing service. Social Prescribers work closely with the Access Team enhancing the choice for clients and reducing the demand on statutory services.

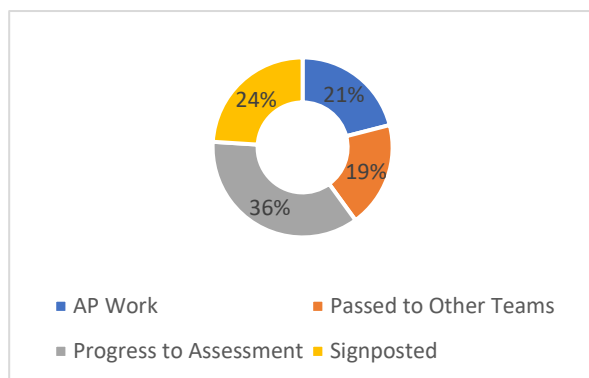
**Table 7:** Referrals to the Access Team



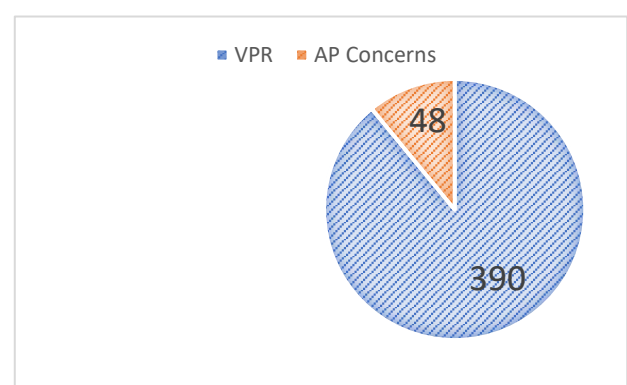
At the outset of COVID-19, the Access Team moved its primary duty work to a virtual platform enabling all duty workers to maintain normal practice working from home. It was anticipated that there would be an increase in daily work, as demonstrated in the % increase of AP work for the first six months of 2020/21. The team responded by increasing duty workers, enabling a timeous response to all concerns and to meet the potential demand of legal aspects of protecting people. The Access Team took part in a service COVID-19 duty team which involved working weekends including public holidays. The team also provided staff for the re-tasking unit ensuring care provision requirements were met.

Vulnerable Person Reports being submitted by Police Scotland were undertaken within 24 hours, most of the work during COVID-19 has been carried out via telephone support. This approach was taken to ensure the protection and wellbeing of both staff and clients. As lockdown restrictions have eased, there has been a noticeable increase in reports of carer breakdown and suicidal ideation. Staff have responded accordingly and working patterns are beginning to change with a safe and appropriate increase of home visits to undertake assessments/reviews. From this experience, it is recognised that the amount of mental health concerns that are reported through the Access Team are significant and raise the question of additional mental health involvement within the duty team or a different access point. The possibility of having a specific ASP/VPR team or increase in the Access Team would meet the demands of supporting people more effectively and efficiently and help to reduce the possibility of potential and further harm.

**Table 8:** Referrals to the Access Team April– end June 2020



**Table 9:** Number of Vulnerable Person reports and adult protection concerns April – end June 2020



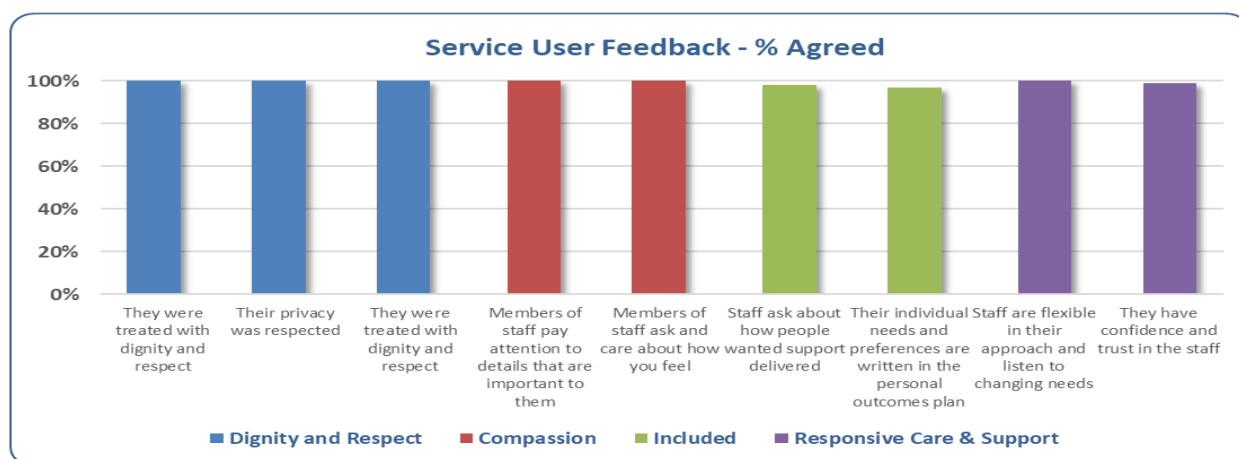
### 3.6 Home Assessment and Recovery Team (HART)

The Home Assessment Recovery Team (HART) aims to keep people well at home, and out of hospital, by providing the best possible care and experience for people. This is achieved by co-ordinating care with health and social care services; building support around the person; providing a personalised service; ensuring a prompt social care response; and providing seamless social care.

HART responds quickly when people need additional social support, so they stay out of hospital or long-term care, or to ensure that any hospital stays are kept to a minimum. Staff will work closely with the hospital-based professionals to make sure if people are admitted they are discharged with the right support to help speed up their recovery and increase their level of independence.

HART has continued to support people to retain and maintain as much independence as possible. Over 2019/2020, 46% of people in receipt of reablement support from HART were able to re-establish independence, this is a 10% increase on the previous year. The focus on quality of care and achieving positive outcomes for service users in regaining and maintaining their independence is demonstrated through a 7-day review and feedback from service users. This qualitative data is based on the national Health and Social Care Standards, My Support, My Life. 107 respondents between January 2019 to March 2020 provided positive feedback with six out of nine indicators receiving 100% positive feedback.

**Table 10:** Service User Feedback – HART



Key activities for the HART team during 2019/20 included:

- Training and Development included induction and training for new staff which has helped retain staff and develop confident carers.
- HART was awarded Very Good gradings for both Quality of Care and Support and Staffing at an independent inspection by the Care Inspectorate. The inspection found that people using the service reported that they were respected as individuals and treated with dignity and respect. They were positive about the encouragement they receive to have control over their own support and to be as independent as possible.
- A project group has taken forward a Total Mobile solution to improve working practices and efficiency in ways which can also support carer consistency. This has supported a digital solution to real time monitoring, falls screening tools, incident reports and general admin for staff realising time efficiencies and creating better quality record keeping.

HART was supported by the re-tasked workforce which provided additional carers, co-ordinators and Community Care Assistants to maintain the level of support required and prepare for an increase in referrals during COVID-19. This resulted in 30-40 redeployed staff into HART and as a result, HART has been able to maintain a focus on reducing delayed discharges and eliminate waiting lists.

All staff had access to smart phones and Microsoft Teams to maintain client weekly meetings, client reviews, team meetings, virtual Occupational Therapy assessments and a digital response to PPE stock levels. HART has now introduced Total Mobile for carers which has reduced the amount of office time spent emailing staff schedules. The utilisation of technology within the service has helped to reduce travel time for staff coming into an office or visiting clients' homes.

A team of Social Care Officers are working closely with the Locality Integrated Care Service to enable a quick response to support people at home. The rapid changes implemented in response to COVID-19 have brought benefits that will be maintained.

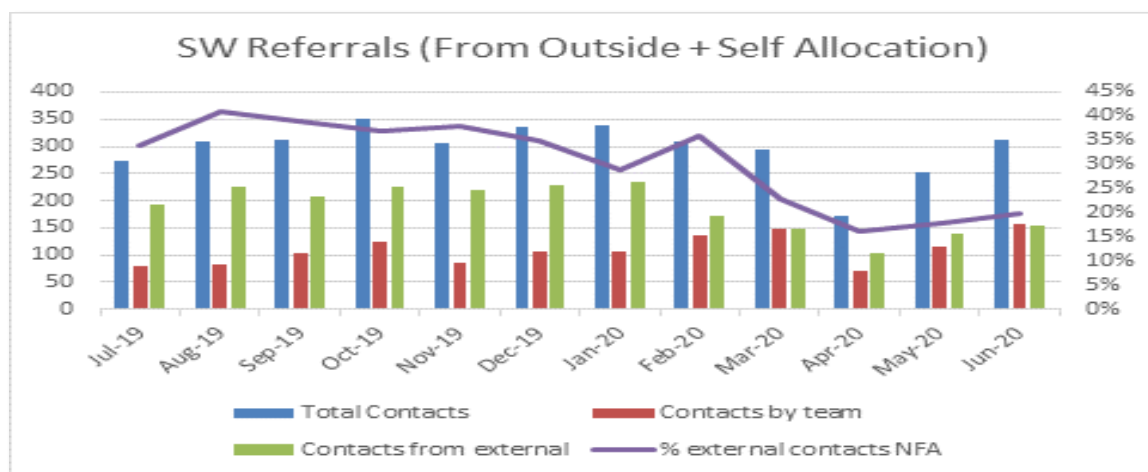
### 3.7 Hospital Discharge Hub

The Hospital Discharge Hub continues to focus on the safe and timely discharge of patients from hospital ensuring that people receive the right support at the right time in the right place. In February 2020, a Quality Improvement Team Leader was aligned to support the social work team to improve performance in relation to delayed discharges and the statutory social work task. The pathway from hospital to home has been streamlined and social work staff now receive referrals directly from hospital ward staff. This is helping to reduce discharge delays. In addition, there has been awareness raising within hospital wards and community services to achieve deeper understanding of the social work role. This has led to a steady reduction in the proportion of inappropriate referrals from January 2020 and targeting resources to the right people and at the right time.

The total number of referrals and assessments have remained largely consistent over the last year, however, the number of Delayed Discharges has reduced significantly. This reflects the ongoing focussed improvement activity being carried out to address and mitigate delays. There has been a reduction in delayed discharges during the period February to April 2020 - reducing from 52 to 8, and performance has remained below the NHS Tayside target of 20.

In March 2020, three social workers were aligned to Psychiatry of Old Patients (POA) at Murray Royal Hospital to enable closer working with Senior Charge Nurses to ensure timely discharge. Joint work is also now underway to support the discharge of more complex patients through Locality Complex Care panels.

**Table 11:** Social Work Referral – Hospital Discharge



Some feedback to the Hospital Discharge Hub:

*'Thank you so much for all you have done for my dad'*

*'You've went above and beyond...'*

*'You and your team showed flexibility, kindness and consideration'*

Perth & Kinross HSCP has achieved its best-ever performance in relation to Delayed Discharge in the period March to end of July 2020, by providing additional staffing and support to the Discharge Hub. A workforce matching unit was established and has facilitated **221 staff** to be re-tasked to support carers and enable people with health and social care needs to stay at home, and to deliver over **4000 hours** of care at home per week.

COVID-19 presented significant challenges for securing the discharge from hospital for people with complex needs. A single care pathway into the Perth Royal Infirmary (PRI) Hub from Ninewells, to support the COVID-19 patients who had recovered, was developed which improved joint working with Ninewells staff and made it easier to navigate the multiple pathways into hospital discharge support within Perth and Kinross.

A seven-day working arrangement was implemented for Social Work, Occupational Therapy and Physiotherapy which was further supported by the redeployed staff into the Discharge Hub allowing greater coverage at ward board rounds. Increased attendance at daily management-led huddles provided a whole system approach including Care at Home, Quality Monitoring and HART to ensure people get home on planned date of discharge.

Interim Funding was made available for those waiting on care homes or care at home packages with 18 additional temporary step-down beds made available in preparation for limited Care at Home capacity or waiting on OT/Nursing equipment at Beechgrove.

### 3.8 SELF DIRECTED SUPPORT (SDS)

The Social Care (Self-directed Support) (Scotland) Act 2013 ensures that people who are eligible for social care support get greater choice and control over how they receive services. This means care services can be 'personalised' to individual needs and wishes. Councils have a legal duty to offer four options to people who have been assessed as needing a community care service:

- Option 1 - a direct payment, which is a payment to a person or third party to purchase their own support
- Option 2 - the person directs the available support
- Option 3 - the local council arranges the support
- Option 4 - a mix of the above

The four Self Directed Support (SDS) options are now embedded in all the major care pathways in Perth and Kinross. The table below shows that the percentage of people receiving personalised packages of support using SDS Options 1 and 2 continues to increase incrementally. By the end of March 2020, over 25% of all people receiving SDS were using Options 1 and 2.

**Table 12:** People using SDS options 1 and 2 as a percentage of all SDS.



The PKAVS Carers' Hub, together with Outside the Box and the Care and Wellbeing Cooperative, have implemented the 'Supporting Choice' project. This provides information on Social Care and SDS options to people and their carers to help them identify the outcomes they would like to achieve and the support they require to achieve them. This work takes time to get to know people and how they want to live their lives and helps them to be creative and specific about what would make the biggest difference to ensure they experience the right care and achieve a good life. This is helping to address equality of access to support across Perth and Kinross. A review of Care at Home has also commenced with an aim to increase the availability of Options 2 and 3 in rural areas.

Private and Third Sector providers and Personal Assistants have continued to be paid their usual payments to secure the provision even if it was only possible to provide a reduced level of support during the pandemic. Council workers were redeployed and placed on a bank to provide support for Care at Home as required if carers were absent due to illness to ensure continuity of care.

Technology has been used to improve communication and reduce face to face contact where appropriate. PPE emergency process and pathways were put in place for personal assistants to access PPE if at critical levels and struggling with supplies.

### 3.9 Social Prescribing

Social Prescribers help people to link with appropriate community-based groups and activities which will promote their health and wellbeing. There are now six FTE (full time equivalent) social prescribers with two in each of the three Health and Social Care Partnership localities. Social Prescribers are aligned to GP practices and people can self-refer or be referred by professionals such as GPs, District Nurses and Social Workers. Most of the referrals for the Social Prescribers are made by Social Workers with GPs being the second most frequent referral source followed by self-referrals. The vast majority of referrals arise from a request to alleviate anxiety and social isolation. People also seek support as a result of depression and a need for emotional support.

Some feedback to Social Prescribers:



### 3.10 Criminal Justice Social Work Service

Leadership of criminal justice social work (CJSW) was integrated into Education and Children's Services (ECS) in April 2018 and is managed by the Depute Director (Education and Children's Services) who is also the CSWO. Over the last year, new arrangements have been approved which strengthen the governance and reporting of CJSW. CJSW business is reported on a regular basis to ECS Senior Management Team, the Council's Executive Officer Team and to elected members via the Council's Housing and Communities Committee. This also enables ECS to develop an integrated and comprehensive approach to its strategic service planning and allow for scrutiny, challenge and quality assurance monitoring from senior managers, partners and elected members.

The service includes two prison based social work teams contracted under a Service Level Agreement with the Scottish Prison Service (SPS) at HMP Castle Huntly (the national open estate) and HMP Perth; the Public Protection Team managing offenders within the community and the One Stop Women's Learning Service (OWLS); coordination and support for the local Community Justice Partnership; and close links with community safety and unpaid work teams.

Criminal Justice Social Work continues to perform well against the national for:

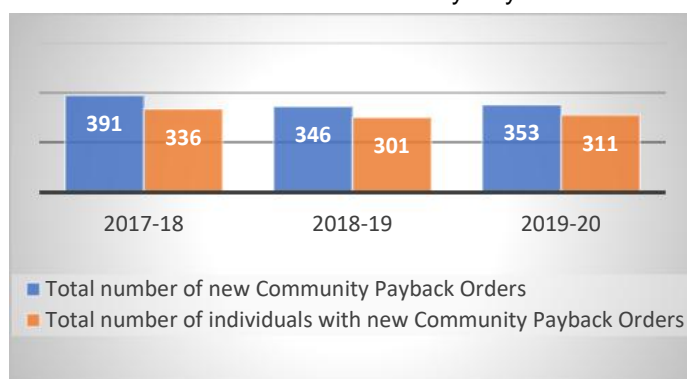
- providing assessments and reports to court to assist sentencing decisions;
- supervising people on orders from the court to tackle and reduce offending behaviour and those who are required to perform unpaid, useful work for the benefit of the community;
- prison-based social work services to those serving custodial sentences and their families;
- preparing reports of the Parole Board to assist decisions about release from prison;
- through care services including parole, supervised release and other prison aftercare orders to ensure public safety; and
- supporting those who have experienced crime and their families.

The Criminal Justice Social Work Service remains focussed on improving outcomes for people in the justice system. Robust performance information is key to understanding how well interventions are managed and to support continuous improvement.

The overall trend for Perth and Kinross since 2007-08 is one of a decreasing and then stabilising rate of reconviction. The low reconviction rate for adult offenders against national comparators has been sustained in 2019/20. Key performance highlights include an increase in the number of successful completions of Community Payback Orders (74%) when compared with the previous year (68%), a figure which is above the national average.

The extension of the presumption against short-term prison sentences, to sentences of less than 12 months was introduced in June 2019. This means that a court should not pass a sentence of imprisonment of 12 months or less unless it considers no other sentence is appropriate. It was therefore expected that the number of community-based disposals, mainly Community Payback Orders (CPOs), would increase in 2019/20. CJSW services carried out a review of current service provision and modelled what the impact of the projected increase in new CPOs on resourcing requirements would be. A range of workforce planning scenarios were developed by the Public Protection and Unpaid Work teams to ensure that there is enough capacity to manage the projected impact of the extension to the presumption against short-term prison sentences. However, the number of Community Payback Orders has remained steady. While it may take some time for the full effect of the introduction of the extension of the presumption against short term sentences to be known, there are no capacity issues arising from this change currently.

**Table 13:** Number of Community Payback Orders



**Table 14:** Performance highlights for CJSW

<b>Creating a safe and sustainable place for future generations</b>			
(Fiscal Year)	2017/18	2018/19	2019/20
Percentage of Criminal Justice Social Work Reports (CJSWR) submitted to court on time	99%	98%	97%
Number of new Community Payback Orders	391	322	347
<b>Percentage of Community Payback Order clients with improving:</b>			
Employment / training / education situation	50%	64%	62%
Views on offending	76%	68%	65%
Attitudes concerning desistance / stopping offending	94%	91%	89%
Engagement with services	91%	91%	91%
Number of job requests for the unpaid work team	329	380	355
<b>Average weekly hours worked by clients to complete the unpaid work requirement of Community Payback Orders:</b>			
Level 1 (up to 100 hours)	4.8	4.8	4.6
Level 2 (101 up to 300 hours)	6.6	6.4	6.2

### **Caledonian Programme: tackling domestic abuse**

Perth and Kinross Council bid successfully, along with Dundee City Council, to obtain national 3-year funding to implement the Caledonian System. The Caledonian System is an integrated approach to address men's domestic abuse and to improve the lives of women, children and men through its Men's Service, Women's Service and Children's Service. It is a highly evaluated programme to tackle and reduce the incidence and impact of domestic violence. Operational from April 2019, staff have been working alongside partners, the local courts, men, women and children to deliver a structured programme of support.

Staff are seconded temporarily to train and deliver the programme, and this is building capacity across CJSW service to sustain this good practice beyond the funding. The Caledonian Programme is now a Community Payback Order, Programme Requirement disposal available to Sheriffs at the point of sentencing.

Between 1 April 2019 until 31 March 2020, criminal justice social workers prepared 92 reports where domestic violence has been an aspect of offending behaviour and screened for suitability for inclusion in the Caledonian Programme. Sheriffs imposed 12 Caledonian Programme requirements and 3 requirements for the one to one Caledonian Individual Programme. Two full time social workers are delivering Caledonian Groupwork in Dundee with men from Perth & Kinross attending. Early feedback is that this intervention is positive.

The Caledonian Women's Service workers from Perthshire Women's Aid are now integrated into CJSW. Information sharing protocols allow Police Scotland to share perpetrator information when a man has been convicted of a domestic offence, for the purposes of risk assessment and ascertaining suitability for inclusion in the Caledonian Programme. This is a significant development as it allows for better assessment of patterns of domestic abuse/coercive control which is a prerequisite for inclusion in the Caledonian Programme. It also allows for ongoing information sharing in respect of men who are on the programme, enhancing women's safety. A further information sharing protocol allows Perth & Kinross to input information to the national Caledonian system database. The purpose of processing data through the Database is to enable a long-term evaluation study of the effectiveness of the Caledonian System in facilitating positive outcomes for clients entitled to the service.

## OWLS

Women attended a parliamentary meeting of the Local Government and Communities Committee regarding Period Poverty and to participate in the development of the Period Products (Scotland) Bill to ensure no girl or woman in Scotland is deprived of suitable products. Committee members were appreciative of the women's input to their work and described this as invaluable. OWLS has introduced access to these products and many women are benefitted from this.

Women from OWLS also delivered a briefing session for Perth and Kinross elected members which enabled them to share their experiences of the justice system and inform elected members about the services they have found most helpful in their journeys. The women described the need for a joined up and non-judgemental approach and the value they placed on staff who stuck by them and believed in them. One woman used music and voice as a way of telling her story and showing that given the right support, and platform, lives can be changed.

Women from OWLS attended the Scottish Parliament in February 2020 for the Second Chancers Debut, this gave them the opportunity to speak with professionals and MSPs regarding the support they have received from OWLS and how services should be designed and incorporate the views and needs of those who use services. They discussed changes in service provision Nationally and Locally to meet the transitional needs of the women who are part of Judicial System and Community Justice Reform. A key message they gave was that the key to positive change was through relationships. **Kirstie and Lucy at the Second Chancers Scottish Parliamentary reception.**



Women from OWLS participated in research carried out by Community Justice Scotland to map individual journeys through the justice system. Speaking with women who have had a wide range of journeys, including people with experience of (but not limited to) Fiscal Direct Measures, the Court process, community and custodial sentences, evidence of the range and complexity of people's experiences will be gathered to better understand the challenges they have faced and the support they require. It is hoped this will influence changes in the way individuals are treated when they have committed offences or attending court.

### Feedback

*"Thank you again for your generosity in sharing OWLS experiences. Due to the nature of the research it was hard to include everything individuals told me, but I have included as much as possible and I hope all who participated feel it has been fairly represented with all the respect I have intended, many thanks JC."*

Women who attend OWLS were invited to present to Education and Children Services Extended Management Team which gave them the opportunity to speak about issues they had experienced throughout their lives and how experiences had impacted on them and their children. The presentation enhanced the knowledge and understanding of managers about the issues facing families in Perth & Kinross.

Perth Citizens Advice Bureau received funding to work in partnership with six services within Perth and Kinross. OWLS was fortunate to be chosen as one of these, the Community Advice Project, this is to provide holistic advice and support to people who are experiencing poverty, financial hardship or poor mental and physical health by providing face to face support primarily through partner organisations.

Women and staff gave a presentation including a question/answer session to Perth Citizens Advice Bureau. This was a half-day session for staff to ask questions about Community Justice, Judicial System and services available within PKC to support individuals. Providing accounts of lived experiences can develop wider community engagement from Voluntary Services. This has empowered women to talk about their life stories, experiences, give examples of good partnership working, about how they have accessed other services.

#### Feedback from CAB

*"My first task of the afternoon was to contact you to thank you for coming along! Everyone I have spoken with has said that they found the session very informative and were really grateful to have had the opportunity to hear from the women, that really made the training and information meaningful."*

*"I would like to take this opportunity to thank Lucy and her remarkable team for working with the Community Advice Project (CAP). It has been an absolute pleasure to have OWLS on board with us to support the service users to access the support they need at your venue.*

*We looked at opportunities to co-locate services and established a robust workable referral process together and achieved some very good financial outcomes for people to establish or maintain financial security and stability in their lives."*

OWLS has experienced an increase in Voluntary Throughcare as a result of a withdrawal of this service by the Scottish Prison Service. Voluntary Throughcare has been shown to be extremely beneficial in helping female prisoners reintegrate back into communities. We are working collaboratively with SHINE/CIRCLE to support non-statutory, short-term, female prisoners serving sentences up to 4 years who have no throughcare to support their transition back into the community. Barnardo's offer peer mentor support to females. Women on Voluntary Throughcare use the centre to receive support and meet with their mentor.



We held our 1<sup>st</sup> Macmillan Coffee Morning where we had a wonderful turn out from members of the public.

Women and staff from OWLS worked hard to ensure there was enough cakes available. The centre had a great atmosphere and £193.86 was raised.

Women helped in the Perth & Kinross Home Safety Partnership scheme which was a project to assist people in Perth & Kinross. This is a voluntary emergency information scheme which provides Emergency Services with vital details of any illness or allergy and someone to contact should they be called to your home as a result of sudden illness or personal accident.

Tayside Substance Misuse Service has run a weekly clinic in OWLS which has enabled staff and women to access programmes and resources more readily. Collaborative work has ensured better communication, quicker response times to women engaging in substance misuse programmes and building a more resilient partnership of support. Staff from Blood Borne Virus (BBV) clinic has delivered staff training and now offer women Naloxone training which can help reduce risk and better educate women to safer substance use.

Working in partnership with Tayside Council Alcohol Services (TCA), we have a female only Mentor Service which provides 1 to 1 support for female offenders. This year we had women who completed an SVQ in Peer Mentoring. This vocational course was delivered in OWLS and in partnership with TCA.

*“As the locality manager for TCA I find our partnership experience with OWLS to be very positive. We have built up a good line of communication between both services which has allowed the partnership to develop and identify the needs of both the services as well as the clients.*

*During the course of the year we have had joint clients and due to having good communication lines we can meet the needs of the clients more flexibly and seamlessly. For instance if a client is referred from OWLS and feels more comfortable to be seen there this can easily be arranged. Sharing of information between services with agreement of the client has often been beneficial to the clients experience in their recovery...*

### **Implementation of new Men's Project**

Following a review of services to male offenders in January 2019, a part time social work post was dedicated to research and propose options for redesigning the delivery of a new male offenders service. A key tenet was to incorporate the views and needs of service users, and, to consider how current theory and research on reducing risk and aiding reintegration into the community can be applied.

Budget motion monies in the Council's budget for 2019/20 and 2020/21 of £55,000 per annum for two years, will support the establishment of a Men's Service (name to be confirmed) as a sustainable alternative approach for males who offend to find purpose, improve their health and wellbeing, and, to re-integrate purposefully with their local communities while nurturing their own significant relationships. Ensuring public protection and seeking to reduce reoffending, the new service will provide a different way of working for both service users and staff that facilitates multi agency, targeted approaches and improve outcomes.

The new service will build on the learning from OWLS and provide a “one-stop shop” approach where agencies can coordinate and support men more effectively under one roof. It will create an environment that is non-threatening, trauma informed and fosters the idea of a safe environment which enhances men's engagement. It will provide a structured modular programme of work which places wellbeing and physical and mental health at its heart. Partnerships with mental health and addictions services will be central to the one-stop approach.

A steering group, which includes men with lived experience of the justice system, has been established, premises located, and a coordinator is being recruited with a view to commencing operations in the last quarter of 2019/20.

### **Right Track**

Right Track provides support for Structured Deferred Sentencing which is a short-term intensive community-based intervention for 18 to 26-year olds given after conviction, but prior to sentencing. The Right Track programme includes unpaid work activities for community projects on a voluntary basis up to 6 months. Young adults have gained a sense of achievement and notable pride in their work activities. 42 referrals were received in 2019/20 from the courts and 29 are still active due to the restrictions of COVID-19. No referrals have been received since the COVID-19 restrictions came into force as Court business has been severely curtailed.

Right Track participants attend the Work Project at Westbank with their own shed and allotment. The young people complete gardening work, litter picking and general maintenance of the site and surrounding area. Three participants have accrued additional hours in one of the local charity shops in the town centre. During April 2019 to March 2020, 2,667 hours of voluntary work was completed by Right Track participants.

### **Prison-based social work team at HMP Perth**

In 2019/20 the prison population increased and was regularly in excess of 700 prisoners. The Prison Based Social Work Team has met statutory deadlines and has produced consistently high-quality work for the Parole Board and the Scottish Prison Service (SPS). The team has sustained very positive professional relationships with other agencies.

This supports us in our ability to manage people who are looking for progression and release who present the very highest levels of risk to our communities. Our ability to work collaboratively across agencies is recognised and valued by the Scottish Prison Service, as is our input into the decision making of the Risk Management Team where we contribute our professional support and knowledge of the risk assessment process.

### **Prison-based social work team at HMP Castle Huntly**

In February 2020, the Prison Based Social Work team at HMP Castle Huntly engaged with the Parole Board Scotland to review recently submitted parole reports. The focus was to gain input on the quality and content of the information presented, how the reports meet the requirements of the Parole Board Scotland and assist it to make critical decisions regarding the risk posed by offenders and their safe release back into the community.

The outcome of the review identified that HMP Castle Huntly provide effective parole reports and risk assessments, which overall meet the statutory requirements and expectations of the Parole Board. It was also noted that additional adaptations could be made to strengthen the quality of the reports and risk assessments, which have been welcomed by the social work team and have already been incorporated within the team.

### **Bail Supervision for 16 to 26-year-olds**

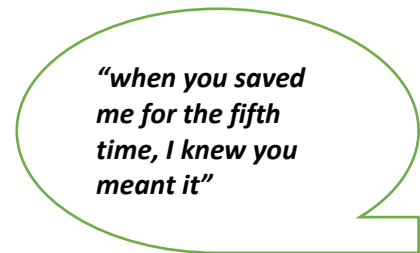
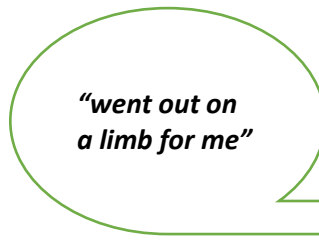
Bail supervision schemes operate within the provisions of the Criminal Procedure (Scotland) Act 1995. Bail Supervision is a youth justice or criminal justice social work service whereby individuals who would otherwise be held on remand are released on bail on the condition that they meet with a bail supervisor a specified number of times a week; the aim of these meetings being to support the individual to comply with the conditions of their bail. Bail supervision is intended to provide a robust and credible alternative to remand where individuals are assessed as needing a level of supervision and support to meet their bail conditions.

The Scottish Government committed additional funding for supervised and supported bail from April 2019 to bolster existing services and facilitate the establishment of new provision. CJSW worked collaboratively with Services for Young People based at @scottstreet to introduce Bail Supervision for young people aged 16-21 (and up to the age of 26 for care leavers) to build capacity across services for young people and young adults involved in offending.

Feedback from Police Scotland: *"I see that the youths engage well and after a time of being supervised they change their ways towards offending".*

A whole system approach was implemented which involved putting in place streamlined planning, assessment and decision-making process for young people involved in offending to ensure they receive the right help at the right time. Bail Supervision has given the young people referred the opportunity to engage in intensive support provided by a Bail Officer to address the areas in their life that led them to offend, and to do so prior to going to court for sentencing. This is an intensive programme which requires the young person to work with the worker up to 3 times a week, including home visits where appropriate. The siting of this work within the universal service for young people has been particularly successful and enables young people to take up a wider range of opportunities through youth work activity.

The first bail supervision case was received in May 2019 and to July 2020 44 requests from the court for bail supervision have been received. Of these 36 were male, 8 were female. 15 young people were placed on a Bail Supervision Order with 14 successfully completing the order. Positive outcomes include various young people participating in educational courses, in a construction course which ran in partnership between Scott Street and Hadden's Construction, another completed a baby first aid course.



### 3.11 Child Protection

#### The Tayside Improvement Collaborative Priority Group 5

Throughout 2019/20, the improvement work of PG5 has produced new and improved guidance on key aspects of child protection processes and practices. Looking ahead, the focus will shift towards working together to improve the culture, ethos and day-to-day frontline practice across the Collaborative. The key focus from 2021 will be workforce development. The following is a summary of the achievements which are now having a positive impact on local practices in Perth and Kinross:

- **Chronologies** – Multi-Agency Practice Guidance was refreshed and published in February 2019. This has been distributed widely and is being embedded into practice and there is emerging evidence of improvement locally.
- **Inter-Agency Referral Discussions (IRDs)** – Multi-Agency IRD Practice Guidance and an IRD Template were published in July 2020. These are being disseminated and put into practice by staff involved in IRDs.
- **Concern for Unborn Babies** – Multi-Agency Concern for Unborn Babies Practice Guidance and a Concern for Unborn Baby Referral Form was published in July 2020 and is currently being cascaded and distributed across a wider range of staff.
- **Participation in Key Child Protection Meetings: Information for all Practitioners** – Multi-Agency Practice Guidance was published in July 2020 and is currently being cascaded and distributed.
- **Participation in Key Child Protection Meetings: Information for Children and Families** – Multi-Agency Practice Guidance was published in July 2020 and is currently being cascaded and distributed.
- **Developing Key Measures in Child Protection Tayside CPC Shared Dataset** – Key child protection indicators and measures (qualitative and quantitative) agreed and implemented retrospectively from 1 August 2019 across the Collaborative. This will give new opportunities for understanding trends and patterns across the collaborative.

#### Learning from ICRs and SCRs.

In the context of child protection, a Significant Case Review (SCR) is a multi-agency process for establishing the facts of, and learning lessons from, a situation where a child has died or been significantly harmed. SCRs are seen in the context of a culture of continuous improvement and should focus on learning and reflection on day-to-day practices, and the systems within which those practices operate.

Last year, Dr Sharon Vincent, Northumbria University, was commissioned to carry out an analysis of recently conducted Initial Case Reviews (ICRs) and SCRs across Tayside. The research was to provide evidence-base for recurring themes; a profile of the children and families involved; perspectives of children, families, communities and how this should influence strategic planning for improvement and inform future workforce learning and development.

The research report has been completed and has identified a need to focus on two key strands going forward – Relationship Building with Families and Working Together which will underpin our improvement programme in Perth and Kinross. This will inform the strategic priorities within the Children's Services Plan for 2020/23 and the work within the Tayside Regional Improvement collaborative in relation to Child Protection and Safeguarding.

## The Perth and Kinross Child Protection Committee

The Child Protection Committee (CPC) is the key local body for developing, implementing and improving multi-agency child protection arrangements. The CPC membership is expected to jointly identify and manage risk to children and young people, monitor and improve performance and promote the ethos that **"It's everyone's job to make sure I'm alright"**.

Membership of the CPC remains intentionally broad and inclusive of all relevant organisations and sectors which have a role to play; which allows the CPC to take a whole community approach to raising awareness of the key risks to children and young people.

The CPC continues to nurture positive working relationships through a culture of mutual respect and understanding; involvement and participation; openness and transparency and support and challenge. It meets six times per annum; all meetings are recorded and published on the public-facing [PKC website](#). Recent meetings of the CPC have been virtual meetings.

Elected Members and Chief Officers of the public, private and third sectors in Perth and Kinross continue to discharge their individual and collective responsibility for children's services, in particular, child protection services, through annual reporting to Council and to quarterly meetings of the Perth and Kinross Children, Young People and Families Partnership (CYPFP).

During 2019/20, the work of the CYPFP and the CPC has been further strengthened by the added support and scrutiny from the Perth and Kinross Public Protection Chief Officers' Group (COG), which brings together the Chief Officers of Perth and Kinross Council; NHS Tayside; Police Scotland – Tayside Division; the Chief Officer of the Perth and Kinross Health and Social Care Partnership; the Chief Social Work Officer (CSWO) for Perth and Kinross Council and other key Officers.

Before and particularly since the COVID-19 pandemic, the COG has met more frequently and provided leadership and direction across the public protection partnerships. Recent meetings of the COG have been virtual meetings.

Informed by rich, evidence-based datasets, the COG has galvanised our approach to public protection and coordinated the identification and management of known and emerging risks.

A carefully managed Risk Register has ensured that since March 2020:

- well-established public protection partnership working arrangements have not been disrupted – in many areas they have been further strengthened
- communication between and across services and agencies has not been compromised – in many ways this has been significantly improved
- key child protection processes have continued to function well – increasing demands have been met by committed and hard-working staff groups
- staff who have been shielding, self-isolating, providing a caring provision at home and/or absent from the workplace have been protected, kept safe and enabled to work virtually where necessary

### 3.12 Social Work Services to Protect Children

These child protection statistics demonstrate the level of activity carried out by Services for Children, Young People and Families social workers to investigate, assess and manage situations where children are at risk of abuse. Although child protection is a multi-agency activity, the children's social work service is the key agency which responds to concerns about children and has a statutory duty to investigate and protect children. Social workers take the lead responsibility for the assessment of risk and coordinating child protection plans to keep children safe and social work managers manage and chair key child protection decision-making meetings from the point of investigation to registration, decisions in relation to seeking a Child Protection Order from the Court, coordinating child protection plans for children whose names are added to the Child Protection Register and reviewing of progress and risk.

There has been a substantial increase in the level of activity carried out by social workers in relation to child protection over the last year to 31 July 2020. This is now clearly a long-term upward trend and indicates that there are significant demand pressures within the children and families social work service.

The service also arranged, chaired and recorded 128 initial and 127 review case conferences during the Academic year. Social workers took the lead professional role for developing and implementing child protection plans for every child whose name was placed on the register. Concerns around parental substance misuse, parental mental ill-health and domestic abuse remain the most common reasons for a child's name to be placed on the Child Protection Register.

Some of this year's increase is as a direct result of the COVID-19 restrictions and the limited operation of key support services including schools and early learning and childcare services. In order to monitor the effectiveness of our child protection response additional data was collected weekly from early April 2020. This has been monitored on a weekly basis by the Chief Social Work Officer, ECS Senior Management Team, the COVID-19 Adult Protection and Child Protection Executive Group and the COVID-19 Chief Officers Group.

In March 2020, the COVID-19 pandemic emergency response included restrictions in the way essential, statutory front-line services could be delivered. Managers and staff across Services for Children and Young People quickly adapted to the situation and put in place new ways of working. This meant that social work offices either closed and staff worked at home or the number of staff who could attend was reduced to ensure safe working practices. In the first two weeks of lockdown, face to face contact with children and families was paused until such times as staff could be supported through guidance, robust risk assessment and access to appropriate personal protection equipment. After a brief pause in March, social work teams very quickly put in place arrangements to see children and families at home, face to face and through virtual and telephone contact. The data shows that staff have been diligent, persistent and consistent in prioritising support and intervention for families most in need throughout the pandemic. Each week, from April, approximately 600 children have been contacted and seen by social work professionals, provided with practical and emotional support and statutory duties fulfilled.

Social workers, social care officers and business support staff responded quickly and flexibly to the challenge and continued to provide essential services throughout. Children and young people at risk continued to be seen and kept safe and the 24-hour child protection response was maintained. New ways of working included virtual child protection meetings and families, children, young people and their advocates have been able to participate fully. Quickly developing new processes presents opportunities as social work services develop recovery and renewal plans. Attendance at meetings by multi-agency partners who find it difficult to attend in person such as medical professionals has improved, and, as a result there is an opportunity to hold on to this positive change and support more comprehensive information-sharing and multi-agency risk assessment.

The Chief Social Work Officer's view is that the children and families social work services is leaving COVID-19 lockdown restrictions with a significantly higher workload than when the restrictions commenced in March 2020. This additional workload is described as being more challenging as individual circumstances have been more complex or more entrenched and it is predicted that it will take longer to achieve the required progress within child protection plans. It is a concern that the workload for the social work teams within Services for Children, Young People and Families are managing higher child protection caseloads with no additional staffing resource. If this continues long-term, the capacity to support families in a preventative, and at an earlier stage, will be significantly reduced. Notable increased activity and demand pressures over the last year to 31 July 2020 are highlighted below:

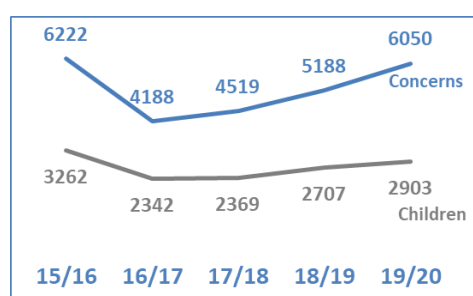
- the number of children and young people subject to Inter-Agency Referral Discussions (IRDs) has continued a long-term upward trend with 400 children being the subject of this multi-agency process to share information, assess risk and plan the most appropriate and safe course of action. This is up 16% from the previous year and represents a **69% rise in IRDs over five years.**

- social workers have carried out child protection investigations into 251 children. This is an increase of 52, which is a **26% increase in child protection investigations from the previous year** and the highest number of investigations over the last 5 years. Each of these investigations requires a comprehensive assessment of risks for every individual child and careful decision-making about the actions that are required to keep children safe.
- At the end of March 2020 and at the start of the COVID-19 restrictions, the number of children and young people on the CPR was 81 and on a par with the previous 4 years. However, by the end of July 2020 it had risen to 97; representing a **20% increase in the number of children subject to child protection plans between March and July 2020** and 23% increase from the previous year. All children whose names are included on the Child Protection Register will have a child protection plan which is coordinated and led by a lead professional social worker.

In the week after children returned to school in August 2020, we have experienced a significantly higher rate of case for concern reports as education services identified children for whom there was a concern for their welfare and wellbeing. Although many of these children will continue to be supported through universal services and access to additional support, it is likely that some will need the support of a child protection plan and there may be a few that become looked after. Although this data is not yet available for this report, it will be closely monitored.

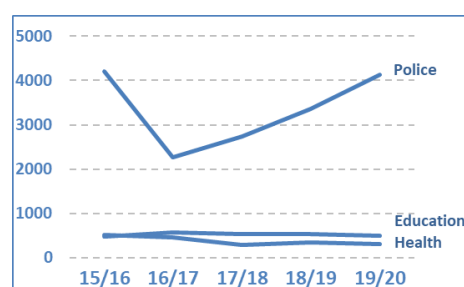
### Child protection management information *(data relates to Academic Year (01 Aug – 31 July))*

**Table 15:** Child Concern Reports (CCRs)

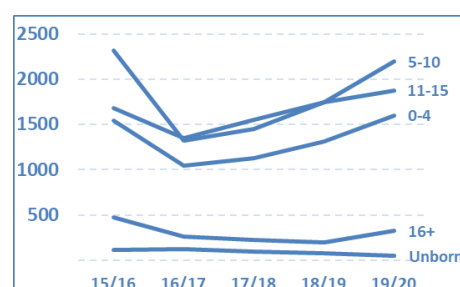


The total number of Child Concern Reports (CCRs) has risen for the third year in a row, while the number of children and young people subject to a CCR has risen more slowly. The longer trend over the last five years is more steady. The reduction in 2016/17 related to the introduction of a triage processes within Police Scotland in line with the implementation of GIRFEC and the Children, Young People (Scotland) Act 2014. CCRs can relate to the same child or young person, particularly where there are multiple or repeated concerns. The total number of CCRs where Domestic Abuse was monitored weekly from mid-March 2020 during COVID-19 lockdown and this remained relatively steady and on a par with the data for 2018/19. This continues to be monitored on a weekly basis.

**Table 16:** Child Concern Reports by source

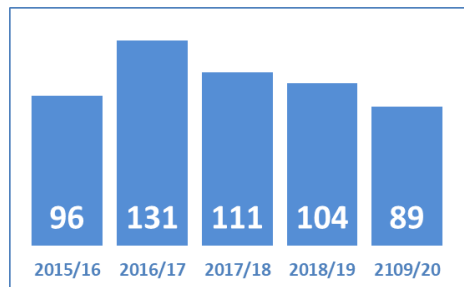


**Table 17:** Child Concern Reports by age of child



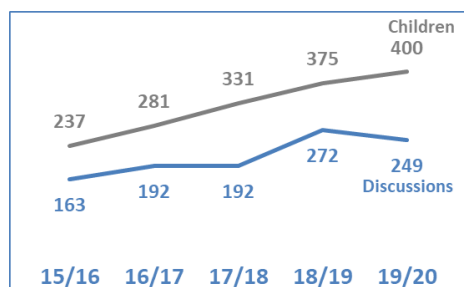
The main source of CCRs continues to be Police Scotland, followed by Education Services and Health Services. Overall, these three source groups account for 80% of all CCRs submitted. The number of CCRs submitted by Police Scotland has been increasing over the last 4 years.

**Table 18:** Unborn baby Referrals



The number of Unborn Baby Referrals raised by NHS Tayside continues a downward trend. The partnership continued to work with the [Centre for Excellence for Looked After Children in Scotland \(CELCIS\)](#) to develop support pathways for vulnerable pregnant women, aimed at *Addressing Neglect and Enhancing Wellbeing (ANEW): Getting it Right in Perth and Kinross; Pre-Birth and into the First Year of Life*. This work has included the redesign of key processes through which Midwives and Health Visitors connect with other services, agencies and community resources to access support for vulnerable families, thus avoiding the need for an Unborn Baby Referral.

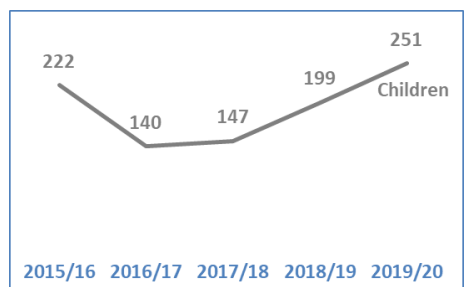
**Table 19:** Inter-Agency Referral Discussions (IRDs)



The number of children and young people subject to Inter-Agency Referral Discussions (IRDs) continues to rise and the number of discussions taking place (which may involve more than one child) also show a long-term upward trend.

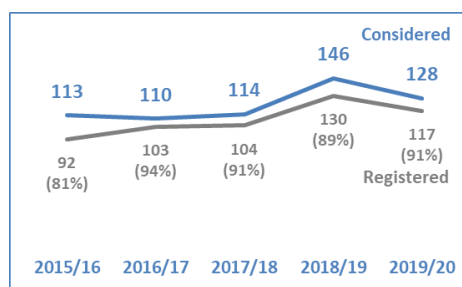
IRDs are recognised as good multi-agency working practice and may be repeated a number of times for the same child or young person. This will be a key feature of practice in the revised National Child Protection Guidance which will be launched for consultation in October 2020.

**Table 20:** Child Protection Investigations



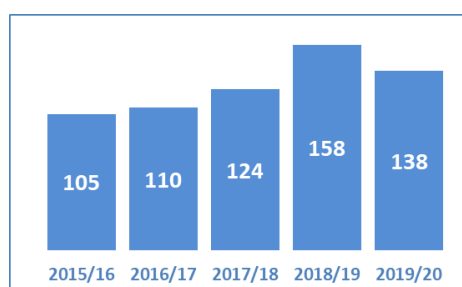
The number of children and young people subject to a Child Protection Investigation has been rising consistently over the last three years.

**Table 21:** Children considered at Initial Child Protection Case Conferences



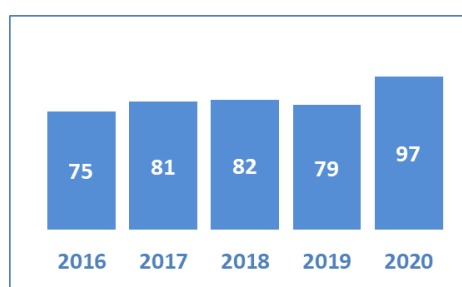
The number of children and young people considered at Initial Child Protection Case Conferences (ICPCC) shows a general slight increase over the last five years, with a slight reduction this year. Of the 128 considered at an ICPCC, 18 related to Unborn Babies (Pre-Birth CPCCs). The proportion of ICPCCs that result in a child or young person's name being placed on the Child Protection Register (CPR) remains high at 91%, demonstrating that the right children and young people are being considered at ICPCCs.

**Table 22:** Child Protection Register – New Registrations



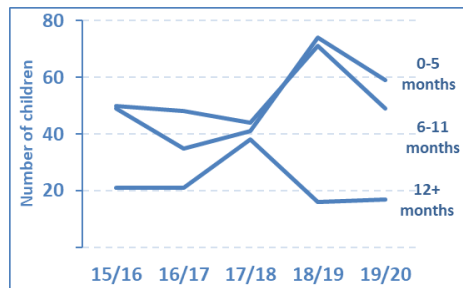
The number of children and young people placed (new registrations) on the Child Protection Register (CPR) during the last year has been generally increasing over the last 5 years. This includes sibling groups. Registrations include a small number of temporary registrations (for children and young people who move into the Perth and Kinross Council area for a limited period; for a holiday with relatives etc).

**Table 23:** Number of children on Child Protection Register



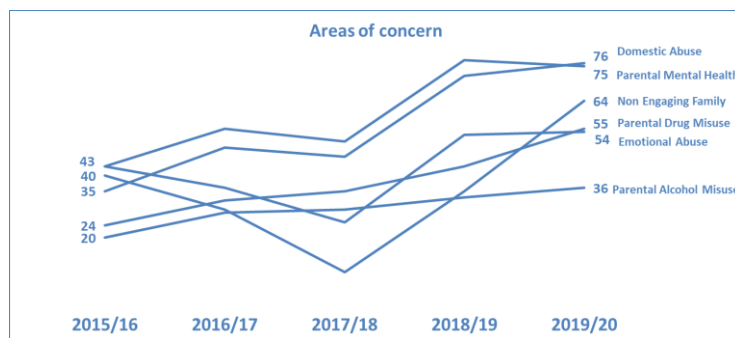
The number of children and young people on the CPR at 31 July has remained relatively steady over the last 4 years, with 2020 showing the first significant increase for some time. These figures include sibling groups. Without doubt, this is a direct consequence of the COVID-19 pandemic and containment measures, which temporarily interrupted well-established multi-agency review arrangements for all registrations. At the end of March 2020, the number of children and young people on the CPR was 81; by the end of July 2020 it had risen to 97; representing a 20% increase, which evidences the impact of COVID-19 pandemic.

**Table 24:** Length of Registration



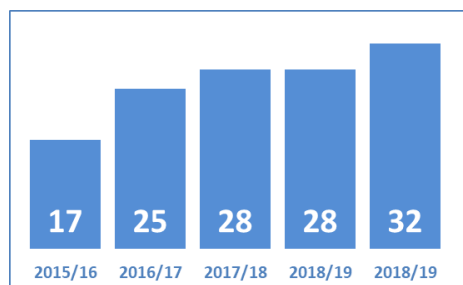
Periods of registration normally last less than a year, and the number of children and young people who remain on the CPR for 12 months or more remains steady. The CPC closely monitors registration rates and in particular de-registrations, re-registrations and length of time children and young people remain on the CPR as part of its quality assurance work. However, this year, it is clearly evident that the COVID-19 pandemic and subsequent containment measures have had a significant impact both on CPR registration rates and the length of time children and young people have remained on the CPR, as illustrated above. There has clearly been a slower de-registration rate than normal, partly due to the fact that schools and early years services were not operational and able to contribute towards child protection plans in the same way. New ways of working are now in place to address this issue, for example, with key multi-agency child protection meetings taking place on a virtual basis.

**Table 25:** Risk factors for children in need of protection



The key risk factors for children and young people whose names are included on the CPR continues to be the impact of domestic abuse, parental mental ill-health, problematic parental substance alcohol misuse. Together these are referred to as the trio of risk. For the majority of these children there will also be an element of emotional abuse. Over the last year the identification of non-engaging families has continued to increase reflecting the positive impact of staff training and a focus on neglect over the last 2 years.

**Table 26:** Numbers of children placed on Child Protection Orders



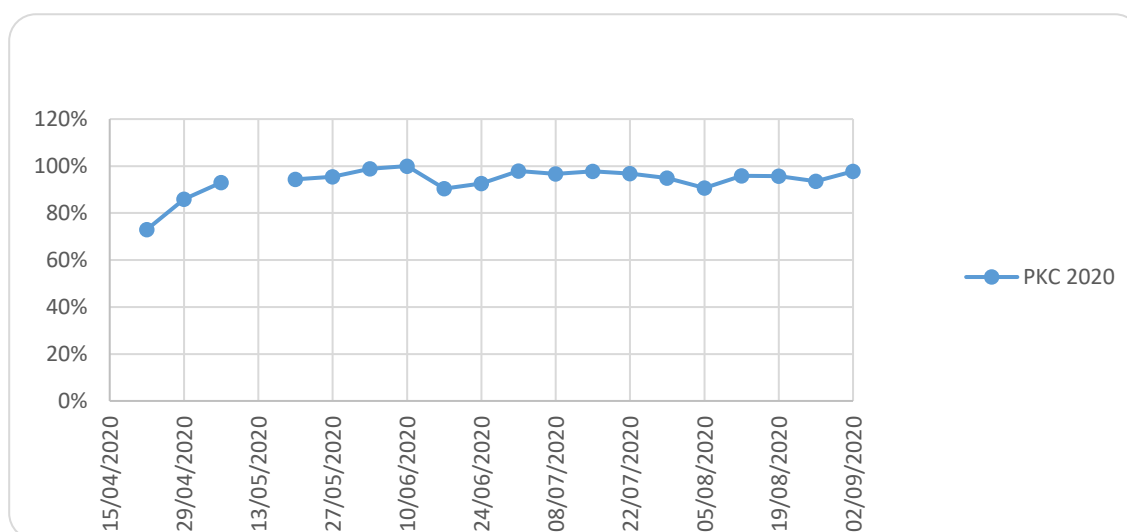
The number of children and young people placed on Child Protection Orders (CPOs) has been generally increasing over the last five years. These figures, which include large sibling groups as being closely monitored.

## COVID-19 data (relates to the period 1 April – 31 July 2020)

### Children with a child protection plan seen face to face

The percentage of children and young people with a child protection plan, who were physically seen, face-to-face, by their social worker (lead professional), on at least a fortnightly basis, has remained very high. It averages at 94% between April and July 2020. Weekly monitoring showed that after a brief pause in home visits in March, this improved significantly in April and has remained consistently high over the period of the COVID-19 pandemic through to August 2020. This has been monitored very closely as it was important to know that children who were assessed to be at risk of abuse and neglect were being seen at a time when universal services such as schools and nurseries had closed. Social workers quickly responded and engaged in home visits, supported by risk assessments and guidance on the correct use of personal protective equipment (PPE). This high performance was maintained at a time when the number of children on the Child Protection Register and subject to a multi-agency child protection plan increased from 81 to 97.

**Table 27:** Percentage of children with a child protection plan seen in preceding 2 weeks



### 3.13 Corporate Parenting & Children and Families Social Work

This is the final year for the Corporate Parenting Plan for 2017-20 and the new plan will begin with close engagement with our care experienced young people, their families and corporate parents such as NHS Tayside and Police Scotland, Scottish Fire and Rescue, Skills Development Scotland, SCRA and 3rd sector partners.

The Corporate Parenting Plan is monitored by the Children, Young People and Families Partnership and its sub group for Corporate Parenting. This includes representation from FYI (the Fun Young Individuals) ensuring that care experienced young people have direct and meaningful engagement with corporate parents and control over the agenda. There are five themes around which our Corporate Parenting Plan is built which reflect the wellbeing indicators and areas selected by young people as being important to them:

- Home (Safe and Nurtured)
- Voice (Respected and Included)
- Health (Healthy and Active)
- Achievement and Attainment (Achieving)
- Employment and Education (Achieving and Responsible)

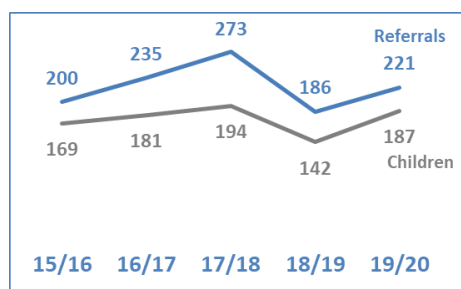
Over the last year, care experienced young people and corporate parents have continued to engage directly in the work of the Independent Care Review. The Promise, the report of the Independent Care Review, was published in February 2020 and sets out a higher collective ambition for a fundamental shift in how decisions are made about children and families and the way in which loving, supportive and nurturing relationships form the basis for all children to thrive.

The Promise provides 5 key foundations for achieving that ambitious wholesale change: Voice, Family, Care, People and Scaffolding.

The review of progress in relation to the current plan and an assessment of what we need to focus on to deliver on the Promise will be carried out in 2020/21. This will be a main priority for Services for Children, Young People Families social work services over the next few years in order that the care system can shift from 'protecting against harm' to 'protecting all safe, loving and respectful relationships'. Between 2017 and 2019 we had made good strides in reducing the number of children requiring residential care and have successful experience of implementing multi-disciplinary intensive family support through our REACH team in order to reduce this by over 50%. However, we have not prevented younger children becoming looked after and the number continues to increase. In addition, we have recently experienced a significant increase in the number of children who require to be looked after during COVID-19. To ensure early activity to put into action the ambitions within the Promise and building on the lessons from REACH, a test-site for innovative intensive family support will be established in 2020/21.

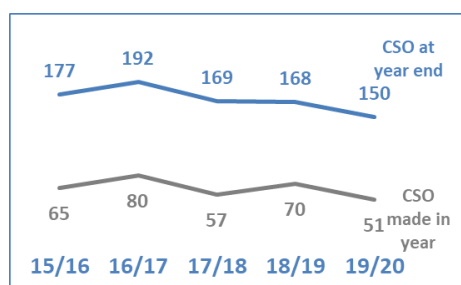
The number of children referred to the Scottish Children's Reporter Administration (SCRA) shows some variation over the last five years. This continues to be monitored jointly with SCRA to ensure that the right children are referred for compulsory measures of supervision, for the right reasons and that the assessment reports contain all of the necessary information and analysis to support effective and protective decision-making for children.

**Table 28:** Number of referrals to SCRA



The number of children and young people placed on Compulsory Supervision Orders (CSO) and the number of children on a CSO at the end of year the show a general downward trend over the last four years. This is in line with the national trend. Children and young people who are placed on CSO are looked-after, either at home or away from home at an approved placement which is named on the Order. These children are subject to supervision visits and contacts by a social worker and six-monthly statutory looked after child reviews.

**Table 29:** Number of Compulsory Supervision Orders



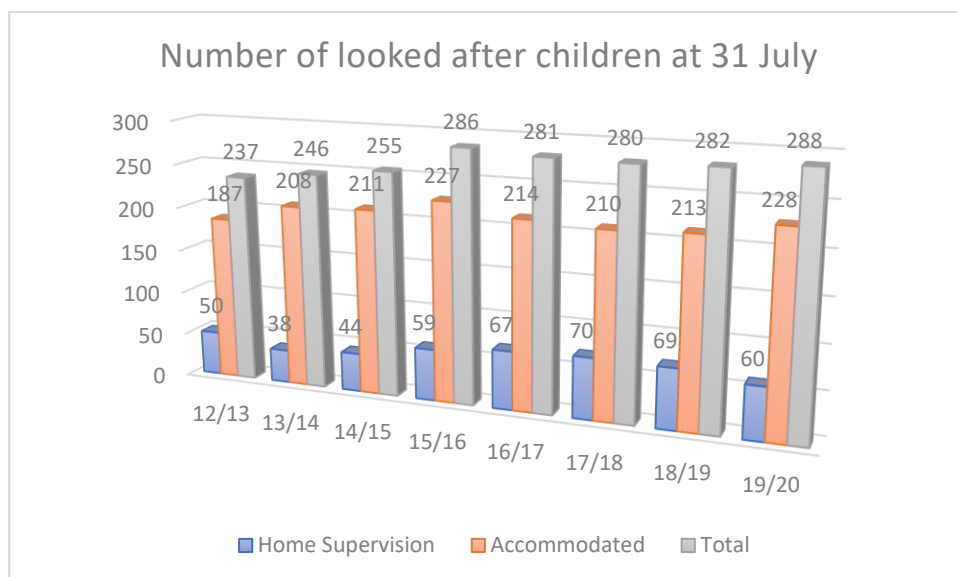
At 31 July 2019, there were 282 children and young people who were looked after away from home by Perth and Kinross Council. This fell by 13 to 269 at the end of March 2020 reflecting the range of work to prevent children and young people becoming looked after.

The upward trend from 2012 had levelled off during 2016 and had begun to decrease and we were on track to end the period with fewer children looked after than any year since 2014.

By the end of July 2020 however, the total number of children and young people who were looked after had risen to 288 with the highest number of children accommodated away from home since 2012 (228). It is clear that the COVID-19 pandemic has resulted in more children and young people becoming looked after than would have been anticipated. This represented **an 8% increase in the number of looked after children and young people during COVID-19** (end of March to end of July 2020). It has also signalled a reversal of the progress made over the previous 4 years in reducing the number of children looked after away from home.

All of the children who became looked after during March to July were accommodated in kinship care or local foster care placements. Our ability to manage this spike in numbers and to retain children within their own communities reflects the very positive impact of measures over the last 3-4 years including, the expansion of the Family Based Care project which had worked to increase the number of local foster care placements and the good practice in seeking kinship care wherever possible.

**Table 30:** Number of children who were looked after as at 31 July 2012 -2020



Note: 2019/20 figures are not yet published by Scottish Government.

It is clear that the COVID-19 pandemic has resulted in more children and young people becoming looked after than would have been anticipated. There has been a substantial increase in the level of activity carried out by social workers to 31 July 2020 to ensure that children's needs for nurturing care have been met. This increase in numbers of looked after children has meant additional demands on foster care and kinship care and all of the requirements for children to be seen regularly in placement and their circumstances reviewed within statutory regulations. This is all happening at a time when there are also significant demand pressures as a result of the increase in child protection activity.

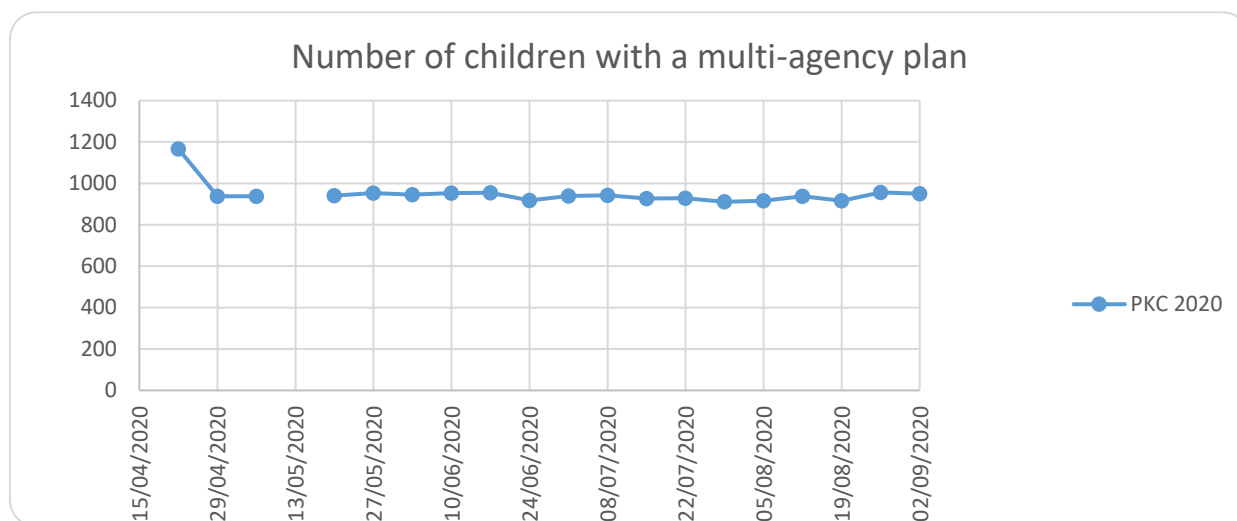
### Children with multi-agency plans contacted

The number of children and young people with a multi-agency plan who were contacted (by home visit, face-to-face, or virtual or telephone contact) by a social worker, on at least a weekly basis, has remained very high and showed a consistently upward trend over the period of the COVID-19 pandemic and when schools were closed. Weekly monitoring showed that after a brief pause in home visits in March, this improved significantly in April and has remained consistently high over the period of the COVID-19 pandemic through to August 2020. This data comprises all cases open to Service for Children Young People and Families, including all cases open to the Child Protection and Duty Team for follow up and initial investigations. This has been monitored closely as it was important to know that families who need coordinated support were getting the help they need.

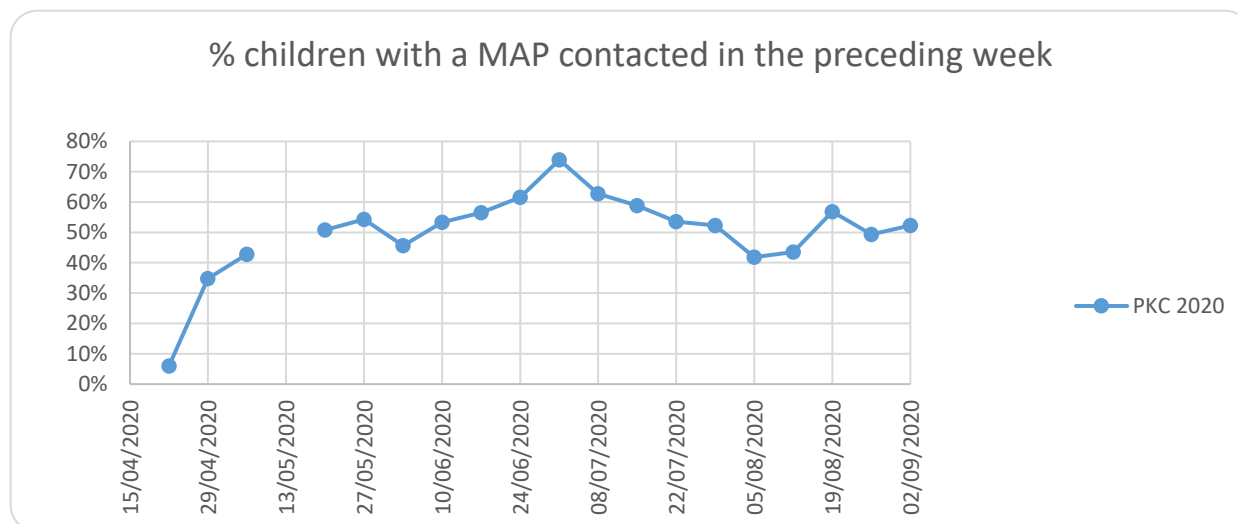
Social work staff along with other professionals quickly responded and engaged in these contacts, supported by risk assessments and guidance on the correct use of personal protective equipment (PPE). Performance varied week to week but overall during the period April to July 2020, 50% of children who were the subject of a multi-agency plan were seen each week. The total number of children varied from 916 to 955 each week.

This data shows the extent to which social work staff prioritised and maintained a focus on the most vulnerable children throughout the pandemic. Social workers endeavoured to ensure that all children, young people and families who had a lead professional social worker were seen face to face and that multi-agency child's plans continued to address risks and needs throughout the pandemic.

**Table 31:** Number of children with a multi-agency plan.



**Table 32:** Percentage of children with a multi-agency plan (MAP) seen in the preceding week.



## Children and Families Fieldwork Teams

Children and family fieldwork services includes the Child Protection and Duty Team, five locality social work teams as well as specialist services for children with a disability, pregnant women and families with very young children at risk, family support and supervised contact for children who are looked after.

## **Family Focus**

The Family Focus Team undertake Initial Assessment Reports for all unborn babies that are referred through the Unborn Baby Protocol and for children under three years where there is growing concern for their welfare. The Maternal Minds group was established in 2019 to address a gap in the support for parents experiencing ante and post-natal depression.

## **Perth City and South**

The team has links with a local community women's group who have made knitted animals for children. This is a good example of intergenerational work as the knitting group is now making 'Worry toys' using the GIRFEC SHANARRI wellbeing indicators. These are affectionately known as 'Shanarri Calamaris' as they have 8 legs (one for each indicator) and the legs can be used to convey the child's feelings at a very early stage with social workers.

A social worker from the team received the Police Scotland Tayside Divisional Commanders Award for outstanding and noteworthy actions by Police officers, Police staff, Special Constables or members of the public. The social worker's role in operation Tanzanite was recognised as an outstanding example of multi-agency working and maintaining a steadfast commitment to the safety and protection of children.

## **Blairgowrie**

From February 2020, the Blairgowrie team has become involved in a Pathways Pilot that is a multi-agency approach to service provision in the Blairgowrie and Rattray area. This is in partnership with Education, Police, Youth Services, DAT, Housing, Health, Psychology. This was a pilot based on work with five families who were high users of these services and that were deemed as benefitting from a joint approach. Looking at delivering services at a local level through better partnership, collaborative and effective working. The social work measurable outcomes for this were in relation to children being able to remain at home safely, number of referrals to Child Protection Case Conference and referrals to the Children's Reporter.

## **Strathearn and Kinross**

The team has delivered the Reconnect parenting programme. This focused, 8-week block of 1:1 work helps SSCO's to identify any specific areas of on-going support for parents. Through discussions with the allocated social worker/senior practitioner/team leader this can help to pin point the most effective use of the SSCO's time. The parenting project is being evaluated by taking feedback from parents at the end of each session. It is also being evaluated by the parents completing a strengths and difficulties questionnaire at the start of the project, after 8 weeks and after 6 months. During this programme parents learn how their own experience of being parented impacts on how they parent their child, they learn about the relevance of the hierarchy of needs and how lower needs all had to be met before their child could progress. It also considers how babies learn.

## **Summer Project 2019**

35 children and young people were engaged in a summer group work over the school holiday period, referred by Social Workers in the team. This created opportunities for honest dialogue with some of the young people who were struggling the most over picnics and various activities. These outings were good opportunities to speak about appropriate/inappropriate behaviour in school, at home and in the community and allowed families to see Social Work in a positive light and to help build trust.

## **Assessments and report writing**

In 2019, in an effort to secure continuous improvement in the assessment of risks and needs, all social work assessments prepared for Child Protection Case Conferences and Children's Hearing were reviewed by Improvement Officers and evaluative feedback was provided to social workers and their Team Leaders. For a period of 3 months, Children's Hearing Panel members provided feedback to Services for Children, Young People and Families with a view to ensuring that the reports contained all of the necessary information and analysis to enable panel members to come to the most appropriate decisions about children. This successful approach has now been taken up more widely by other local authorities. Training in report writing has taken place for all social work staff.

## **Children and Families Looked After Services**

### **Adoption Team**

Over 2019/20, the adoption team developed and lengthened the transition process for children to include chemistry meets and additional meet-ups between children and prospective adopters prior to the more intensive transition period. This has ensured a much more robust match and there have been no disruptions since October 2017. Perth and Kinross has been asked to share local guidance with other local authorities via Adoption and Fostering Alliance Scotland.

### **Family Based Care**

Over 2019/20, there were 50 assessments for kinship carers to become approved carers for looked after children within their family.

The Family Based Care Team supports 156 kinship placements, 74 of these relate to children who are looked after by the local authority and placed in kinship care and 82 of these relate to kinship placements which require additional support and assistance because of their circumstances.

### **Family Change**

Over 2019/20, the Family Change Team have provided 106 professional consultations and over 400 therapeutic sessions. 84% of referrers and 79% of parents report positive change in the child after their child received a service at Family Change.

This year Family Change has been approached to have a role in 2 new areas of service - the PRAISE team which is a new team to support improved educational outcomes for children of primary school age and who are looked after at home, and, the School Counselling Service. This work is fully funded via Scottish Government grant funding.

### **Developing Independent Advocacy**

In line with the action plan arising from the Joint Inspection of Services for Children and Young People by the Care Inspectorate in April 2018, the arrangements for advocacy and for seeking the views of children and young people at key child protection meetings, Looked-After Reviews and Children's Hearings has been further developed over the last year. The priority focus has been to ensure that all children and young people who are looked-after and accommodated or who are looked-after at home and those who are involved in child protection processes receive high-quality independent support and advocacy. Support from budget motion monies from the Council's budget setting in 2018-2021 has enabled significant improvements in the extent to which advocacy can be offered as a matter of routine and enabling all children and young people to benefit from independent support and new ways of expressing their views at important times.

Independent support from the Child and Youth Rights Officer and Independent Advocacy Perth and Kinross enables children and young people exercise their right to be listened to, understood, respected and taken seriously during key meetings.

An increasing number of children and young people have had their views presented at key meetings. The Children's Rights Officer supported 21 children over the past year at child protection meetings. The Independent Advocacy Perth and Kinross (IAPK) has been commissioned by Education and Children's Services and is the primary provider of Children's Hearing Advocacy in Perth and Kinross. A Children's Hearing Advocacy post has been created along with a full time Advocate working exclusively with children and young people. IAPK supported 123 children and young people at 209 meetings over 2019/20. This is a much-improved position from 44 children and young people in the previous year.

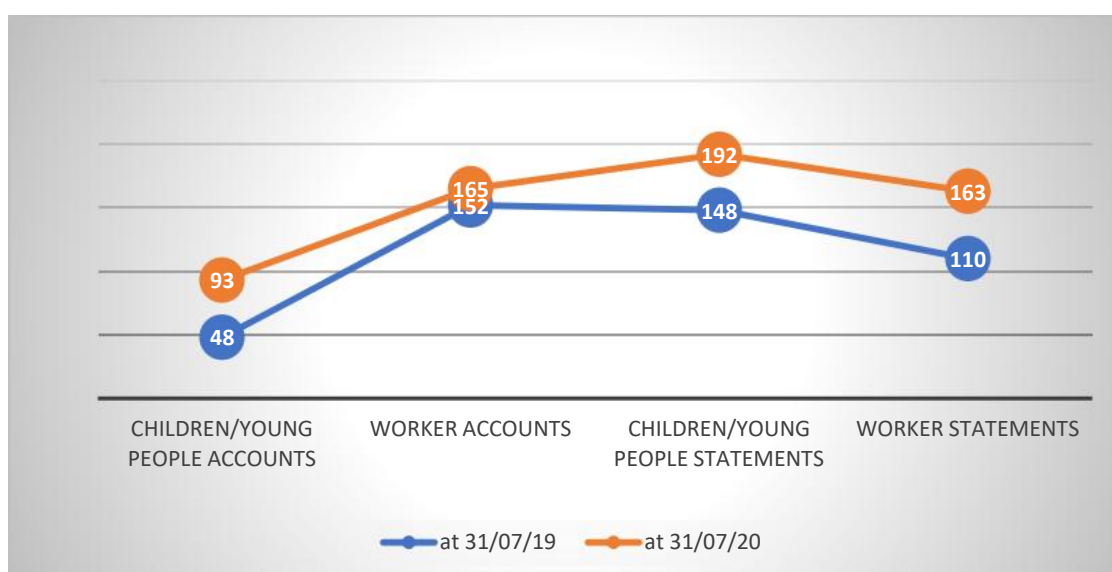
Over the last year, the number of children and young people under 15 years taking up the offer of advocacy has increased by 72% from 25 to 43 individuals. The number of young people who are aged 18-25 and who are entitled to continuing care (and to remain in their care placement until they reach 21) or after care (up until they reach 26) accessing independent advocacy has also increased by over 300% from 18 to 74 individuals over the last year.

Since July 2019:

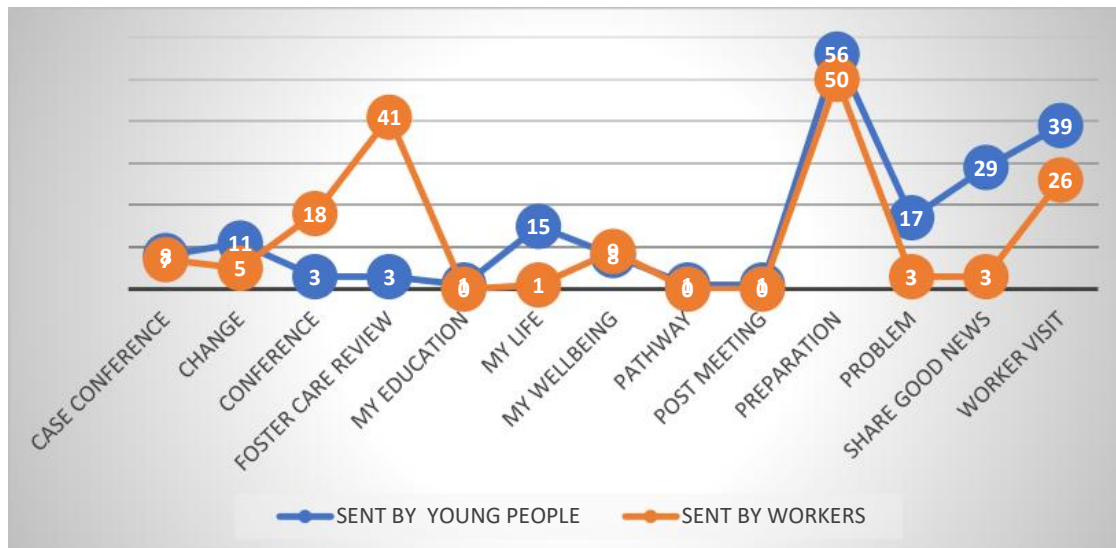
- 147 children and young people's views were presented at a Child Protection Case Conference by their social worker, carer, advocate or other professional
- 233 looked-after children and young people's views presented at a Looked-After Review Meeting by their social worker, carer, advocate or other professional
- 100 children and young people helped to submit an All About Me Form to a Child Protection Case Conference or a Looked-After Review Meeting

Services for Children and Young People has continued to commission the Mind of My Own App. This has been expanded in 2019/20 to include Express, developed specifically for children under 8 years and for children with a learning disability. The Mind of My Own App is therefore now available to a much larger group of children and young people ensuring that the views of children who are often described as far harder to reach are sought and considered during key decisions. 355 individual statements were made, and it is reassuring to see the number of children and young people using the App in preparation for a meeting which means their views can be considered when decisions are made. Equally encouraging is the number of young people who are using the App to share good news and to prepare a statement and in advance of a visit by their social worker to help open up discussion about those areas that are important to them.

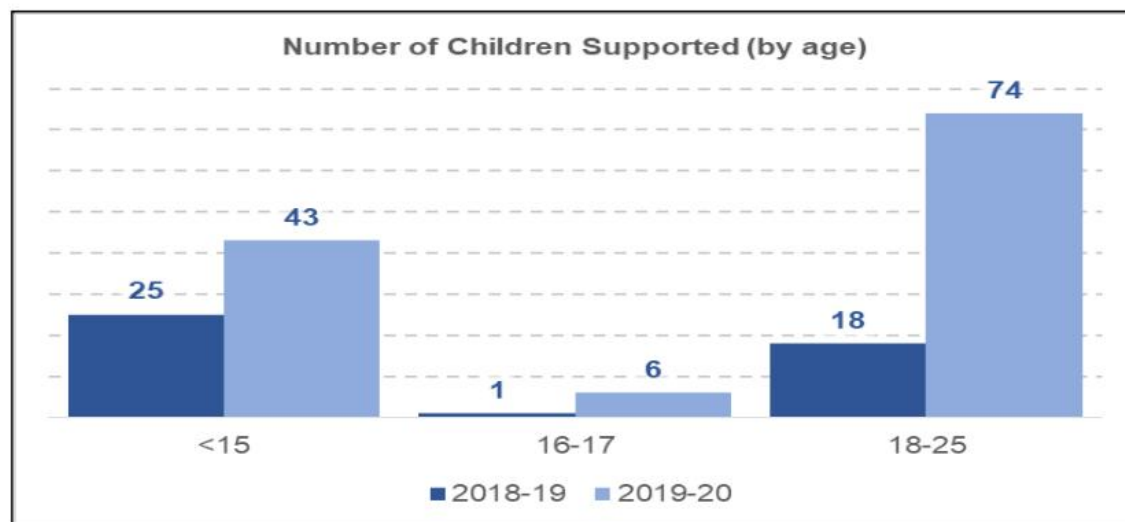
**Table 33:** Number of children and staff using Mind of My Own



**Table 34:** Number of Mind of My Own Statements in 2019/20



**Table 35:** Number of children and young people supported by Independent Advocacy Perth & Kinross (IAPK)



### Children with a disability

In 2019/20, £61,375 was committed to support the provision of Self-Directed Support (SDS) within services for Children, Young People and Families in 2019-20. A total of 118 applications for support were made and a range of resources provided to meet need. A further £198,100 was provided, specifically, to support children with disabilities, 48% of families with children with a disability receive Option 1, solely, as a Direct Payment. These families have their own budget which they use to buy in their own support. This budget is fully managed by the family, and most families use their budgets to fund personal assistants.

The innovative use of SDS has taken time to embed and there is an ongoing training requirement for staff. The incremental implementation has enabled staff within Services for Children, Young People and Families to benefit from learning from earlier work undertaken with adults. Woodlea continues to provide high quality residential and day respite for 89 children and young people with complex needs. Over the last year, Woodlea provided 485 overnight respite stays and 684 day-respite stays.

The Children and Disability Outreach Service from Woodlea continues to be an effective intervention to support children, young people and their families throughout Perth & Kinross. The four Senior Social Care Officers from Woodlea Residential Team balance outreach and residential respite. The outreach service has supported 39 families over the last year.

An online parent survey revealed that all parents rated the support from Woodlea as good or better and 78% of parents rated the support from Woodlea as Excellent.

### Supporting young people to remain in their own families schools and communities

In August 2017, Perth and Kinross Council approved and provided financial investment in a transformation project to reduce the number of children and young people in external residential placements and to put in place a 'one stop', multi-disciplinary response to address the needs of young people aged 12-18 years and to their families across Perth and Kinross.

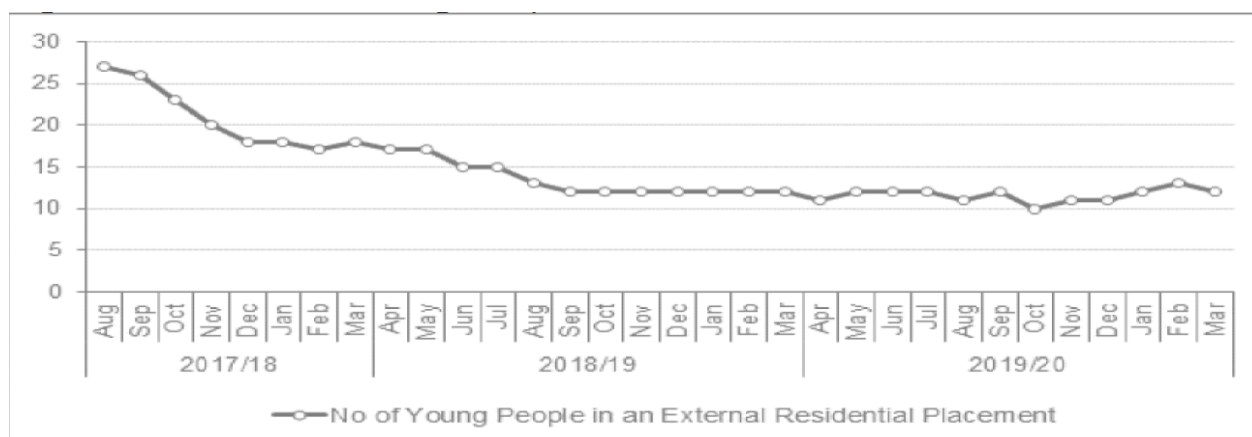
In January 2019, the fully established REACH team moved to a dedicated and refurbished building adjacent to Almondbank House in Perth. The team operates 24 hours and 7 days a week with Social Workers and Social Care staff providing cover. This working model enables REACH to support families when they are most in need of support, whether this is during the day, in the evening or at the weekend.

The provision of integral support from the Clinical Psychologist and Speech and Language Therapist complements the expertise of a dedicated teacher and specialist Social Workers and Social Care Officers. This professional skill mix has been invaluable in providing holistic care and support to some of the most vulnerable young people in Perth and Kinross.

From 1 April 2019 to 31 March 2020, REACH had supported 59 young people, 24 of whom were looked after young people before they began working with REACH and for whom the aim was to return to their family or local community.

The contribution of the REACH Team to avoiding the need for young people to become accommodated in external residential placements is evident. The reduction in the number of children and young people requiring residential placements has been maintained at between 10 to 12 over the last year and remains lower than the three-year average.

**Table 36:** Number of children and young people in external residential placements.



REACH Social Workers are amongst the first in Scotland to use the Short-Term Assessment of Risk and Treatability: Adolescent Version (START-AV). The START-AV tool focuses on the strengths of the young person whilst taking account of their vulnerabilities and risks. Using this assessment tool allows for any change in strengths, vulnerabilities and risk to be measured in a consistent manner. Currently five social workers are trained in START-AV and one social worker has completed the training for trainers.

### 3.14 Services for Young People

In 2019/20 services for Young people supported the achievement of the following awards:

- 9 participants achieving 7 Youth Achievement Awards
- 60 participants achieving 56 Dynamic Youth Awards

- 25 participants achieving 19 Hi5 Awards
- 368 Duke of Edinburgh Awards (201 Bronze, 108 Silver, 59 Gold)
- 2 Baby First Aid certificates
- 14 John Muir Awards
- 20 Food Hygiene Certificates

Services for Young People supported the distribution of 1184 NEC Cards to young people across Perth and Kinross. The service supported 50 (85% success) aged 16-19 on to a positive destination. 18 young people ran the Community Café, Full of Beans at @scottstreet.

The services achieved a Bronze award for the completion of the LGBT Charter jointly with Wellbank which required some comprehensive, long term work in terms of presentation of evidence and working protocols within the service evidencing our positive and promotional work within this area.

In partnership with the Gannochy Trust, Universal Youth Work is commissioned from 5 local providers and over the last year levels of engagement have increased. Across Perth and Kinross 2906 contacts were made with young people, 1575 volunteering hours carried out by young people aged 11-16 and a further 1155 hours by young adults 16 plus.

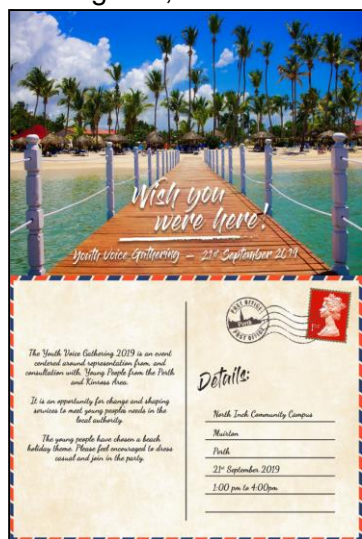
A partnership with the Hadden Group: Construction & Property Development won a silver GO Award for their input into youth initiatives towards employment.

7 young men took part in a sailing residential, 6 of whom were care experienced. 3 went on to complete their RYA competent crew qualifications.

The Children's Rights Officer (CRO) has worked alongside a professional advisor from UNICEF to coordinate and deliver Achieving Silver and Achieving Gold training for participating schools. Since April 2019:

- 8 schools have achieved Bronze: Rights Committed
- 2 schools have achieved Silver: Rights Aware
- 1 school has achieved Gold: Rights Respecting
- 3 school have been reaccruited as Gold: Rights Respecting
- a further 21 schools have registered for RRSA and have assessments scheduled

The Milestones workshop (including the film) was delivered to 2000 participants across Perth and Kinross and Tayside. 500 Corporate Parenting Kits made to raise awareness in return for pledges to support our local care experienced young people. 36 successful individual grant applications made totalling £16,783 for local care experienced young people.



The Youth Voice Gathering was held on Saturday 21 September 2019 at the North Inch Community Campus in Perth. This was a one-stop-shop type event, planned by young people, for young people. The event aimed to showcase their work and to share and discuss with representatives from key local services, agencies and partnerships, what was significant and important to them in terms of keeping themselves safe; improving their health and wellbeing and to improving the quality of their lives.

On the day, 13 separate services, agencies and partnerships attended the event and engaged with 9 individual youth groups and their representatives.

## **Wellbank and Throughcare Aftercare**

On 31 March 2020, the percentage of children being cared for in the community remained very positive at 96%. In 2018/19, Perth and Kinross was ranked first out of 32 local authorities for this measure within the Local Government Benchmarking Framework.

Over the last year, the number of supported lodgings providers has increased from 11 to 12 and the number continuing care placements has increased from 21 in 2018/19 to 28 in 2019/20.

The Council's commitment to providing accommodation for Unaccompanied Asylum-Seeking Children (UASC) has continued. Over the last year, an additional 4 young people have been provided with high quality care and support. This brings the total accommodated to 13 with an incremental approach to provide for a total up to 20 over the next few years.

The number of care experienced young people being supported by the Through Care and After Care Team has increased from 193 to 238 with 84% of all young people entitled to after care services up to the age of 26 remaining in touch with the team. This high level of contact has been consistent since 2016 and represents an incremental increase in workload for the team year on year.

The #C200 charity was set up by Perth and Kinross Council employees in 2019 to support young people who have left care without the benefit of family support. 140 young people have benefited from the funds over three significant periods, Christmas 2019 and March/April in support of young people coping with the COVID 2020 outbreak and further vouchers paid for young people's birthdays. To date, we have been successful in gaining 36 funding awards for young people for items such as laptops, driving lessons, items for accommodation, clothing and essentials etc.

### **3.15 Support for Carers**

#### **Support for unpaid adult carers**

The Carers (Scotland) Act 2016 was implemented on 1 April 2018 seeking to improve the rights of carers and to reduce the adverse impact on their health and wellbeing as a result of their caring responsibilities.

During 2019/20, key activities focused on meeting new legislative duties and to ensure that the way in which this was implemented met the needs of carers. The Joint Carers Strategy 2019-22, for adult and young carers, was approved on 6 November 2019 by Integrated Joint Board and Perth & Kinross Council's Lifelong Learning Committee. The development of the Carers Strategy was undertaken through engagement and consultation with carers and professionals that support them. In total 359 people across Perth & Kinross provided valuable opinions and insight. Emerging themes were highlighted during the consultation which were used to formulate a series of six commitments which were included in the Carers Strategy. Ongoing engagement is a feature of the strategy to ensure that services are flexible enough to respond to changing needs and that services are available within the communities in which carers live.

The Strategy builds on what has already been achieved locally to give carers access to appropriate help and assistance, including options for respite breaks, a telephone befriending service for older carers, social prescribing and statutory support services for carers tailored to their individual needs.

Key activities over the last year to enhance the support for carers include:

- Consultation with Carers in the development of the Carers Strategy, the "Adult Carer Eligibility Criteria Framework" and the "Short Breaks Services Statement".
- Roll out of the Carers Experience Survey to evidence the impact of the changes that are made as a result of the Strategy; the responses received so far have demonstrated that carers were mostly aware of the support available to them and had been able to use this to support the person they care for.

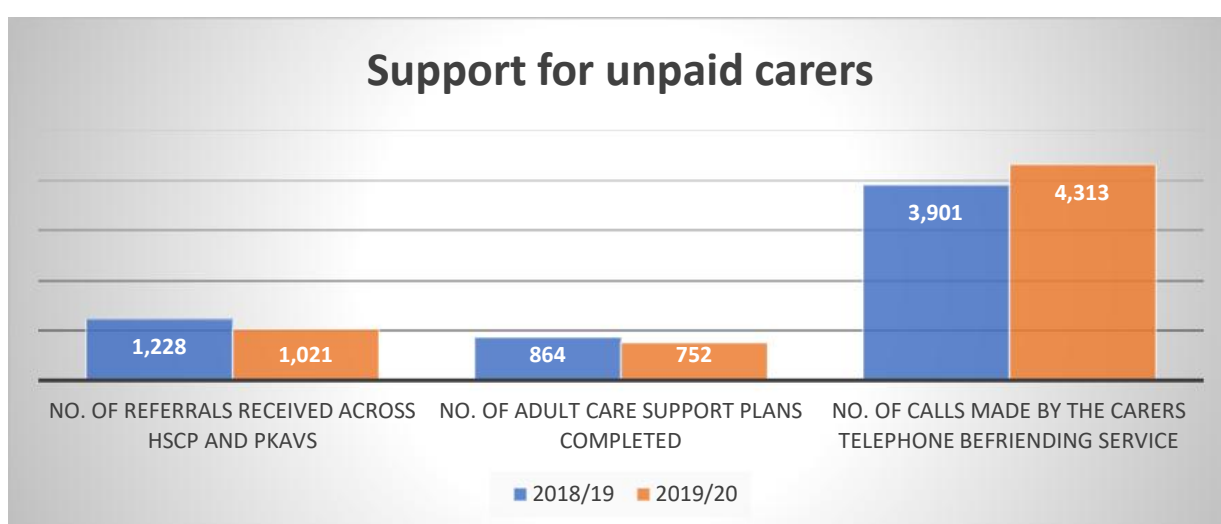
- Recruitment of four carer support workers; three based in localities and a fourth who is dedicated to support unpaid carers when a patient is discharged from hospital
- Improving the Carers Journey and the process for carers, including parents of children with disabilities, drugs and alcohol and mental health to ensure an easier journey for the carer in getting the support they need, creating personalised pathways, ensuring that support is flexible to the needs of carers.
- PKAVS Carer Centre moved to a dedicated building within Perth City which provides day centre support and a single point for current, accurate information and support for carers across Perth & Kinross. Additional investment has been made in personalised sitting services which support carers in the community, enabling families to stay together longer.
- Investment in a telephone befriending support service for Carers
- Investment in technology to support carers and promote the benefits of Technology Enabled Care for carers
- Enhanced information for carers available on pkc.gov.uk website

Referrals and Adult Care Support Plans were higher in 2018/19 following the implementation of The Carers (Scotland) Act 2016 as plans were introduced to replace existing carer assessments. From March 2020, there has been a clear reduction in the number of new Adult Care Support Plans due to Covid-19. Not all carers seek formal plans and others have been reluctant to engage with external services during the pandemic.

Carer Support Workers have provided support throughout the pandemic to vulnerable carers. In partnership with services commissioned from PKAVS, the service for unpaid carers was enhanced to provide support 7 days per week. Distribution Hubs were established to provide Personal Protection Equipment (PPE) and between March and June over 280 requests for emergency supplies were managed and provided to unpaid carers and local providers.

PKAVS Carers Hub redeployed staff to work on the telephone service during the response phase. Management information indicates that in addition to the number of calls made by the Carers Telephone Befriending Service there were a further 13,682 calls made across the Health and Social Care Partnership to support carers through the pandemic from March to the end of June 2020.

**Table 37:** Support for unpaid carers



During COVID-19, as the restrictions on gathering and movement were put in place many of the usual supports depended on by carers, such as peer support groups, paid carers and day care services, became less available. PKAVS provides preventative informal support extended the telephone befriending service to cover out-of-hours and weekend times and more communication platforms supporting up to 1,150 carers a week.

Social Work teams were able to ensure that the most vulnerable service users and carers were supported on a regular, frequent basis. A short-term Carers Sitting Service was established using re-tasked staff who supported carers to have a short break from their caring role. This service enabled carers to go shopping, exercise, rest, read or listen to music, knowing that the person they care for was safe and looked after. Feedback from carers and the people they cared for who used the service was overwhelmingly appreciative of the break it gave them. By using an early intervention model, we were able to reduce the impact of Covid on carers and prevent carer breakdown.

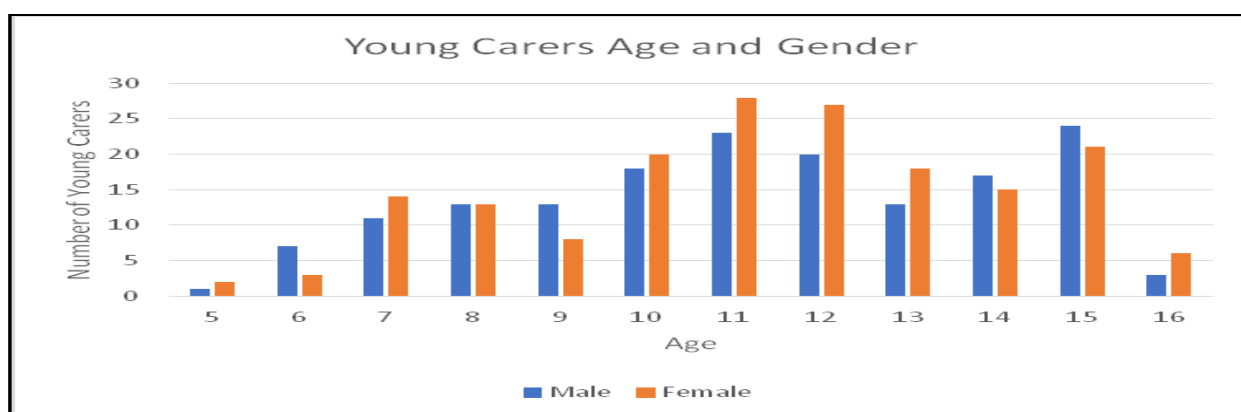
To support carers in accessing PPE, an Emergency PPE process and pathway was established enabling carers to access PPE when having difficulty with normal suppliers. PKAVS supported 146 family carers to access PPE during the pandemic and lockdown who were shielding or fearful of leaving their homes.

## Young Carers

The Carers (Scotland) Act 2016 which came into effect from 1 April 2018 entitled young carers to request or be offered a Young Carer Statement (YCS). Additional Scottish Government funding to support the new duties imposed by the Act provided a budget of £111,152 for 2019/20. This enabled a number of key developments including a strengthening of the Service Level Agreement with PKAVS to continue the highly valued support for Young Carers. The joint Carers Strategy has strengthened collaborative working across Services for Children, Young People and Families, the Health and Social Care Partnership and PKAVS enabling a more holistic approach to families which addresses the support needs of young carers and the cared for person.

Working with PKAVS, Young Carers and their families, the ECS Inclusion Team delivered an outreach event for schools which resulted in increased awareness of the need for support by Young Carers and as a result there has been an increase of referrals by schools to PKAVS. The number of Young Carers seeking support has continued to grow and at the end of July 2020 there were 338 Young Carers receiving support with approximately 10 new Young Carers coming forward every month.

**Table 38:** Number, age and gender of identified Young Carers 2019/20



The following additional support has been secured over the last year:

- an Education Support Worker based in PKAVS
- increased support through group work and 1-1 sessions for young carers in rural areas through two new posts
- additional and bespoke tutoring for young carers who need more support to succeed in school
- additional funding to increase and widen respite opportunities via the Children and disability Team and PKAVS
- a new social worker post within the Children and disability Team to assess and provide support to parent carers and prepare Young Carers Statement for those with the highest level of needs.

The Educational Attainment Service for Young Carers, EASYc commenced in May 2019, as part of the legacy for the late Councillor Barbara Vaughan. The aim of EASYc is to support Young Carers who are finding it difficult to remain engaged in education. The service is flexible and adapts to the needs of each individual young carer. Support is available via homework clubs, time-limited private tuition and remote access to study supports.

Prior to the COVID-19 pandemic, tutoring took place face-to-face at PKAVS Carers Centre. Since the COVID-19 restrictions were imposed in March 2020, these tutoring sessions have been delivered by virtual means to 85 Young Carers. Referrals come from support workers, schools, social workers, parents or the Young Carer and they have been supported to remain digitally included and able to stay in touch via online communication.

Young Carers Voice is a group of 8 Young Carers who meet once a month to discuss issues which affect them. The group has produced an awareness raising podcast and provided views on local strategies and services and specifically to staff and managers responsible for developing services for Young Carers. Here is a link to their [Podcast](#).

### **3.16 Adult Social Work and Social Care Services**

#### **Technology Enabled Care**

Technology Enabled Care (TEC) aims to increase people's choice and control over the support that is offered. TEC can enable people to self-manage their own health and wellbeing, allowing them to stay safe and independent for longer. Care can be provided through a range of technologies such as Community Alarms to those who wish to remain safe and independent at home or in a homely setting. TEC allows for greater choice of support and enables peace of mind for users and their families.

A new Smart Flat was opened at Carpenter Court and between July and December 2019 over 300 visitors came to see the range of technology in operation within the flat. The Smart Flat allows people to see how this technology can be used in a home setting and gain a better understanding of how it could support those they care for.

There has been a slight decrease in the number of installations from 3771 in 2018/19 to 3628 in 2019/20. In line with government restrictions, it has not been possible to allow visits to see the technology demonstrated in the Smart Flat and a virtual tour will soon be available online, increasing its accessibility to a wider audience and to comply with social distancing.

Throughout 2019-2020, the TEC team, along with Community Alarm services, continued to prepare for the change over from analogue to digital in partnership with Scottish Government. We will soon be trialling digital community alarm boxes to test their suitability for the pilot. The TEC Strategy will be updated and refreshed to reflect past achievements and future ambitions. The TEC/Digital Strategy Group has been established to lead on the development of a comprehensive strategy.

A Community Alarm Survey was carried out during 2019/20 to assess people's views on the services provided. This confirms a continued high level of satisfaction with the equipment and positive impact on supporting people to live as independently as possible for longer.

## Community Alarm Survey Results

2017/18	2018/19	2019/20
<b>92.1%</b> said they felt safer with the Community Alarm installed.	<b>99%</b> said they felt safer with the Community Alarm installed.	<b>98.3%</b> said they felt safer with the Community Alarm installed.
<b>100%</b> said the Community Alarms service supports them to live as independently as possible.	<b>100%</b> said the Community Alarms service supports them to live as independently as possible.	<b>100%</b> said the Community Alarms service supports them to live as independently as possible.
<b>92%</b> rated the service as Very Good or Good.	<b>100%</b> rated the service as Very Good or Good.	<b>96.6%</b> rated the service as Very Good or Good.

The introduction of NearMe has been driven nationally by Scottish Government and the HSCP has supported the rollout with NHS Tayside as well as rolling out the use of NearMe to PKC teams in occupational health, substance misuse, and REACH. This use of a secure patient/practitioner video consultation tool has been successful in enabling patients to attend vital consultations in a safe and secure manner that otherwise would not have happened. NearMe will continue to be the preferred tool in the future with further expansion within the service.

## Learning & Disabilities Team

### Transitions

The transitions team works with young people and their families to help them negotiate the transition to adulthood. Support for transitions is provided for as long as is necessary to ensure the correct support is in place to meet outcomes and that this can be maintained. Young people continue to be supported at home, to move into their own tenancies, to attend college, day opportunities or community-based resources such as Lost in Transition (Walled Garden). The team is supporting 61 young people, who are transitioning from school into adult life. The young people are in varying stages of transition.

During 2019/20, the transitions team has been working with Housing services to identify future housing needs, and with the commissioning team to plan for future provision. A Transition Lead Agency Group has been established to review current transition practice, identify good practice and areas of improvement. The remit and purpose of the group will ensure that all young people with additional needs have an appropriate transition pathway to support them into positive destinations and improve their outcomes into adult life.

## SUPPORTING YOUNG PEOPLE THROUGH TRANSITION, DURING 2019/20

<b>Young People who left school in 2019</b>	<b>15</b> young people were supported by the transition team to move on from school into adult life who left school in 2019.	<i>Outcomes include: A young person took up residency in a new service for young people up to the age of 21.  Two young people have a shared tenancy as a result of joint work with housing and commissioning.</i>
<b>Young People due to leave school in 2020</b>	<b>24</b> young people are being supported with their transition from school into adult life leaving school in 2020	<i>Outcomes include:  Three young people will move into their own single tenancies.</i>
<b>Young People due to leave school in 2021</b>	<b>17</b> young people are being supported with their planning for leaving school in 2021.	<i>Outcomes include: Two young people will obtain a supported tenancy on leaving school.</i>

April to June is historically the Transition team's busiest period, supporting the young people who are due to leave school, which is often the most anxious point in a young person's journey to date. However, due to the Covid situation, all transitions work ceased with young people no longer attending school and identified care providers unable to initiate transition support. Transition workers touched base with all of the young people and their families to offer support and advise on current situation with transition. Carer's sitter service was offered as well as linking in with the school Hubs to ensure that vulnerable young people continue to be supported.

As we move into recovery and renewal, workers have recommenced home visits, linking in with care providers to start transition where possible. Currently, in-house day opportunities have been providing a limited service through outreach and virtual groups, no building-based provision has been offered to date. The Young People who would have been accessing day opportunities as part of their support have now been linked into the current service offered and been advised on the current limitations.

### Employment Support Team

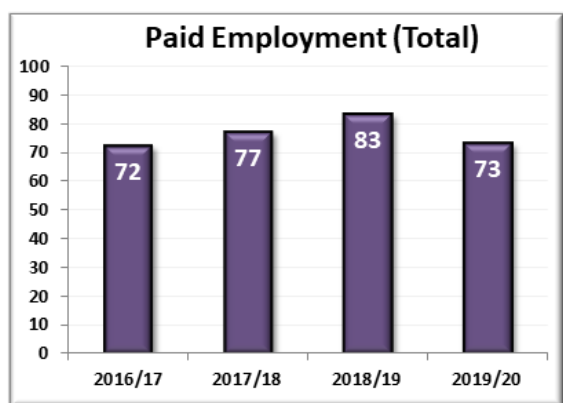
The Employment Support Team (EST) offers employability related support to people facing additional challenges to prepare for, find and maintain employment. People aged 16+ who have additional challenges as a result of mental ill-health, learning disabilities, acquired brain injuries, autistic spectrum conditions or those affected by drugs and alcohol are eligible to access the supported employment service. The team currently supports 131 people with a further 38 people awaiting a service.

The team offers vocational development opportunities to people with learning disabilities to assist them to prepare for employment through work skills courses, job tasters and work experiences. For young people with additional needs such as illness or disability, transition from school to employment can be challenging. Work experience for school pupils is extremely valuable and provides a sense of what it's like to do a job in a real work setting and the Employment Support Team works closely with Education and Children's services providing support and advice about work experience for pupils with additional support needs.

The number of service users supported to gain or to retain paid employment has remained steady overall for the last 4 years at between 70 – 80 people. People with a learning disability made up just over half of those supported into paid employment and three-quarters of those supported into volunteering or work experience.

The EST leads and co-ordinates the Perth and Kinross Employability Network which supports partnership working, support and guidance for local employers. The website [www.pkemploy.net](http://www.pkemploy.net) and social media platforms publicise the range of opportunities available through the support of local employers. The Network's objective is to improve employability services for young people and adults with additional challenges and barriers to work (disabilities, illness or a history of offending). A wide variety of opportunities are available through the Network's strong 35 Membership including a portfolio of vocational, volunteering and work experience placements to help people achieve their personal goals and outcomes.

**Table 39:** Number of people supported into employment, work experience and volunteering



## 4 Quality of Care and Support – Independent Scrutiny

### Care Services for Adults (HSCP)

Overall, regulated care services in Perth and Kinross are providing high quality care to local people. In 2019/20, 86% of care services for adults were rated good or better in Care Inspectorate Inspections and this is higher than the Scotland figure of 82%.

Perth & Kinross HSCP operates 10 in-house registered care services and 6 services were inspected in 2019/20. Home Assessment and Recovery Team (HART); Adults with Learning Disabilities Supported Living; Parkdale Care Home and Day Service; New Rannoch Day Centre Dalweem Care Home were inspected. The inspection report for Dalweem Care Home has not been published and is delayed due to COVID-19.

### Care Homes and Day Services (Internal)

Of the services inspected, 12 quality themes were assessed in the following key areas: How well do we support people's wellbeing? How good is our leadership? How good is our staff team? and How well is our care and support planned?

Out of the quality themes assessed; 1 received Excellent (Level 6), 7 Very Good (Level 5) and 4 Adequate (Level 3).

As part of the new inspection framework implemented during this year, the Care Inspectorate evaluate the following areas under 'How well do we support people's wellbeing?', grading detailed in the table below:

People experience compassion, dignity and respect	3 Excellent 1 Good
People get the most out of life	2 Excellent 1 Very Good 1 Good
People's health benefits from their care and support	1 Excellent 2 Very Good 1 Adequate

This demonstrates that services continue to perform well and offer high quality care. No requirements or recommendations were made as a result of these inspections.

Feedback gathered during the inspection process was positive:

*"I am very happy." "The staff are very friendly and easy to get on with." "The service has been a great support to me." (Parkdale Day Service)*

*"Cannot say any more than how excellent the care and support my mother gets from Parkdale", "It is amazing, and I'm involved in everything". "The staff are very friendly and helpful." (Parkdale Care Home)*

*"They are very well looked after, nothing is too much trouble, "Communication is very good, and they are always looking for new ideas." (New Rannoch Day Centre)*

*'Staff are exceptionally good. They do anything you ask', 'If you can't be at home, this is the next best thing' (Dalweem Care Home)*

### Home Assessment and Recovery Team (HART) and Adults with Learning Disabilities Supported Living

The Home Assessment and Recovery Team (HART) was inspected during January 2020 and Adults with Learning Disabilities (Supported Living Team) in September 2019.

Grading awarded at the time of inspection	Home Assessment Recovery Team (HART)	Adults with LD Supported Living
Care and Support	Very Good (Level 5)	Very Good (Level 5)
Environment	Not Assessed	Not Assessed
Staffing	Very Good (Level 5)	Not Assessed
Management and Leadership	Not Assessed	Very Good (Level 5)

No requirements or recommendations were made as a result of these inspections. Feedback from people using the services and their relatives' carers was overall positive, comments included:

*"My needs are being met and I am being encouraged to be as independent as I can and if my needs change, I have support from staff who have all been excellent with me in my short time with the service." (HART)*

*"I do lots activities", "Really happy with the Service", "Staff are all very professional" and "Very Good Communication" (Supported Living Team)*

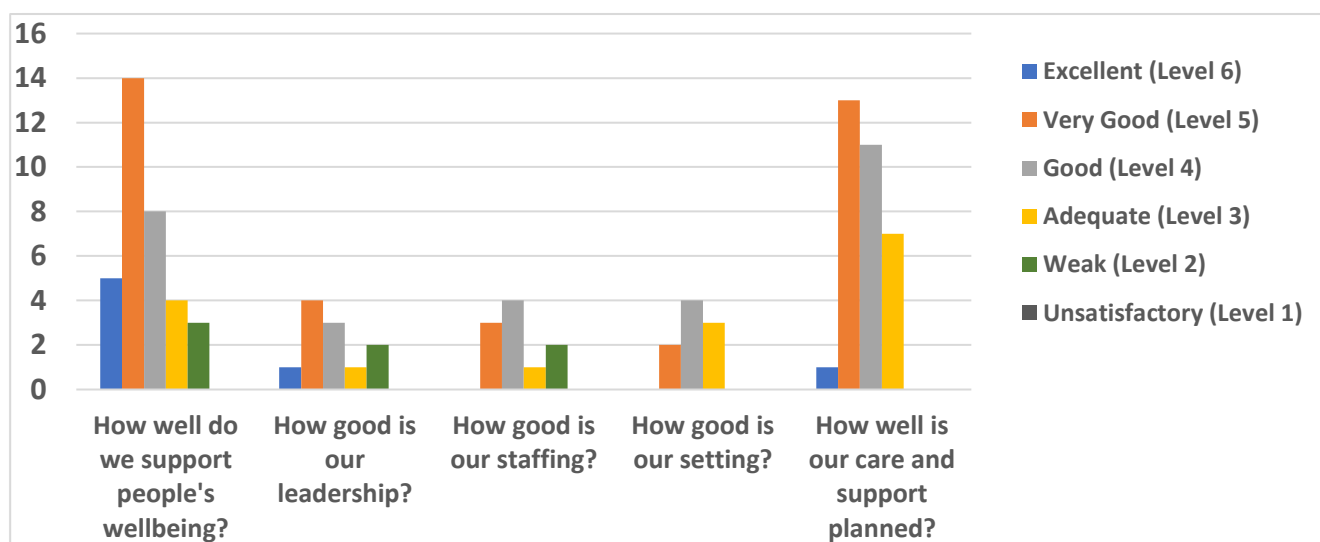
### Care Services (Independent and Third Sector)

Services inspected during 2019/20 included Care Homes for Older People (using new inspection frameworks), Care at Home for Older People and Supported Living Services for people with Learning Disabilities and Mental Health.

## Care Home Providers

A total of **96** quality themes were inspected across Care Home Providers and the majority of gradings were good and above with very small numbers awarded adequate/weak evaluation. No service received an unsatisfactory grading.

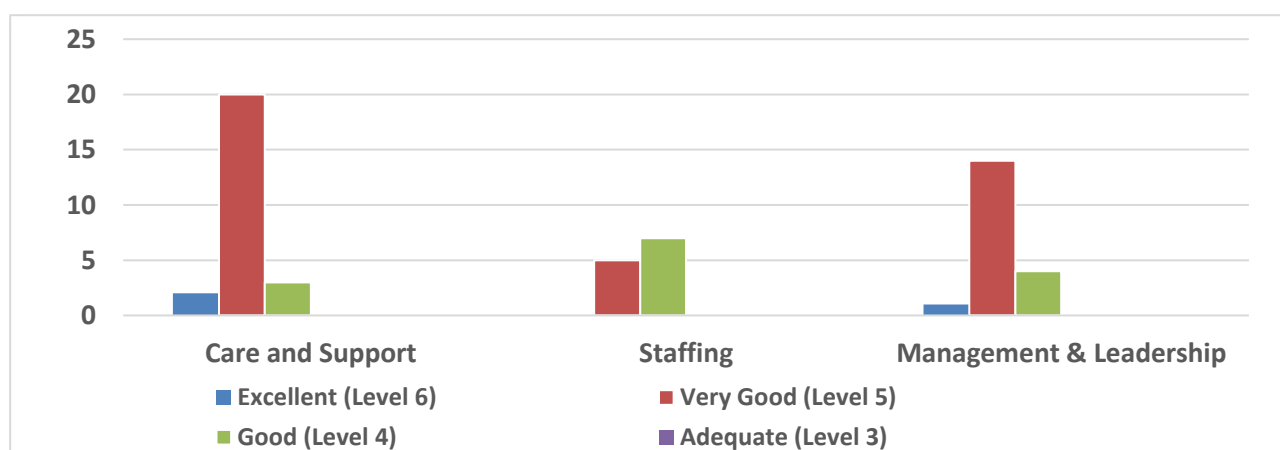
**Table 40:** Care Inspectorate inspection gradings care homes



## Care at Home Providers and Supported Living Services

A total of **56** quality themes were inspected across Care at Home Providers and Supported Living services for Mental Health and Learning Disabilities. The majority of gradings were good and above, no services were awarded weak/adequate or unsatisfactory evaluation.

**Table 41:** Care Inspectorate inspection gradings care at home and supported living services



All services are committed to continuous improvement and have developed action plans in response to inspections including suggested areas for improvement by the Care Inspectorate and feedback from service users and relatives.

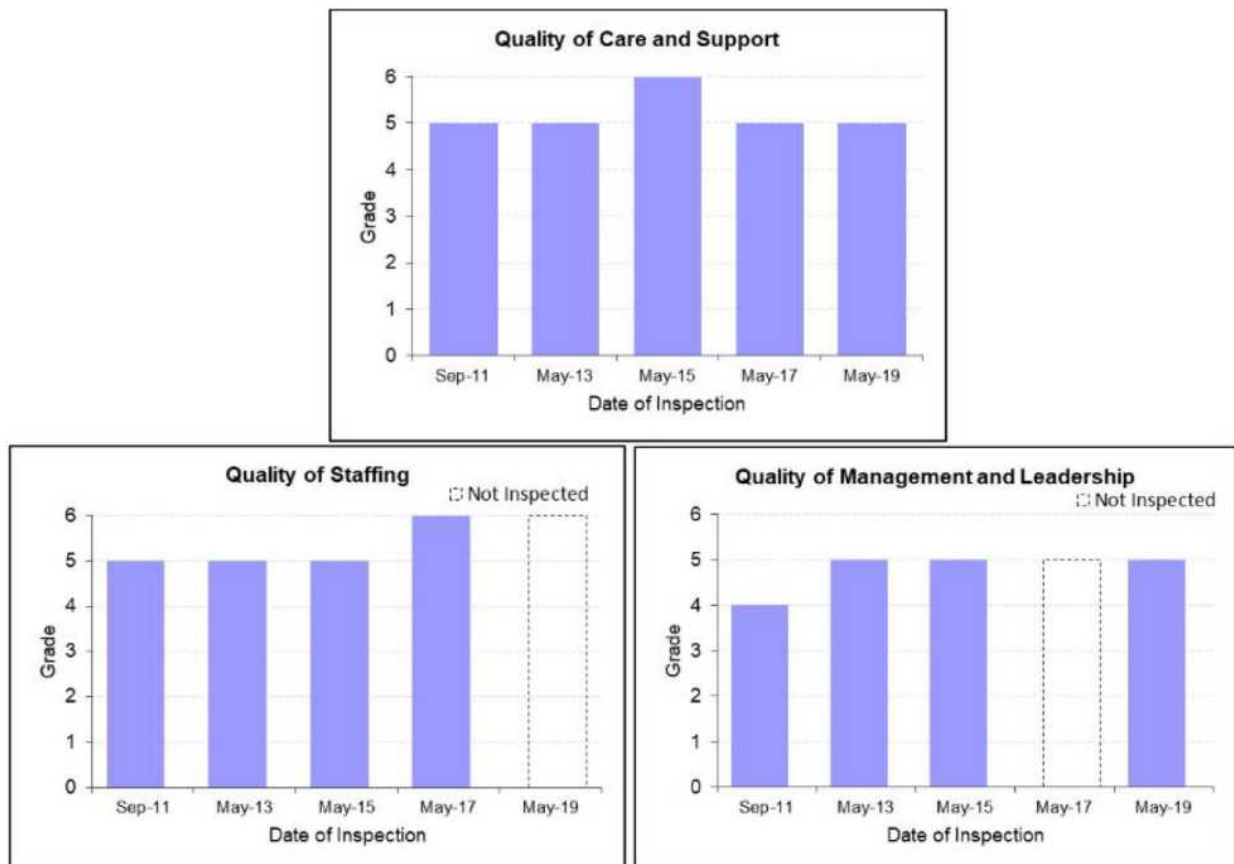
## Care Services for Young People

### Wellbank House

The Care Inspectorate carried out an inspection of the Council's Wellbank House in May 2019. The inspection was unannounced. Wellbank House provides housing support to vulnerable young people aged between 16-24 years in order that they gain the skills necessary for independent living. The service can accommodate 10 young people. Staff also provide support to young people in satellite flats based in the community.

The inspection found the Quality of Care and Support to be Very Good and the Quality of Management and Leadership to be Very Good. The Quality of Environment and Quality of Staffing were not inspected. The inspection report does not set out any requirements and made one recommendation to improve the information available to young people about how to complain about the service.

**Table 42:** Grading History - Wellbank



## Complaints About Social Work Services

Complaints are an important way of service users letting us know what they think about the services we deliver and are a key aspect of our quality assurance arrangements. We value what people tell us about our services by way of complaints and other customer feedback. Handling complaints effectively is an important part of good customer care. It demonstrates that services listen to the views of people who use those services and also helps identify areas for improvement.

Services have been undergoing significant transformational change to improve the way they deliver services to meet rising demand, public expectation and challenging financial times. This all has a bearing on the number and type of complaints the service receives. 2019/20 has seen an increase in activity across all aspects of social work service delivery.

**Table 43:** Number of Stage 2 Complaints

	Number of Complaints			Number of Complaints Acknowledged on Target		
	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Adult Services	14	18	25	12	18	24
Children's Services	10	9	15	10	9	15
Total	24	27	40	22	27	39

The findings of complaints are shared with the relevant managers and across management teams to address any specific or cross-cutting issues, recommendations or improvement actions. Key issues from complaints in 2019/20 relate to family members being unhappy with the service being provided to the service user. Some further analysis may be beneficial to fully understand whether there is an issue with the service being provided or whether improved communication at the outset would result in family members having a better understanding of what we are able to provide.

## 5 Resources

Adult social work and social care	2017/18* £m	2018/19 £m	2019/20 £m
Net Expenditure	52.27	52.21	54.59

\* this figure includes the budget for Criminal Justice Services (£2M)

Services for Children, Young People & Families	2017/18 £m	2018/19 £m	2019/20 £m
Net Expenditure	18.26	18.07	18.47

Criminal Justice Services**	2018/19 £m	2019/20 £m
Net Recurring Expenditure	2.154	2.173

\*\* Criminal Justice Services is funded via Scottish Government grant

### Swift Replacement

The Council committed £2.7M in the 10-year Capital Budget for 2018-28 for the replacement of the social work case management system, SWIFT. In line with the Business Case, the SWIFT Replacement Project commenced with the recruitment of the Project Manager in April 2019. The SWIFT Replacement Programme Board and Steering Group were also established, and a project delivery team recruited drawing on experienced business support and professional staff. The procurement of a new system is identified as an opportunity to update and refine social work processes and wherever possible introduce more effective and efficient practices which are key to delivering on the Perth and Kinross Offer supporting person-centred approaches.

The project delivery team has mapped out all current business processes across all social work staff stakeholders, engaging representatives of every social work team across the Council and Health and Social Care Partnership. This has informed the development of the high-level product requirements for the development and procurement of a replacement system which will meet current, as well as future needs, and support the effective fulfilment of statutory duties. Scotland Excel is leading on the procurement process for eight Scottish Local Authorities and a local selection process will identify the provider with the best matched product to implement a new social work and criminal justice case management system. Practitioners will be involved in all aspects of the selection process.

The SWIFT replacement project is subject to delays for two main reasons. There has been delays from January 2020 due to a legal challenge to the evaluation process and Scotland Excel opted to rescind the procurement process and to recommence a revised process with a new completion date for July 2020. Further, the COVID-19 pandemic has delayed the process across Scotland for all local authorities participating in the Scotland Excel framework. It is now anticipated that the provider selection process will be completed before the end of December 2020 and the new system procured, rolled out and staff training commencing early in January 2021.

## 6 Workforce

This section provides evidence of the extensive support for workforce development across social work and social care. Notably, some training and qualifications have ceased due to COVID-19 but much has continued in new and more accessible ways. The work of the Learning and Development team in quickly providing bespoke and accessible training and support to staff who were redeployed into social care roles is highly commendable.

The Learning and Development Team's vision is to enable the best learning experience. The work of the team is grounded in the values of participation and collaboration in order to support services. Key areas of work continued in 2019/20 including Team and Locality Support, Partnership Opportunities and Qualification Support.

### Examples of success for the Learning and Development team:

- Increased engagement of Open badges – A way of understanding and measuring the impact of learning through a tiered process. Bronze certificate for attendance, silver for written submission of reflections and Gold for a written submission of implementation into practice – now exploring Platinum for transferring and influencing teams and services.
- A successful SVQ External Verification assessment from SQA and the purchase and use of e-portfolio on line SVQ learning.
- Support for the Mental Health Officer programme – 1 candidate in 2019/20 (Programme suspended during Covid-19 outbreak and to recommence Autumn 20). Working with the programme for next cohort.
- Successful and chosen to be part of the 'Truacanta Project', <https://www.goodlifedeathgrief.org.uk/content/thetruacantaproject/> This project aims to improve people's experience of living with loss, grief, bereavement and care. This sits under the wider Compassionate Communities initiative.
- Along with the South Locality and our Community Engagement Team, we set up some partnership working with Giraffe Perth, a social enterprise group who were successful in applying for funding to start a 'Back to Home' initiative for people who live alone, returning from hospital. This piece of work will be continuing over the next year.
- Community Manual Handling support with Volunteers, Church Groups and unpaid carers and supporting our new associate manual handling trainers to become more confident in the role.
- Joint visits with our OT colleagues to support with Moving with Dignity assessments (Single Handed Care). It's great to hear about people having more person-centred care approaches and having a more dignified life.

### Key Challenges for the Learning and Developing team:

- Partnership learning – how are we making best use of what we have to enable learning effectively and efficiently, with a collaborative ethos in a multi-agency partnership – development of this progressing and a partnership proposal is to be submitted Aug 2020.
- Learning Culture - How we best support the organisation and partnership in developing a learning culture, to prioritise learning as a route to enable change, development and improvement, effective use of evidence-based practice.
- Measuring the impact of learning - how we understand to what extent learners implement learning into practice, change habitual behaviour and influence culture change through, self-awareness, critical reflection and demonstration of change in practice.

There is a continuing need to support our skilled and valued staff in new ways as we pass six months of working through the complexities and stresses of COVID-19. The work has not stopped and indeed the demand for social work and social care services has increased as lockdown has been eased and working at pace will continue as winter is approaching. During COVID-19, the additional demands in both adult and children's services have been acute, yet staff have rallied.

They have responded to uncertainty with agility and have been willing to work in new and experimental ways. Almost all services have had to change and adapt to working differently. Staff have been working at home whenever possible and juggling their own childcare when schools were closed. Social care and social work staff made use of the Children's Activity Centre's set up for key workers. New and flexible working patterns have been introduced along with new technology and IT support.

Social care and social work staff need high quality supervision and support. Social work teams are missing direct contact with their colleagues and the positive benefit of close team working within the workplace. First-line managers have worked incredibly hard to maintain good levels of contact with staff to compensate and ensure safe working practices. There is much research which shows the importance of strong teamwork in social work and the remobilisation plans going forward will need to take this into account. For example, the office remobilisation plan for Pullar House has taken account of the Chief Social Work Officer's professional view and ensured priority for social work and social care staff in the Access Team.

In this report, the difficulty in continuing to meet the additional demand pressures in the short to medium term without additional resources is acknowledged. The Chief Social Work Officer has worked with the Council's Executive Officer Team on a solution and to secure four additional social workers for two years to address the higher than usual levels of demand in child protection and children and families social work services.

## Accredited Learning

Learning and Development	
<b>Practice Learning:</b>	19 placements, 2 completed sponsored SW qualified route, 2 for Professional Development Award – 1 Current and 1 Complete.
<b>Social work students</b>	Between April 2019 and March 2020, 19 social work students from four universities on placement within the council, 7 assessed placements and 13 observational placements. <i>Council funding supports the team to sponsor two social work assistants on to the Robert Gordon University employed route. A further two students are self-funding, with PKC providing practice learning.</i>
<b>HNC students</b>	Six HNC students were placed in residential and day care services.
<b>Newly Qualified Social Workers:</b>	As of 21.07.20 there are 22 NQSWs across SW services. Notification of NQSWs has improved since presentation at both ASW&SC Forum and ECS DMG.
<b>SVQ Candidates</b>	<ul style="list-style-type: none"> <li>- 13 people completed SVQ 2 (SCQF Level 6)</li> <li>- 4 people completed SVQ 3 (SCQF Level 7)</li> </ul>

### Details of impact on individual learning and development activities:

**Social Work Students:** Due to COVID-19, all social work placements in Scotland were suspended by 20 March 2020. This affected 5 student placements; 3 students were within the final weeks of placement and the students were able to complete their qualifications. A further two final year students had completed half of their final placements and their progress was disrupted. All students were required to complete work with service users and leave placement. Students, managers, the Learning and Development team and university partners collaborated to manage this process as smoothly as possible.

**Mental Health Officer Training:** Sponsorship to the 20/21 programme is still under consideration and delayed as a result of COVID-19. The decision will be based upon the availability of suitable work for students to ensure viable placements which equip staff for the MHO role. The 19/20 programme was suspended due to the outbreak and a return may be possible later in 2020.

**Learning to support workforce re-tasking:** The Learning website has enabled a learning page for workers who are re-tasked to a role in care on line. Through enablement from senior management we were able to mobilise workforce members across the partnership to contribute to developing the resource, <http://www.pklearning.org.uk/COVID-19-LEARNING-CONTINGENCY/>

**SVQ:** COVID-19 had the effect of changing priorities for staff and, some finding a change of duty or re-tasked to support the people of Perth & Kinross and the service. This reduced and delayed work on qualifications. We have explored alternative means of planning, assessing and gathering evidence and are still in process of developing strategies as directed by SQA and SSSC to support candidates through this period. This includes creative ways to support observations of practice.

Face to face sessions have been cancelled during the pandemic, and the team quickly and creatively developed on line resources, exploring the use different media to support learning and facilitate on line conversations. The new arrangements take account of the impact of not being in a room with people and the experience of learning together, understanding the ambience in the room and feeling closely connected is missed by staff and partners.

We are developing our use of Microsoft Teams and other on-line collaborative functions to attend meetings, develop and share with teams, services and partners.

It is notable that since the outbreak of COVID-19 and the availability of 'Microsoft Teams' that the attendance of people at training sessions has increased. The feedback has been that there has been time to do this due to less time travelling. Manual Handling learning sessions for workforce re-tasking and recruitment during COVID-19 have continued face to face as it is not possible to complete this practical work on line. The images below demonstrate how new safety measures have made this possible.

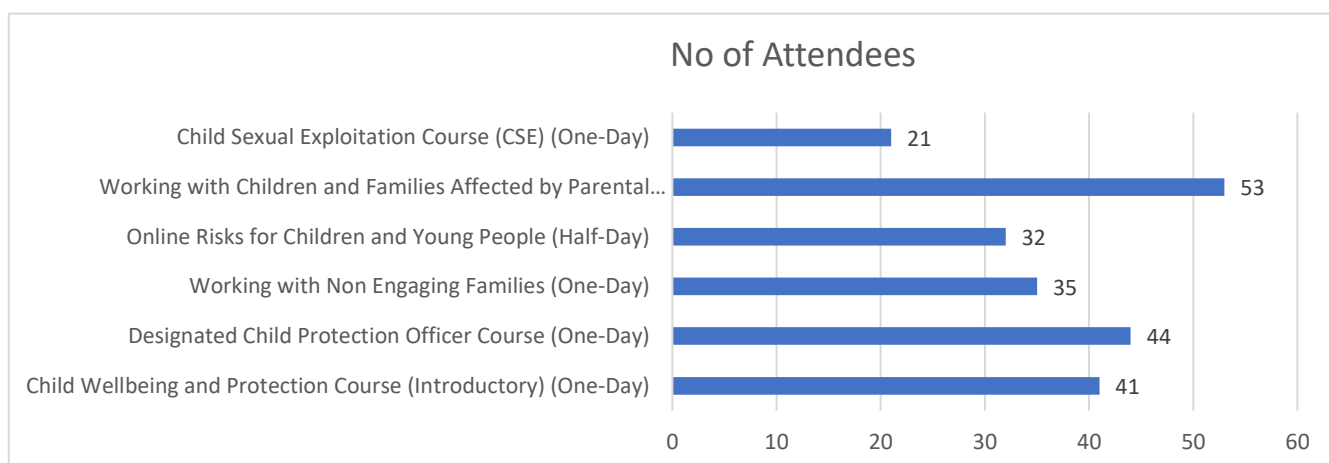


## Child Protection Training and Development

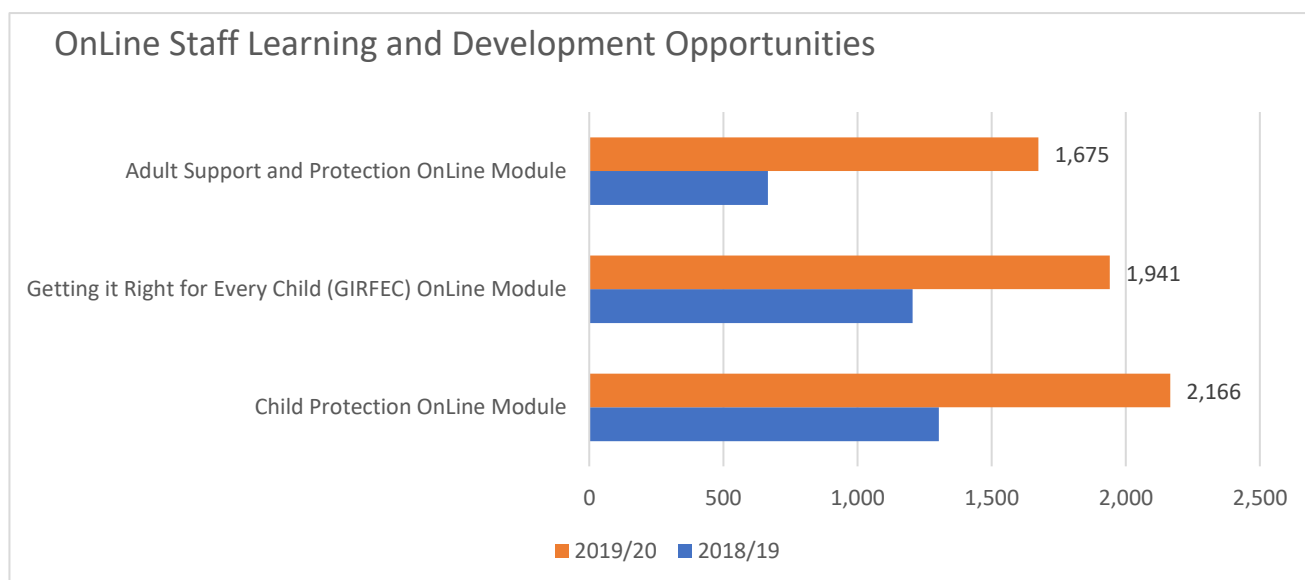
All CPC inter-agency child protection staff learning and development opportunities continue to be compliant with [National Guidance](#), which we have translated into our robust and dynamic [CPC Inter-Agency Child Protection Learning and Development Framework](#).

The following is an analysis of the inter-agency child protection staff learning and development opportunities delivered throughout the year until this was paused in March 2020:

**Table 44:** Numbers of staff taking part in CPC development programme. Each course took place twice during the year



**Table 45:** Numbers of staff taking part in CPC on line development programme.



The following provides a summary of learning activities throughout 2019 / 2020:

- continued to develop and promote the public-facing P&K Child Sexual Exploitation [CSE Webpages](#)
- continued to promote awareness and understanding of CSE on the PKC / CPC Social Media Platforms (Facebook and Twitter)
- continued to develop and distribute a wide range of existing and new, bespoke / specific [CSE information and advice leaflets](#)

- continued to promote and roll-out the NSPCC ["Speak Out Stay Safe Schools Programme"](#) to all PKC Primary Schools
- continued to support the annual GIRFEC - Keeping Your Child Safe events in Perth; with this year's event having taken place on 5 March 2020
- continued to support our multi-agency CSE Training Champions to deliver inter-agency CSE training sessions to staff
- developed and currently testing a P&K Child Sexual Abuse / Child Sexual Exploitation Screening Tool for use by frontline staff
- developed a more pro-active / intelligence-led approach to return interviews and missing children

Going forward, the CPC will continue to consolidate its work on tackling CSE, and whilst focussed on prevention and awareness raising, it plans to support staff further with additional CSE practitioner toolkits and staff learning and development opportunities.

## 7 Recovery and Renewal

This report begins to tell the story of the impact of COVID on our most vulnerable citizens, those who need access to high quality care and support in their daily lives, those who are at risk of harm without intervention and those who may pose a risk to others without risk management. There is still much to learn about the extent of that impact and its longevity.



It is clear that social work and social care services continue to be in a response phase to the global pandemic. The additional demand pressures are noticeably impacting on our services and it is likely that there is more to come to the fore as people contend with personal difficulties that have remained hidden during lockdown and beyond. Our staff are telling us that not only has this meant that they are experiencing higher numbers of people in distress or requiring support but also that these personal challenges are more acute or more entrenched than they would normally deal with.

This report emphasises the essential and important role that social work and social care services have had in supporting our communities throughout the response phase. These services were designated as essential to continue from the outset and managers and staff worked quickly to put in place contingency and continuity plans which took account of the risks of severe staff shortages. The biggest areas of concern and risk were in maintaining sufficient capacity in social care and in care at home and care homes particularly. A collaborative approach to identifying and redeploying staff across services was adopted and pressures resolved successfully.

Thankfully the lockdown measures successfully contained the extensive spread of the coronavirus and the worst case scenario of large numbers of staff being rendered sick or unable to work did not materialise.

Without exception, social work and social care staff have responded positively and flexibly to the challenges, constraints and opportunities of COVID-19. The closure of day services, respite care, schools, early learning and childcare centres, offices and bases for social care and social work staff in March 2020 (in line with national guidance) brought huge operational challenges. New ways of delivering effective assessment, planning and support through online and digital technologies as well as the continuation of essential support for people with care and protection needs and contact points were put in place quickly. During lockdown we have continued to deliver these essential services and develop new ways of working to achieve these. This report begins to identify those new working practices which are more effective and which need to be maintained and developed further as part of our recovery and renewal.

The Council, along with its partners and volunteers, has been responding to the impact of the COVID-19 virus in Perth and Kinross for over 6 months. The impact of the virus on all elements of

the community has been considerable and will continue as the lockdown restrictions are eased and further measures such as Test and Protect are introduced.

The Council has adopted a set of principles, which signal change, and which are in line with the Perth and Kinross Council and Kinross Offer. These principles underpin a new and improved future, working in partnership with our communities, businesses and employees. The intention is to build a fairer and more sustainable economy and society by:

- Being ambitious and agile in our approach and thinking to develop the Offer and deliver a bold vision for everyone to live life well and maximise the wellbeing of our people, economy and communities.
- Enabling a culture of possibility, opportunity and capability by listening to what matters and embracing everyone in our community as having something to “Offer”. We will address inequalities and focus on areas of specific need.
- Being inclusive, developing joined up solutions and integrated approaches with all, connecting forms of resources together in new and productive ways.
- Treating everyone with kindness, compassion, respect and dignity. Nurturing a think yes culture, we will act upon our values, and reflect upon our learning and progress to enable continual development.

This annual report is a demonstration of these principles already in action across our social work and social care service workforce at a time when they have been dealing with unprecedented demands as a result of the impact of the COVID-19 pandemic. Their commitment to changing and improving lives and their flexibility and adaptability is tremendous.

## **Glossary**

AAASG	All Age Autism Strategy Group
ADP	Alcohol & Drugs Partnership
AP	Adult Protection
APC	Adult Protection Committee
APCC	Adult Protection Case Conference
ASC	Autism Spectrum Condition
ASD	Autistic Spectrum Disorder
ASP	Adult Support and Protection
ASIST	Applied Suicide Intervention Skills Training
BAAF	British Association for Adoption and Fostering
BMIP	Business Management & Improvement Plan
BPD	Borderline Personality Disorder
CAB	(Perth) Citizen Advice Bureau
CAMH	Children and Adolescent Mental Health
CCR	Child Concern Reports
CELCIS	Centre for Excellence for Children's Care and Protection
CHD	Chronic Heart Disease
CHP	Child Health Partnership
CJA	Criminal Justice Authority
CJOIP	Community Justice Outcomes and Improvement Plan
CJS	Criminal Justice Service
CJSW	Criminal Justice Social Work
CLD	Community Learning & Development
CMHT	Community Mental Health Team
COG	Chief Officer Group
COPD	Chronic Obstructive Pulmonary Disease
CPO	Child Protection Order
CPCC	Child Protection Case Conference
CPP	Community Planning Partnerships
CPO	Community Payback Order
CPR	Child Protection Registration
CSA	Child Sexual Abuse
CSE	Child Sexual Exploitation
CSP	Children's Services Plan
CSO	Compulsory Supervision Order
CSWO	Chief Social Work Officer
CYP&FP	Children, Young People and Families' Partnership
CYRO	Children and Youth Rights Officer
ECS	Education & Children's Services
EDC	Emergency Detention Certificate
EFQM	European Foundation for Quality Management

FYI	Fun Young Individuals
FLR	Front Line Resolution
GP	General Practitioner
GDPR	General Data Protection Regulations
GIRFEC	Getting It Right for Every Child
H&SCI	Health and Social Care Integration
H&SP	Health & Social Care Partnership
HART	Home Assessment and Recovery Team
HEAT	Health Improvement Efficiency Access to services and Treatment
HMP	Her Majesty's Prison
HRARG	High Risk Adult Referral Group
IAPK	Independent Advocacy Perth & Kinross
ICR	Initial Case Review
ICSP	Integrated Children's Services Plan
IJB	Integrated Joint Board (for Health and Social Care)
ILG	Independent Living Group
IRD	Inter-Agency Referral Discussion
IRF	Integrated Resource Framework
IRISS	Institute for Research and Innovation in Social Services
ITT	Independent Travel Training
LAC	Looked After Children
LSI	Large Scale Investigations
MA	Modern Apprenticeship
MAP	Multi-Agency Plan
MAPPA	Multi Agency Public Protection Arrangements
MASG	Multi Agency Screening Group
MEAD	Minority Ethnic Access Development Project
MECOPP	Minority Ethnic Carers Of People Project
MHO	Mental Health Officer
NHS	National Health Service
NPS	New Psychoactive Substances
NRS	National Records of Scotland
OT	Occupational Therapy
OWLS	One-Stop Women's Learning Service
PAN Tayside	Perth, Angus and Dundee Councils across Tayside
PB	Participatory Budgeting
PG5	Priority Group 5, Tayside Regional Improvement Collaborative
PKAVS	Perth & Kinross Association of Voluntary Service
PKC	Perth & Kinross Council
PRTL	Post Registration Training and Learning
RASAC PK	Rape and Sexual Abuse Centre Perth and Kinross
REACH	Resilient; Engaged; Achieving; Confident; Healthy

ROSC	Recovery Oriented Systems of Care
SCR	Significant Case Review
SCRA	Scottish Children's Reporter Administration
SIMD	Scottish Index of Multiple Deprivation
SDS	Self Directed Support
SLA	Service Level Agreement
SMHFA	Scotland's Mental Health First Aid
SMART	Specific, Measurable, Achievable, Realistic and Time-bound
SMT	Senior Management Team
SOHCG	Strategic Oversight of Care Homes Group
SPS	Scottish Prison Service
SQA	Scottish Qualifications Authority
SSSC	Scottish Social Services Council
START-AV	Short-Term Assessment of Risk and Treatability: Adolescent Version
STDC	Short-Term Detention Certificate
SUSE	Scottish Union for Supported Employment
SVQ	Scottish Vocational Qualification
TCA	Tayside Council on Alcohol
TCJA	Tayside Criminal Justice Authority
TEC	Technology Enabled Care
TISS	Tayside Intensive Support Service
TRIC	Tayside Regional Improvement Collaborative
TSMS	Tayside Substance Misuse Services
UBB	Unborn Baby
VPR	Vulnerable Person Reports
VPD	Vulnerable Person's Database
YTS	Young Carer Statement



## PERTH AND KINROSS COUNCIL

7 October 2020

### GOVERNANCE REVIEW MEMBERSHIP OF MEMBER/OFFICER WORKING GROUP

Head of Legal & Governance Services (Report No. 20/184)

This report: -

- sets the proposed review of our governance framework in the context of the Perth and Kinross Offer
- seeks agreement to undertake the CIPFA Governance Mark of Excellence accreditation process to help redesign our governance framework
- sets out the proposed scope of the governance review
- outlines the proposed remit and membership of a new Governance Member/Officer Working Group ("Governance MOWG") to replace the existing Modernising Governance Member/Officer Working Group
- outlines the proposed remit and membership of the Perth and Kinross Offer Member/Officer Working Group ("Offer MOWG") to reflect political balance

## 1. BACKGROUND / MAIN ISSUES

- 1.1 Good governance is integral to the success of any organisation. Our governance framework comprises the culture, values, systems, policies, processes, procedures and controls in place within an organisation, whether they be public, private or voluntary, to ensure that they achieve their key goals and objectives. It is essential therefore that the governance framework is regularly reviewed and refreshed to make sure that it is aligned to the defined outcomes of the organisation at the current time. The last time that the Council's governance arrangements were formally reviewed was in 2017.
- 1.2 The Council was already looking to develop new ways of working, in closer collaboration with our communities, through the Perth and Kinross Offer. However, as the impact of the Covid-19 pandemic on our communities is felt and beginning to be quantified and assessed, there is an even greater need to add pace to the development and delivery of the Offer.
- 1.3 The Offer presents a significant shift from traditional thinking in terms of public service design and delivery, with an emphasis on genuine collaboration and co-creation with our communities. Our governance framework, whilst robust and effective has been designed to support that more traditional model of public service design and delivery. It, therefore, needs to be reviewed, refined and in some parts redesigned to make sure that it is fit for purpose; to design and deliver more sustainable public services that better meet the needs of our communities.

- 1.4 To effect real change in how we design and deliver the public services that our citizens need, want and value, we need to have:-
- a clear and legitimate mandate for change from elected members and the communities that we all serve; and
  - enough resources and capacity to deliver
- 1.5 The importance of political leadership and the role of members as the democratically elected representatives of our communities cannot be underestimated, if the Offer is to be a success. Elected members have a key role to play in terms of setting the strategic direction for the Offer and the Council's approach to recovery and renewal. They are also best placed to help facilitate the meaningful engagement with communities that will be needed to gain a better understanding of their needs, hopes and aspirations as we shape the Offer.

## **2. PROPOSALS**

### CIPFA Governance Mark of Excellence

- 2.1 The CIPFA Framework for local government is based on the International Framework for Good Governance in the Public Sector. The aim of the Framework is to encourage better service delivery and improved accountability by establishing a benchmark for aspects of good governance in the public sector.
- 2.2 The CIPFA Governance Mark of Excellence is an independent and professionally awarded standard that accredits public sector organisations that put good governance at the heart of their organisation. It draws on the IFAC/CIPFA International Framework as the basis against which organisations are assessed; going beyond simply looking at whether we have the right systems and processes in place. It also looks at the softer aspects of governance, such as understanding roles, ensuring effective relationships and analysing behaviours and leadership styles.
- 2.3 In terms of benefits, a robust and effective governance framework will: -
- enable us to identify and define our key objectives to deliver better outcomes for our communities;
  - streamline administrative bureaucracy and improve efficiency;
  - ensure that resources are appropriately targeted and well managed;
  - help us to design and deliver the modern public services that people want, need and value;
  - build greater trust and confidence between the council and communities that we serve; and
  - build more effective relationships with our public partners, the private and third sector to allow us to be more creative and collaborative in how we design and deliver public services.

- 2.4 The CIPFA accreditation process will provide a clear and comprehensive approach to reviewing and developing our governance framework.

#### Scope of the governance review

- 2.5 As stated above our governance framework comprises the culture, values, systems, policies, processes, procedures and controls in place within an organisation. A comprehensive review, therefore, will be looking at a wide variety of things, several of which will be operational in nature and therefore fall to be determined by the Chief Executive in her capacity as the Head of Paid Service. There are, however, key strategic functions, matters pertaining to the democratic decision-making and the wider role of the Council as a Community Planning Partner, that must properly be determined by elected members, and these matters will be considered in the first instance by the Governance Member Officer Working Group.
- 2.6 Using the CIPFA Framework for Good Governance, the Governance MOWG will focus on reviewing and developing the following elements of the Governance Framework to make sure that they will be effective in supporting the development and delivery of the Perth and Kinross Offer:
1. Culture and Leadership
  2. Vision, Direction and Purpose
  3. Community and stakeholder engagement
  4. Risk appetite
  5. Decision-making
  6. Best value
  7. Partnership working
  8. Scrutiny and oversight
  9. Public Accountability
- 2.7 The work of the Governance MOWG will shape the recommendations for changes to the Governance Framework which will, in due course, be presented to Full Council for decision.
- 2.8 The Governance Review will be an iterative process as we progress with the Council's Recovery and Renewal activity and the Offer itself takes on more shape.
- 2.9 The first key activity will be for the Governance MOWG to carry out a self-assessment of our current governance arrangements against the CIPFA framework to give us some baseline upon which to prioritise and structure our governance improvement and development activity.

#### Membership of Governance MOWG

- 2.10 The current Modernising Governance MOWG currently has a membership of 7, which is a reasonable number to enable focussed work to be undertaken. It is proposed, therefore, that the membership of the new Governance MOWG be 7 members also, but that membership should reflect political balance. An

illustration of political balance on various size groups and committees based on the current 38-member chamber is attached at Appendix 1.

- 2.11 It is proposed that the new Governance MOWG report into new Perth and Kinross Offer MOWG to ensure that the work being undertaken aligns with the ongoing development of the Offer.

#### Remit of the Offer MOWG

- 2.12 The proposed general remit of the Perth and Kinross Offer MOWG (incorporating recovery and renewal) will be:-
- to inform the strategic direction, vision and priorities of the Perth and Kinross Offer and recovery and renewal, for approval by Council;
  - to provide strategic leadership and direction on the priorities and delivery of the Perth and Kinross Offer and all related aspects on delivery of the recovery and renewal programme;
  - to consider the financial issues arising and resources required to deliver the PK Offer ensuring, value for money and affordability, with a view to making recommendations to Council; and
  - to act as a consultative group to consider any proposals coming from the recovery and renewal workstreams and to provide any necessary guidance and direction.

#### Membership of the Offer MOWG

- 2.13 At present the Perth and Kinross Offer MOWG comprises 5 members based upon the membership of the previous elected member sounding board; a short-term measure put in place to support the organisation during the operation of emergency powers in response to the COVID-19 pandemic.
- 2.14 Given the scope and significance of the Perth and Kinross Offer, it is proposed that the membership of this Member/Officer Working Group be expanded to nine members and to reflect political balance.

### **3. CONCLUSION AND RECOMMENDATIONS**

- 3.1 It is important that elected members and officers work together to help shape the Perth and Kinross Offer and to make sure that the Council's governance framework supports its design and delivery. Member/Officer working groups provide a good forum to explore, develop and test ideas which will inform any recommendations to be made to Council.
- 3.2 Council is, therefore, asked to:-
- i) agree to the use the CIPFA Governance Mark of Excellence accreditation process to support the governance review;
  - ii) approve the scope of the governance review;
  - iii) agree that the Modernising Governance MOWG be disbanded and a new Governance MOWG be established, with 7 members based on political balance;

- iv) agree membership of the new Governance MOWG;
- v) approve the general scope of the Offer MOWG;
- vi) agree that membership of the Offer MOWG should be 9 members based on political balance;and
- vii) agree membership of the Offer MOWG

#### Author(s)

Name	Designation	Contact Details
Lisa Simpson	Head of Legal & Governance Services	01738 475000

#### Approved

Name	Designation	Date
Karen Donaldson	Interim Chief Operating Officer (Corporate & Democratic Services)	2 October 2020

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All Council Services can offer a telephone translation facility.

## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

### 1. Strategic Implications

#### Community Plan/Single Outcome Agreement

- 1.1 An effective governance framework will support the Council to deliver all of the outcomes of the Local Outcome Improvement Plan.

#### Corporate Plan

- 1.2 An effective governance framework will support the Council to deliver all of the outcomes of its Corporate Plan

### 2. Resource Implications

#### Financial

- 2.1 None.

#### Workforce

- 2.2 None.

#### Asset Management (land, property, IT)

- 2.3 None.

### **3. Assessments**

#### **3.1 Equality Impact Assessment**

- (i) Assessed as **not relevant** for the purposes of EqIA

#### **3.2 Strategic Environmental Assessment**

- (i) No action is required as the Act does not apply to the matters presented in this report

#### Legal and Governance

- 3.3 The Head of Legal & Governance is the author of the report

### **4. Consultation**

#### Internal

- 4.1 Executive Officer Team and Member Officer Working have been consulted in the preparation of this report.

#### External

- 4.2 None.

### **5. Communication**

Not applicable.

### **2. BACKGROUND PAPERS**

None.

### **3. APPENDICES**

Appendix 1 – Illustration of Political Balance



**PERTH AND KINROSS COUNCIL – POLITICAL BALANCE – SEPTEMBER 2020**

<b>Committees / Sub-Committees / Groups</b>	<b>Con (Admin)</b>			<b>Opposition (Total)</b>	<b>SNP</b>	<b>Lib Dem</b>	<b>Ind / Lab</b>	<b>Con (Opp)</b>
	<b>39%</b>			<b>61%</b>	<b>34%</b>	<b>11%</b>	<b>11%</b>	<b>5%</b>
15 member (+ Provost on SP&R)	5.85=6			9.15=9	5.1=5	1.65=2 or 1	1.65=2 or 1	0.75=1
13 member	5.07=5			7.93=8	4.42=4 or 5	1.43=1 or 2	1.43=1 or 2	0.65=1
7 member	2.73=3			4.27=4	2.38=2	0.77=1	0.77=1	0.35=0
5 member	1.95=2			3.05=3	1.7=2	0.55=1 or 0	0.55=1 or 0	0.25=0
3 member	1.17=1			1.83=2	1.02=1	0.33=0 or 1	0.33=0 or 1	0.15=0
<b>Overall</b>	<b>15/38</b>				<b>13/38</b>	<b>4/38</b>	<b>4/38</b>	<b>2/38</b>
9 member	3.51=4			5.49=5	3.06=3	0.99=1	0.99=1	0.45=0

Standing Order 62 - In appointing members to Committees and Sub-Committees, the Council shall, so far as possible, give effect to the principles regarding political balance set out in the Local Government and Housing Act 1989.



	Mon	Tues	Wed	Thurs	Fri	Mon	Tues	Wed	Thurs	Fri	Mon	Tues	Wed	Thurs	Fri	Mon	Tues	Wed	Thurs	Fri	Mon	Tues	Wed	Thurs	Fri
OCTOBER				1	2	5	6	7 Council 9.30am	8 Licensing (10.00am)	9	12	13 LRB (10.30am)	14	15	16	19	20 Common Goods (9.30am)	21 P&DM (10.00am)	22	23	26 Property Sub (9.30am)	27	28 E&I (9.30am)	29	30
NOVEMBER	2 LL Insp (9.30am)	3	4 LL (9.30am)	5 <i>Licensing Board</i> (10.00am)	6	9 Attendance Sub (9.30am)	10 LRB (10.30am)	11 H&C (9.30am)	12	13	16	17	18 P&DM (10.00am)	19 Licensing (10.00am)	20	23	24	25 SP&R (9.30am)	26 JCC (10.00am)	27	30				
DECEMBER			2 Audit (9.30am)	3	4	7 Appeals Sub (9.00am)  CHS&W (10.00am)	8 LRB (10.30am)  JNC (2.30pm)	9 Scrutiny (9.30am)  <i>IJB</i> (1.00pm)	10 <i>Licensing Board</i> (10.00am)	11	14	15 P&DM (10.00am)	16 Council (9.30am)	17 Common Goods (9.30am)	18	21	22	23	24	25	28	29	30	31	

DRAFT

Recess Periods (all inclusive)

End of Cycle

Office Closed

- E&I

P&DM

H&C

LL

SP&R

LRB

JCC

CHS&W

JNC

LL Insp

IJB
- = Environment & Infrastructure Committee

= Planning and Development Management Committee

= Housing & Communities Committee

= Lifelong Learning Committee

= Strategic Policy and Resources Committee

= Local Review Body

= Employees Joint Consultative Committee

= Corporate Health, Safety and Wellbeing Consultative Committee

= Joint Negotiating Committee for Teaching Staff

= Lifelong Learning Executive Sub-Committee

= Perth and Kinross Integration Joint Board (dates for information)

**Note:** Meetings of the Appeals Sub-Committee and Attendance Sub-Committee are indicative dates.

DRAFT