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Council Building  
2 High Street  
Perth  
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19/06/2023

A hybrid meeting of the **Audit and Risk Committee** will be held in the **Council Chamber** on **Monday, 26 June 2023 at 13:00**.

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

**THOMAS GLEN**  
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:**

Councillor David Illingworth (Convener)  
Councillor Andy Chan (Vice-Convener)  
Councillor Liz Barrett  
Councillor Ken Harvey  
Councillor Iain MacPherson  
Councillor Colin Stewart  
Councillor Grant Stewart



## **Audit and Risk Committee**

**Monday, 26 June 2023**

### **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 AUDIT AND RISK COMMITTEE OF 27 MARCH 2023 FOR APPROVAL** **5 - 8**  
(copy herewith)
- 4 DRAFT UNAUDITED 2022/23 ANNUAL ACCOUNTS** **9 - 128**  
Report by Head of Finance (copy herewith 23/196)
- 5 INTERNAL AUDIT FOLLOW UP** **129 - 134**  
Report by Chief Internal Auditor (copy herewith 23/197)
- 6 INTERNAL AUDIT UPDATE** **135 - 140**  
Report by Chief Internal Auditor (copy herewith 23/198)
- 7 COMMUNITIES**
- 7(i) TAY CITIES REGIONAL DEAL**  
(copy to follow)
- 7(ii) AGENCY WORKERS**  
Due to capacity both within Internal Audit and Services it has not been possible to have full consultation and agreement on all aspects of item 7(ii) Agency Workers and it will therefore be submitted to the next meeting of the Audit & Risk Committee.
- 8 INTERNAL AUDIT ANNUAL REPORT AND INTERNAL AUDIT OPINION 2021/22** **141 - 146**  
Report by Chief Internal Auditor (copy herewith 23/201)
- 9 ANNUAL REPORT - STRATEGIC RISK MANAGEMENT** **147 - 184**

Report by Head of Legal and Governance Services (copy herewith  
23/202)

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## AUDIT AND RISK COMMITTEE

Minute of Meeting of the Audit and Risk Committee held hybrid on Monday 27 March 2023 at 1.00pm.

Present: Councillors D Illingworth, L Barrett, A Chan, K Harvey, I MacPherson, C Stewart and G Stewart.

In Attendance: J Clark, S MacKenzie, S Walker, K Molley, A Brown, and R Ramsay (all Corporate and Democratic Services); F Crofts (Communities); and J Cockburn (Education and Children's Services).

Also in Attendance: M Bruce and B Howarth (Audit Scotland)

Councillor D Illingworth, Convener, Presiding.

### 1. WELCOME AND APOLOGIES/SUBSTITUTIONS

The Convener welcomed everyone to the meeting.

### 2. DECLARATIONS OF INTEREST

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

### 3. MINUTE OF MEETING OF THE AUDIT AND RISK COMMITTEE OF 7 DECEMBER 2022 FOR APPROVAL

The minute of meeting of the Audit and Risk Committee of 7 December 2022 was submitted and approved as a correct record.

### 4. ANNUAL AUDIT PLAN

There was submitted a report by External Auditors (Audit Scotland) (23/99) summarising the work plan for 2022/23 external audit of Perth & Kinross Council.

The Convener welcomed M Bruce and B Howarth, Audit Scotland, to their first meeting of the Audit and Risk Committee as the new External Auditors to Perth and Kinross Council.

B Howarth provided a detailed summary of the report.

In response to a question from Councillor C Stewart, B Howarth advised that the reporting threshold over the sum of £250,000 is dictated through the code of Audit Practice and Planning Guidance. He confirmed that the figure is consistent with other bodies of a similar size, and it allows Audit Scotland to focus on the wider issues without having to report on minor incidents. B Howarth added that if the threshold was to vary, it could mean that more issues would be reported to committee as part of annual audit reporting.

In response to another question from Councillor C Stewart regarding the impact of rurality in Perth and Kinross on audit recommendations, B Howarth advised that his Audit Team plan to visit the offices and depots across areas of Perth and Kinross to gain a better understanding of the local services that are provided and the challenges different areas face.

Councillor L Barrett referred to the timescale of October 2023 to approve the audited annual accounts for signature, Councillor S MacKenzie advised that an additional meeting of the Audit and Risk Committee would be arranged in October, and a date would be confirmed with members in due course.

*Post Agenda note: A Special Meeting of Audit and Risk Committee has been arranged for 30 October 2023.*

**Resolved:**

The external audit of Perth & Kinross Council work plan for 2022/23, be noted.

## **5. INTERNAL AUDIT UPDATE**

There was submitted a report by Chief Internal Auditor (23/100) presenting a summary of Internal Audit's work undertaken as part of the Internal Audit Plans for 2021/22 and 2022/23.

In response to a question from Councillor L Barrett regarding timescales of Internal Audit Activity outlined in Appendix 1 of the report, J Clark advised that Internal Audit are working with Service Management Teams to ensure there are clear processes in place to deliver reports to the June Committee.

In response to a question from Councillor C Stewart regarding the authorisation of Network Support Grant Claims, J Clark advised that even though it isn't considered as core internal audit business, there is a requirement for an Independent Auditor to review the claim prior to it being submitted. In response to another question from Councillor C Stewart regarding the Audit no. G22-08 (Network Support Grant), J Clark advised the date of February 2023 had been a typing error and the audit had been completed and now reported to the March 2023 committee. She confirmed that no control issues were identified, and therefore an additional audit report would not be required.

In response to a question from Councillor C Stewart regarding the audit on Community Engagement, J Clark advised that the review would look at the effectiveness of arrangements in place for engaging with communities and that there could be a role for Elected Members in the process.

**Resolved:**

The progress with Internal Audit activity, be noted.

THE COMMITTEE AGREED FOR THE FOLLOWING ITEM TO BE HEARD IN PUBLIC.

## **6. INTERNAL AUDIT FOLLOW UP**

There was submitted a report by Chief Internal Auditor (23/101) presenting a current summary of Internal Audit's 'follow up' work relating to actions due for completion up to March 2023.

### **Resolved:**

The current position in respect of the agreed actions arising from Internal Audit's work, be noted.





**Perth & Kinross Council**

**Audit & Risk Committee**

**26 June 2023**

**DRAFT UNAUDITED 2022/23 ANNUAL ACCOUNTS**

**Report by the Head of Finance**

(Report No. 23/196)

**1. PURPOSE**

- 1.1 This report presents the Council's draft Unaudited 2022/23 Annual Accounts in accordance with the Local Authority Accounts (Scotland) Regulations 2014.

**2. RECOMMENDATIONS**

- 2.1 It is recommended that the Committee:
- Authorises the Head of Finance to sign the Unaudited 2022/23 Annual Accounts – **see paragraph 5.6.**
  - Notes that it is anticipated that the unsigned Audited 2022/23 Annual Accounts will be considered by the Audit & Risk Committee on 30 October 2023 – **see paragraph 6.5.**

**3. STRUCTURE OF THE REPORT**

- 3.1 This report includes the following sections:
- Section 4 – Background
  - Section 5 – Annual Accounts
  - Section 6 – Next Steps
  - Section 7 – Conclusions

**4. BACKGROUND**

- 4.1 The Local Authority Accounts (Scotland) Regulations 2014 sets out the following in respect of the Unaudited Annual Accounts:

- “(5) *The proper officer must ensure that financial statements give a true and fair view of the financial position of the local authority and its group at the end of the financial year and the transactions of the local authority and its group for that year.*
- (6) *Once the proper officer is satisfied as to the matters set out in paragraph (5), the proper officer must certify these matters by signing and dating the statement of responsibilities and the balance sheets*

*contained within the Annual Accounts and then submit the Annual Accounts to the auditor.*

- (7) The Annual Accounts must be submitted to the auditor no later than 30 June immediately following the financial year to which the Annual Accounts relate.*
- (8) The local authority must publish a copy of the Annual Accounts submitted to the auditor, clearly identified as an unaudited version, on a website of the authority from the date they are submitted until the date on which the audited Annual Accounts are published in accordance with regulation 11.*
- (9) A local authority or a committee of that authority whose remit includes audit or governance functions must meet to consider the unaudited Annual Accounts as submitted to the auditor.*
- (10) The meeting referred to in paragraph (9) must be held no later than 31 August immediately following the financial year to which the Annual Accounts relate”.*

## **5. ANNUAL ACCOUNTS**

- 5.1 The Annual Accounts are prepared in accordance with the 2022 CIPFA Code of Practice on Local Authority Accounting (“the Code”).
- 5.2 These accounts also comply with the Local Authority Accounts (Scotland) Regulations 2014 which came into force in October 2014.
- 5.3 The Annual Accounts include a Management Commentary, which provides users of the financial statements with integrated information on management’s view of performance, position and progress (including forward looking information). This is set out on pages 1 to 15 of the draft Unaudited Annual Accounts which are attached at **Appendix 1**.
- 5.4 The Regulations require an annual review of the effectiveness of a local authority’s system of internal control by Elected Members. This requirement was met with the approval of the Annual Governance Statement by the Scrutiny Committee on 7 June 2023 (Report No. 23/182 refers). The Statement is set out from page 16 of the draft Unaudited Annual Accounts.
- 5.5 The Regulations also require consideration of the Unaudited Annual Accounts by those charged with governance at a meeting to be held no later than 31 August. This report (and the draft Unaudited Annual Accounts attached at **Appendix 1**) is before the Committee today to ensure compliance with the statutory requirements prior to submitting them to the appointed auditor (Audit Scotland) and making them available for public inspection.
- 5.6 **ACTION:** Following consideration of the draft Unaudited Annual Accounts the Committee is asked to authorise the Head of Finance to sign the Unaudited Annual Accounts.

## 6. NEXT STEPS

- 6.1 The audit of the Annual Accounts will take place during July, August and September 2023. Audit Scotland (working with Council officers) will consider whether the Annual Accounts:
- Give a true and fair view, in accordance with applicable law and the 2022 Code, of the state of the affairs of Perth & Kinross Council and its Group as at 31 March 2023 and of the income and expenditure for the year then ended;
  - Have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as interpreted and adapted by the 2022 Code; and
  - Have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.
- 6.2 The Companies Act requires auditors to give an explicit opinion on whether the strategic report and governance statement have been prepared in accordance with legal requirements. Audit Scotland's policy is to apply Companies Act requirements on a best practice basis will include opinions to the auditor's report on whether the:
- Management commentary has been prepared in accordance with statutory guidance.
  - Annual Governance Statement has been prepared in accordance with the proper practices set out in the good governance code.
- 6.3 The results of the external audit will be summarised in the Draft Annual Audit Report which incorporates the International Standard on Accounting (ISA) 260: Report to those Charged with Governance.
- 6.4 The Council has been advised that the external audit report is not expected to be available by 30 September 2023. On that basis, it is anticipated that this Audit Scotland report will be considered by the Audit & Risk Committee, along with the unsigned Audited 2022/23 Annual Accounts at a meeting scheduled for 30 October 2023.
- 6.5 **ACTION:** The Committee is asked to note that it is anticipated that the unsigned Audited 2022/23 Annual Accounts will be considered by the Audit & Risk Committee on 30 October 2023.
- 6.6 The Unaudited Annual Accounts will be available for public inspection between 30 June and 20 July 2023 (inclusive) with any objections being sent to the auditor by 21 July 2023.

## 7. CONCLUSIONS

- 7.1 The Unaudited 2022/23 Annual Accounts will be submitted to the Controller of Audit by 30 June 2023 following authorisation by the Head of Finance.

### Author(s)

Name	Designation	Contact Details
Scott Walker	Chief Accountant	<a href="mailto:chxfinance@pkc.gov.uk">chxfinance@pkc.gov.uk</a>
Alison O'Brien	Corporate Accounting Manager	

### Approved

Name	Designation	Date
Stewart Mackenzie	Head of Finance	19 June 2023
Karen Donaldson	Chief Operating Officer	19 June 2023

## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

### 1. Strategic Implications

1.1 The Council's Corporate Plan 2022 – 2027 lays out seven 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) Tackling poverty
- (ii) Tackling climate change and supporting sustainable places
- (iii) Growing a sustainable and inclusive local economy
- (iv) Enabling our children and young people to achieve their full potential
- (v) Protecting and caring for our most vulnerable people
- (vi) Supporting and promoting physical and mental wellbeing
- (vii) Placing communities at the heart of how we work

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**

##### Internal

- 4.1 The Executive Leadership Team have been consulted in the preparation of this report.

#### **2. BACKGROUND PAPERS**

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

#### **3. APPENDICES**

Appendix 1 – Draft Unaudited 2022/23 Annual Accounts







# **PERTH & KINROSS COUNCIL**

## **ANNUAL ACCOUNTS**

**2022/23**

**UNAUDITED**

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## MANAGEMENT COMMENTARY

### 1. Introduction

These Annual Accounts contain the financial statements of Perth & Kinross Council and its group for the year ended 31 March 2023.

This management commentary outlines the key messages in relation to financial planning and performance for the year 2022/23 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 108.

### 2. Who are we, our vision and priorities

The Council is situated in a central location in Scotland. It covers a geographical area of around 5,286 km<sup>2</sup> and has an estimated population of 153,810, which is an increase of 1.3% since 2020. Over the same period, the population of Scotland increased by 0.3%. Between 2001 and 2021, the population of Perth and Kinross has increased by 14%. This is the 7th highest percentage change out of the 32 council areas in Scotland. Over the same period, Scotland's population rose by 8.2%. The latest population projections over the next 10 years show a 1% increase compared to 1.8% across Scotland.

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

The Corporate Plan 2022 – 27, that was approved in December 2022, sets out a vision for **“a Perth and Kinross where everyone can live life well, free from poverty and inequality”**. It sets out the Council's corporate outcomes which are aligned with its organisational values and designed to address or mitigate the impact of the many challenges the Council and its communities are facing both now and in the future. We have committed to working in partnership and better engaging people and communities to ensure that they are involved and can have their say on where the Council must focus time and resources.

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

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

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

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

The Plan is not designed to stand alone but is supported and strengthened by a wider strategic framework which overarches several areas of work all designed to contribute to our vision and outcomes. It connects the vision of the Council and its partners to the detailed plans that guide the delivery of our services.

This framework ensures that all Council plans and strategies are driven by and focused towards the delivery of a single shared vision for the area and our services, connecting everything we do.



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

- The **Local Outcome Improvement Plan** - details new priorities with a focus on poverty in a number of key areas, setting out the actions that the Community Planning Partnership will take in the coming years to focus on inequalities which are stubborn and require continued collaborative approaches.
- The **Perth and Kinross Offer Framework** - details the actions that we will take over the next five years to deliver and embed the Offer and the programme of cultural change that will transform how we work with colleagues, communities, and our partners.
- The **Transformation & Change Strategy** is a five-year strategy which sets out our extensive transformation programme acting as enabler to deliver on our corporate priorities. Delivery of the Transformation & Change programme will be underpinned by the principles in our Perth and Kinross Offer Framework including our organisational-wide cultural and behavioural change programme. This also sets out our clear commitment to fully embed our values of Ambition, Compassion, and Integrity and work in partnership with communities to improve outcomes for all.
- The **Financial Strategy** – details the financial challenges we face, the extent of the structural deficit and measures we must take now and over the next five years to identify savings, reduce our budgets and support the Council to become financially sustainable.

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

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

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

### 3. The Annual Accounts 2022/23

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 2022/23 (the 2022 Code). The 2022/23 Annual Accounts have been prepared in accordance with this Code.

### 4. The Financial Plan

To support the delivery of the strategic objectives during 2022/23, Perth & Kinross Council approved a balanced gross revenue budget of **£513 million** for the General Fund (March 2022). In addition, the Housing and Communities Committee approved a gross revenue budget of **£31.6 million** for the Housing Revenue Account (January 2022). As part of its consistent approach to longer term financial planning, the Council has in place a Medium Term Financial Plan through to 2028/29, a final Revenue Budget for 2023/24 and provisional Revenue Budgets for 2024/25 and 2025/26. The HRA Budget was also updated in February 2023. The Financial Strategy approved in June 2022 also remains in place.

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 functions is investment in the assets which are used to deliver these services (including schools, houses, and transport infrastructure) and the utilisation of capital funding to stimulate development and regeneration in local areas. At the start of 2022/23 the Council budgeted for gross capital investment of **£162.5 million** on General Fund activities and **£19 million** in respect of the Housing Revenue Account. This expenditure is funded from borrowing, government grants, other external contributions, capital receipts, revenue contributions and earmarked reserves. The Council approved a new five-year delivery programme for 2023/24 to 2027/28 at its meeting on 1 March 2023.

## 5. Performance Management

Our new Corporate Plan for 2022-2027 sets out our strategic outcomes, which are aligned with our organisational values, and underpinned by seven key priorities. It contains clear outcomes, priorities, and actions and well-defined measurements of performance which we can be held accountable for and consistently report progress against.

Over the next year, we will be introducing revised arrangements for reporting on our performance. This will demonstrate our commitment to continuous improvement by strengthening alignment between Corporate Plan performance, improvement activity, budget and resource allocation and the involvement of communities in decision making and influencing Council priorities. Interim arrangements have been agreed for reporting performance for 2022/23 and progressing current year improvements.

Improvement activity for 2022/23 mainly related to the previous Corporate Plan objectives. Performance against these was reported to Scrutiny and Performance Committee in June 2023 and to relevant service committees via Service Annual Performance Reports. Performance against priorities and actions within the new Corporate Plan will be detailed within the Corporate Annual Report and considered by Council in October 2023.

Council will also be asked to consider a draft Corporate Delivery Improvement Plan detailing actions and improvements for the following year. We will then carry out an engagement exercise to ask the people of Perth and Kinross where we need to focus our money in relation to the priorities. The timing of this draft report will align with Councils consideration of the Medium-Term Financial Plan and provide Councillors with public engagement feedback at a later stage to consider the Councils proposed improvement actions within the context of its financial situation. A finalised Corporate Delivery Improvement Plan will be presented for information in February/March.

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

The Council has a statutory duty to publish performance information for comparison and benchmarking purposes to its citizens and communities. In meeting this duty, we actively participate in the Local Government Benchmarking Framework (LGBF), providing a summary report to Elected Members in April 2023 and linking to the LGBF from the performance website. Additionally, we have carried out engagement activities (elected member briefings, presentations to Leaders and development sessions on using the LGBF dashboard). Just over half of the performance indicators listed in the new Corporate Plan, which will be reported through our Annual Performance Report, have data collected nationally and therefore provide a mechanism for benchmarking.

### 2022/23 Performance Summary

Service Annual Performance Reports have been considered by the Scrutiny and Performance Committee on 7 June 2023, and will be submitted to relevant Service Committees between May and August 2023. The Corporate Annual Performance Report will be considered by Scrutiny and Performance Committee on 13 September 2023 and then by Council on 4 October 2023. These reports will provide comprehensive information on the Council's performance for 2022/23. The full range of performance information for 2022/23 will also be available online. This includes the Council's Annual Performance Report, Service performance reports, and links to further relevant information, such as the Local Government Benchmarking Framework.

For 2022/23 a selection of performance outcomes are set out in the following table:

<b>Tackling poverty</b>
<ul style="list-style-type: none"><li>• We created an Anti-Poverty Task Force comprising membership from the Council, Third Sector, partners and businesses to bring additional focus and a partnership approach to mitigating the effects of poverty on the residents of Perth and Kinross.</li><li>• We rehoused 158 households through the Rent Bond Guarantee Scheme (RBGS) by providing a Bond Guarantee in lieu of a deposit and therefore removing one of the key barriers to entry to the private-rented sector.</li><li>• Together with Citizens Advice Bureau, we supported 926 tenants to access specialist money advice, helping to minimise the impact of the cost-of-living crisis and prevent some from losing their home.</li><li>• Using the Scottish Government Parental Employment Support Fund, we supported nearly 120 eligible parents, both in and out of work, with assistance towards securing well paid, highly skilled employment.</li></ul>

#### **Tackling climate change and supporting sustainable places**

- The Broxden – Low Carbon Transport Hub project started on site in October 2022. This will increase the number and range of chargers available and provide a sustainable EV charging hub that will reduce carbon emissions and energy costs for the council.
- We upgraded our Building Management System platform to provide clearer performance information to reduce energy consumption and carbon emissions. This has seen positive results, including a 12% reduction in energy consumption last year and a 35% reduction in gross consumption over the last 10 years.
- We have undertaken changes in our grassland management to improve biodiversity, and consultation with the community around this has been positive.
- We reduced the recycling contamination rate from a peak of 28.52% in November 2020 to an average of 19.38% in 2022 and received national recognition and award for our 'stick to the six' kerb side recycling campaign.

#### **Developing a resilient, stronger and greener local economy**

- Phase 2 of the Cross Tay Link Road (CTLR) project is well underway. This will address the long-term transportation needs of the area and facilitate investment of £174 million in new commercial space and bring the prospect of more than 5,000 new jobs to the area.
- We supported a £1.5 million project in central Perth, bringing approximately 900m<sup>2</sup> of disused commercial space back into use, whilst directly creating 32 high skilled jobs.
- In partnership with Jupiter Artland, we regenerated and transformed a city centre unit into an immersive creative space that attracted 8,000 people over 10 weeks.
- With CodeClan, we ran a four-week intensive 'introduction to software and coding skills' course for 16-24 year olds. All those who completed the course are looking to utilise their skills going forward in further education or work.

#### **Enabling our children and young people to achieve their full potential**

- Overall educational attainment remains strong, with the achievement of Curriculum for Excellence levels across P1-S3 among the highest seen over the last five years.
- Participation in education, training or employment for all 16–19 year olds shows a gradual long-term improvement. Whilst latest year figures have been impacted by the economic effects of the Covid-19 pandemic, overall results for Perth and Kinross remain higher than the national average.
- Supporting children and young people within the community continues to be effectively managed, with 93% of Looked After Children in community placements.

#### **Protecting and caring for our most vulnerable people**

- To date, we have continued to support over 450 people from Ukraine to settle into accommodation and continue to work with the third sector and community groups to provide support to these and the 109 people seeking asylum.
- The average time taken to complete approved applications for medical adaptations increased from 40.58 to 57.42 days. A review of our procedures is being undertaken to identify areas for improvement.
- We have progressed a range of independent living accommodation projects for people with particular housing support needs. Two projects have been completed, providing 12 units of bespoke accommodation with communal facilities in Rattray.
- There has been increased demand and complexity of reporting which has impacted upon our ability to submit all reports to court on time. We are working to manage this pressure through reviewing staffing levels.

#### **Supporting and promoting physical and mental wellbeing**

- Our leisure facilities attendance levels are sitting positively at approximately 87% of pre-Covid levels. The industry average sits at approximately 80-90%.
- We invested over £1 million in active travel infrastructure to encourage residents and visitors to walk and cycle in Perth and Kinross.

- In December 2022, we approved our Physical Activity and Sports Strategy, which is a one-year action plan focused on increasing participation in physical activity and sport to help the positive mental and physical wellbeing of residents of Perth and Kinross

#### **Working in partnership with communities**

- A partnership approach involving our employability and welfare rights teams, Perth Citizens Advice Bureau (CAB), other third sector and community-based organisations, and private sector employers has resulted in the delivery of employability skills training and support packages, incentivised work placements, employment support including access to childcare, housing, and income maximisation.
- There was a reduction in the number of groups receiving Community Investment Funding (CIF). This is likely due to CIF only being available once in the previous year and a wider range of alternative grant schemes being available.
- The number of community groups supported to increase their capacity rose from 236 to 343, exceeding target.
- An external thematic review in Spring 2022 highlighted significant strengths in relation to supporting and growing volunteer capacity and identified that we could make improvements in our approach to volunteering. As a result, we are developing a consistent approach to volunteering across the Council.

For information about the Health and Social Care Partnership, please see the Perth & Kinross Integration Joint Board Annual Accounts 2022/23 (Un-audited).

## **6. Financial Performance**

Financial performance is part of the Council's performance management culture with regular reporting during 2022/23 to elected members at the Finance & Resources Committee as well as regular briefings. This section summarises the main elements for 2022/23.

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

The 2022 Code requires that Councils present the segmental analysis based on the organisational structure under which they operate. Additionally, the Code requires that if a local authority changes the presentation or classification of items in its financial statements, the authority shall reclassify comparative amounts unless reclassification is impracticable. The prior year figures in the Comprehensive Income and Expenditure Statement, Expenditure and Funding Analysis and Group Comprehensive Income and Expenditure Statement have been restated to reflect separation of activity relating to the Chief Executive's Service from Corporate and Democratic Services in 2022/23.

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 2022/23**

In 2022/23 the Council incurred actual net expenditure on Services of **£446.295 million** (which is the Cost of Services disclosed in the Comprehensive Income and Expenditure Statement on page 26). 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 **£34.048 million**.

The Expenditure and Funding Analysis information on pages 43 and 44 sets out adjustments between the net Deficit on the Provision of Services of **£34.048 million** included in the Comprehensive Income and Expenditure Statement and the net expenditure charged to the General Fund & HRA in the table below of **£15.023 million**. The adjustments of **£19.025 million** represent the difference between the net expenditure of the Council that is chargeable to taxation and rents and the figures reported in the Comprehensive Income and Expenditure Account. The deficit in the Expenditure and Funding Analysis is set out in the way in which the Council organises itself and manages and reports on financial performance.



The following table sets out adjustments to the most recently approved Revenue Budget to ensure that budget and actual figures are comparable. These include the Public Finance Initiative, external income and capital accounting adjustments. On a comparable basis the table shows a net variance (under spend/additional income) of **£16.489 million** which is explained in further detail.

	Updated Budget Per Revenue Monitoring Report No.4 £ '000	Virements £ '000	Capital Accounting Adjustments £ '000	Revised Budget £ '000	Net Expend. Charged to the General Fund & HRA Balances per Expend. & Funding Analysis £ '000	Variance £ '000
<b>SERVICES</b>						
Education & Children's Services	226,773	(16,255)	(13,367)	197,151	191,578	(5,573)
Health & Social Care	82,581	75	0	82,656	82,433	(223)
Communities	75,559	(902)	(3,269)	71,388	61,445	(9,943)
Chief Executive's Service	2,862	(342)	0	2,520	2,498	(22)
Corporate & Democratic Services	40,956	(3,271)	(1,919)	35,766	35,469	(297)
Housing Revenue Account	0	(7,064)	0	(7,064)	(7,064)	0
Valuation Joint Board	1,309	0	0	1,309	1,338	29
Non Distributed Costs	1,565	0	0	1,565	1,540	(25)
<b>NET COST OF SERVICES</b>	<b>431,605</b>	<b>(27,759)</b>	<b>(18,555)</b>	<b>385,291</b>	<b>369,237</b>	<b>(16,054)</b>
Taxation & Non-Specific Grant	(410,595)	20,691	0	(389,904)	(390,043)	(139)
Finance / Investment / Other	8,610	8,399	18,555	35,564	35,829	265
<b>Use of General Fund per Comprehensive Income &amp; Expenditure Statement</b>	<b>29,620</b>	<b>1,331</b>	<b>0</b>	<b>30,951</b>	<b>15,023</b>	<b>(15,928)</b>
Contributions from other Reserves	2,647	(1,331)	0	1,316	1,466	150
<b>Use of General Fund Balances</b>	<b>32,267</b>	<b>0</b>	<b>0</b>	<b>32,267</b>	<b>16,489</b>	<b>(15,778)</b>

The contribution from the General Fund of **£16.489 million**, which is **£15.778 million** less than planned is made up of additional income and service under spends and is comparable with the revenue monitoring positions that have been presented regularly to the Finance & Resources Committee throughout the financial year. The following section provides a more detailed explanation of the final year end outturns.

**Education & Children's Services** delivered net under spends / additional income of **£5.6 million**. The main reasons for this are -

- In respect of the **Devolved School Management (DSM)** Scheme there was a net under spend (**£722,000**) reflecting savings on staff costs (teachers and support staff) (£800,000) and additional income (£100,000) which was partially offset by additional expenditure on supplies & services (educational materials) (£200,000). These resources will be carried forward by schools into 2023/24. This has reduced significantly from the £1.2 million carried forward from 2021/22 into 2022/23.
- In 2022/23 schools were awarded **Pupil Equity Funding** direct from the Scottish Government to contribute towards raising attainment (£1.9 million). Expenditure from this Fund is incurred by academic year rather than financial year. On that basis the under spend (**£140,000**) has been earmarked within Reserves to be utilised by schools in 2023/24. Again this is significantly less than the £1 million carried forward from 2021/22 into 2022/23.
- In terms of non-DSM budgets there were further budget variances / additional income as follows:
  - Across **Business & Resources Services** there was a net under spend of **£700,000**. The main reasons for this were staff slippage in excess of budget, a rephasing of planned property works and an under spend on supplies and services.

- Across non devolved **Education Services** there was a net under spend / additional income of **£4.4 million** which was generated within the following sectors.
  - Across the **Nursery** sector there was a net under spend of **£900,000**. Staff slippage in excess of budgeted levels as well as under spends on facilities management were the primary reasons for this variance.
  - In the **Primary** sector, there was a net under spend of **£500,000** due, in the main, to staff slippage in excess of budgeted levels.
  - Within the **Secondary** sector there was a net under spend of **£1.3 million**. Staff slippage in excess of budgeted levels as well as an insurance rebate and reduced facilities management costs were the main factors contributing to this under spend.
  - Across the **Special** sector there was a net under spend / additional income of **£1.6 million**. Staff slippage in excess of budgeted levels, home to school transport and third party payments were the main factors contributing to the final position.
- Within **Services for Children, Young People and Families** there was a net over spend of **£1.3 million**. The main reason for this was additional expenditure on services for young people with complex behavioural issues. This was partially offset by staff slippage in excess of budget and additional grant income.
- In **Catering Services** there was a net over spend of **£200,000** due to lower income from school meals due to reduced uptake.
- Across the **Grants** sector, the Council received **£1.3 million** which will be carried forward in earmarked Reserves to support activity in 2023/24.

**Health and Social Care** delivered an under spend of **£200,000** from within the non-delegated areas of social care in 2022/23. The Perth & Kinross Integration Joint Board Unaudited 2022/23 Annual Accounts are available separately.

**Communities** delivered a net under spend / additional income of **£9.9 million**, which is made up of variances across the Service as follows:

- On a **Service wide** basis, the budgeted staff slippage target was exceeded by **£1.1 million**.
- Within **Planning & Development** there was a net under spend / additional income of **£1.3 million**. The main reason for this variance was additional income from planning and building warrant fees.
- Within **Roads** there was an over spend of **£900,000** on the Council's response to winter and other weather-related events throughout the year. This was partially offset by under spends of **£800,000** from additional income and street lighting savings.
- Across **Operations** there was a net over spend of **£300,000** due to additional fuel and hire costs.
- In addition, **grant funding** of approximately **£7.6 million** was also received across the Service in 2022/23 to take forward initiatives in 2023/24. This income will be carried forward in earmarked Reserves.
- Across the remainder of the Service, there was a further net under spend of **£300,000**.

**Corporate & Democratic Services** delivered net under spends / additional income of **£300,000** as follows:

- Across the Service, there were underspends on **staff costs** as actual levels of slippage exceeded the budgeted target by **£500,000**.
- **Property** costs were over spent by **£900,000** which included additional maintenance and energy expenditure.
- Across the remainder of the Service, there was a net under spend due, in the main to the receipt of additional **Income** of **£700,000** from recharges, statutory additions and grants.

In addition, **Taxation and Non-Specific Grant** achieved additional income of **£100,000**, primarily due to Council Tax collection levels that exceeded the budgeted amount. There was a net over spend of **£300,000** on **Finance, Investment and Other** due to reduced income from Tayside Contracts.

General Fund and Housing Revenue Account Balances reduced by **£16.489 million** to **£72.693 million** in line with the budget adjustments approved throughout the year by Council and the Finance & Resources Committee as well as recognising the implications of final outturns. When the Housing Revenue Account Balance of **£2.647 million** and the earmarked Reserves of **£51.876 million** that are set out on page 46 are excluded this leaves an uncommitted General Fund Balance of **£18.17 million** or **4%** of the net 2023/24 Revenue Budget.

#### **b) Composite Capital Budget and Housing Revenue Account Investment Programme 2022/23**

A summary of the Council's capital expenditure in 2022/23 is reflected within Note 35 to the Core Financial Statements on page 71. Total gross capital expenditure was **£125.9 million**, comprising **£18.637 million** on the Council's Housing Revenue Account (HRA) and **£107.263 million** on the Council's Composite (General Fund) Programme. Many projects in 2022/23 which had been impacted during the Covid-19 pandemic returned to pre-covid levels, with 2 major new construction projects commencing on site. The Council's gross expenditure includes:

- **£23.726 million** on various school upgrade projects, including the replacement of Perth High School and North Muirton/Balhouses Primary Schools (Riverside Primary School), Perth Academy refurbishments and the Early Learning & Childcare programme.
- **£51.777 million** on roads & transport projects, including structural maintenance, road safety measures, bridges and construction of the Perth Transport Futures project.
- **£12.984 million** on cultural attractions (Perth Museum and Perth Art Gallery) and community projects (Letham Wellbeing Hub).
- **£18.776 million** on other works, including flood protection measures (£2.185 million); placemaking projects (£1.026 million); planning schemes (£886,000); and property, infrastructure & IT upgrades (£11.41 million). The balance of £3.269 million relates to expenditure on various waste initiatives, community greenspace, vehicles and other miscellaneous works.
- **£18.637 million** on the HRA including affordable housing new builds & buy backs (£10.178 million), external fabric (£2.869 million), bathroom upgrades (£1.524 million) and fire precaution measures (£552,000).

Capital expenditure is funded by borrowing, asset sales, grants, other capital receipts, and Revenue Budget contributions. The Capital Financing Requirement (CFR, i.e. the underlying requirement to borrow for capital purposes) as at 31 March 2023 was **£679.034 million**. Actual capital debt was **£724.527 million**, comprising long-term borrowing (£603.2 million) and a Public Private Partnership (PPP) liability (£121.327 million). The ratio of borrowing to the CFR for 2022/23 has reduced to **106.7%** (2021/22 119.4%). During the year the CFR increased by **£60.644 million**, reflecting the capital expenditure above, less capital receipts, grants and contributions and principal loan repayments, whilst the ratio to borrowing increased as a consequence of new borrowing being undertaken in the year.

#### **c) General Fund Reserves**

As at 31 March 2023 the Council had uncommitted General Fund balances of **£18.17 million** which represented **4%** of the Council's 2023/24 Revenue Budget approved in April 2023. Council policy, as set out in the Reserves Strategy approved by Council on 1 March 2023, is to retain uncommitted reserves of between 2% and 4% of net revenue expenditure over the medium term. The Council's Reserves Strategy will continue to be reviewed and updates will be considered by the Finance & Resources Committee and the Council as part of the revenue monitoring cycle. Full details of the Council's General Fund Reserves are shown on page 25 and page 67 of the Financial Statements, along with information on future commitments.

The Reserves position is summarised as follows:

	£'000		£'000
General Fund	(70,046)	Revaluation Reserve	(331,880)
Housing Revenue Account	(2,647)	Capital Adjustments Account	(389,017)
Capital Fund	(26,343)	Financial Instruments Adjustment Account	17,002
Insurance Fund	(1,306)	Pensions Reserve	(229,359)
Capital Statutory Funds	(2,245)	Employee Statutory Adjustment Account	8,524
Capital Grants Unapplied	(87)		
<b>TOTAL USABLE RESERVES</b>	<b>(102,674)</b>	<b>TOTAL UNUSABLE RESERVES</b>	<b>(924,730)</b>
		<b>TOTAL RESERVES</b>	<b>(1,027,404)</b>

#### **The Balance Sheet**

The Balance Sheet on page 27 summarises the Council's assets and liabilities as at 31 March 2023 and explanatory notes are provided from page 30. Total net assets have increased by £285.633 million to

£1,027.404 million. Long Term Assets increased by £305.416 million, current assets reduced by £67.207 million, current liabilities increased by £17.66 million and long-term liabilities reduced by £65.084 million. The major changes in the Council's Balance Sheet between 31 March 2022 and 31 March 2023 are explained in more detail in the following paragraphs.

#### *Long Term Assets*

The value of Property, Plant and Equipment increased by £75.885 million primarily due to the continuation of the major capital investment being undertaken by the Council described above. In addition, there was a net pension asset position of £229.359 million at 31 March 2023.

#### *Current Assets*

The level of Short-Term Investments reduced by £53.962 million with a reduction of £20.774 million in the level of Cash or Cash Equivalents. This was a result of no new long-term borrowing being undertaken in 2022/23 to fund the capital programme, with the cash and investment balances being applied to meet the ongoing expenditure over the year. Short term debtors increased during the year by £7.666 million due to an increase in the receivables from the Scottish Government, Central Government, NHS Bodies and Council Tax Entities; this being slightly offset by a reduction in receivables from Other Local Authorities.

#### *Current Liabilities*

Short Term Borrowing reduced by £2.64 million as a result of less longer-term borrowing falling due within 12 months of the balance sheet date compared to last year. Short Term Creditors increased by £23.909 million primarily due to higher amounts payable to Central Government, Other Local Authorities, NHS Bodies, Public Corporations and Trading Funds, Other Entities and Trade Creditors; this is slightly offset by a reduction in the amount payable to the Scottish Government.

#### *Long Term Liabilities*

Other Long-Term Liabilities reduced by £62.281 million primarily due to a reduction in the net pension liability of £55.995 million and a reduction in the liability for public private partnerships of £6.286 million in line with the remaining contract. Also within Long Term Liabilities is a net reduction in Long Term Borrowing of £5.156 million resulting from PWLB debt with a maturity date within the next 12 months moving into short term debt.

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 2023 indicates a net asset of **£229.359 million** compared to a net pension liability of £55.995 million on 31 March 2022 due to changes in the assumptions. This asset is based on a snapshot valuation at 31 March 2023 and is a result of prevailing market conditions at that date. Triennial valuations of the Fund are carried out with the last valuation having taken place at 31 March 2020. Employer's contributions are currently 17% of pensionable pay. For more information see Note 18.

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

The Council made provision for a number of eventualities which may have an effect on the financial position of the Council. The reasons for the provisions are outlined in Note 30 on page 67.

There were a number of write-offs of debt and stock during the year which were approved by the Finance and Resources Committee on 7 June 2023 – Authority to Write Off Debts and Obsolete Stock.

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

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

FINANCIAL INDICATOR	2022/23	2021/22	PURPOSE
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	4.0%	3.8%	Reflects the level of funding available to manage financial risk / unplanned expenditure.
Movement in the Uncommitted General Fund Balance	£1.592m	£8.378m	Reflects the extent to which the Council has increased its Uncommitted General Fund Reserve including unspent Covid grant funding.
Council Tax – In Year Collection Rate	98.4%	97.7%	Demonstrates the Council's effectiveness in collecting council tax debt.
Ratio of Council Tax Income to Overall Level of Funding	20.0%	21.0%	This reflects the Council's capacity to vary expenditure by raising Council Tax Income.
Capital Financing Requirement	£679.034m	£618.39m	Measurement of requirement to borrow for capital purposes.
External Debt Levels	£724.527m	£738.391m	Actual borrowing for capital investment purposes.
Capital Financing Requirement Ratio	106.7%	119.4%	Measurement of prudence in relation to borrowing levels – borrowing only to invest in capital.
Ratio of Financing Costs to Net Revenue Stream	4.7%	5.6%	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**

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

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

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

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

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

- new and emerging priorities – social, economic and climate – that require the Council to review what, how and where it delivers services to meet these challenges.
- a growing ageing population and increasing complexity of need and demand for services.
- delivery of the promise made to our communities in the Perth and Kinross Offer to balance the relationship between the people who design and deliver services and those who ultimately use them.

Through transforming how the Council works, driving efficiencies and reviewing service delivery, it will help address these challenges and respond to these drivers. The purpose of bringing together the Council's

budget and change plans is to make greater links between how it allocates its resources and mitigates the impact of budget cuts whilst continuing to make best use of available resources to meet its priorities.

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

The new Corporate Plan 2022-27 approved in December 2022 sets out a vision for **“a Perth and Kinross where everyone can live life well, free from poverty and inequality”**.

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

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

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

The budgetary strategy was further developed on 28 September 2022 when the Council approved the latest Medium-Term Financial Plan (MTFP) which included agreement to set Revenue Budgets for 2023/24, 2024/25 and 2025/26. The update of the MTFP considered future funding levels, increasing costs and rising need / demand over the short to medium term, insofar as they may impact on Perth & Kinross Council.

The MTFP places the development of budgetary strategy in the context of delivering the Council's key outcomes and considers the financial and process risks considered in the management of the Council's finances. The MTFP is designed to inform the direction of travel of the Council for financial planning purposes. As detailed budget proposals are developed, the broad assumptions included within the MTFP are superseded by more detailed analysis of individual cost pressures and the identification of budget reduction options. The refinement of these assumptions is included in the 2023/24 Final and 2024/25 and 2025/26 Provisional Revenue Budgets. The 2023/24 Final Revenue Budget includes the use of the Service Concession scheme which will impact on the future financial management of the Council.

The final Housing Revenue Account (HRA) Revenue Budget for 2023/24 and Five-Year Capital Investment Programme and Rent Strategy to 2027/28 were approved by the Housing and Social Wellbeing Committee on 25 January 2023 (Report No. 23/9 refers). The Committee approved the recommendation of an average weekly rent increase for 2023/24 of 2.2% or £1.62 per week in accordance with the requirements of the Council's approved Housing Business Plan including supporting investment in new council housing.

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

Transformation alone will not address the funding issues, budget cuts and service reductions will be required. Some transformation will reduce over spends, mitigate costs, or enable a shift of expenditure to new and emerging priorities. A combination of measures and approaches will therefore lead to the removal of the structural deficit, with the aim of delivering a balanced budget and removing the need to draw on Reserves.

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

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

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

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

## **Capital**

The Council approved a revised five-year Composite Capital Budget for 2023/24 – 2028/29 on 1 March 2023. The Housing & Social Wellbeing Committee approved the Housing Revenue Account (HRA) Capital Budget for 2023/24 – 2027/28 on 25 January 2023. Both these Capital plans were subsequently updated by the Finance & Resources Committee on 26 April 2023.

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, including the replacement of Blairgowrie Recreation Centre, as well as ongoing works within annual rolling programmes and road network improvements. Also included is the replacement of Perth High School and the merger of North Muirton and Balhousie Primary Schools into one new campus at Riverside Primary School. There are also various school refurbishments under the Early Learning & Childcare programme. There is significant investment included in relation to new technologies such as a replacement for the existing SWIFT Social Work database and investment in the Microsoft Estate, as well as the upgrading and replacement of School Audio Visual equipment and other technology upgrades. Other expenditure is planned in relation to various flood protection schemes, the development of Perth City Centre cultural attractions, economic development and planning initiatives, parks and public spaces improvements, waste reduction & recycling and property improvements.

The HRA Investment Programme 2023/24 to 2027/28 continues to focus upon increasing the affordable housing stock with the provision of new affordable housing and Council house buy-backs, as well as the enhancement of the existing housing stock, including energy efficiency and external fabric maintenance.

The Capital Financing Requirement is estimated to peak at **£1.195 billion** in 2027/28 under current approved plans. The annual cost of servicing the borrowing and Public Private Partnership liabilities is being managed through the Capital Fund Strategy within the Medium-Term Financial Plan. This ensures the Council's plan remains affordable, prudent and sustainable.

## **Risk Management**

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

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

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

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

Within the Council there is a cross-Service cohort of trained risk practitioners who provide technical guidance and support to ensure that a consistent approach to risk management is taken across the whole organisation. Extensive work has been further undertaken throughout 2022/23 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.

## **Workforce Management**

The Council values its employees, their skills, dedication, and passion to ensure it delivers essential services to the people, businesses and communities of Perth and Kinross. Our people continue to be our most important asset and remain at the heart of everything we do.

The Council is currently undertaking a senior leadership review that sets out our ambitions to build and deliver our vision in a way that reflects our values and allows us to best serve the needs of the people of Perth and Kinross. The new structure and operating model will ensure that we are organised to deliver our refreshed Corporate Plan and priorities agreed in December 2022. Several Transformation & Change consolidation workstreams have also commenced over the last year to ensure that we have people with the right skills in the



right place doing the right things for and with the communities we serve. To support the delivery of this significant transformation and change across the organisation we continue to focus our efforts on what makes change a success – our people and have created learning and engagement opportunities to support our ambition of growth and change. A series of risk and transition planning workshops to manage this change over the next financial year are taking place to minimise impact on service delivery. These activities together with the Financial Strategy and principles agreed in 2022 and the Medium-Term Financial Plan, Transformation & Change Strategy 2022-2027, Corporate Workforce Plan (21-23), the Organisational Development Plan, Digital Strategy and Health and Wellbeing Plan set a clear direction and highlight how our workforce needs to develop, within available resources, to ensure our people are prepared and resilient to deliver our future goals and aspirations.

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

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

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

## **8. Supplementary Information**

### **(a) Group Accounts**

The Code of Practice on Local Authority Accounting in the United Kingdom requires the Council to produce group financial statements where it has an interest in entities that meet the definition of a subsidiary, associate or joint venture. The Group results are presented alongside the results for the Council in the Annual Accounts. Further details of the associated entities that have been incorporated into the financial statements can be found on page 96.

The Council has an interest in six organisations (detailed on page 96) 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 2022/23 Group Accounts Statements are included on pages 91 to 95. The basis for consolidation is set out in the Notes to the Group Accounts Statements on pages 96 to 98. The effect of consolidation is to increase the Council's net assets by **£73.666 million** resulting in a Group Balance Sheet showing net assets of **£1,101.07 million** at 31 March 2023 as set out on page 93. This position reflects the Council's share of the pension assets 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 **£149,000** which, when applied to the surplus brought forward, results in an accumulated revenue surplus as at 31 March 2023 of **£2.258 million**.

Details of income and expenditure accounts and balance sheets can be found on pages 89 and 90 of the Annual Accounts. These funds are subject to similar accounting policies and procedures to those that are applied to the Council's main accounts. The main source of income to Common Good Funds is rent.

The Council also administers several Charitable Trust Funds. Details of income and expenditure accounts and balance sheets can be found on page 88 of these Annual Accounts. Overall, the Trust Funds recorded an in-year deficit of **£149,000** which, when applied to the surplus brought forward, results in an accumulated surplus as at 31 March 2023 of **£3.461 million**.

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

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

In September 2000 the Council entered into a 25-year PPP contract for the construction, maintenance and operation of office accommodation and a car park. In 2022/23 the Council paid **£2.824 million** to the contractor under the terms of the contract.

Between 2009 and 2012 six school campuses were also brought into operation at Blairgowrie, Glenearn, Loch Leven, Strathearn, North Inch and Breadalbane. The contractor's obligation was to construct the schools and is to maintain them to a pre agreed standard. In 2022/23 the Council paid **£18.91 million** to the contractor under the terms of the contract. In addition, the Council paid **£3.139 million** in relation to Bertha Park High School in 2022/23.

## **9. Conclusion**

The Council has continued to demonstrate sound financial management in 2022/23 by delivering services during challenging times with the resources which are available to it. The pressures being experienced by Services in relation to demand are known and plans are in place to mitigate them. The Council is also facing significant inflationary pressures. These pressures have been reflected in budgets and the medium 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 and the wider Group for their continuing support.

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Thomas Glen  
Chief Executive  
Perth & Kinross Council

Date

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Councillor Grant Laing  
Leader of the Council  
Perth & Kinross Council

Date

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Stewart MacKenzie  
Head of Finance  
Perth & Kinross Council

Date:

## **ANNUAL GOVERNANCE STATEMENT 2022/23**

### **1 Purpose**

- 1.1 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 adequate and effective and that our system of internal control is robust.

### **2 Scope of Responsibility**

- 2.1 As well as providing assurance as to the effectiveness of the governance arrangements in place for the Council, this Annual Governance Statement also covers the six organisations that are included in the Council's Group Accounts.

- Live Active Leisure Limited (subsidiary)
- Perth Theatre & Concert Hall Limited (subsidiary)
- Culture Perth & Kinross Limited (subsidiary)
- Tayside Valuation Joint Board (associate)
- Tayside Contracts (associate)
- Perth & Kinross Integration Joint Board (joint venture)

### **3 Our Governance Framework**

- 3.1 Our governance framework comprises our culture, values, rules, resources, systems, tools and processes which we have in place to help us achieve our strategic objectives. We recognise that the following are fundamental elements of good governance within public sector organisations: -

- Leadership, Culture & Values
- Vision, Direction & Purpose
- Stakeholder Engagement
- Organisational Development
- Effective Decision Making
- Internal Controls
- Scrutiny & Accountability

- 3.2 These fundamental elements of our governance framework reflect and seek to embed the principles of good governance within 2016 CIPFA Framework for Delivering Good Governance in Local Government, namely:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Ensuring openness and comprehensive stakeholder engagement
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

- 3.3 A crucial part of the framework is the system of internal control which is designed to manage and mitigate risk in relation to the achievement of our intended outcomes.

- 3.4 The Council manages risk through a continuous process of identification, assessment, evaluation, prioritisation and mitigation. We evaluate risk based on likelihood and impact in both financial and non-financial terms. We do however need to mitigate and manage risk proportionately; recognising that risk can never be eliminated completely and that only reasonable assurance can ever be given.

### **4 Our Governance Arrangements**

- 4.1 Our culture and values are reflected in our behaviour and our decision-making. Our policies, processes and procedures including Elected Member and Employee Codes of Conduct, Whistleblowing and Anti-fraud and Corruption policies, Elected Member Register of Interests and Gifts & Hospitality Policy ensure that, as a Council, we respect the rule of law, behave with integrity, promote a culture of good governance and demonstrate a strong commitment to ethical values.

- 4.2 There are appropriate and effective arrangements in place for the discharge of the following statutory functions:
- Head of Paid Service
  - Monitoring Officer
  - Chief Finance Officer
  - Chief Social Work Officer
  - Data Protection Officer
- 4.3 The 2022 Local Government Elections brought a change of political administration within the Council and 14 new Councillors. This presented an opportunity to review and refresh our strategic vision and our leadership culture and values. During the year officers and Elected Members have engaged with our communities and worked together in partnership to develop a new Corporate Plan which reflects the strategic priorities of the new Council. The more detailed delivery plan is being developed to ensure that we deliver on those objectives and continue to provide high quality operational services.
- 4.4 An extensive induction/refresher programme of training was put in place for Elected Members following the Election and a long-term programme of personal development is being implemented. Similarly, an extensive leadership development programme is in place for officers, with a new leadership competency framework being implemented to enhance capacity and effectiveness, not only in senior leadership roles but across all levels of the organisation. To ensure that the political and executive leadership is aligned to optimise the organisation's ability to achieve its strategic outcomes, the political decision-making structures have been reviewed and revised and the operational senior leadership structure is currently being reshaped.
- 4.5 Leadership within the organisation is effective with good communication between Elected Members and Senior Management through Leaders Meetings, Convenors meetings, Member Officer Working Groups and all-member briefings, where appropriate. There are also regular pre-agenda discussions in respect of each scheduled Council and Committee meeting.
- 4.6 Our Local Outcomes Improvement Plan and [Corporate Plan](#) set out our vision and purpose and have been subject to consultation and approved during the year. The Financial Strategy and approved Medium Term Financial Plan and Revenue and Capital budgets prioritise how our financial resources are to be deployed. The Transformation & Change Strategy highlights our ambition to better support the delivery of services to the people of Perth and Kinross, particularly those in the greatest need. Key strategic documents such as the Perth and Kinross Offer Framework, Capital Investment Blueprint, Housing Investment Programme, Economic Wellbeing Plan and Climate Change Strategy provide the necessary direction to the organisation to enable it to deliver on its vision and priorities and to achieve its purpose.
- 4.7 We recognise the importance of good stakeholder engagement and will continue to engage and work in partnership with our communities, partners, and other stakeholders to ensure that we design and deliver the public services that our communities need and value. Our approach to consultations is based on the National Standards for Community Engagement and we have established a wide range of consultation processes and procedures. The Community Empowerment (S) Act 2015 provides a framework for improving the quality of engagement and participation which will be reflected in the Local Outcome Improvement Plan.
- 4.8 We are operating in an increasingly complex and financially challenging public sector landscape and must be able to adapt and evolve our services and workforce to continue delivering cost-efficient, high-quality services. Our people remain our most valuable assets and as an organisation we will secure the best outcomes for our communities by investing in the development of our workforce and of our leaders to ensure that they have the right skills and have sufficient capacity to deliver. Our approach is outlined in our [Corporate Workforce Plan – Resourcing PKC Everyone Has Something To Offer](#).
- 4.9 Strategic, operational and political leadership is an integral element of effective governance. There has been an extensive programme of induction and continuous development for Elected Members, following the Election in May 2022. A programme of leadership development for our managers is also in place and a new leadership competency framework has been developed. There is an ongoing review of the current operational leadership structure to ensure that it is fit for purpose and better aligned to deliver on the strategic objectives and key priorities of the Council.
- 4.10 The Council's Scheme of Administration sets out the Council's decision-making structure in terms of roles, remits and responsibilities to ensure transparency and accountability. This has been revised to reflect the priorities and objectives of the new Council.

- 4.11 We have a robust suite of policies, procedures and management processes to ensure that there are appropriate **internal controls** in place in respect of: -
- Workforce Planning & Management
  - Financial Planning & Management
  - Risk & Performance Management
  - Transformation & Change Management
  - Procurement
  - Major Investment Project Management
  - Health & Safety
  - Information Management & Security
  - Civil Contingencies & Business Continuity
  - Anti- Fraud & Corruption
  - Conflicts of Interests
  - Gifts & Hospitality
  - Whistleblowing and Reporting Concerns
  - Complaints Handling
  - Officer and Elected Member Conduct
- 4.12 As a public body we must be open, transparent and accountable for our decisions, actions, and performance. Our management and democratic structures and processes are designed to facilitate effective decision making and the proper scrutiny of those decisions and their impact in terms of performance and the achievement of our intended outcomes.
- 4.13 The Council set a revenue budget for the year 2023/24 in March 2023, along with provisional budgets for 2024/25 and 2025/26. This revenue budget for the year demonstrated clear linkages with the Transformation & Change strategy. Each budget is allocated to a named budget holder. Budgets are monitored regularly by Service Management Teams and overall financial performance is monitored regularly by the Executive Leadership Team. Council, through the Finance & Resources Committee, receives regular financial monitoring information as part of the budgetary control framework and provides the required political scrutiny of our financial management and performance.
- 4.14 Capital spend is monitored by the Executive Leadership Team and reported regularly to the Finance & Resources Committee as part of the budgetary control framework. The Capital Programme Office monitors project milestones.
- 4.15 The Business Management & Improvement Plans set out detailed actions and outcomes for each Service and include appropriate performance indicators. Service performance is reported regularly to the Executive Leadership Team and publicly through the Council's Scrutiny & Performance Committee and relevant themed committees. Financial performance is publicly reported through the Finance & Resources Committee and relevant service committees.
- 4.16 The Council publishes an Annual Performance Report on its performance against the objectives set out within the Corporate Plan and Local Outcomes Improvement Plan.
- 4.17 In order to improve transparency and clarity of these links, a Corporate Delivery and Improvement Plan is being developed for 2023/24.
- 4.18 The Council has a published process for dealing with the following and annually reports on performance in this respect of these areas: -
- Complaints from members of the public
  - Requests for accessing information under the Freedom of Information legislation
  - Accessing information under the Data Protection legislation

## **5 Governance Assurance Process**

- 5.1 The Council utilises a robust process of gathering assurance information from Service Management Teams, which concludes with Certificates of Assurance being signed by the Executive Directors for Education & Children's Services and Communities, the Chief Operating Officer, and the Executive Lead – Strategic Planning & Transformation.

- 5.2 Corporate assurance has also been provided as regards the adequacy of the internal controls from the following Officers:
- Chief Finance Officer (S 95 Officer)
  - Head of Legal & Governance Services /Monitoring Officer
  - Chief Internal Auditor
  - Data Protection Officer
  - Records and Information Security Manager
  - Corporate Procurement Manager
  - Corporate HR Manager
  - Head of Innovation
- 5.3 For Arm's Length External Organisations, reliance has been placed upon:
- Unaudited financial statements of the companies (audited accounts will be scrutinised when available)
  - Assurance self-assessment evaluations
  - Terms and conditions of Service Level Agreements
  - Contract monitoring meetings with Services
  - Performance information and financial monitoring reports to Services
  - Presentations and reports to Scrutiny & Performance Committee
- 5.4 For Tayside Contracts Joint Committee, Tayside Valuation Joint Board and Perth & Kinross Integration Joint Board, reliance is placed upon each organisation's own Annual Governance Statement.
- 5.5 The draft Annual Governance Statement is considered by the Executive Leadership Team and the Council's Scrutiny & Performance Committee prior to inclusion within the final draft Annual Accounts.
- 5.6 The Annual Governance Statement is considered by the Audit & Risk Committee as part of the Annual Accounts.
- 6 Effectiveness of Governance Arrangements for 2022/23**
- 6.1 Based on the assurance process outlined above, in terms of effectiveness, the Council's governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework, subject to the areas identified for review or improvement set out in section 8 below.
- 6.2 Our financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015).
- 6.3 Our assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).
- 6.4 The Council has designated the Head of Legal & Governance Services as the Senior Information Risk Owner, with the Head of Corporate IT & Revenues as Depute. Our information security measures have been reviewed in 2022/23 to ensure continuing compliance with the Public Service Network (PSN) and other cyber security requirements.
- 6.5 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.
- 6.6 We have structures in place which support constructive challenge and effective scrutiny to our system of internal control and our broader governance arrangements. In particular: -
- Audit & Risk Committee
  - Scrutiny & Performance Committee
  - Finance & Resources Committee
  - Themed Committees
  - Executive Leadership Team / Extended Executive Leadership Team
  - Policy & Governance Group
  - Transformation & Change Board
  - Internal Audit
  - External Audit (presently Audit Scotland)

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

- 7.1 Audit activity and performance will be detailed in the Annual Report by the Chief Internal Auditor for the year 2022/23 when it is presented to the Council's Audit & Risk Committee. The draft report contains the Chief Internal Auditor's opinion in respect of the effectiveness of the governance arrangements in place, as follows: -

***“In the Chief Internal Auditor's opinion, reasonable reliance can be placed on the Council's risk management and governance arrangements, and systems of internal control for 2022/23, subject to management implementation of the agreed actions detailed in Internal Audit reports.”***

## **8 Areas for Review/Continued Improvement Action**

- 8.1 The last three years have demonstrated our reliance on technology and the way in which technology can shape and influence how we deliver services and work as an organisation in the future. We continue to review our cyber resilience and information governance arrangements to ensure that they are fit for purpose and robust and continue to support new and innovative ways of working.
- 8.2 The Council's financial management, governance and reporting arrangements have been assessed against the financial management standards set out within the CIPFA Financial Management Code (2019). The Code is based upon the standards set out elsewhere within the Annual Governance Statement and the Council is considered to be compliant with the Code. Improvement actions arising from the review include consideration of how the Council can build upon existing practice in its budget consultation with stakeholders and strengthening existing reporting arrangements through the submission of a Financial Strategy report to Council in June 2022.
- 8.3 The adoption of our Climate Change Strategy in December 2021 will require all strategies and policies to be reviewed for their impact in this area. An Integrated Assessment Tool is being developed which captures these considerations for future reports and existing strategies and policies will be subject to a similar process for ensuring their alignment with the Climate Change Strategy.
- 8.4 In addition to these areas, there are some specific areas which will be held under review pending the outcome of current transformation and change activity:
- Leadership culture and capacity
  - Capacity and resources to lead, develop and deliver ongoing and future programme of transformation and change
  - Implementation of the Financial Strategy to address financial deficits and pressures
  - Our approach to community engagement and empowerment
  - Leadership capacity and corporate support to Integration Joint Board.

## **STATEMENT**

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

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

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

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

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

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

The Chief Internal Auditor has provided assurance for the year 2022/23 and an Internal Audit plan will be developed for 2023/24 that will focus on areas which have been identified as corporate or service specific risks in relation to core business and the delivery of the Council's agreed strategic priorities.

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

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

Signed:

Signed:

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Thomas Glen  
Chief Executive  
Date

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Councillor Grant Laing  
Leader of the Council  
Date



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

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

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

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Fund £'000	Insurance Fund £'000	Capital statutory funds £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves (Note 32) £'000	Total Authority Reserves £'000
<b>Balance at 1 April 2021</b>	(72,483)	(3,006)	(27,944)	(2,392)	(2,529)	(2,730)	(111,084)	(540,023)	(651,107)
<u>Movement in reserves during 2021/22</u>									
Total Comprehensive Income and Expenditure	11,478	5,147	0	0	0	0	16,625	(107,289)	(90,664)
Adjustments to Usable Reserves permitted by accounting standards	(4,459)	(2,995)	0	0	0	0	(7,454)	7,454	0
Adjustments from income & expenditure charged under the accounting basis to the funding basis (Note 5)	(16,483)	(2,228)	0	0	(27)	2,643	(16,095)	16,095	0
<b>(Increase)/ Decrease in 2021/22</b>	(9,464)	(76)	0	0	(27)	2,643	(6,924)	(83,740)	(90,664)
Transfers to/(from) Other Statutory Reserves	(3,953)	(200)	3,127	1,026	0	0	0	0	0
<b>Balance at 31 March 2022 carried forward</b>	(85,900)	(3,282)	(24,817)	(1,366)	(2,556)	(87)	(118,008)	(623,763)	(741,771)
<u>Movement in reserves during 2022/23</u>									
Total Comprehensive Income and Expenditure	27,647	6,401	0	0	0	0	34,048	(319,681)	(285,633)
Adjustments to Usable Reserves permitted by accounting standards	(4,511)	(2,897)	0	0	0	0	(7,408)	7,408	0
Adjustments from income & expenditure charged under the accounting basis to the funding basis (Note 5)	(9,588)	(2,029)	0	0	311	0	(11,306)	11,306	0
<b>(Increase) or Decrease in 2022/23</b>	13,548	1,475	0	0	311	0	15,334	(300,967)	(285,633)
Transfers to/(from) Other Statutory Reserves	2,306	(840)	(1,526)	60	0	0	0	0	0
<b>Balance at 31 March 2023 carried forward</b>	(70,046)	(2,647)	(26,343)	(1,306)	(2,245)	(87)	(102,674)	(924,730)	(1,027,404)

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Restated	Restated	Restated				2022/23		
2021/22								
Gross	Income	Net		Notes	Gross	Income	Net	
Expenditure		Expenditure			Expenditure		Expenditure	
£'000	£'000	£'000			£'000	£'000	£'000	
<b>COUNCIL SERVICES</b>								
233,020	(27,525)	205,495	Education & Children's Services		243,499	(28,053)	215,446	
172,809	(97,019)	75,790	Health & Social Care		195,655	(107,341)	88,314	
119,003	(28,737)	90,266	Communities		122,906	(34,937)	87,969	
64,046	(25,005)	39,041	Corporate & Democratic Services		68,812	(23,927)	44,885	
2,320	(67)	2,253	Chief Executives Service		2,896	(2)	2,894	
34,465	(30,085)	4,380	Housing Revenue Account		36,843	(31,394)	5,449	
1,307	0	1,307	Valuation Joint Board		1,338	0	1,338	
<hr/>								
626,970	(208,438)	418,532	<b>COST OF SERVICES</b>		671,949	(225,654)	446,295	
<hr/>								
0	(534)	(534)	Other Operating Income and Expenditure	8	474	(331)	143	
25,623	(2,019)	23,604	Financing and Investment Income and					
0	(424,977)	(424,977)	Expenditure	9	25,630	(5,321)	20,309	
			Taxation and Non-Specific Grant Income	10	0	(432,699)	(432,699)	
<hr/>								
652,593	(635,968)	16,625	<b>Deficit on Provision of Services</b>		698,053	(664,005)	34,048	
<hr/>								
		(22,427)	Surplus on revaluation of non current assets				(6,979)	
		(84,862)	Remeasurement of the net defined benefit liability				(312,702)	
		(107,289)	Other Comprehensive Income and Expenditure				(319,681)	
		(90,664)	<b>Total Comprehensive Income and Expenditure</b>				(285,633)	

## BALANCE SHEET

<u>31 March 2022</u>		Notes	<u>31 March 2023</u>
<u>£'000</u>			<u>£'000</u>
1,255,581	Property, Plant & Equipment	21	1,331,466
51,814	Heritage Assets	22	51,814
14,060	Investment Property	23	15,015
1,674	Intangible Assets	24	963
403	Assets Held for Sale	25	403
0	Long Term Investments	18	229,359
613	Long Term Debtors	26	541
<b>1,324,145</b>	<b>Long Term Assets</b>		<b>1,629,561</b>
209,301	Short Term Investments		155,339
273	Assets Held for Sale	25	273
578	Inventories	27	441
46,052	Short Term Debtors	28	53,718
38,437	Cash and Cash Equivalents	44	17,663
<b>294,641</b>	<b>Current Assets</b>		<b>227,434</b>
(14,754)	Short Term Borrowing	39	(12,114)
(73,570)	Short Term Creditors	29	(97,479)
(3,904)	Provisions	30	(295)
<b>(92,228)</b>	<b>Current Liabilities</b>		<b>(109,888)</b>
(2,959)	Provisions	30	(5,312)
(604,507)	Long Term Borrowing	39	(599,351)
(177,321)	Other Long Term Liabilities	36	(115,040)
<b>(784,787)</b>	<b>Long Term Liabilities</b>		<b>(719,703)</b>
<b>741,771</b>	<b>NET ASSETS</b>		<b>1,027,404</b>
118,008	Usable Reserves		102,674
623,763	Unusable Reserves	32	924,730
<b>741,771</b>	<b>TOTAL RESERVES</b>		<b>1,027,404</b>

The Unaudited Annual Accounts were issued on 26 June 2023.

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

Stewart MacKenzie CPFA  
Head of Finance

Date: 26 June 2023

## CASH FLOW STATEMENT

<u>2021/22</u>		Notes	<u>2022/23</u>
<u>£'000</u>			<u>£'000</u>
(16,625)	<b>Deficit on the provision of services</b>		(34,048)
99,842	Adjustments to net deficit on the provision of services for non cash movements		93,458
(47,236)	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities		(44,143)
<u>35,981</u>	Net cash flows from Operating Activities		<u>15,267</u>
(48,326)	Investing Activities	42	(22,818)
23,561	Financing Activities	43	(13,223)
<u>11,216</u>	Net (decrease)/increase in cash and cash equivalents		<u>(20,774)</u>
27,221	Cash and cash equivalents at the beginning of the reporting period		38,437
<u><u>38,437</u></u>	Cash and cash equivalents at the end of the reporting period	44	<u><u>17,663</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.

Councillor Grant Laing  
Leader of the Council

Date

### 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 2023.

Stewart MacKenzie CPFA  
Head of Finance  
Date: 26 June 2023



# 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 2022/23 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 projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 2.00% which is based on the indicative rate of return on the high quality corporate bond index (i Boxx AA).

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

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

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

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

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

#### Discretionary Benefits

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

#### 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 Annual Accounts.

## **Fair Value Measurement**

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

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

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

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

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

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

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

## **Financial Liabilities**

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

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

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

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

## **Financial Assets**

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

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

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

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

presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the agreement.

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

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

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

### **Foreign Currency**

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

### **Going Concern**

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

### **Government Grants and Contributions**

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

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

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

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

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

### **Heritage Assets**

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

### Tangible Heritage Assets

The Council's Heritage Assets are held in the Perth Museum & 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 General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital statutory funds reserve.

### **Leases**

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

#### The Council as Lessee

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

#### The Council as Lessor

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

### **Overheads and Support Services**

The costs of overheads and support services are only charged to the Housing Revenue Account 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.

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

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

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

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

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

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

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

### Impairment

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

Where impairment losses are identified, they are accounted for:

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



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

#### Disposals and Assets Held for Sale

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

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

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

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

#### Depreciation

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

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

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

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

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

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

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

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

- lifecycle replacement costs – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

### **Provisions**

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

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

### **Reserves**

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

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

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

### **VAT**

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

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

- Definition of Accounting Estimates (Amendments to IAS8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS12)
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)
- IFRS 16 Leases will require the Council as lessee to recognise leases on the Balance Sheet as right-of-use assets along with the corresponding lease liabilities, except for low value and short- term leases. CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2024.

### 3. Critical Judgements in Applying Accounting Policies

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

#### **Public Sector Funding**

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

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

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

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

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

The items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are in respect of the Council's Net Pensions Asset / Liability, and the estimated useful lives and valuation of Property, Plant and Equipment.

#### **Net Pensions Asset / Liability**

##### Uncertainty

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

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

The effects on the net pension asset / liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a reduction in the pension liability of **£11.838 million**. However, the assumptions interact in complex ways. During 2022/23, the Council's actuaries advised that the net pension liability had moved by **£285.354 million** to a net asset position following an updating of assumptions.

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

##### Uncertainty

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

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

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £584,000 for every year that useful lives had to be reduced.

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

##### Uncertainty

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

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

The valuation reports have been used to inform the measurement of non-current assets in these financial statements. The valuers have continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to Council as at 31 March 2023 and can be relied upon.

Of the £629.172 million net book value of Other Land & Buildings at 31 March 2023 and subject to valuation on a five year cycle, £553.511 million relates to specialised assets valued on a depreciated replacement cost basis. Here the valuer bases their assessment on the cost to the Council of replacing the service potential of the assets; the uncertainty relates to the estimated costs of, rather than the extent of, service potential to be replaced.

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

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

#### Effect if Actual Results Differ from Assumptions

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

The sensitivity analysis for Investment property yields assumes a +/- 0.5% potential movement for the average yield across the total investment property portfolio. A 0.5% decrease in the average yield would result in an increase of £1,072,000 in the value of Investment property. If the average yield was to increase by 0.5%, the value of investment property would reduce by £938,000.

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

	Usable Reserves				Total	2021/22
	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	(37,455)	(10,380)	0	0	(47,835)	(44,033)
Revaluation Losses on Property, Plant & Equipment	(1,933)	(151)	0	0	(2,084)	(20,930)
Reversal revaluation gains	2,168	1	0	0	2,169	15,232
Movements in Fair Value of Investment Properties	955	0	0	0	955	1,065
Amortisation of Intangible Assets	(1,026)	0	0	0	(1,026)	(888)
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	39,442	3,214	0	0	42,656	46,627
Amounts of non current assets written off on disposal as part of the gain/loss	(38)	(1,485)	0	0	(1,523)	(918)
Revenue Expenditure Funded by Capital Under Statute	(838)	0	0	0	(838)	0
<u>Items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>						
Statutory provision for repayment of debt	11,691	3,999	0	0	15,690	14,344
Capital expenditure charged to the General Fund and HRA balances	3,003	3,388	0	0	6,391	4,758
<u>Adjustments involving the Capital Receipts Reserve</u>						
Transfer of sale proceeds credited as part of the gain/loss on disposal	98	951	(1,049)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,360	0	1,360	992
<u>Adjustments involving the Capital Grants Unapplied Account</u>						
	0	0	0	0	0	2,643
<u>Adjustments involving the Financial Instruments Adjustment Account</u>						
	485	163	0	0	648	726
<u>Adjustments involving the Pensions Reserve</u>						
Employer's pensions contributions and direct payments to pensioners payable in the year	19,476	1,436	0	0	20,912	19,659
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(45,111)	(3,149)	0	0	(48,260)	(55,182)
<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	(505)	(16)	0	0	(521)	(190)
<b>Total Adjustments</b>	<b>(9,588)</b>	<b>(2,029)</b>	<b>311</b>	<b>0</b>	<b>(11,306)</b>	<b>(16,095)</b>

## 6. Expenditure and Funding Analysis - 2022/23

	Net Expenditure charged to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Education & Children's Services	191,578	23,868	215,446
Health & Social Care	82,433	5,881	88,314
Communities	61,445	26,524	87,969
Corporate & Democratic Services	35,469	9,416	44,885
Chief Executives Service	2,498	396	2,894
Housing Revenue Account	(7,064)	12,513	5,449
Valuation Joint Board	1,338	0	1,338
Non Distributed Costs	1,540	(1,540)	0
<b>Cost of Services</b>	<b>369,237</b>	<b>77,058</b>	<b>446,295</b>
Other Income and Expenditure	(354,214)	(58,033)	(412,247)
<b>Deficit on Provision of Services</b>	<b>15,023</b>	<b>19,025</b>	<b>34,048</b>
Opening General Fund and HRA Balance	(89,182)		
Surplus on General Fund and HRA Balance in Year	15,023		
Transfers from other Statutory Reserves	1,466		
<b>Closing General Fund and HRA Balance at 31 March 2023</b>	<b>(72,693)</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	13,662	9,701	505	23,868
Health & Social Care	1,011	4,779	91	5,881
Communities	19,901	6,716	(93)	26,524
Corporate & Democratic Services	5,182	4,256	(22)	9,416
Chief Executives Service	(2)	375	23	396
Housing Revenue Account	10,878	1,619	16	12,513
Non Distributed Costs	0	(1,540)	0	(1,540)
<b>Cost of Services</b>	<b>50,632</b>	<b>25,906</b>	<b>520</b>	<b>77,058</b>
Other Operating Expenditure and Income	474	0	0	474
Financing and Investment Income and Expenditure	(16,645)	1,442	(648)	(15,851)
Taxation and Non-Specific Grant Income	(42,656)	0	0	(42,656)
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(58,827)</b>	<b>1,442</b>	<b>(648)</b>	<b>(58,033)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(8,195)</b>	<b>27,348</b>	<b>(128)</b>	<b>19,025</b>

## Expenditure and Funding Analysis - 2021/22

	Net Expenditure charged to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Restated Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Education & Children's Services	175,145	30,350	205,495
Health & Social Care	69,033	6,757	75,790
Communities	61,496	28,770	90,266
Corporate & Democratic Services	29,395	9,646	39,041
Chief Executives Service	2,253	0	2,253
Housing Revenue Account	(8,107)	12,487	4,380
Valuation Joint Board	1,307	0	1,307
Non Distributed Costs	1,528	(1,528)	0
<b>Cost of Services</b>	<b>332,050</b>	<b>86,482</b>	<b>418,532</b>
Other Income and Expenditure	(341,590)	(60,317)	(401,907)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(9,540)</b>	<b>26,165</b>	<b>16,625</b>
Opening General Fund and HRA Balance	(75,489)		
Surplus on General Fund and HRA Balance in Year	(9,540)		
Transfers to other Statutory Reserves	(4,153)		
<b>Closing General Fund and HRA Balance at 31 March 2022</b>	<b>(89,182)</b>		

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

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

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

## Note 6 cont'd

### Explanation to the Expenditure and Funding Analysis

#### Adjustments for Capital Purposes

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

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

#### Net Change for the Pensions Adjustments

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

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

#### Other Differences

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

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



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

The Reserves Strategy that the Council approved in March 2023 earmarked funding towards specific or known future commitments. The following table sets out the updated balances as at 31 March 2023 for these Earmarked Reserves taking cognisance of the final year-end position.

	£'000 Balance as at 1 April 2022	£'000 Transfers (In)/Out	£'000 Balance as at 31 March 2023
Revenue Grants	(19,531)	3,261	(16,270)
Workforce Management (including transformation)	(4,114)	(5,416)	(9,530)
Developer Contributions: Commuted Sums & Infrastructure and Affordable Housing	(4,966)	(574)	(5,540)
Affordable Housing (Resources accrued from reduced Council Tax Discounts)	(4,281)	(72)	(4,353)
Covid-19	(18,343)	15,677	(2,666)
Children and Young People's Residential Care	(743)	(1,396)	(2,139)
Non-Recurring Pressures c/f from 2022/23	0	(1,699)	(1,699)
Car Parking	(1,579)	67	(1,512)
Perth High School	(1,555)	109	(1,446)
Culture	(934)	(238)	(1,172)
Devolved School Management (DSM)	(1,191)	469	(722)
Decant schools	(700)	0	(700)
Financial Insecurity	(638)	(42)	(680)
School Counsellors	(681)	125	(556)
Works Maintenance	(300)	(100)	(400)
Bertha Park High School	(454)	107	(347)
Modern Apprentices/Graduate Trainees	(434)	94	(340)
Property Maintenance	(305)	34	(271)
Primary School at Bertha Park	(270)	0	(270)
Perth and Kinross Offer	(477)	225	(252)
PH2O	(212)	0	(212)
World Cycling Championships	0	(180)	(180)
Climate Change	0	(153)	(153)
Ventilation Measures	(437)	323	(114)
Salix Fund	(92)	(21)	(113)
Local Action Partnerships	(107)	17	(90)
Community Investment Fund	(38)	(51)	(89)
Grounds Maintenance	(135)	75	(60)
Non-Recurring pressures c/f from 2021/22	(5,242)	5,242	0
Insurance Fund	(1,000)	1,000	0
Local Government Elections	(212)	212	0
Financial Assistance	(196)	196	0
North Inch Golf	(155)	155	0
<b>Earmarked Balances</b>	<b>(69,322)</b>	<b>17,446</b>	<b>(51,876)</b>

### Purpose of Earmarked General Fund Balances

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

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

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

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

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

**Children and Young People's Residential Care** – these resources have been earmarked to be utilised in the provision of children's social work services over the next 2 financial years in managing the impact of Covid-19 on higher levels of need and reduce the number of residential placements.

**Non-Recurring Pressures c/f from 2022/23** – the 2023/24 Revenue Budget includes non-recurring expenditure proposals which have been approved during the year at Finance & Resources Committee.

**Car Parking** – this balance is the accumulated surplus at 31 March 2023 which is restricted in its application under the Road Traffic Regulation Act 1984. Any proposals to utilise these resources will require approval by the Finance & Resources Committee.

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

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

**Devolved School Management (DSM)** – the amount shown is the accumulated sum available to be carried forward at 31 March 2023 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.

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

**Financial Insecurity** – the Council has underspent on funding received during 2022/23 for financial insecurity and proposes to earmark these resources to be utilised in 2023/24 and future years.

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

**Works Maintenance** - The Council continues to earmark resources for future works maintenance. The application of these resources will be reported to the Finance & Resources Committee through the revenue monitoring process.

**Bertha Park High School** – £649,000 of these resources were earmarked as part of the 2015/16 Revenue Monitoring Report 1 to the Strategic Policy & Resources Committee (report 15/395 refers) to equip the new secondary school at Bertha Park. This was further augmented in future years. These resources will continue to be utilised in future years as the pupil intake increases to equip further classrooms.

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

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

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

**Perth and 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 and 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.

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

**World Cycling Championships** – the Finance & Resources Committee in November 2022 approved the earmarking of £180,000 of reserves for the UCI Cycling World Championships in August 2023. These resources will be utilised in 2023/24.

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

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

**Salix Fund** – this fund is a means of pooling resources together with savings achieved from the implementation of energy conservation and efficiency schemes to fund expenditure on further schemes of the same type.

**Local Action Partnership** – these resources are the remaining balance originally approved in the 2017/18 Revenue Monitoring Report 3 by the Strategic Policy & Resources Committee and further augmented in future years. These resources are approved for payment to groups via application to one of the seven local action partnerships.

**Community Investment Fund** – The Council earmarked £600,000 as part of the 2018/19 Revenue Budget and a further £600,000 was approved to be earmarked during 2019/20. These resources will be reported to the Finance & Resources Committee. The remaining balance of £38,000 continues to be earmarked.

**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 in 2023/24.

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

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

**Local Government Elections** – these resources are earmarked in reserves as a contribution to local elections. These resources were utilised in 2022/23.

**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. This was utilised in 2022/23.

**North Inch Golf** – Revenue Budget Report 2021/22 No 4 to the Strategic Policy & Resources Committee on 2 February 2022 approved the earmarking of resources of £155,000 in respect of the new starter's hut which was utilised in 2022/23.

## 8. Other Operating Expenditure / Income

	2022/23 £'000	2021/22 £'000
Losses and (Gains) on the Disposal of Non Current Assets	474	(13)
Share of Tayside Contracts surplus	(331)	(521)
Total	<u>143</u>	<u>(534)</u>

## 9. Financing and Investment Income and Expenditure

	2022/23 £'000	2021/22 £'000
Interest payable and similar charges	25,040	24,146
Pensions interest cost and expected return on pensions assets	1,442	2,546
Interest receivable and similar income	(4,418)	(1,032)
Income in relation to investment properties and changes in their fair value	(1,755)	(2,056)
Total	<u>20,309</u>	<u>23,604</u>

## 10. Taxation and Non-Specific Grant Income

	2022/23 £'000	2021/22 £'000
Council Tax Income	(86,219)	(89,364)
Non Domestic Rates	(45,917)	(34,655)
Non Ring-fenced Government Grants	(257,907)	(254,331)
Capital Grants and Contributions	(42,656)	(46,627)
Total	<u>(432,699)</u>	<u>(424,977)</u>

## 11. Material Items of Income and Expense

In 2022/23 the Council received additional grant funding of £2.02 million (£29.908 million in 2021/22) from the Scottish and UK Governments in relation to the Covid-19 pandemic and Cost of Living Crisis which was treated as agency income and expenditure and does not impact upon the figures in the Comprehensive Income and Expenditure Statement (see Note 15 for further details). The Council also received £10.73 million in 2021/22 from the Scottish Government in relation to the Covid-19 pandemic which was treated as principal and received as part of Non Ring-fenced Government Grants.

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

The Code requires that any premiums or discounts arising from debt rescheduling should be written off in the year they were incurred, except in limited circumstances where they would qualify as a 'modification' of debt. During 2022/23, 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 £628,000 (2021/22 £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 2022/23 a total of £19.381 million (2021/22 £16.467 million) was paid out in support of these organisations ranging from remission of hall rents of a few pounds to the contribution towards the operational and other costs of Live Active Leisure Limited of £4.815 million (2021/22 £4.863 million). Details of grants are shown below.

	2022/23	2021/22
	£'000	£'000
Service Level Agreements with Outside Organisations	4,762	4,375
Live Active Leisure Limited	4,815	4,863
Culture Perth & Kinross	3,219	3,175
Perth Theatre & Concert Hall Ltd	1,062	1,062
Commercial Property Regeneration Grants	644	309
Green Capital Recovery Fund	465	0
Warm Spaces Grant	420	0
Perth Money Advice Service	413	414
Community Investment Fund	355	566
Churches Action for the Homeless	317	262
Employability	303	23
Pitlochry Festival Theatre	220	220
Food Initiatives Grant	244	152
Open for Business	238	115
Perthshire Women's Aid	108	98
Perth & Kinross Heritage Trust	100	100
Support for Businesses	93	101
Vacant Property Grants	53	61
Perth & Kinross Countryside Trust	30	30
Other Miscellaneous Grants	1,520	541
	<u>19,381</u>	<u>16,467</u>

### 14. Expenditure and Income Analysed by Nature

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

	2022/23	2021/22
	£'000	£'000
<b>Expenditure/Income</b>		
<b>Expenditure</b>		
Employee benefits expenses	266,859	258,067
Other services expenses	267,116	244,709
Net Contribution to Integration Joint Board	79,034	65,458
Support service recharges	3,346	2,140
Depreciation, amortisation, impairment	56,184	58,073
Interest payments	25,040	24,146
Loss on the disposal of assets	474	0
<b>Total Expenditure</b>	<u>698,053</u>	<u>652,593</u>
<b>Income</b>		
Fees, charges and other service income	166,237	151,040
Interest and investment income	5,321	2,019
Taxation and Non-Specific Grant Income	432,699	424,977
Government grants and contributions	59,748	57,919
Gain on the disposal of assets	0	13
<b>Total Income</b>	<u>664,005</u>	<u>635,968</u>
<b>Deficit on the Provision of Services</b>	<u>34,048</u>	<u>16,625</u>

## 15. Agency Services

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

	2022/23 Income £'000	2022/23 Expenditure £'000	2021/22 Income £'000	2021/22 Expenditure £'000
<u>Education &amp; Children's Services</u>				
Provision of Pupil Support Assistants to other local authorities	183	183	216	216
<u>Communities</u>				
Receipts from other local authorities for cross boundary bus services	18	18	18	18
<u>Corporate and Democratic Services</u>				
Income from Scottish Water	445	445	445	445
<b>Totals</b>	<b>646</b>	<b>646</b>	<b>679</b>	<b>679</b>

The Council issued Covid-related and Cost of Living-related grants on behalf of both the Scottish and UK Governments during 2022/23 to the value of £2.028m (£29.908m in 2021/22).

	2022/23 Income £'000	2022/23 Expenditure £'000	2021/22 Income £'000	2021/22 Expenditure £'000
<u>Education &amp; Children's Services</u>				
Covid-related Grants to Partner Providers on behalf of Scottish Government	0	0	165	165
Covid-related Grants to Individuals on behalf of Scottish Government	0	0	462	462
<u>Corporate and Democratic Services</u>				
Covid-related Grants to Partner Providers on behalf of Scottish Government	0	0	1,821	1,821
Covid-related Grants to Businesses on behalf of Scottish Government:				
Strategic Framework Business Support Fund	0	0	18,653	18,653
Other	0	0	4,729	4,729
Covid-related and Cost of Living-related Grants to Individuals on behalf of Scottish & UK Governments:	2,013	2,013	3,787	3,787
<u>Communities</u>				
Hospitality & Leisure Top Up Funding	15	15	0	0
<u>Health &amp; Social Care</u>				
Covid-related Grants to Individuals on behalf of Scottish Government:	0	0	291	291
<b>Totals</b>	<b>2,028</b>	<b>2,028</b>	<b>29,908</b>	<b>29,908</b>

## 16. External Audit Costs

In 2022/23 Perth & Kinross Council incurred the following fees relating to external audit services provided in accordance with the Code of Audit Practice:

	2022/23 £'000	2021/22 £'000
External Audit Fees	<u>330</u>	<u>302</u>

This includes £6,000 in respect of the audit of charitable trusts where the Council is the sole trustee (2021/22 £6,700).

## 17. Termination Benefits

The Council terminated the contracts of eight employees in 2022/23, incurring liabilities of £68,000.

## 18. Post-Employment Benefits

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

Perth & 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 2022/23, the Council paid **£15.666 million** to the Teachers' Pensions scheme in respect of teachers' retirement benefits, representing 23% of pensionable pay. The figures for 2021/22 were £15.085 million and 23%. There were no contributions remaining payable at the year-end. Additional payments relating to added year's benefits, which the Council has inherited from predecessor authorities or awarded itself, together with related increases, amounted to **£173,836** (2021/22 £184,293).

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

#### Local Government Pension Scheme

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

#### Benefits

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

## Governance

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

## Principal Risks

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

## Discretionary Post-employment Benefits

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

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

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

## Guaranteed Minimum Pension (GMP) Equalisation

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

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

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

## McCloud Judgement

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

## Career Average Revalued Earnings Scheme (CARE)

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

## Transactions Relating to Post-Employment Benefits

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

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

	2022/23 £'000	2021/22 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- Service Cost	46,818	52,636
Financing and Investment Income and Expenditure		
- Net Interest on the Defined Liability	1,186	2,132
Administration Expenses	256	414
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	<u>48,260</u>	<u>55,182</u>
Remeasurement of the net defined benefit liability comprising:		
Expected return on pension fund assets in excess of interest	81,040	(36,421)
Changes in financial assumptions	(474,314)	(50,896)
Experience Gain on defined benefit obligation	<u>80,572</u>	<u>2,455</u>
Total Post Employment Benefit Credited to the Comprehensive Income & Expenditure Statement	<u>(312,702)</u>	<u>(84,862)</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>(48,260)</u>	<u>(55,182)</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>20,912</u>	<u>19,659</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 2023 £'000	31 March 2022 £'000
Present Value of the Defined Benefit Obligation	781,379	1,114,919
Present Value of Unfunded Obligation	<u>20,917</u>	<u>25,304</u>
Closing Defined Benefit Obligation	<u>802,296</u>	<u>1,140,223</u>
Fair Value of Pension Fund Assets (Bid Value)	<u>(1,031,655)</u>	<u>(1,084,228)</u>
<b>Net (Asset) Liability in Balance Sheet</b>	<u><b>(229,359)</b></u>	<u><b>55,995</b></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 2023 £'000	31 March 2022 £'000
Opening Defined Benefit Obligation	1,140,223	1,133,052
Current Service Cost	46,818	52,453
Interest Cost	29,383	22,304
Change in Financial Assumptions	(474,314)	(50,896)
Experience Gain on Defined Benefit Obligation	80,572	2,455
Estimated Benefits Paid Net of Transfers In	(25,805)	(24,040)
Past Service Costs (including Curtailments)	0	183
Contributions by Scheme Participants	6,972	6,531
Unfunded Pension Payments	<u>(1,553)</u>	<u>(1,819)</u>
Closing Defined Benefit Obligation	<u>802,296</u>	<u>1,140,223</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 2023	31 March 2022
	£'000	£'000
Opening Fair Value of Scheme Assets	1,084,228	1,027,718
Interest on Assets	28,197	20,172
Return on Assets Less Interest	(81,040)	36,421
Administration Expenses	(256)	(414)
Contributions by Employer Including Unfunded	20,912	19,659
Contributions by Scheme Participants	6,972	6,531
Estimated Benefits Paid Plus Unfunded Net of Transfers (Out)/In	(27,358)	(25,859)
Closing Fair Value of Scheme Assets	<u>1,031,655</u>	<u>1,084,228</u>

Perth & Kinross Council's share of Tayside Pension Fund's assets at 31 March 2023 comprised:

	31 March 2023		31 March 2022	
	£'000	%	£'000	%
Equities	745,175	72%	767,767	71%
Gilts	24,947	2%	51,052	5%
Other Bonds	130,394	13%	129,435	12%
Property	100,927	10%	118,232	11%
Cash	28,419	3%	16,647	1%
Alternatives	1,793	0%	1,095	0%
Total	<u>1,031,655</u>	<u>100%</u>	<u>1,084,228</u>	<u>100%</u>

A further breakdown of the assets is as follows:

	28 February 2023		28 February 2022	
Equities				
Consumer	7%		8%	
Manufacturing	2%		3%	
Energy and Utilities	3%		2%	
Financial Institutions	9%		8%	
Health and Care	7%		6%	
Information Technology	6%		8%	
Others	9%		10%	
		<u>43%</u>		<u>45%</u>
Debt Securities				
Corporate Bonds	12%		13%	
UK Government Bonds	0%		1%	
Others	2%		0%	
		<u>14%</u>		<u>14%</u>
Property				
UK Property	10%		11%	
		<u>10%</u>		<u>11%</u>
Investment Fund Unit Trusts				
Equities	28%		26%	
Bonds	2%		2%	
		<u>30%</u>		<u>28%</u>
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 2023.

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

	2022/23	2021/22
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
- Men	19.0	18.9
- Women	22.4	22.3
Longevity at 65 for Future Pensioners:		
- Men	20.4	20.3
- Women	23.9	23.9
Rate of Increase in Salaries	3.9%	4.2%
Rate of Increase in Pensions	2.9%	3.2%
Rate for Discounting Scheme Liabilities	4.8%	2.6%

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net asset of **£229.359 million** has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

The Council's Local Government Pension Scheme has a material surplus at 31 March 2023. The Council accounts for its pension fund using International Accounting Standards IAS 19. The surplus asset is to be determined as outlined in IFRIC 14 based on the expected future reduction in accounting contributions. The fund remains open to new employees therefore the potential future benefits have been measured in perpetuity per actuarial advice. The assumptions used in this calculation are consistent with the IAS 19 assumptions used to calculate the defined benefit obligation.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2024 is **£19.529 million**.

### Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. 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.

	£m	£m	£m	£m	£m
Adjustment to discount rate	<b>+0.5%</b>	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
- Present value of total obligation	£745.811	£790.458	£802.296	£814.220	£865.976
- Projected Service cost	£18.542	£20.917	£21.557	£22.218	£25.079
Adjustment to long term salary increase	<b>+0.5%</b>	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
- Present value of total obligation	£811.155	£804.039	£802.296	£800.566	£793.783
- Projected Service cost	£21.626	£21.571	£21.557	£21.544	£21.488
Adjustment to pension increases and deferred revaluation	<b>+0.5%</b>	<b>+0.1%</b>	<b>0%</b>	<b>-0.1%</b>	<b>-0.5%</b>
- Present value of total obligation	£858.034	£812.891	£802.296	£791.961	£753.078
- Projected Service cost	£25.177	£22.226	£21.557	£20.908	£18.445

	£m	£m	£m
Adjustment to mortality age rating assumption	<b>+ 1 year</b>	<b>None</b>	<b>-1 year</b>
- Present value of total obligation	£834.788	£802.296	£771.226
- Projected Service cost	£22.386	£21.557	£20.753

## 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 £1.619 million (2021/22 £1.583 million). £1.338 million is disclosed in the Comprehensive Income and Expenditure Statement under Valuation Joint Board and £281,000 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 2022/23 is shown in the Remuneration Report. During 2022/23, two councillors had an interest in businesses from which the Council commissioned works and services to the value of £2,715 and £413 respectively. Contracts were entered into in full compliance with the Council's standing orders and the Councillors' Code of Conduct.

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

### Chief Officers

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

### Live Active Leisure Ltd

This organisation provides leisure services within the area served by the Council. A grant was provided in 2022/23 amounting to £4.815 million (2021/22 £4.863 million). It is a sole member Company with the Council as that member.

### Perth Theatre & Concert Hall Ltd

This organisation operates Perth Concert Hall and Perth Theatre. A grant was provided in 2022/23 amounting to £1.062 million (2021/21 £1.062 million). 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 2022/23 amounting to £3.219 million (2021/22 £3.175 million). It is a sole member Company with the Council as that member.

### Tayside Contracts Joint Committee

This organisation provides roads maintenance; catering and cleaning services to the Council. Payments to Tayside Contracts in 2022/23 amounted to £33.443 million (2021/22 £33.851 million). 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 2022/23 amounted to £94.310 million (2021/22 £87.105 million) and receipts amounted to £15.276 million (2021/22 £21.647 million).

## 20. Leases

### Council as Lessee

The Council operates a Lease Car Scheme which is available to eligible employees and lease rental payments are recovered from employees. The car leasing agreements are due to expire during the financial years 2023/24 to 2025/26.

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:

	2022/23 £'000	2021/22 £'000
Not later than one year	124	149
Later than one year and not later than five years	25	309
Later than five years	0	563
	<u>149</u>	<u>1,021</u>

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

	2022/23 £'000	2021/22 £'000
Minimum lease payments	156	156
Sublease payments receivable	(18)	(17)
	<u>138</u>	<u>139</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:

	2022/23 £'000	2021/22 £'000
Not later than one year	1,358	1,321
Later than one year and not later than five years	4,309	4,600
Later than five years	47,835	49,029
	<u>53,502</u>	<u>54,950</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 2021/22 and 2022/23.

## 21. Property, Plant and Equipment

Movements on Fixed Assets 2022/23 in respect of Property, Plant & Equipment are shown below:

<b>Movements in 2022/23</b>	<b>Council Dwellings £'000</b>	<b>Other Land &amp; Buildings £'000</b>	<b>Vehicles Plant &amp; Equipment £'000</b>	<b>Community Assets £'000</b>	<b>Sub Total c/fwd £'000</b>
<u>Gross Book Value</u>					
As at 1 April 2022	345,995	662,104	61,969	24,740	1,094,808
Additions	13,053	11,418	8,551	829	33,851
Revaluation increases recognised in the Revaluation Reserve	0	4,528	0	0	4,528
Revaluation decreases recognised in the Revaluation Reserve	0	(1,305)	0	0	(1,305)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	0	1,768	0	0	1,768
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	0	(2,287)	0	0	(2,287)
Derecognition - disposals	(1,003)	(10)	(3,100)	0	(4,113)
Asset reclassifications	1,716	0	0	0	1,716
Other Movements	0	0	0	0	0
As at 31 March 2023	359,761	676,216	67,420	25,569	1,128,966
<u>Depreciation</u>					
As at 1 April 2022	(27,829)	(34,182)	(38,142)	(13,976)	(114,129)
Depreciation charge for 2022/23	(13,112)	(17,336)	(8,122)	(1,219)	(39,789)
Depreciation written out to the Revaluation Reserve - revaluation gain	0	3,680	0	0	3,680
Depreciation written out to the Revaluation Reserve - revaluation loss	0	131	0	0	131
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	0	401	0	0	401
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	0	258	0	0	258
Derecognition - disposals	720	4	3,069	0	3,793
Asset reclassifications	0	0	0	0	0
As at 31 March 2023	(40,221)	(47,044)	(43,195)	(15,195)	(145,655)
Net Book Value at 31 March 2023	319,540	629,172	24,225	10,374	983,311

**Property, Plant and Equipment cont'd**
**Movements in 2022/23**

	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 2022	1,094,808	1,873	25,343	1,122,024	173,563
Additions	33,851	20	33,623	67,494	89
Revaluation increases recognised in the Revaluation Reserve	4,528	10	0	4,538	0
Revaluation decreases recognised in the Revaluation Reserve	(1,305)	(65)	0	(1,370)	0
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	1,768	0	0	1,768	0
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(2,287)	(55)	0	(2,342)	0
Derecognition - disposals	(4,113)	0	(1,203)	(5,316)	0
Asset reclassifications	1,716	0	(1,716)	0	0
Other Movements	0	0	0	0	0
As at 31 March 2023	1,128,966	1,783	56,047	1,186,796	173,652
<u>Depreciation</u>					
As at 1 April 2022	(114,129)	0	0	(114,129)	(9,509)
Depreciation charge for 2022/23	(39,789)	0	0	(39,789)	(4,753)
Depreciation written out to the Revaluation Reserve - revaluation gain	3,680	0	0	3,680	0
Depreciation written out to the Revaluation Reserve - revaluation loss	131	0	0	131	0
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	401	0	0	401	0
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	258	0	0	258	0
Derecognition - disposals	3,793	0	0	3,793	0
Asset reclassifications	0	0	0	0	0
As at 31 March 2023	(145,655)	0	0	(145,655)	(14,262)
Net Book Value at 31 March 2023	983,311	1,783	56,047	1,041,141	159,390

The reporting of book values for Infrastructure assets is amended following the issue of the Local Government Finance Circular 09/2022. The Finance Circular outlines historic issues for the consistent accounting treatment of derecognised infrastructure components and the reporting of book values by local authorities. A CIPFA task group is progressing a remedy and the CIPFA Code will be updated in due course. To satisfy the audit of the 2022/23 accounts, the following statutory overrides are provided in the Circular: -

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

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

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

	£'000
Total PPE (above)	1,041,141
Infrastructure Assets	290,325
Total PPE at 31 March 2023 (including Infrastructure Assets)	<u>1,331,466</u>

## Property, Plant and Equipment cont'd

### Comparative Movements in 2021/22

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Community Assets £'000	Sub Total c/fwd £'000
<u>Gross Book Value</u>					
As at 1 April 2021	320,016	672,763	53,298	23,567	1,069,644
Additions	10,550	11,373	13,112	1,173	36,208
Revaluation increases recognised in the Revaluation Reserve	0	19,466	0	0	19,466
Revaluation decreases recognised in the Revaluation Reserve	0	(13,663)	0	0	(13,663)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	0	8,140	0	0	8,140
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	0	(34,190)	0	0	(34,190)
Derecognition - disposals	(652)	(350)	(4,441)	0	(5,443)
Asset reclassifications	16,081	(1,433)	0	0	14,648
Other Movements	0	(2)	0	0	(2)
As at 31 March 2022	345,995	662,104	61,969	24,740	1,094,808
<u>Depreciation</u>					
As at 1 April 2021	(15,957)	(54,403)	(35,017)	(12,746)	(118,123)
Depreciation charge for 2020/21	(12,484)	(17,074)	(7,447)	(1,230)	(38,235)
Depreciation written out to the Revaluation Reserve - revaluation gain	0	14,032	0	0	14,032
Depreciation written out to the Revaluation Reserve - revaluation loss	0	2,474	0	0	2,474
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	0	6,891	0	0	6,891
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	0	13,432	0	0	13,432
Derecognition - disposals	612	17	4,322	0	4,951
Asset reclassifications	0	449	0	0	449
As at 31 March 2022	(27,829)	(34,182)	(38,142)	(13,976)	(114,129)
Net Book Value at 31 March 2022	318,166	627,922	23,827	10,764	980,679

**Property, Plant and Equipment cont'd**
**Comparative Movements in 2021/22**

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

The reporting of book values for Infrastructure assets is amended following the issue of the Local Government Finance Circular 09/2022. Infrastructure Assets are excluded from the table above. The total for all PPE assets is as follows:

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



## Capital Commitments

At 31 March 2023, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years budgeted to cost £249.781 million. Similar commitments at 31 March 2022 were £142.43 million. The total commitment is made up of the following:

	2022/23	2021/22
	£'000	£'000
Cultural Attractions	13,010	12,310
Education Projects	96,730	21,347
Roads & Bridges Improvement Schemes	133,703	101,203
Council Dwellings	821	2,653
Community Assets	3,869	3,869
Other Capital Projects	1,648	1,048
	<u>249,781</u>	<u>142,430</u>

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

## Valuation of Assets

### Revaluations

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

The Council commissioned a valuation for a selection of assets which was performed during the last quarter of financial year 2022/23. In addition, the Council's internal valuers performed valuations for a number of assets, including investment properties, car parks, operational depots, skip sites and properties requiring revaluation due to redevelopment or a change of use, during the last quarter of financial year 2022/23. In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), the valuation reports include an explanatory note which provides an update on market conditions and confirms that some markets have started to function again and there is adequate evidence on which to base an opinion of value. However, uncertainties do remain and there is the potential for markets to move rapidly in response to future changes in the control Covid-19 and the effects of conflict in Eastern Europe.

The valuation reports have been used to inform the measurement of non-current assets in these financial statements. The valuers have continued to exercise professional judgement in preparing the valuations and, therefore, this is the best information available to Council as at 31 March 2023 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	65,407	26,872	817	93,096
Values at current value as at:				
31 March 2023	0	52,515	725	53,240
31 March 2022	0	297,737	0	297,737
31 March 2021	0	208,818	240	209,058
31 March 2020	294,354	4,071	0	298,425
31 March 2019	0	86,201	0	86,201
Total Cost or Valuation	<u>359,761</u>	<u>676,214</u>	<u>1,782</u>	<u>1,037,757</u>

## Changes in Estimates

The Council has made no material changes to accounting estimates for Property, Plant and Equipment in 2022/23.

## 22. Heritage Assets

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

	Art Collection £'000	War Memorials £'000	Other £'000	Total £'000
<i><u>Cost or Valuation</u></i>				
Balance at 1 April 2021	51,740	48	0	51,788
Additions	0	0	26	26
Balance at 31 March 2022	<u>51,740</u>	<u>48</u>	<u>26</u>	<u>51,814</u>
<i><u>Cost or Valuation</u></i>				
Balance at 1 April 2022	51,740	48	26	51,814
Balance at 31 March 2023	<u>51,740</u>	<u>48</u>	<u>26</u>	<u>51,814</u>

### 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 (approximately 1,225 items), watercolours (900), drawings (4,000), prints (1,500), and sculptures (150). The Fine Art collection also includes J D Fergusson and Margaret Morris archives which number approximately 30,000 items and include a number of significant works.

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

Curators within Culture Perth & 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 2021/22 or 2022/23.

#### *Additions and Disposals of Heritage Assets*

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

### Fine and Applied Art

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

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

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

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

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

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

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

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

## 23. Investment Properties

	2022/23 £'000	2021/22 £'000
Rental income from investment property	(903)	(987)
Direct operating expenses arising from investment property	103	83
Balance at end of year	<u>(800)</u>	<u>(904)</u>

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

	2022/23 £'000	2021/22 £'000
Balance at start of year	14,060	13,140
Disposals	0	(145)
Net gains from fair value adjustments	955	1,065
Balance at end of year	<u>15,015</u>	<u>14,060</u>

All of the Authority's investment properties are valued at Level 2 on the fair value hierarchy. Values as at 31 March 2022 and 31 March 2023 are as follows:

	Other Significant Observable Inputs (Level 2)	
	2022/23 £'000	2021/22 £'000
Recurring fair value measurements using:		
Industrial and Commercial Land	13,935	12,965
Shops and Offices	750	790
Other Investment Properties	330	305
Total Fair Value	<u>15,015</u>	<u>14,060</u>

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

#### Significant Observable Inputs – Level 2

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

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

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

#### Highest and Best Use of Investment Properties

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

#### Valuation Techniques

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

#### Valuation Process for Investment Properties

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

The valuation reports have been used to inform the measurement of Investment properties in these financial statements. The valuers have continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to Council as at 31 March 2023 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:

	2022/23	2021/22
	Assets	Assets
	£'000	£'000
Balance at start of year		
Gross carrying amount	3,643	2,965
Accumulated amortisation	(1,969)	(2,644)
Net carrying amount at start of year	<u>1,674</u>	<u>321</u>
 Additions: Purchases	 315	 2,241
 Disposals: Gross Carrying Amount	 0	 (1,563)
Disposals: Accumulated Amortisation	0	1,563
 Amortisation for the period	 (1,026)	 (888)
 Net carrying amount at end of year	 <u>963</u>	 <u>1,674</u>
Comprising:		
Gross carrying amounts	3,958	3,643
Accumulated amortisation	(2,995)	(1,969)
	<u>963</u>	<u>1,674</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	
	2022/23	2021/22	2022/23	2021/22
	£'000	£'000	£'000	£'000
Balance outstanding at start of year	273	126	403	550
Other movements	0	147	0	(147)
Balance outstanding at year end	<u>273</u>	<u>273</u>	<u>403</u>	<u>403</u>

## 26. Long Term Debtors

	2022/23	2021/22
	£'000	£'000
Other Entities & Individuals	541	613
Total	<u>541</u>	<u>613</u>

## 27. Inventories

	Consumables & Maintenance Materials	
	2022/23	2021/22
	£'000	£'000
Balance outstanding at start of year	578	525
Purchases	3,617	3,559
Recognised as an expense in the year	(3,754)	(3,507)
Written off balances	0	1
Balance outstanding at end of year	<u>441</u>	<u>578</u>

## 28. Debtors

	2022/23	2022/23	2021/22	2021/22
	£'000	£'000	£'000	£'000
	Gross	Net	Gross	Net
Scottish Government		19,193		17,433
Central Government		10,448		6,350
Other Local Authorities		774		1,743
NHS Bodies		3,421		1,416
Public Corps & Trading funds		0		99
Other Entities & Individuals	18,404		17,399	
less Impairment	<u>(9,483)</u>		<u>(9,321)</u>	
		8,921		8,078
Trade	7,063		7,333	
less Impairment	<u>(1,192)</u>		<u>(1,032)</u>	
		5,871		6,301
Council Tax	20,833		20,302	
less Impairment	<u>(15,743)</u>		<u>(15,670)</u>	
		5,090		4,632
Total		<u>53,718</u>		<u>46,052</u>

## 29. Creditors

	2022/23 £'000	2021/22 £'000
Scottish Government	(3,905)	(4,458)
Central Government	(7,702)	(6,544)
Other Local Authorities	(7,937)	(4,051)
NHS Bodies	(1,450)	(306)
Public Corporations and Trading Funds	(1,384)	(603)
Other Entities and Individuals	(34,354)	(26,979)
Trade Creditors	(40,747)	(30,629)
Total	<u>(97,479)</u>	<u>(73,570)</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 2023.

### 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 2023 is to meet any potential liability for the years 2021/22 and 2022/23.

	Self Insured/ Uninsured Losses £'000	Compensation Payments £'000	Commercial Rent £'000	Total £'000
Balance as at 1 April 2022	2,713	4,110	40	6,863
Additional provisions made in 2022/23	649	29	20	698
Amounts used in 2022/23	(755)	(1,179)	(20)	(1,954)
Balance as at 31 March 2023	<u>2,607</u>	<u>2,960</u>	<u>40</u>	<u>5,607</u>
Balance Sheet Disclosure:				
Less than 12 months	275	0	20	295
Over 12 months	2,332	2,960	20	5,312
	<u>2,607</u>	<u>2,960</u>	<u>40</u>	<u>5,607</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

	2022/23 £'000	2021/22 £'000
Revaluation Reserve	(331,880)	(332,433)
Capital Adjustments Account	(389,017)	(372,978)
Financial Instruments Adjustment Account	17,002	17,650
Pensions Reserve	(229,359)	55,995
Employee Statutory Adjustment Account	8,524	8,003
Total Unusable Reserves	<u>(924,730)</u>	<u>(623,763)</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.

	2022/23 £'000	2021/22 £'000
Balance at 1 April	(332,433)	(317,769)
Upward revaluation of assets	(8,218)	(33,616)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	1,239	11,189
	<u>(339,412)</u>	<u>(340,196)</u>
Difference between fair value depreciation and historical cost depreciation	7,408	7,454
Accumulated gains on assets sold or scrapped	124	309
Amount written off to the Capital Adjustment Account	<u>7,532</u>	<u>7,763</u>
Balance at 31 March	<u><u>(331,880)</u></u>	<u><u>(332,433)</u></u>

## Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (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.

	2022/23 £'000	2021/22 £'000
Balance at 1 April	(372,978)	(353,777)
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	47,835	44,033
Revaluation (gains)/losses on Property, Plant and Equipment	(85)	5,698
Amortisation of intangible assets	1,026	888
Revenue expenditure funded from capital under statute	838	0
Amounts of non current assets written off on disposal as part of the gain/loss	<u>1,523</u>	<u>918</u>
	<u>(321,841)</u>	<u>(302,240)</u>
Adjusting amounts written out of the Revaluation Reserve	<u>(124)</u>	<u>(309)</u>
	<u>(321,965)</u>	<u>(302,549)</u>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,360)	(992)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(42,656)	(46,627)
Application of grants to capital financing from the Capital Grants Unapplied Account	0	(2,643)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(15,690)	(14,344)
Capital expenditure charged against the general fund and HRA balances	<u>(6,391)</u>	<u>(4,758)</u>
	<u>(388,062)</u>	<u>(371,913)</u>
Movements in the fair value of the Investment Properties	(955)	(1,065)
Balance at 31 March	<u><u>(389,017)</u></u>	<u><u>(372,978)</u></u>

### Financial Instruments Adjustment Account

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

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

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

Accordingly, the balance on the FIAA as at 31 March 2023 in respect of the above provisions will be charged to the General Fund and HRA over the next 45 years. The movements on the FIAA during the year are shown below:

	2022/23	2021/22
	£'000	£'000
Balance at 1 April	17,650	18,376
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	(632)	(711)
Difference on restatement of Stepped Interest Rate Loans	(20)	(19)
Balance at 31 March	<u>17,002</u>	<u>17,650</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.

	2022/23	2021/22
	£'000	£'000
Balance at 1 April	55,995	105,334
Actuarial Losses on Pensions Assets and Liabilities	(312,702)	(84,862)
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	48,260	55,182
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(20,912)	(19,659)
Balance at 31 March	<u>(229,359)</u>	<u>55,995</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.

	2022/23	2021/22
	£'000	£'000
Balance at 1 April	8,003	7,813
Cancellation of accrual made at the end of the preceding year	(8,003)	(7,813)
Amounts accrued at the end of the current year	8,524	8,003
Balance at 31 March	<u>8,524</u>	<u>8,003</u>

### **33. Impairment Losses**

Movements in the value of properties during the year were mainly due to the revaluation of car parks, operation depots and skip sites, and various individual operational buildings such as industrial units and shops. Investment properties were also revalued during 2022/23. All losses arising have been assessed as a revaluation loss rather than a loss attributed to deterioration in the anticipated level of the performance of the properties.

### **34. Grants**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23.

	2022/23	2021/22
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Scottish Government	19,855	37,607
Scottish Government Bodies & Directorates	20,000	7,232
Developer Contributions	811	1,006
Other Third Party Contributions	1,990	782
	<u>42,656</u>	<u>46,627</u>
<b>Credited to Services</b>		
Scottish Government	32,676	34,836
Scottish Government Bodies & Directorates	178	329
Sport Scotland	399	413
Other Third Party Contributions	9,110	4,280
	<u>42,363</u>	<u>39,858</u>

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned. The balance at the year-end is as follows:

	2022/23	2021/22
	£'000	£'000
Revenue Grants - Received in Advance		
Scottish Government	1,583	0
Scottish Government - Covid-19 funding for businesses	294	960
Scottish Government - Town Centre Fund	0	26
Other grants and contributions	982	330
Balance at 31 March	<u>2,859</u>	<u>1,316</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.

	2022/23 £'000	2021/22 £'000
Capital Financing Requirements b/fwd	618,390	596,919
<u>Capital Expenditure</u>		
Property, Plant & Equipment	125,585	88,600
Intangible Assets	315	2,241
Revenue Expenditure funded from Capital	2,625	3,567
	<u>128,525</u>	<u>94,408</u>
	<u>746,915</u>	<u>691,327</u>
<u>Sources of Finance</u>		
Capital Receipts	(1,363)	(995)
Government Grants and Contributions	(44,437)	(52,840)
Revenue Contributions	(6,391)	(4,758)
Loans Fund Principal Repayments	(15,690)	(14,344)
	<u>(67,881)</u>	<u>(72,937)</u>
Closing Capital Financing Requirement c/fwd	<u>679,034</u>	<u>618,390</u>
Movement	60,644	21,471
<u>Analysed as:</u>		
Increase in need to borrow	66,508	26,493
Net assets acquired under PPP contract	(5,864)	(5,022)
	<u>60,644</u>	<u>21,471</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 2022/23 for the office accommodation was £2.499 million (2021/22 £2.435 million).

The unitary charge for 2022/23 for the car park was £325,000 (2021/22 £382,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2023/24 for the office accommodation will be £2.91 million and for the car park is £380,000.

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

The Council has an obligation for six school campuses in a Public Private Partnership with Axiom Education (Perth and Kinross) Ltd. North Inch Primary was brought into operation in 2011/12. Breadalbane Campus at Aberfeldy was completed in 2010/11 and the campuses at Blairgowrie, Perth South, Kinross, Crieff and the Roman Catholic School Campus were brought into operation during 2009/10. The Council will make unitary charge payments until the contract ends in 2042, at which time the campuses will be handed back to the Council at no cost. The estimated capital value of the scheme is £127.687 million.

The unitary charge for 2022/23 for the campuses operating in the year was £18.910 million (2021/22 £17.684 million).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2023/24 for all school campuses will be £21.666 million.

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 2022/23 was £3.139 million (2021/22 £3.057 million).

Future agreed payments will increase in line with inflation. The unitary charge for 2023/24 for Bertha Park will be £3.223 million.

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

	2022/23	2021/22
	£'000	£'000
Net Book Value at 1 April 2022	164,054	169,051
Additions	89	21
Revaluations	0	(485)
Depreciation	(4,753)	(4,751)
Depreciation write back	0	218
Net Book Value at 31 March 2023	<u>159,390</u>	<u>164,054</u>

Movements in Public Private Partnership Liabilities during the year were:

	2022/23	2021/22
	£'000	£'000
Liabilities at 1 April 2022	127,191	132,213
Amounts repaid in year	(5,864)	(5,022)
Liabilities at 31 March 2023	<u>121,327</u>	<u>127,191</u>
Disclosed in the Balance Sheet as:		
Long Term Liabilities	115,040	121,326
Creditors	6,287	5,865
Liabilities at 31 March 2023	<u>121,327</u>	<u>127,191</u>

Future Public Private Partnership liabilities due to be met:

	Repayment of liability £'000	Interest £'000	Service Charges £'000	Lifecycle Maintenance £'000	Contingent Rentals £'000	TOTAL £'000
Due within one year	6,287	5,978	7,893	2,332	3,453	25,943
Due in 2 to 5 years	19,669	19,988	31,313	14,908	14,596	100,474
Due in 6 to 10 years	25,571	19,837	42,093	19,892	25,010	132,403
Due in 11 to 15 years	34,848	12,989	48,014	17,157	35,548	148,556
Due in 16 to 20 years	32,052	4,324	38,672	15,899	30,102	121,049
Due in 21 to 25 years	2,900	151	696	901	0	4,648
Total	<u>121,327</u>	<u>63,267</u>	<u>168,681</u>	<u>71,089</u>	<u>108,709</u>	<u>533,073</u>

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

### 37. Authorisation of Annual Accounts

The Unaudited Annual Accounts were authorised for issue by the Head of Finance on 26 June 2023. 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 2023, 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 & Kinross Council is one of the successor bodies of TRC.

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

There is now a risk that the remaining assets of the TRC Insurance Fund will not be sufficient to meet all future liabilities due to the long time horizon for certain types of claims.

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

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

The Council 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 is 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 has a potential liability in respect of financial guarantees for the Tayside Pension Fund in respect of Scheduled Bodies and Admitted Bodies should they cease to exist, withdraw from the Pension Scheme or otherwise become unable to continue covering any unfunded liabilities. These bodies include Tayside and Central Scotland Transport Partnership, Live Active Leisure Ltd, Perth Theatre & Concert Hall 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.

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

### 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 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000
<b>Borrowings</b>						
Financial liabilities at amortised cost	599,351	604,507	12,114	14,754	611,465	619,261
Total borrowings	599,351	604,507	12,114	14,754	611,465	619,261
<b>Investments</b>						
Loans and receivables	481	580	173,451	248,070	173,932	248,650
Total investments	481	580	173,451	248,070	173,932	248,650

Lender Option Borrower Option (LOBO) borrowings of £44.351 million have been included in long term borrowing as at 31 March 2023 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	Loans and receivables	Total 2022/23	Total 2021/22
	£'000	£'000	£'000	£'000
Interest expense	18,366	0	18,366	15,416
Interest payable and similar charges	18,366	0	18,366	15,416
Interest income	0	(4,866)	(4,866)	(1,078)
Interest and investment income	0	(4,866)	(4,866)	(1,078)
Losses on revaluation	(23)	(4)	(27)	(6)
Surplus arising on revaluation of financial assets	(23)	(4)	(27)	(6)
Net loss/(gain) for the year	18,343	(4,870)	13,473	14,332

#### 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 2023 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 2023, 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 127/23.
- 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:

	<b>31 March 2023</b>		<b>31 March 2022</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Public Works Loans Board (PWLB)	562,576	354,921	570,651	560,605
Lender Option Borrower Option (LOBO)	44,351	42,427	44,371	62,310
Short term borrowing	2,099	2,099	1,935	2,756
Other (Special Loans)	2,303	2,303	2,171	2,172
Other Market Loans	136	136	133	134
Financial Liabilities	611,465	401,886	619,261	627,977

The Fair value is significantly less than the carrying amount because the majority of the Council's long-term portfolio of loans are fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the balance sheet date. The difference between the carrying amount and the fair value therefore represents the discount the Council would receive from the lender in the event these loans were to be repaid at that date.

For comparison, if the Council were to have repaid all the loans to the PWLB on the balance sheet date, a total of £427 million would have been payable after applying the PWLB's premature redemption rates applicable on that date. This is higher than the Fair Value shown in the table above, as the PWLB premature redemption rates include an additional profit margin over their comparative new borrowing rates.

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

	<b>31 March 2023</b>		<b>31 March 2022</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash (including petty cash)	17,663	17,663	38,437	38,443
Deposits with Banks and Building Societies	155,339	155,339	209,301	208,037
Mortgages	236	236	279	282
Loans to Others	694	694	633	633
Financial Assets	173,932	173,932	248,650	247,395

#### **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 2022/23 (2021/22 nil) on the grounds of immateriality. Applying historic default rates for the counterparties used by the Council as at 31 March 2023 shows the expected credit loss to be

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

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

	Amounts at 31 March 2023	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2023	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with banks and other financial institutions	176,014	0	0	0
Loans to Others	930	0	0	0
Debtors	17,607	7.9	7.9	1,391
<b>Total</b>	<b>194,551</b>	<b>-</b>	<b>-</b>	<b>1,391</b>

The Council's overall exposure to credit risk in relation to its deposits in banks and other financial institutions of £176.0m 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 2023. The repayment profile of these deposits, including loans to others, is shown below:

	31 March 2023 £'000	31 March 2022 £'000
Less than three months	71,598	68,100
Three to six months	64,280	79,108
Six months to one year	40,136	105,155
<b>Total</b>	<b>176,014</b>	<b>252,363</b>

#### Loans to Others

The Council initiates a legal charge on property where, for example, clients require assistance with payment of care fees, but cannot pay immediately until such time as their property is sold. The carrying value of the total amount outstanding as at 31 March 2023 in this category is £694,000 and experience of default is minimal. The Council has granted mortgages for essential property repairs in shared ownership properties as well as secured loans to property owners to bring their properties back into use for affordable rent under the Empty Home Loans Fund (EHLF) scheme. The total amount outstanding as at 31 March 2023 is £236,000 with no experience of default. The total amount of Loans to Others of £930,000 can be analysed as follows:

	31 March 2023 £'000	31 March 2022 £'000
Less than three months	70	82
Three to six months	70	83
Six months to one year	141	166
More than one year	649	581
<b>Total</b>	<b>930</b>	<b>912</b>

#### Debtors

The Council does not generally allow credit for customers, such that £15.863m of the £17.607m balance is past its due date for payment.

	31 March 2023 £'000	31 March 2022 £'000
Less than three months	12,299	5,618
Three to six months	427	224
Six months to one year	1,213	1,189
More than one year	1,924	2,206
<b>Total</b>	<b>15,863</b>	<b>9,237</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 2023	On 31 March 2022
	£'000	£'000
Public Works Loans Board	560,000	568,000
Market debt	43,340	43,340
Temporary borrowing	2,060	1,933
Local bonds	2,294	2,169
Bank Overdraft	3,067	4,662
<b>Total</b>	<b>610,761</b>	<b>620,104</b>
Less than 1 year	12,561	16,764
Between 1 and 2 years	13,000	5,140
Between 2 and 5 years	20,000	23,000
Between 5 and 10 years	17,500	27,500
Between 10 and 15 years	5,000	5,000
More than 15 years	542,700	542,700
<b>Total</b>	<b>610,761</b>	<b>620,104</b>

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

### (iii) Market Risk

#### Interest rate risk

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

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

- Reductions in interest rates will affect interest earned on variable rate investments, and reduces income credited to the Comprehensive Income and Expenditure Statement. There would only be a small reduction in the interest payable on variable rate borrowing.
- Increases in interest rates will affect interest paid on variable rate borrowings, and increases interest expense charged to the Comprehensive Income and Expenditure Statement, but offset by increased investment returns.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the balance sheet for assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the balance sheet for any assets held at fair value in the balance sheet, which would also be reflected in the Comprehensive Income & Expenditure Statement. However, no such assets at fair value were held by the Council as at 31 March 2023.
- 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 2023, 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	506
Increase in interest receivable on variable rate investments	(1,495)
Impact on Comprehensive Income and Expenditure Statement	(989)
Share of overall impact credited to the HRA	(246)

The impact of a 1% fall in interest rates would have been an estimated cost of £1,495,000 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 £74,000 payable on other loans. Therefore, the net cost of a 1% fall in interest rates would be £1,421,000, of which £354,000 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 2023 includes net surplus funds of £722,000 (31 March 2022 £1,191,000) in respect of schools participating in the Devolved School Management scheme. There are no schools carrying forward deficits. These surpluses are earmarked in 2022/23 for the individual schools concerned.

There is Pupil Equity Funding from the Scottish Government of £140,000 which is being carried forward to 2023/24 for schools within the Council's earmarked general fund balances.

### **41. Operating Activities**

The cash flows for operating activities include the following items:

	2022/23 £'000	2021/22 £'000
Interest received	(2,831)	(1,443)
Interest paid	26,434	25,548
	<u>23,603</u>	<u>24,105</u>

### **42. Investing Activities**

	2022/23 £'000	2021/22 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(120,483)	(93,363)
Purchase of short-term and long-term investments	(205,839)	(184,301)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,047	1,019
Proceeds of short-term and long-term investments	259,801	181,692
Other receipts for investing activities	42,656	46,627
	<u>(22,818)</u>	<u>(48,326)</u>

### **43. Financing Activities**

	2022/23 £'000	2021/22 £'000
Cash receipts of short and long-term borrowing	29,697	124,076
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(5,864)	(5,022)
Repayments of short and long-term borrowing	(37,056)	(95,493)
Net cash flows from financing activities	<u>(13,223)</u>	<u>23,561</u>

#### 44. Cash and Cash Equivalents

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

	2022/23 £'000	2021/22 £'000
Cash held	55	37
Bank current accounts	(3,067)	(4,662)
Short-term deposits with banks and building societies	3,651	43,062
Short-term deposits with Local Authorities	14,017	0
Short-term deposits with other organisations	3,007	0
Total cash and cash equivalents	<u>17,663</u>	<u>38,437</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 88.

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

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

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

	31 March 2023 £'000	31 March 2022 £'000
Educational Trust - Financial Assistance		
Net assets	983	1,026
Net Incoming/(Outgoing) Resources before other recognised gains and losses	10	8
Educational Trust - Endowments		
Net assets	49	50
Other Charitable Trusts		
Net assets	2,429	2,534
Net Incoming Resources before other recognised gains and losses	3	604
TOTAL Net Assets	<u>3,461</u>	<u>3,610</u>
TOTAL Net Incoming Resources before other recognised gains and losses	<u>13</u>	<u>612</u>

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

#### 46. The Statutory Loans Fund

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

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

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

The value of Loans Fund advances outstanding at 31 March 2023 is £557,778,000. This is made up as follows:

	Advances 1 April 2022 £'000	Debt Transferred £'000	Repaid 2022/23 £'000	New Advances 2022/23 £'000	Advances 31 March 2023 £'000
General Fund	320,156		(3,109)	62,773	379,820
Prudential Borrowing	45,835	(232)	(2,718)	2,446	45,331
Sub Total	365,991	(232)	(5,827)	65,219	425,151
HRA	125,279	232	(3,999)	11,115	132,627
Total	491,270	0	(9,826)	76,334	557,778

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

	General Fund £'000	Prudential Borrowing £'000	Sub Total: General Fund £'000	Housing Revenue Account £'000	Total £'000
Within 1 Year	4,580	2,861	7,441	3,253	10,694
Between 1 and 2 Years	3,991	2,658	6,649	2,941	9,590
Between 2 and 5 Years	8,146	5,960	14,106	8,022	22,128
Between 5 and 10 Years	789	5,397	6,186	22,874	29,060
Between 10 and 15 Years	8,204	4,374	12,578	20,436	33,014
Between 15 and 20 Years	17,642	3,498	21,140	9,131	30,271
Between 20 and 25 Years	27,034	3,703	30,737	3,940	34,677
More than 25 Years	309,434	16,880	326,314	62,030	388,344
Total	379,820	45,331	425,151	132,627	557,778

Comparison of the capital advances above with capital debt of £603.2 million shows that the Council's borrowing is around £45.4 million higher than immediate requirements as at 31 March 2023. This reflects the strategy adopted in the last 3 years 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 5 years as follows:

	General Fund £'000	Housing Investment Programme £'000	Total £'000
2023/24	151,420	18,367	169,787
2024/25	175,187	11,935	187,122
2025/26	93,069	13,271	106,340
2026/27	46,776	16,524	63,300
2027/28	25,377	16,292	41,669
Total	491,829	76,389	568,218

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.

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

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

<u>2021/22</u>			<u>2022/23</u>	
£'000			£'000	£'000
	<b>Income</b>			
(29,152)	Dwelling Rents	(30,334)		
630	less Voids	587		
			(29,747)	
(578)	Non-Dwelling Rents	(578)		
47	less Voids	41		
			(537)	
(1,032)	Other Income		(1,110)	
(30,085)	<b>Total Income</b>			(31,394)
	<b>Expenditure</b>			
6,816	Repairs & Maintenance		7,638	
14,587	Supervision & Management		15,229	
12,586	Depreciation, impairment and revaluation losses on non current assets		13,427	
79	Movement in the Impairment of Debtors		(118)	
397	Other expenditure		667	
34,465	<b>Total Expenditure</b>			36,843
4,380	<b>Net Expenditure for HRA Services as included in the Comprehensive Income and Expenditure Statement</b>			5,449
304	HRA services' share of Corporate and Democratic Core			318
4,684	<b>Net Expenditure for HRA Services</b>			5,767
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(50)	(Gain) / Loss on sale of HRA Non-Current Assets			534
3,698	Interest payable and similar charges			3,356
(11)	Interest and investment income			(136)
165	Net Interest on the net defined benefit liability			94
(3,339)	Capital Grants and Contributions Receivable			(3,214)
5,147	<b>Deficit for the year on HRA services</b>			6,401

## 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>2021/22</u> <u>£'000</u>		<u>2022/23</u> <u>£'000</u>	<u>2022/23</u> <u>£'000</u>
(3,006)	Balance on the HRA at the end of the Previous Year		(3,282)
5,147	Deficit for the year on the HRA Income and Expenditure Account	6,401	
<u>(5,223)</u>	Adjustments between Accounting Basis and Funding Basis Under Statute	<u>(4,926)</u>	
<u>(76)</u>	Net Decrease/(increase) before Transfers to or from Reserves	1,475	
(200)	Transfer from Reserves	<u>(840)</u>	
(276)	Movement in Year on the HRA		635
<u>(3,282)</u>	Balance on the HRA at the end of the Current Year		<u>(2,647)</u>

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

<u>2021/22</u> <u>£'000</u>		<u>2022/23</u> <u>£'000</u>	<u>2022/23</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>		
50	Gain/(Loss) on sale of HRA Non-current assets	(534)	
(12,586)	Depreciation and impairment of non current assets	(13,427)	
	Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement	3,214	
18	Adjustments involving Short Term Accumulated Absences Account	(16)	
	Reversal of items relating to retirement benefits credited to the Comprehensive Income and Expenditure Statement	(3,149)	
<u>(3,574)</u>			
(12,753)			(13,912)
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		
1,343	Employer's pension contributions and direct payments to pensioners payable in the year	1,436	
187	Adjustments involving the Financial Instruments Adjustment Account	163	
3,653	Statutory provision for the repayment of debt	3,999	
2,347	Capital expenditure charged to the HRA balances	3,388	
<u>7,530</u>			8,986
<u>(5,223)</u>	<b>Net additional amount required by statute to be (credited) to the HRA Balance for the year</b>		<u>(4,926)</u>

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

### 1. **Housing Stock** at 31 March 2023

	No. of Dwellings 31 March 2023	<i>No. of Dwellings</i> <i>31 March 2022</i>
Sheltered accommodation	285	285
Detached/Semi-Detached/Terraced	3,744	3,804
High Rise Flats	143	141
Tenement Flats/Other Flats/Maisonettes	3,788	3,665
Total	<u>7,960</u>	<u>7,895</u>

### 2. **Rent Arrears** at 31 March 2023

	Gross Arrears 31 March 2023		<i>Gross Arrears</i> <i>31 March 2022</i>	
	£'000	% of Income	<i>£'000</i>	<i>% of Income</i>
Houses	3,217	10.6	3,072	10.5
Other Subjects	52	9.0	59	10.2
Totals	<u>3,269</u>	<u>10.6</u>	<u>3,131</u>	<u>10.5</u>

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

In 2022/23 an impairment of £1,842,020 has been provided in the Balance Sheet, a reduction of £117,564 from the impairment in 2021/22.

## 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>2021/22</u>			<u>2022/23</u>
£'000			£'000      £'000
109,359	<b>Gross Charge</b>		113,489
(3,490)	Deduct -	Exemptions	(3,688)
(174)		Disabled Relief	(182)
(8,026)		Discounts and Reductions	(8,350)
(6,807)		Council Tax Reduction Scheme	(6,966)
0		Cost of Living Allowance	(6,641)
90,862	<b>Net Council Tax</b>		87,662
	Deduct -		
(7)		Ministry of Defence Properties	(7)
7		Contribution Received	7
			0
(1,376)	Provision for Bad and Doubtful Debts		(1,045)
89,486	<b>Total Council Tax Income</b>		86,617
(122)	Adjustments for prior years for Council Tax and Community Charge		(398)
89,364	<b>Total Council Tax / Community Charge Income to Comprehensive I&amp;E Statement</b>		86,219

## THE ACCOMPANYING NOTES TO THE COUNCIL TAX INCOME ACCOUNT

### 1. CALCULATION OF THE COUNCIL TAX BASE AT 31 MARCH 2023

	A	B	C	D	E	F	G	H	2022/23 TOTAL	2021/22 TOTAL
No. of Properties	8,747	15,008	12,863	11,674	12,101	8,183	6,606	702	75,884	74,969
Exemptions	(756)	(733)	(499)	(318)	(265)	(117)	(84)	(19)	(2,791)	(2,562)
Disabled Relief	76	5	16	25	(29)	1	(88)	(6)	0	0
Discounts	(1,416)	(2,022)	(1,468)	(1,174)	(932)	(488)	(313)	(57)	(7,870)	(7,763)
Effective No. of Properties	6,651	12,258	10,912	10,207	10,875	7,579	6,121	620	65,223	64,644
Ratio	240/360	280/360	320/360	360/360	473/360	585/360	705/360	882/360		
Band D Equivalents	4,430	9,534	9,700	10,207	14,289	12,316	11,987	1,519	73,982	73,188
Contributions in lieu									7	7
TOTAL									73,989	73,195
Provision for non-payment at 2.0% (2021/22 3.5%)									(1,480)	(2,562)
COUNCIL TAX BASE									72,509	70,633

### 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 2022/23 are set out below:

Valuation Band	Property Valuation Range	Fraction of band D	2022/23 Actual Charge	2021/22 Actual Charge
A	£0 - £27,000	240/360	£900.67	£878.67
B	£27,001 - £35,000	280/360	£1,050.78	£1,025.11
C	£35,001 - £45,000	320/360	£1,200.89	£1,171.56
D	£45,001 - £58,000	360/360	£1,351.00	£1,318.00
E	£58,001 - £80,000	473/360	£1,775.06	£1,731.71
F	£80,001 - £106,000	585/360	£2,195.38	£2,141.75
G	£106,001 - £212,000	705/360	£2,645.71	£2,581.08
H	Over £212,000	882/360	£3,309.95	£3,229.10



## NON-DOMESTIC RATE INCOME ACCOUNT

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

2021/22		2022/23	
£'000		£'000	£'000
80,188	<b>Gross Rate Levied</b>		81,902
	Deduct:		
(2,646)	Rate Rebates	(2,682)	
(38,065)	Reliefs, Charities etc.	(21,664)	
(423)	Provision for Bad and Doubtful Debts	(256)	
			(24,602)
	Adjustments to Previous Years:		
(38)	Gross Rate Levied	(1,202)	
172	Transitional Surcharge/Relief	0	
(2,964)	Reliefs, Charities etc.	(291)	
91	Impairment for Bad and Doubtful Debts and Abatements	(154)	
			(1,647)
36,315	<b>Net Non-Domestic Rate Income-</b>		55,653
(36,524)	Contribution to National Non-Domestic Rate Pool	(55,877)	
34,864	Contribution from National Non-Domestic Rate Pool	46,141	
(1,660)	Net contribution to National Non-Domestic Rate Pool		(9,736)
34,655	<b>Total Non-Domestic Rate Income to Comprehensive Income and Expenditure Statement</b>		45,917
206	Discretionary Relief funded by the Council		224

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

### 1. NON-DOMESTIC RATES

Non-Domestic Rates Income is set and pooled nationally but generated and collected locally by Scottish Local Authorities. It is distributed back to those local authorities through a distribution formula agreed with COSLA as part of the local government finance settlement, therefore it bears no direct relationship to the amounts collected by those authorities. The rate poundage set by the Scottish Government for 2022/23 was 49.8p (2021/22 - 49.0p).

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 either 25% or 100%. Awards totalling almost £11.5 million were provided to businesses within the Perth and Kinross area in 2022/23.

A supplement of 1.3p was charged on properties with a rateable value of between £51,001 and £95,000 and a supplement of 2.6p was charged on properties with a rateable value exceeding £95,000 to contribute towards the additional cost of the Small Business Bonus scheme. (unchanged from 2021/22).

### 2. RATEABLE SUBJECTS AND VALUES

<i>No. of Subjects at 1 April 2021</i>	<i>Rateable Value £'000 at 1 April 2021</i>		<i>No. of Subjects at 1 April 2022</i>	<i>Rateable Value £'000 at 1 April 2022</i>
1,689	36,207	Shops	1,699	36,564
86	1,747	Public Houses	85	1,741
1,084	13,845	Offices (including banks)	1,096	13,843
234	13,161	Hotels etc.	227	12,708
1,740	24,142	Industrial Subjects etc.	1,781	24,353
1,898	11,654	Leisure, Entertainment, Caravans etc.	1,950	11,842
155	5,099	Garages and Petrol Stations	151	4,822
57	1,329	Cultural	59	1,352
1,365	2,662	Sporting Subjects	1,362	2,663
117	15,393	Education and Training	118	15,273
415	7,781	Public Service Subjects	420	7,795
1	0	Communications	1	0
21	368	Quarries, Mines etc.	22	331
2	3,412	Petrochemical	2	3,412
242	1,687	Religious	240	1,654
115	6,479	Health, Medical	117	6,390
723	1,966	Other	728	1,988
63	3,197	Care Facilities	64	3,347
34	114	Advertising	30	98
92	10,823	Undertaking	92	10,568
<u>10,133</u>	<u>161,066</u>	Total	<u>10,244</u>	<u>160,744</u>

## CHARITABLE TRUSTS

The Council administers Perth & Kinross Educational Trust and various other Charitable Trusts and Endowments. The figures below summarise the aggregate income and expenditure for the year and the assets and liabilities at 31 March 2023.

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2023

	2022/23 £'000	2022/23 £'000	2021/22 £'000
<b>INCOMING RESOURCES</b>			
Incoming resources from generated funds:			
Income from donations and legacies	0		600
Investment income	146		127
<b>Total Incoming Resources</b>		146	727
<b>RESOURCES EXPENDED</b>			
Costs of generating funds:			
Investment management costs	16		16
Charitable activities	103		81
Governance costs	14		14
Reorganisation of trusts	0		4
<b>Total Resources Expended</b>		133	115
<b>Net Incoming Resources Before Other Recognised Gains &amp; Losses</b>		13	612
<b>OTHER RECOGNISED GAINS</b>			
Gain/(Losses) on Investment assets		(162)	56
<b>Net Movement in Funds for the Year</b>		(149)	668
<b>RECONCILIATION OF FUNDS</b>			
Total Funds Brought Forward		3,610	2,942
<b>TOTAL FUNDS CARRIED FORWARD</b>		3,461	3,610

### BALANCE SHEET AS AT 31 MARCH 2023

	31 March 2023 £'000	31 March 2023 £'000	31 March 2022 £'000
<b>FIXED ASSETS</b>			
Tangible Assets		80	80
Investments		3,083	3,261
<b>CURRENT ASSETS</b>			
Debtors	28		3
Investments - Amounts due by Perth & Kinross Council Loans Fund	288		276
	316		279
<b>LIABILITIES</b>			
Creditors: amounts falling due within one year	(18)		(10)
<b>NET CURRENT ASSETS</b>		298	269
<b>NET ASSETS</b>		3,461	3,610
<b>TOTAL FUNDS</b>		3,461	3,610

#### Notes to Charitable Trusts

- The market value of Investments at 31 March 2023 was £3.083 million (31 March 2022 £3.261 million).
- The unaudited accounts were issued on 26 June 2023.

Stewart MacKenzie CPFA  
Head of Finance  
26 June 2023

## COMMON GOOD

The Council administers the Common Good Accounts for ten former burghs within Perth and Kinross. The figures below summarise the aggregate income and expenditure for the year and detail the Assets and Liabilities at 31 March 2023.

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2023

	2022/23 £'000	2022/23 £'000	2021/22 £'000
<b>EXPENDITURE</b>			
Grants to Voluntary Organisations	110		61
Christmas Lighting	73		17
Property Costs	0		25
Supplies & Services	21		21
		204	124
<b>INCOME</b>			
Rents, Fees, Charges etc.	311		275
Interest on Loans	39		5
Other	3		1
		353	281
<b>SURPLUS FOR THE YEAR</b>		149	157
Revenue Balance Brought Forward		2,109	1,952
Revenue Balance Carried Forward		2,258	2,109

### BALANCE SHEET AS AT 31 MARCH 2023

	31 March 2023 £'000	31 March 2023 £'000	31 March 2022 £'000
<b>FIXED ASSETS</b>		4,823	5,188
<b>CURRENT ASSETS</b>			
Debtors	9		6
Investments	2,219		2,057
Revenue Advances to Perth & Kinross Council Loans Fund	453		448
	2,681		2,511
<b>CURRENT LIABILITIES</b>			
Creditors and Accruals	(134)		(117)
<b>NET CURRENT ASSETS</b>		2,547	2,394
<b>TOTAL NET ASSETS</b>		7,370	7,582
<b>RESERVES</b>			
Revenue		2,258	2,109
Capital		386	386
Capital Adjustment Account		91	91
Revaluation Reserve		4,635	4,996
		7,370	7,582

The unaudited accounts were issued on 26 June 2023.

Stewart Mackenzie CPFA  
Head of Finance  
26 June 2023

## 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 22	Income 2022/23	Expenditure 2022/23	Balance at 31 March 23
	£'000	£'000	£'000	£'000
Perth City	1,473	317	190	1,600
Aberfeldy	124	2	1	125
Abernethy	1	0	0	1
Alyth	20	0	0	20
Auchterarder	294	27	12	309
Blairgowrie	20	0	0	20
Crieff	13	2	0	15
Kinross	157	5	1	161
Pitlochry	7	0	0	7
<b>TOTAL</b>	<b>2,109</b>	<b>353</b>	<b>204</b>	<b>2,258</b>

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

### 3. Common Good Fixed Assets

The Community Empowerment (Scotland) Act 2015 requires the Council to establish and maintain a list of property which is held as part of the Common Good. The review of property titles to facilitate the publication of the list has been completed and the findings are now available on the Perth & Kinross website. It is anticipated that the findings will be reported to the relevant Common Good Fund Committees and Community Councils during 2023/24.

# GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Housing Revenue Account	Capital Fund	Insurance Fund	Capital statutory funds	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	TOTAL Authority Reserves	Authority's share of subsidiaries	Authority's share of associates & joint ventures	TOTAL Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April 2021</b>	(72,483)	(3,006)	(27,944)	(2,392)	(2,529)	(2,730)	(111,084)	(540,023)	(651,107)	(6,548)	(8,935)	(666,590)
<u>Movement in reserves during 2021/22</u>												
Total Comprehensive Income and Expenditure	11,478	5,147	0	0	0	0	16,625	(107,289)	(90,664)	(4,097)	(16,280)	(111,041)
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(4,459)	(2,995)	0	0	0	0	(7,454)	7,454	0	0	0	0
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(16,483)	(2,228)	0	0	(27)	2,643	(16,095)	16,095	0	0	0	0
<b>(Increase)/Decrease in 2021/22</b>	(9,464)	(76)	0	0	(27)	2,643	(6,924)	(83,740)	(90,664)	(4,097)	(16,280)	(111,041)
Transfers to/(from) Other Statutory Reserves	(3,953)	(200)	3,127	1,026	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2022 carried forward</b>	(85,900)	(3,282)	(24,817)	(1,366)	(2,556)	(87)	(118,008)	(623,763)	(741,771)	(10,645)	(25,215)	(777,631)
<u>Movement in reserves during 2022/23</u>												
Total Comprehensive Income and Expenditure	27,647	6,401	0	0	0	0	34,048	(319,681)	(285,633)	(22,388)	(15,418)	(323,439)
Adjustments to Usable Reserves permitted by accounting standards	(4,511)	(2,897)	0	0	0	0	(7,408)	7,408	0	0	0	0
Adjustments from income & expenditure charged under the accounting basis to the funding basis	(9,588)	(2,029)	0	0	311	0	(11,306)	11,306	0	0	0	0
<b>(Increase) or Decrease in 2022/23</b>	13,548	1,475	0	0	311	0	15,334	(300,967)	(285,633)	(22,388)	(15,418)	(323,439)
Transfers to/(from) Other Statutory Reserves	2,306	(840)	(1,526)	60	0	0	0	0	0	0	0	0
<b>Balance at 31 March 2023 carried forward</b>	(70,046)	(2,647)	(26,343)	(1,306)	(2,245)	(87)	(102,674)	(924,730)	(1,027,404)	(33,033)	(40,633)	(1,101,070)

# GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Restated 2021/22 Net Expenditure £'000		Note	2022/23		
			Gross Expenditure £'000	Income £'000	Net Expenditure £'000
	<b>SERVICES</b>				
205,495	Education & Children's Services		243,499	(28,053)	215,446
75,790	Health & Social Care		195,655	(107,341)	88,314
91,094	Communities		135,288	(43,889)	91,399
39,041	Corporate & Democratic Services		68,812	(23,927)	44,885
2,253	Chief Executives Service		2,896	(2)	2,894
4,380	Housing Revenue Account		36,843	(31,394)	5,449
1,307	Valuation Joint Board		1,338	0	1,338
(485)	Charitable Trusts		133	0	133
(152)	Common Good		204	(314)	(110)
418,723	<b>COST OF SERVICES</b>		684,668	(234,920)	449,748
(534)	Other Operating Expenditure / Income		474	(331)	143
23,402	Financing and Investment Income and Expenditure	4	25,630	(5,416)	20,214
(424,977)	Taxation and Non-Specific Grant Income		0	(432,699)	(432,699)
16,614	<b>Deficit on Provision of Services</b>		710,772	(673,366)	37,406
(5,156)	Share of the (Surplus)/Deficit on the provision of services by Associates and Joint Ventures				9,790
11,458	<b>Group Deficit</b>				47,197
(22,983)	Surplus on revaluation of non current assets				(6,618)
(89,838)	Remeasurement of the net defined benefit liability				(338,452)
64	Other gains and losses				9
(9,742)	Share of the other comprehensive income and expenditure of Associates and Joint Ventures				(25,575)
(122,499)	Other Comprehensive Income and Expenditure				(370,636)
(111,041)	<b>Total Comprehensive Income and Expenditure</b>				(323,439)

## GROUP BALANCE SHEET

<u>31 March 2022</u>		Notes	<u>31 March 2023</u>
<u>£'000</u>			<u>£'000</u>
1,271,035	Property, Plant & Equipment		1,346,539
51,814	Heritage Assets		51,814
14,060	Investment Property		15,015
1,674	Intangible Assets		963
403	Assets Held for Sale		403
0	Long Term Investments	8	243,238
16,625	Investment in Joint Venture		27,573
613	Long Term Debtors		541
<u>1,356,224</u>	<b>Long Term Assets</b>		<u>1,686,086</u>
214,619	Short Term Investments	5	160,641
273	Assets Held for Sale		273
637	Inventories		508
48,275	Short Term Debtors	6	55,911
50,012	Cash and Cash Equivalents		27,517
<u>313,816</u>	<b>Current Assets</b>		<u>244,850</u>
(14,754)	Short Term Borrowing		(12,114)
(76,700)	Short Term Creditors	7	(99,983)
(3,904)	Provisions		(295)
<u>(95,358)</u>	<b>Current Liabilities</b>		<u>(112,392)</u>
(2,959)	Provisions		(5,312)
(604,507)	Long Term Borrowing		(599,351)
(2,602)	Liabilities in associates and joint ventures		2,229
<u>(186,983)</u>	Other Long Term Liabilities		<u>(115,040)</u>
<u>(797,051)</u>	<b>Long Term Liabilities</b>		<u>(717,474)</u>
<u>777,631</u>	<b>NET ASSETS</b>		<u>1,101,070</u>
118,008	Usable Reserves		102,674
623,763	Unusable Reserves		924,730
24,668	Group Reserves		62,835
11,192	Charitable and Common Good Reserves		10,831
<u>777,631</u>	<b>TOTAL RESERVES</b>		<u>1,101,070</u>

The unaudited Annual Accounts were issued on 26 June 2023.

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

Stewart MacKenzie CPFA  
Head of Finance

Date: 26 June 2023



## GROUP CASH FLOW STATEMENT

<u>2021/22</u>		<u>Notes</u>	<u>2022/23</u>
<u>£'000</u>			<u>£'000</u>
(16,614)	<b>Deficit on the provision of services</b>		(37,406)
100,529	Adjustments to net surplus or deficit on the provision of services for non cash movements		96,013
(47,236)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(44,143)
<u>36,679</u>	Net cash flows from Operating Activities		<u>14,464</u>
(47,801)	Investing Activities	10	(23,696)
23,561	Financing Activities	11	(13,263)
<u>12,439</u>	Net increase/(decrease) in cash and cash equivalents		<u>(22,495)</u>
37,573	Cash and cash equivalents at the beginning of the reporting period		50,012
<u><u>50,012</u></u>	Cash and cash equivalents at the end of the reporting period		<u><u>27,517</u></u>

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

<u>2021/22</u>		<u>2022/23</u>
<u>£'000</u>		<u>£'000</u>
16,625	Deficit on the single entity Comprehensive Income & Expenditure Statement for the year	34,048
	Add:	
(825)	• Managed Funds - Charitable Trusts & Common Good	0
(9,674)	• Joint Venture	8,208
4,520	• Associates	1,583
812	• Subsidiaries	3,358
<u>11,458</u>	Deficit for the year on the Group Comprehensive Income & Expenditure Statement	<u>47,197</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 2022/23 was 42.68% (2021/22 42.58%). The accounting period for the Board is the year to 31 March 2023 and the Board Statements of Accounts presents fairly its individual financial position.

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

In addition, the Council has also included Live Active Leisure Ltd., Perth Theatre & Concert Hall 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., Perth Theatre & Concert Hall 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., Perth Theatre & Concert Hall 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.
Perth Theatre & Concert Hall 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 88 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 89 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 2022/23 is 34% (2021/22 39.9%). Copies of Tayside Contracts Joint Committee's individual accounts are published separately, and can be obtained from Tayside Contracts, 1 Soutar Street, Dundee, DD3 8SS.

Perth and Kinross Integration Joint Board (IJB) is the statutory body established to integrate health and social care services between the Council and NHS Tayside. The IJB Board consists of eight voting members, four of whom are Perth & Kinross councillors. The Council can therefore exercise joint control over the arrangement and the IJB has been consolidated into the Council Group accounts as a joint venture using the equity method and a percentage share of 50%. Copies of the Perth and Kinross Integration Joint Board individual accounts are published separately and can be obtained from the Interim Chief Financial Officer, Perth and 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 asset at 31 March 2023 for Perth Theatre & Concert Hall Ltd of £1,872,000 has been included within the Group Reserves balance at 31 March 2023.

Tayside and Central Scotland Transport Partnership (TACTRAN) is a statutory body established under the Transport (Scotland) Act 2005. The partnership covers Angus, Dundee City, Perth and Kinross and Stirling Council areas. The results of TACTRAN have been excluded from Perth & 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 £73,666,000 (2021/22 £35,860,000 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

	2022/23 £'000	2021/22 £'000
Council Financing and Investment Income & Expenditure	20,309	23,604
Subsidiaries	(71)	(70)
Charitable Trusts	15	(127)
Common Good	(39)	(5)
Total Group CI&ES Financing and Investment Income & Expenditure	<u>20,214</u>	<u>23,402</u>

## 5. Group Balance Sheet - Investments

	2022/23 £'000	2021/22 £'000
Council Investments	155,339	209,301
Charitable Trusts Investments	3,083	3,261
Common Good Investments	<u>2,219</u>	<u>2,057</u>
Total Group Investments	<u>160,641</u>	<u>214,619</u>

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

	2022/23 £'000	2021/22 £'000
Net Debtors Balance - Note 28 to the Financial Statements	53,718	46,052
Subsidiary Debtors	2,156	2,214
Charitable Trust		
Debtors	316	279
Inter-company elimination	(288)	(276)
Common Good		
Debtors	462	454
Inter-company elimination	(453)	(448)
Total Group Debtors	<u>55,911</u>	<u>48,275</u>

## 7. Group Balance Sheet – Short term Creditors

	2022/23 £'000	2021/22 £'000
Net Creditors Balance - Note 29 to the Financial Statements	(97,479)	(73,570)
Charitable Trust		
Creditors	(18)	(10)
Inter-company elimination	288	276
Common Good		
Creditors	(134)	(117)
Inter-company elimination	453	448
	<u>(96,890)</u>	<u>(72,973)</u>
Subsidiary Creditors	<u>(3,093)</u>	<u>(3,727)</u>
Total Group Creditors	<u>(99,983)</u>	<u>(76,700)</u>

## 8. Group Balance Sheet - Pension Asset / Liability

	2022/23 £'000	2021/22 £'000
Net Pensions Asset/(Liability) at 31 March - Note 18 to the Financial Statements	229,359	(55,995)
Subsidiaries	<u>13,879</u>	<u>(9,661)</u>
Group Pension Asset/(Liability) at 31 March	<u>243,238</u>	<u>(65,656)</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., Perth Theatre & Concert Hall Ltd. and Culture Perth & Kinross Ltd. within the Group Cash Flow Statement is to increase the movement in the net cash position by £9.854 million (2021/22, increase of £11.575 million). A cash increase of £6.303 million represents the Council's 100% share of Live Active Leisure Ltd., a cash increase of £1.596 million represents the Council's 100% share of Perth Theatre & Concert Hall Ltd and a cash increase of £1.955 million represents the Council's 100% share of Culture Perth & Kinross Ltd.

## 10. Group Cash Flow – Investing Activities

	2022/23 £'000	2021/22 £'000
Council Investing Activities	(22,818)	(48,326)
Subsidiaries	<u>(878)</u>	<u>525</u>
	<u>(23,696)</u>	<u>(47,801)</u>

## 11. Group Cash Flow – Financing Activities

	2022/23 £'000	2021/22 £'000
Council Financing Activities	(13,223)	23,561
Subsidiaries	<u>(40)</u>	<u>0</u>
	<u>(13,263)</u>	<u>23,561</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:

	£'000	£'000	£'000	£'000
Tayside Valuation Joint Board	13	16	0	13

# **REMUNERATION REPORT FOR FINANCIAL YEAR 2022/23**

## **1. Introduction**

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

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

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

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

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

- 3.1 The remuneration of Councillors is regulated by the [Local Governance \(Scotland\) Act 2004 \(Remuneration\) Regulations 2007 \(SSI No. 2007/183\)](#). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either, the Leader of the Council, the Civic Head (Provost), Senior Councillors or Councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure.
- 3.2 When determining the level of remuneration for Councillors the Scottish Ministers considered the recommendations of the former Scottish Local Authority Remuneration Committee (SLARC). SLARC was an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors. The Committee was stood down in February 2013. It should be noted however, that SLARC is now being reconvened to undertake a one-off independent review of Councillor Remuneration to ensure terms and conditions reflect the responsibilities of a modern-day Councillor.
- 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 2022/23 the maximum salary for the Leader of Perth & Kinross Council is **£39,148** and the Council has agreed that the Civic Head be paid 75% of the salary of the Leader, which for 2022/23 is a maximum of **£29,361**. The actual amounts for 2022/23 are lower due to the election of a new Council on 6 May 2022 and the resulting delay in appointments to the new Council until 25 May 2022. 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 **£29,361** and a maximum yearly amount payable for all senior councillors of **£342,524** in 2022/23 (excluding the Council Leader, Civic Head, Conveners and Vice Conveners of Joint Boards). The Council is able to exercise local flexibility in the determination of the precise number of senior councillors and their salary within these maximum limits.
- 3.5 The Regulations also set out the remuneration payable to councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board such as Tayside Valuation Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convener or Vice-Convener is a member. Joint Board Conveners and Vice-Conveners are considered to be senior councillors for remuneration disclosure purposes. In financial year 2022/23, one councillor from Perth & Kinross Council served as Convener or Vice Convener of a Joint Board.
- 3.6 During 2022/23 Perth & Kinross Council had a total of 24 senior councillors and a further councillor that served as a Vice-Convener of a Joint Board who is treated as a senior councillor for the purposes of the Remuneration Report. Prior to the Local Government Elections in May 2022, there were 11 senior councillors, and post-election there were 13 senior councillors and a Vice-Convener of a Joint Board. Details are provided in **Table 1**. Together with the Leaders of the Council and the Provosts, the total remuneration including taxable expenses paid to these Councillors was **£399,209**. The individual amounts payable to the Leaders of the Council, the Provosts, senior councillors of Perth & Kinross Council and the Vice-Convener of a Joint Board in 2022/23 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 2022/23**

<b>Name and Post Title</b>	<b>Salary, Fees &amp; Allowances 2022/23</b>	<b>Total Remuneration 2022/23</b>	<b>Total Remuneration 2021/2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>FROM 25 MAY 2022 TO 31 MARCH 2023 (Note 1)</b>			
Grant Laing Council Leader Leader of the Largest Opposition Group (01/04/2022 – 04/05/2022)	35,853	<b>35,853</b>	24,992
Xander McDade Provost (Civic Head)	25,031	<b>25,031</b>	n/a
Peter Barrett Convener Licensing Board (from 04/07/2022)	17,841	<b>17,841</b>	n/a
Bob Brawn Convener Local Review Body Convener Housing & Communities Committee (01/04/2022 – 04/05/2022)	22,939	<b>22,939</b>	24,992
Dave Cuthbert Vice-Convener Tayside Valuation Joint Board (from 20/06/2022)	18,134	<b>18,134</b>	n/a
Stuart Donaldson Convener Finance & Resources Committee	23,018	<b>23,018</b>	n/a
Eric Drysdale Deputy Leader Convener Audit Committee (01/04/2022 – 04/05/2022)	25,497	<b>25,497</b>	24,992
John Duff Leader of Largest Opposition Party Convener Strategic Policy & Resources Committee (01/04/2022 – 04/05/2022)	25,497	<b>25,497</b>	14,716
David Illingworth Convener Audit & Risk Committee	23,018	<b>23,018</b>	n/a
Ian Massie Convener Planning & Placemaking Committee	23,018	<b>23,018</b>	n/a
Tom McEwan Convener Housing & Social Wellbeing Committee	23,018	<b>23,018</b>	n/a
Andrew Parrott Convener Environment, Infrastructure & Economic Development Committee	23,018	<b>23,018</b>	n/a
John Rebbeck Convener Learning & Families Committee	23,018	<b>23,018</b>	n/a
Colin Stewart Convener Scrutiny & Performance Committee	23,018	<b>23,018</b>	n/a
Richard Watters Convener Climate Change & Sustainability Committee	23,018	<b>23,018</b>	n/a
Michael Williamson Convener Licensing Committee	20,460	<b>20,460</b>	n/a
<b>FROM 1 APRIL 2022 TO 4 MAY 2022</b>			
D Murray Lyle Council Leader	3,691	<b>3,691</b>	37,213
Dennis Melloy Provost (Civic Head)	2,769	<b>2,769</b>	27,910
Chris Ahern Convener Licensing Committee	2,479	<b>2,479</b>	24,992
Kathleen Baird Convener Licensing Board	2,479	<b>2,479</b>	24,992
Angus Forbes Convener Environment & Infrastructure Committee	2,479	<b>2,479</b>	24,992
Rosalind McCall Convener Planning & Development Management Committee	2,479	<b>2,479</b>	24,992
Sheila McCole Convener Scrutiny Committee	2,479	<b>2,479</b>	24,992

Name and Post Title	Salary, Fees & Allowances 2022/23 £	Total Remuneration 2022/23 £	Total Remuneration 2021/2022 £
Caroline Shiers Convener Lifelong Learning Committee	2,479	<b>2,479</b>	24,992
Lewis Simpson Convener Local Review Body	2,479	<b>2,479</b>	24,992
<b>TOTAL</b>	<b>399,209</b>	<b>399,209</b>	329,759

Notes:

- (1) The remuneration details of councillors who held senior roles both before and after the May 2022 election are noted in the list of senior councillors from 25 May 2022 to 31 March 2023.
- (2) After adjusting for the salaries of the Leaders of the Council and the Civic Heads (Provosts), the total salaries paid to Senior Councillors in 2022/23 was **£334,344** which compares with the maximum under Regulations of **£342,524**.
- (3) There were no taxable expenses during the year.
- 3.7 The arrangements for political decision-making structures within Perth & Kinross Council as at 31 March 2023, which encompassed the salaries of all elected members including the Council Leader, Civic Head and Senior Councillors, were agreed at the meeting of the Council on 25 May 2022 (Report No. 22/110 refers) and are available on the Council's website.
- 3.8 The Council paid the following salaries and expenses to all Councillors (including those listed in **Table 1** above) in financial year 2022/23:

**Table 2: Remuneration Paid to Councillors 1 April 2022 to 31 March 2023**

Type of Remuneration	2022/23 £	2021/22 £
Salaries	893,775	839,745
Allowances & Expenses	28,754	16,435
Total	<u>922,529</u>	<u>856,180</u>

- 3.9 The annual return of Councillors' salaries and expenses for 2022/23 is available for any member of the public to view at Culture Perth & Kinross Ltd. libraries and Council local area offices during normal working hours and is also available on the Council's website at Councillors Expenses.

#### 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 2022/23.
- 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 2022/23:
  - The Chief Executive as the statutory head of paid service.
  - The Executive Director of Education & Children's Services as the Council's chief education officer, the Head of Legal & Governance Services as the Council's statutory monitoring officer; the Head of Finance as the Council's proper officer for financial administration and the Chief Officer of the Perth & Kinross Health & Social Care Partnership as the Council's statutory Chief Social Work Officer.
  - The Executive Director of Communities, the Chief Operating Officer, the Executive Lead - Strategic Planning and Transformation and the Chief Officer of the Perth & Kinross Health & Social Care Partnership, 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 2022/23 is detailed in **Table 3** below:

**Table 3: Remuneration of Senior Employees of the Council and its Subsidiaries for Financial Year 2022/23**  
(Job titles as at 31 March 2023)

Notes:

<b>Name and Post Title</b>	<b>Salary, Fees &amp; Allowances 2022/23</b>	<b>Total Remuneration 2022/23</b>	<b>Total Remuneration 2021/22</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Thomas Glen Chief Executive (Note 1)	148,054	<b>148,054</b>	57,853
Sheena Devlin Executive Director of Education & Children's Services and Chief Education Officer	127,956	<b>127,956</b>	122,221
Karen Donaldson Chief Operating Officer	118,068	<b>118,068</b>	113,082
Stewart MacKenzie Head of Finance	97,458	<b>97,458</b>	93,552
Clare Mailer Executive Lead – Strategic Planning & Transformation (from 18/07/2022)	73,126	<b>73,126</b>	n/a
Jacqueline Pepper Chief Officer, Perth & Kinross Health & Social Care Partnership and Chief Social Work Officer	127,786	<b>127,786</b>	100,887
Barbara Renton Executive Director of Communities (Note 2)	130,631	<b>130,631</b>	138,445
Gordon Paterson Chief Officer, Perth & Kinross Health & Social Care Partnership (to 06/03/2022)	n/a	<b>n/a</b>	113,523
Lisa Simpson Head of Legal & Governance Services	101,816	<b>101,816</b>	97,842
Paul Cromwell Live Active Leisure – Chief Executive	81,152	<b>81,152</b>	78,534
Helen Smout Culture Perth & Kinross Limited – Chief Executive	66,391	<b>66,391</b>	64,458
Nick Williams Perth Theatre & Concert Hall Limited – Chief Executive	70,902	<b>70,902</b>	70,394
<b>TOTAL</b>	<b>1,143,340</b>	<b>1,143,340</b>	1,050,791

- (1) The substantive salary for the Chief Executive is laid down in COSLA Circular CO/152. The Chief Executive's remuneration in 2022/23 included a fee of £2,265.20 for acting as Returning Officer for the Local Government Election 5 May 2022.
- (2) Salary, fees and allowances include a Returning Officer Fee of £2,215.25 (final payment) for the Scottish Parliament Election 6 May 2021.
- (3) There were no payments of compensation for loss of office during the year.
- 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 2022/23.

## 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 2022/23 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 2022/23**

	2022/23	2021/22
£50,000-£54,999	233	170
£55,000-£59,999	88	87
£60,000-£64,999	61	43
£65,000-£69,999	41	24
£70,000-£74,999	15	7
£75,000-£79,999	0	5
£80,000-£84,999	7	4
£85,000-£89,999	3	12
£90,000-£94,999	11	2
£95,000-£99,999	2	2
£100,000-£104,999	2	1
£110,000-£114,999	0	2
£115,000-£119,999	1	0
£120,000-£124,999	0	1
£125,000-£129,999	3	0
£130,000-£134,999	0	1
£145,000-£149,999	1	0
<b>Total</b>	<b>468</b>	<b>367</b>

Notes:

The current Chief Executive's remuneration is included in the above table range £145,000 to £149,999. Due to commencing part-way through the 2021/22 financial year, this was previously returned under banding £55,000 - £59,000.

Movement in the numbers are mainly due to implementation of a pay award for SJC (Single Status Employees) and Chief Officers. Due to the delay in concluding the teachers and associated professionals 2022/23 pay award, an increase in remuneration was not applied until April 2023, therefore the information set out in **Table 4** above is based on actual earnings in 2022/23.

The increase in numbers are mainly due to 78 single status staff being included in the £50,000 - £54,999 following the application of the 2022/23 pay award.

**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	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23 £'000	2021/22 £'000
£0 - £20,000	2	0	5	1	7	1	46	2
£20,001 - £40,000	0	0	1	0	1	0	22	0
<b>Total</b>	<b>2</b>	<b>0</b>	<b>6</b>	<b>1</b>	<b>8</b>	<b>1</b>	<b>68</b>	<b>2</b>

- 5.2 The costs included within **Table 5** are all non-recurring and include payments to individual officers and to the relevant Pension Fund.
- 5.3 All of the individual exit packages included within **Table 5** have been subject to a full business case or legal agreement outlining the implications for the Council or are related to officers who have temporary contracts, and their contract has ceased but they are entitled to a redundancy payment due to their length of employment. In terms of the financial assessment for each business case, the maximum payback period is up to five years. The departure of the individuals has delivered significant recurring savings to the Council in the past and also facilitated the delivery of an ambitious and challenging transformation / modernisation programme.

## 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 2022/23, 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 2022/23.

## 7. Disclosure of Pension Benefits

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

### **Tiered Pension Contribution Rates for Local Government Pension Scheme Members in 2022/23**

Actual Pensionable pay	Contribution Rate 2022/23
On earnings up to and including £23,000	5.5%
On earnings above £23,001 and up to £28,100	7.25%
On earnings above £28,101 and up to £38,600	8.5%
On earnings above £38,601 and up to £51,400	9.5%
On earnings above £51,401	12%

- 7.5 Pensionable Pay includes salary, plus any contractual elements of pay such as shift payment, night working payment, standby and the monetary value of any accommodation or other allowances in kind pertaining to employment.
- 7.6 Under the scheme there is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The pension is built up based on pensionable pay in the year with an accrual rate of 1/49th added to the pension account. (Prior to 2015 the accrual rate was 1/60th of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).
- 7.7 The value of accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on their retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their local government service, and not just their current appointment.

## 7.8 Pension Entitlements of Senior Councillors

The pension entitlements of senior councillors of Perth & Kinross Council for the year to 31 March 2023 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 2022/23**

Name and Post Title	In-year pension contributions (Note 2)		Accrued Pension Benefits (Note 3)			
	2022/23 £	2021/22 £		as at 31/03/2023 £'000	as at 31/03/2022 £'000	Difference £'000
<b>SENIOR COUNCILLOR BETWEEN 25 MAY 2022 AND 31 MARCH 2023 (Note 1)</b>						
Grant Laing Council Leader Leader of the Largest Opposition Group (01.04.22 – 04.05.22)	6,268	4,249	Pension Lump Sum	5 0	4 0	1 0
Xander McDade Provost (Civic Head)	4,742	n/a	Pension Lump Sum	2 0	n/a n/a	n/a n/a
Peter Barrett Convener Licensing Board (from 04/07/2022)	3,888	n/a	Pension Lump Sum	7 2	n/a n/a	n/a n/a
Bob Brawn Convener Local Review Board Convener Housing & Communities Committee (01/04/2022 – 04/05/2022)	4,073	4,249	Pension Lump Sum	3 0	2 0	1 0
Dave Cuthbert Vice-Convener Tayside Valuation Joint Board	3,493	n/a	Pension Lump Sum	0 0	n/a n/a	n/a n/a
Stuart Donaldson Convener Finance & Resources Committee	4,400	n/a	Pension Lump Sum	3 0	n/a n/a	n/a n/a
Eric Drysdale Deputy Leader Convener Audit Committee (01/04/2022 – 04/05/2022)	4,508	4,249	Pension Lump Sum	3 0	2 0	1 0
John Duff Leader of Largest Opposition Party Convener Strategic Policy & Resources Committee (01/04/2022 – 04/05/2022)	4,508	3,807	Pension Lump Sum	2 0	2 0	0 0
David Illingworth Convener Audit & Risk Committee	4,400	n/a	Pension Lump Sum	2 0	n/a n/a	n/a n/a
Ian Massie Convener Planning & Placemaking Committee	4,400	n/a	Pension Lump Sum	1 0	n/a n/a	n/a n/a
Tom McEwan Convener Housing & Social Wellbeing Committee	4,400	n/a	Pension Lump Sum	2 0	n/a n/a	n/a n/a
Andrew Parrott Convener Environment, Infrastructure and Economic Development Committee	4,400	n/a	Pension Lump Sum	3 0	n/a n/a	n/a n/a
John Rebbeck Convener Learnings & Families Committee	4,400	n/a	Pension Lump Sum	2 0	n/a n/a	n/a n/a
Colin Stewart Convener Scrutiny & Performance Committee	4,400	n/a	Pension Lump Sum	3 0	n/a n/a	n/a n/a
Richard Watters Convener Climate Change & Sustainability Committee	4,400	n/a	Pension Lump Sum	2 0	n/a n/a	n/a n/a
Michael Williamson Convener Licensing Committee	3,965	n/a	Pension Lump Sum	4 0	n/a n/a	n/a n/a
<b>SENIOR COUNCILLOR BETWEEN 1 APRIL 2022 AND 4 MAY 2022</b>						
Murray Lyle Council Leader (Note 4)	628	6,326	Pension Lump Sum	9 2	8 2	1 0
Dennis Melloy Provost (Civic Head)	n/a	338	Pension Lump Sum	n/a n/a	9 2	n/a n/a
Chris Ahern Convener Licensing Committee	3,431	4,249	Pension Lump Sum	3 0	2 0	1 0

Name and Post Title	In-year pension contributions (Note 2)		Accrued Pension Benefits (Note 3)			
	2022/23	2021/22		as at 31/03/2023	as at 31/03/2022	Difference
	£	£		£'000	£'000	£'000
Kathleen Baird Convener Licensing Board (Note 4)	421	4,249	Pension Lump Sum	4 0	4 0	0 0
Angus Forbes Convener Environment & Infrastructure Committee	3,431	4,249	Pension Lump Sum	3 0	2 0	1 0
Rosalind McCall Convener Planning & Development Management Committee	421	4,249	Pension Lump Sum	2 0	2 0	0 0
Sheila McCole Convener Scrutiny Committee	3,431	4,249	Pension Lump Sum	3 0	2 0	1 0
Caroline Shiers Convener Lifelong Learning Committee	3,431	4,249	Pension Lump Sum	7 2	6 2	1 0
Lewis Simpson Convener Local Review Body (Note 4)	421	4,249	Pension Lump Sum	5 32	7 2	-2 30
<b>TOTAL</b>	<b>86,260</b>	<b>52,961</b>				

Notes:

- (1) The remuneration details of councillors who held senior roles both before and after the May 2022 election are noted in the list of senior councillors from 25 May 2022 to 31 March 2023.
- (2) The in-year employer pension contributions shown are based on all pensionable earnings for financial year 2022/23, not just current appointments.
- (3) The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service, including any service with a Council subsidiary body, and not just their current appointment. Councillors have only been eligible to join the Local Government Pension Scheme since May 2007. Former Provost Dennis Melloy left the scheme 26 April 2021.
- (4) Pension commenced 05/05/2022 which includes payment of retirement grant (where applicable).

## 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 2023 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 2022/23 (Post titles as at 31 March 2023)**

Name and Post Title	In-year pension contributions (Note 1)		Accrued Pension Benefits (Note 2)			
	2022/23	2021/22		as at 31/03/2023	as at 31/03/2022	Difference
	£	£		£'000	£'000	£'000
Thomas Glen Chief Executive	25,169	9,835	Pension Lump Sum	4 0	1 0	3 0
Sheena Devlin Executive Director of Education & Children's Services and Chief Education Officer	21,724	20,723	Pension Lump Sum	72 122	66 116	6 6
Karen Donaldson Chief Operating Officer	20,004	19,087	Pension Lump Sum	58 95	53 90	5 5
Stewart MacKenzie Head of Finance	16,568	15,813	Pension Lump Sum	48 68	44 65	4 3
Clare Mailer Executive Lead Strategic Plan & Transformation (from 18/07/2022)	17,599	n/a	Pension Lump Sum	43 55	n/a n/a	n/a n/a
Jacqueline Pepper Chief Officer, Perth & Kinross Health & Social Care Partnership and Chief Social Work Officer	21,724	17,066	Pension Lump Sum	44 33	36 26	8 7
Barbara Renton Executive Director of Communities	21,724	22,688	Pension Lump Sum	35 9	32 9	3 0

Name and Post Title	In-year pension contributions (Note 1)		Accrued Pension Benefits (Note 2)			
	2022/23 £	2021/22 £		as at 31/03/2023 £'000	as at 31/03/2022 £'000	Difference £'000
Gordon Paterson Chief Officer, Perth & Kinross Health & Social Care Partnership (to 06/03/2022)	n/a	19,299	Pension Lump Sum	n/a n/a	59 103	n/a n/a
Lisa Simpson Head of Legal & Governance Services	17,256	16,468	Pension Lump Sum	16 0	13 0	3 0
Paul Cromwell Live Active Leisure – Chief Executive	13,796	13,351	Pension Lump Sum	24 12	21 12	3 0
Helen Smout Culture Perth & Kinross Limited - Chief Executive	11,287	10,958	Pension Lump Sum	25 24	23 23	2 1
Nick Williams Perth Theatre & Concert Hall Limited – Chief Executive	12,053	11,542	Pension Lump Sum	5 0	3 0	2 0
<b>TOTAL</b>	<b>198,904</b>	<b>176,830</b>				

Notes:

- (1) The in-year employer pension contributions shown are based on all pensionable earnings for financial year 2022/23, not just the current appointment.
- (2) Accrued pension benefits include total benefits accumulated during all membership of the Local Government Pension Scheme and not just service in their current role.

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

- 8.1 The Council is required to report from 1 April 2017 a range of information on facility time made available to its employees who are trade union representatives. This link provides the information: [Trade Union Statutory Return 2022/23](#)

Signed:

\_\_\_\_\_  
Thomas Glen  
Chief Executive  
Perth & Kinross Council  
Date:

\_\_\_\_\_  
Councillor Grant Laing  
Leader of the Council  
Perth & Kinross Council  
Date:

## **GLOSSARY**

### **ACCOUNTING PERIOD**

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

### **ACCRUALS**

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

### **BEACON METHOD (ADJUSTED VACANT POSSESSION METHOD)**

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

### **CAA**

Capital Adjustment Account

### **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing fixed asset.

### **CAPITAL FINANCING**

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

### **CAPITAL RECEIPT**

The proceeds from the disposal of land or other fixed assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government but they cannot be used to finance revenue expenditure.

### **CONTINGENT LIABILITY**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

### **CORPORATE & 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.



## Audit & Risk Committee

26 June 2023

### INTERNAL AUDIT FOLLOW UP

**Report by Chief Internal Auditor**  
(Report No 23/197)

#### 1. PURPOSE

- 1.1 This report presents a current summary of Internal Audit's 'follow up' work relating to actions due for completion up to May 2023.

#### 2. RECOMMENDATION

- 2.1 It is recommended that the Committee notes the current position in respect of the agreed actions arising from Internal Audit's work.

#### 3. STRUCTURE OF REPORT

- 3.1 This report is structured over the following sections:

- Section 4: Background
- Section 5: Follow Up Outcomes

#### 4. BACKGROUND

- 4.1 The Public Sector Internal Audit Standards (PSIAS) require the Chief Internal Auditor to establish a follow-up process to monitor and ensure that management actions have been effectively implemented.
- 4.2 Internal Audit request evidence from Services which confirms that actions have been implemented and, therefore, controls have been improved.

#### 5. FOLLOW UP OUTCOMES

- 5.1 There were 2 actions due to be completed up to May 2023. One action has been complete, and one has been substantially completed, with one aspect still remaining to be considered. This action is included on the Appendix.

#### Author

Name	Designation	Contact Details
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## Appendix 1

Actions with a completion date up to May 2023 which have yet to be completed

Finding	Action	Action owner & Service	Date(s)	Current status	Internal Audit Opinion
<a href="#">19-01 - Live Active Leisure Income Collection and Reimbursement at Campus Sites</a>  Action Point 13.2 - Assurance & Relationship Arrangements Importance: High Audit Committee Date: 20/11/19  For arrangements to operate effectively, risks, controls, roles and responsibilities of both the Council and LAL staff, at all levels, should be clearly defined and understood. Alongside actions noted within this report, a number of areas were identified where it was deemed that controls could be strengthened to provide assurance, specifically in relation to physical income collection. These have been	The Chief Accountant, in his new role as Interim Contract Manager, will have oversight of the outcomes from the working group and provide support as necessary to ensure that the above issues are considered as part of their review.  (Please note the change of action owner from the original report due to change of roles and responsibilities)	K Johnston, ALEO Contract Monitoring Officer (formerly S Walker, Chief Accountant)	Jun 2020 Nov 2021 Mar 2023 Oct 2023	This action is mostly complete. The one remaining area to be finalised related to the development of appropriate standing agendas for business meetings. This will be taken forward	Accepted.

<p>advised to the Service and will be considered as part of a further Internal Audit included within the Internal Audit Plan for 2019/20 which will look at cash controls and risk mitigation. Owing to contract set up and operational arrangements, some controls require input and support from LAL. It may, therefore, be pertinent for the Service to discuss matters arising from the audit review with LAL and communicate to staff any resultant outcomes. This would assist in establishing clarity on arrangements and ensuring that these are adequate and operationally appropriate for both parties.</p> <p>Areas that any discussions may wish to consider include, but are not limited to: • MRM system controls • MRM reporting capabilities and development of this/agreed workarounds where reports do not meet need • access to MRM reporting and guidance for Council staff • any</p>					
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reconciliation and monitoring checks undertaken by LAL management • income collection risk appetite, including physical access controls • development of appropriate standing agendas for business meetings held at each level to ensure communication and expedient resolution of any matters arising					
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## **Audit & Risk Committee**

**26 June 2023**

### **INTERNAL AUDIT UPDATE**

**Report by Chief Internal Auditor**  
(Report No 23/198)

#### **1. PURPOSE**

- 1.1 This report presents a summary of Internal Audit's work undertaken as part of the Internal Audit Plans for 2021/22 and 2022/23.

#### **2. RECOMMENDATION**

- 2.1 It is recommended that the Committee notes progress with Internal Audit activity.

#### **3. STRUCTURE OF REPORT**

- 3.1 This report is structured over the following sections:

- Section 4: Background
- Section 5: Progress Update
- Appendix

#### **4. BACKGROUND**

- 4.1 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor reports periodically to the Audit Committee on internal audit activity and on performance relative to the approved plan.
- 4.2 Work has continued on assignments from Perth & Kinross Council's Internal Audit Plans. In addition, work has continued to be undertaken in connection with the Internal Audit provision for the Integration Joint Board.
- 4.3 Work has continued to support the 2022/23 National Fraud Initiative exercise, with supporting Services to identify main contacts to undertake the investigation and to provide training where relevant. Services have commenced reviewing and investigating their matches. Outcomes from this will be reported later in the year once all matched have been reviewed and investigations into all datasets have been completed.

#### **5. PROGRESS UPDATE**

- 5.1 Appendix 1 shows the status of audits arising from the Internal Audit Plans, together with those assignments which will continue into 2023/24.

- 5.2 Reports for some assignments are in draft form with engagement with Services being undertaken around the factual accuracy and agreeing actions. The outcomes from these assignments have been considered for arriving at the annual report, which is to be considered at this Committee.
- 5.3 The Internal Audit plan for 2022/23 included an assignment on Payroll, with the indicative scope being to review the processes for starters, leavers and changes to the payroll. This had initially been discussed with our external auditors, Audit Scotland. Upon commencement of the assignment, further consultation with Audit Scotland and with the Service revealed that there would be overlap in coverage. In order to reduce this duplication of audit effort, it was agreed with Audit Scotland that the Internal Audit would be cancelled to allow them to continue their work.
- 5.4 As a result of Service consultation, an assignment which has yet to be included within an Audit Plan has been commenced. This is in response to a Service request arising from an external inspection. Therefore assignment 23/01, Food Health & Safety has commenced and will be included within the Internal Audit Plan for 2023/24.
- 5.5 Internal Audit is currently involved with a further area of unplanned investigatory work. If any control issues arise as a result of this, a report will be presented to the Audit & Risk Committee.

## **6. OUTCOME FROM CONSULTANCY WORK**

- 6.1 The indicative scope for assignment C22-04 Mosaic was to have an overview of the arrangements in place for the implementation of the new system, which is to replace SWIFT as the primary social work record. It is proposed that this oversight, combined with a critical friend approach, be continued throughout the implementation process.
- 6.2 The indicative scope for C22-07 Transformation Reviews provided a resource for the Council for Internal Audit to undertake a critical friend role and to provide support for the transformation and change programme. A project which could drive significant financial benefits for the Council is the Procurement & Strategic Commissioning workstream. Internal Audit undertook a gap analysis based on the procurement capability assessment required for demonstrating how the Council performs in relation to the externally assessed Procurement & Commercial Improvement Programme. Information was provided to the Procurement team and the Strategic Lead for the project which will assist them in progressing this workstream and assist in providing focus to the work plan of the Procurement team going forward.

## **7. ADDITIONAL WORK**

- 7.1 An additional assignment has commenced, relating to Food Hygiene. This is in response to a Service request arising from an external inspection. Therefore assignment 23/01, Food Health & Safety has commenced and will be included within the Internal Audit Plan for 2023/24.



**Authors**

<b>Name</b>	<b>Designation</b>	<b>Contact Details</b>
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**APPENDICES**

- Appendix 1 Internal Audit Activity



## Appendix 1

## INTERNAL AUDIT UPDATE

## Internal Audit Activity

Audit No.	Title	Lead Service(s)	Status as at June 2023	Audit Committee
<b>2021/22</b>				
A21-05	Tay Cities Deal	Communities	Completed	June 2023
A21-07	Agency Workers	Communities	Completed	June 2023
<b>2022/23</b>				
A22-01	LEADER	Communities	Completed	September 2022
A22-02	Climate Change	Communities	Report in draft	September 2023
A22-03	Partnership Working	All	Report in draft	September 2023
C22-04	Mosaic	Corporate	Completed	June 2023
A22-05	Community Engagement	Communities	Ongoing	September 2023
A22-06	IT Assets	Corporate & Democratic Services	Report in draft	September 2023
C22-07	Transformation Reviews	Corporate	Completed	June 2023
A22-08	Payroll	Corporate & Democratic Services	Cancelled	N/a
G22-09	Bus Service Operators Grant (Now Network Support Grant)	Communities	Completed	February 2023
<b>2023/24</b>				
A23-01	Food Health & Safety	Communities	Ongoing	September 2023



**Perth and Kinross Council**

**Audit & Risk Committee**

**28 June 2022**

**INTERNAL AUDIT ANNUAL REPORT & INTERNAL AUDIT OPINION 2021/22**

**Report by Chief Internal Auditor**  
(Report No. 23/201)

**1. PURPOSE**

- 1.1 This report presents the year-end report and audit opinion of the Chief Internal Auditor for 2022/23, as set out in Section 12.

**2. RECOMMENDATION**

- 2.1 It is recommended that the Committee notes the content of this report and specifically the Audit Opinion, at Section 12, which states that reasonable reliance can be placed on the systems of governance, risk and internal control for 2022/23.

**3. STRUCTURE OF REPORT**

- 3.1 This report is structured over the following sections:

- Section 4: Background
- Section 5: Internal Control Framework
- Section 6: Internal Audit Planning
- Section 7: Internal Audit Outcomes 2022/23
- Section 8: Follow Up Arrangements
- Section 9: The Audit & Risk Committee
- Section 10: Compliance with Internal Audit Standards
- Section 11: Counter-Fraud & Corruption Activity
- Section 12: Audit Opinion 2022/23

**4. BACKGROUND**

- 4.1 The Public Sector Internal Audit Standards (PSIAS) require the Chief Internal Auditor to provide an annual opinion which must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The report must incorporate the opinion, a summary of the work that supports this opinion, a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme. This report fulfils this requirement.
- 4.2 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. In

accordance with the PSIAS, it helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

## **5. INTERNAL CONTROL FRAMEWORK**

- 5.1 Perth & Kinross Council's internal controls include the full range of policies, procedures and practices intended to ensure the proper conduct of its operations and the achievement of its objectives. They include processes and procedures, organisational structures, job descriptions, authorisation limits, management supervision, risk management processes, reports and decisions.
- 5.2 It is the responsibility of management to devise, implement and maintain appropriate controls over the activities for which they are responsible. The role of Internal Audit is to provide an opinion to the Council as to the effectiveness of the controls that have been put in place by management, in order to ensure that the organisation achieves its objectives. Internal Audit is thus a key part of the process by which the Council ensures the management of the risks that threaten the achievement of its objectives.
- 5.3 Internal Audit's work is planned in such a way as to take account of these risks. Prioritising work towards the areas of highest assessed risk enables the Council to identify and remedy the most material weaknesses in its framework of internal controls.

## **6. INTERNAL AUDIT PLANNING**

- 6.1 In line with the PSIAS, Internal Audit undertakes a process of planning resulting in an Annual Plan. This plan was presented partly in themes, with many themes cutting across Services. This approach targeted the key risks identified as part of the Council's Risk Management processes. In this respect, the Internal Audit Plan for 2022/23 was able to closely align with the Council's risk management arrangements.
- 6.2 For 2022/23, the report containing Internal Audit's Strategy & Plan was considered and approved in September 2022 ([report 22/245](#)). All Perth & Kinross Council's activities are reviewed as part of the planning process. The plan for 22/23 aimed to cover the most significant areas of risk within the anticipated resources available whilst ensuring that there was a balance of coverage for all Service areas.

## **7. INTERNAL AUDIT OUTCOMES 2022/23**

- 7.1 Of the 9 planned Internal Audit assignments for 2022/23, 7 are complete or substantially complete and the outcomes have been taken into consideration in arriving at the Opinion. One audit has been removed from the Plan following consultation with Audit Scotland, our external auditors, in order to avoid duplication of audit effort. The remaining audit is in progress.
- 7.2 Of those reports provided to Audit & Risk Committee within the year 2022/23, Internal Audit was able to provide substantial assurance for 6 areas over the risk management, governance and internal controls in their areas.

## **8. FOLLOW UP ARRANGEMENTS**

- 8.1 The responsibility for considering (and accepting or rejecting) Internal Audit's findings rest with management. Final audit reports record the agreed plan of action, including the individual(s) responsible; the planned timescales for completion; and the evidence required by Internal Audit to verify completion of the action. The audit process is of little value unless action is taken to remedy deficiencies in internal control where these are identified. Hence, a significant part of Internal Audit's role is the following-up of progress with these action plans in line with the requirements of the Public Sector Internal Audit Standards.
- 8.2 A database for recording agreed actions is maintained for this purpose. Services are routinely requested to provide the agreed evidence of completion for actions which are due to have been completed. Where actions have not been completed, an update on progress is requested along with the reason for non-completion and a revised date for completion. The Audit & Risk Committee is informed of all actions which have not been completed, along with an Internal Audit opinion on the acceptability or otherwise of the response received from management.
- 8.3 The Chief Executive, Executive Directors and Chief Operating Officer, and Senior Management Teams have continued to ensure that agreed actions are completed during the year.
- 8.4 The response to the COVID-19 pandemic impacted the completion of actions in some areas in 2022/23 and before. Reporting by exception to Audit & Risk Committee continued in the year.
- 8.5 In the Chief Internal Auditor's opinion, the procedures in place provide a sound basis for ensuring that progress against the agreed plans is exposed to the proper level of scrutiny.

## **9. THE AUDIT & RISK COMMITTEE**

- 9.1 The Audit & Risk Committee operates within an approved 'Role and Remit' and as a formally constituted Committee of the Council. The Committee has conducted its meetings mostly over Teams, with all meetings routinely recorded and available to view via a link from the Committee's webpage, thus ensuring a high degree of accountability for its activities.

## **10. COMPLIANCE WITH INTERNAL AUDIT STANDARDS**

- 10.1 The Public Sector Internal Audit Standards (PSIAS) have been adopted by Perth & Kinross Council as the relevant professional standards.

- 10.2 There is a requirement for an external review of compliance with the PSIAS to be undertaken every 5 years. This was undertaken during 2018/19 by the then Acting Chief Internal Auditor for South Ayrshire Council. This took the form of a validated self-assessment, the outcome of which was reported to Audit & Risk Committee in November 2018 ([report 18/358](#) refers). This report verified that Perth & Kinross Council's Internal Audit function fully conforms with the PSIAS.
- 10.3 The Chief Internal Auditor has undertaken a self-assessment of compliance with the PSIAS for 2022/23 and has concluded that the function remains compliant.
- 10.4 Internal Auditors must conform to the Code of Ethics included within the Standards. This Code incorporates the principles and rules of conduct for Internal Auditors' integrity, objectivity, confidentiality and competency.
- 10.5 A quality assurance system was in place in Internal Audit throughout 2022/23 which ensured the quality of Internal Audit work was of a consistent and professional standard. The Senior Internal Auditor is updating processes and procedures to ensure that improvements identified are embedded.
- 10.6 A further assessment of compliance with Standards and the development of a Quality Assurance Improvement Plan will be considered in detail throughout 2023/24.

## **11. COUNTER-FRAUD & CORRUPTION ACTIVITY**

- 11.1 The responsibility for preventing and detecting fraud and corruption rests with management; it is the responsibility of management to take into account the risks arising from fraud and corruption and to devise and maintain the appropriate internal controls to provide a reasonable level of assurance that the Council's resources are being protected from loss and misappropriation.
- 11.2 Nevertheless, Internal Audit has a number of responsibilities regarding the Council's anti-fraud and anti-corruption arrangements. The year 2022/23 saw a moderate level of audit activity in this area as described below.
- 11.3 The National Fraud Initiative (NFI) is a large-scale 'data-matching' exercise that takes place every two years and takes place over two financial years. Perth & Kinross Council is participating in the 2022/23 exercise. The NFI involves the comparison of personal data held by public authorities in order to identify anomalies that may indicate fraud or error. This output then forms the basis for a process of investigation within each authority, to ensure that errors are recognised and corrected and that, where cases of possible fraud are identified, they are pursued appropriately.
- 11.4 This investigative process, which is driven by Audit Scotland, is co-ordinated by Internal Audit and includes overseeing Services' arrangements for uploading the data securely and the checking of a sample of identified anomalies within the period of the exercise, on the basis of an assessment of



risk. Internal Audit facilitates the reporting of progress to our External Auditors, Audit Scotland

- 11.5 During the year, the 2020/21 exercise was completed, with outcomes being reported to the Audit & Risk Committee ([report 22/246](#)). The 2022/23 exercise has commenced, and outcomes will be reported to the Audit & risk Committee in due course.
- 11.6 In order to ensure that the Council meets the standards set out in its counter-fraud and corruption arrangements, some aspects of the Council's 'whistle-blowing' arrangements are managed by Internal Audit. This includes the maintenance of a dedicated e-mail address and telephone line for employees with concerns at work, which is routed to Internal Audit. The Council also supports the national charity Protect that upholds the rights of those who raise concerns about wrongdoing at their place of work and which operates a free legal advice 'hotline'. Whistleblowing arrangements have been in place throughout 2022/23 and are supported by a Whistle-blowing Policy, which is included within the Counter- Fraud and Corruption Strategy.
- 11.7 One case investigated highlighted control implications and resulted in a report to Audit & Risk Committee in September 2022. Where no control issues are identified, detailed reports are not provided to the Audit & Risk Committee. The outcomes from all whistleblowing disclosures feed into the planning exercise for the future Internal Audit Plans.
- 11.8 The Chief Internal Auditor is the Council's nominated Money Laundering Reporting Officer. There have been no cases where money laundering was suspected during the year

## **12. AUDIT OPINION 2022/23**

- 12.1 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 2022/23, subject to management implementation of the agreed actions detailed in Internal Audit reports.

### **Authors**

<b>Name</b>	<b>Designation</b>	<b>Contact Details</b>
Jackie Clark	Chief Internal Auditor	<a href="mailto:InternalAudit@pkc.gov.uk">InternalAudit@pkc.gov.uk</a>



**Perth & Kinross Council**

**Audit & Risk Committee**

**26 June 2023**

**ANNUAL REPORT - STRATEGIC RISK MANAGEMENT**

**Report by Head of Legal & Governance**

(Report No. 23/202)

**1. PURPOSE**

- 1.1 The purpose of the report is to provide assurance that the Council's Risk Management Framework is adequate and effective and to advise the Committee of the current key strategic risks facing the organisation and how these risks are being mitigated and managed.

**2. RECOMMENDATIONS**

- 2.1 It is recommended that the Committee:
- i) Considers the content of the report and provides appropriate and constructive challenge and comment.
  - ii) Notes the current key strategic risks which have been identified through the application of the approved risk management process.
  - ii) Accepts the assurance as to adequacy and effectiveness of the risk management framework

**3. STRUCTURE OF REPORT**

- 3.1 This report is structured over the following sections:
- Section 4: Context
  - Section 5: Summary of Risk Activity 2022/23
  - Section 6: Key Strategic Risks for 2023/24
  - Section 7: Conclusion and Next steps
  - Appendix 1 Strategic Risk Register 2023/24

**4. CONTEXT**

- 4.1 Effective risk management is a key element of the Council's system of internal control and essential to the good governance of any organisation. Given the nature of Local Government, our risk landscape is complex and varied. It is vital, therefore, that we have an effective framework in place for identifying, assessing, mitigating and managing the many different risks which the Council must deal with. As risk is fluid and the level of threat can vary depending upon circumstances at any given time, it is important that it is continuously monitored and reviewed.

- 4.2 The effectiveness of the Risk Management Framework as a whole, is reviewed each year, as part of the assurance exercise undertaken to produce the Council's Annual Governance Statement (AGS). As part of the process to produce the AGS for 2022/23, the Strategic Risk Register has been reviewed comprehensively to ensure that it reflects the current key strategic risks facing the Council at this time.
- 4.3 The organisation's approach to risk management as set out in the Risk Management Framework and has been assessed as being effective in identifying, assessing, evaluating, prioritising, and mitigating and managing risk, appropriately and proportionately during the period 2022/23.
- 4.4 The Council's Risk Management Framework was developed and approved in 2017 and has been reviewed regularly and where necessary revised, to ensure that it remains fit for purpose. The Framework is based on the Management of Risk (M\_O\_R®) methodology. The approach is now embedded across the Council and risk at all levels is managed through a continuous process of identification, assessment, evaluation, prioritisation and mitigation.
- 4.5 Risk is evaluated based on the likelihood of the risk arising (probability) and the potential impact in both financial and non-financial terms. Given that risk can never be eliminated completely, proportionate controls and mitigation measures are then put in place to manage the risk.
- 4.6 The Strategic Risk Register is annexed to this report at Appendix 1. It reflects our identification, assessment, and evaluation of the key strategic risks which the Council is facing at this point in time. It sets out the current control measures in place which help us to mitigate the impact of the risks. As risk is defined as an uncertain event, it is by its very nature, fluid. As such, the identification of risks, the scoring and the controls and actions needed to mitigate the risks, need to be continuously monitored and reviewed. Whilst the Strategic Risk Register presents a snapshot of risk at a point in time, operationally it is a live document which is routinely reviewed by the senior leadership group and Service Management Teams.

## **5. RISK ACTIVITY 2022/23**

- 5.1 Throughout the year, strategic and operational risks have been managed in accordance with the Risk Management Framework. Services have been supported in this by the Performance Planning & Risk Group (PP&R), a small number of officers who are trained risk practitioners.

- 5.2 The key focus for the PP&R Group during this period has been the specification, procurement and development of a new risk and performance software solution ("PK Performs") which has been procured. The risk practitioners have undertaken training in relation to the system and are using that knowledge to further enhance and refine user experience. They have developed training guides and videos to support the operational roll-out across the organisation.
- 5.3 The initial phase of onboarding information into PK Performs has been focused on strategic risks held both corporately and within Services. The next stage of implementation will encompass change/transformation and relevant operational activity.
- 5.4 The process of implementation has afforded an excellent opportunity to interrogate and better understand our risk landscape. Further work will be undertaken throughout 2023/24 to develop appropriate dashboards, reporting and analysis tools.
- 5.5 Work is also underway to revise the risk e-learning module which was being developed to support staff to understand the M\_O\_R® risk management process, to take account of the new system requirements. Once complete, this will be rolled out Council-wide. The e-learning module will be supported by a suite of refreshed resources and will be available via the Council's intranet site.
- 5.6 The PP&R Group are also working to map the complex risk and reporting profile between the Council, the Health & Social Care Partnership (HSCP) and Integration Joint Board (IJB) to design an appropriate mechanism for risk assurance in relation to public protection. HSCP colleagues have also been included in implementation arrangements for PK Performs with a view to future use of the platform by HSCP/IJB for management of risk.

## **6. STRATEGIC RISK REVIEW PROCESS**

- 6.1 The PP&R group have worked with Risk Owners, Service Management Teams (SMT) and the Executive Leadership Team (ELT) to analyse the current risk landscape both strategically and operationally. The PP&R Group, SMTs (Service Management Teams) and the Policy & Governance Group have also carried out a critical review of strategic and service risk registers and have assessed the system of internal control for risk management as part of the assurance process for the Annual Governance Statement.
- 6.2 Various workshop sessions have been undertaken where nature, scoring and control measures for risks have been scrutinised and challenged risks to ensure that the risk assessment remains relevant and is robust.

- 6.3 The refreshed Strategic Risk Register attached has been taken from the new risk management system, PK Performs. A risk summary section provides context of the overall risk landscape for corporate strategic risk. The pages thereafter provide a more detailed view of each risk, outlining causes and consequences alongside existing risk control measures and their effectiveness. It also shows mitigating actions we are taking where it is felt that further action would be appropriate and cost-effective in risk reduction. *(Please note that the default references to risk appetite should be disregarded at present as this is an area for future development).*
- 6.4 The risks are articulated in terms of cause and effect to ensure that there is a clear understanding of the numerous factors which potentially give rise to the risk being realised and the impact that they may have in various areas.
- 6.5 Risk scores are calculated based on probability and impact. The **INHERENT risk score** is the evaluation of the risk prior to any control actions being implemented. The **RESIDUAL risk score** is the evaluation of the risk based on the probability and impact once control/mitigation measures are implemented. It should be noted that some risks cannot be reduced significantly, regardless of what control or mitigation measures are put in place. This may be particularly relevant where the risk is not one which can be managed by the Council alone and requires mitigating action to be taken by other parties.
- 6.6 Risks are then prioritised, based on the **RESIDUAL** risk score; -
- Priority 1: Residual risk score 16-25
  - Priority 2: Residual risk score 10-15
  - Priority 3: Residual risk score 6-9
  - Priority 4: Residual risk score 1-5
- 6.7 Based on the evaluation, unsurprisingly, the highest (Priority 1) risks facing the Council relate to:
- the protection of vulnerable children and adults
  - reducing the impact of climate change
  - growing the local economy
  - addressing poverty and the inequalities gap
- 6.8 This scoring is not reflective of the quality or level of mitigation; in relation to all of these there is significant control and mitigation activity being undertaken which is having a positive impact. The fact that despite this, the risk level remains in the Priority 1 zone, is more reflective of the fact that mitigating action also requires to be taken by other bodies/partner agencies, or broader external factors are at play (e.g., global economy) or what is required is a significant change in social behaviour (climate change).

- 6.9 Similarly, the fact that other risks are scored lower in no way signifies that these are of lesser importance; the scores are more reflective of the scope and effectiveness of the current controls within the direct influence of the Council. Furthermore, some other important risks will sit on Service Risk Registers in accordance with the Risk Management Strategy. These will be monitored and managed by the relevant Senior Management Teams, subject to the provisions within the Risk Management Framework governing escalation and accountability.
- 6.10 It is also recognised that risks need not always be negative in impact; some uncertain events will give risk to potential opportunities (e.g., for change or improvement). Our response to risk (Accept/Avoid/Reduce/Transfer/Share/Enhance/Exploit) therefore will vary depending upon the nature of the risks, the potential impact and particular circumstances at a given time.

## **7. NEXT STEPS**

- 7.1 The focus for 2023/24 will be the implementation and organisational wide roll out of the new system for integrated risk and performance management across the Council; giving us better quality business information and intelligence by way of a more holistic view of key issues, challenges, and opportunities to support better informed, evidence based, decision-making across the organisation.
- 7.2 As part of this implementation, we recognise the importance of ongoing risk management training. We will launch the e-learning training module, publish new resources aligned to our new software solution and continue to educate officers in the use thereof.
- 7.3 These are challenging times for the Council and the communities that we serve; the local economy is struggling, there is a cost-of-living crisis and increasing poverty, a decline in people's mental health and wellbeing and an increasing demand for our services. We must therefore challenge our traditional thinking around the design and delivery of services to ensure that they meet the increasing and changing needs of our communities, now and in the future.
- 7.4 Change and transformation needs a positive approach to risk, and during 2023/24 we will review our risk appetite in light of the strategic objectives set out in our new Corporate Plan. Accordingly, we will be engaging with Elected Members and officers to develop a fresh Risk Appetite Statement over the next year.

## **8. CONCLUSION**

- 8.1 The Council's Risk Management Framework is robust and effective and will continue to be reviewed throughout 2023/24 to ensure that it remains effective and fit for purpose.

- 8.2 A programme of work is in place to further develop the Framework to better support the organisation to achieve its strategic objectives and deliver better outcomes for the people of Perth & Kinross. Risk will continue to be regularly monitored, reviewed and managed in accordance with the approved Risk Management Framework

**Author**

Name	Designation	Contact Details
Lisa Simpson	Head of Legal & Governance Services	Llsimpson@pkc.gov.uk

**Approved**

Name	Designation	Date
Karen Donaldson	Chief Operating Officer	06.06.2023



## 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>Yes</b>
External	<b>None</b>
<b>Communication</b>	
Communications Plan	<b>No</b>

### 1. Strategic Implications

#### Community Plan / Corporate Plan

- 1.1 This report supports the delivery of the Strategic Objectives within Perth and Kinross Community Plan (Local Outcomes Improvement Plan) 2017-2027 and Corporate Plan 2022-28

### 2. Resource Implications

#### Financial

- 2.1 There are no financial implications arising from this report.

#### Workforce

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

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

- 2.3 There are no asset management implications arising from this 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 This report has been considered under the Corporate Equalities Impact Assessment process (EqIA) with the following outcome:
- 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. No further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

#### Sustainability

- 3.4 Under the provisions of the Local Government in Scotland Act 2003 the Council must 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.
- 3.5 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.

#### Legal and Governance

- 3.6 Not applicable.

#### Risk

- 3.7 Not applicable.

### **4. Consultation**

#### Internal

- 4.1 Senior Managers and the Executive Leadership Team were consulted during the preparation of this report.

External

4.2 Not applicable.

**2. BACKGROUND PAPERS**

Not applicable.

**3. APPENDICES**

Appendix 1 - Strategic Risk Register June 2023





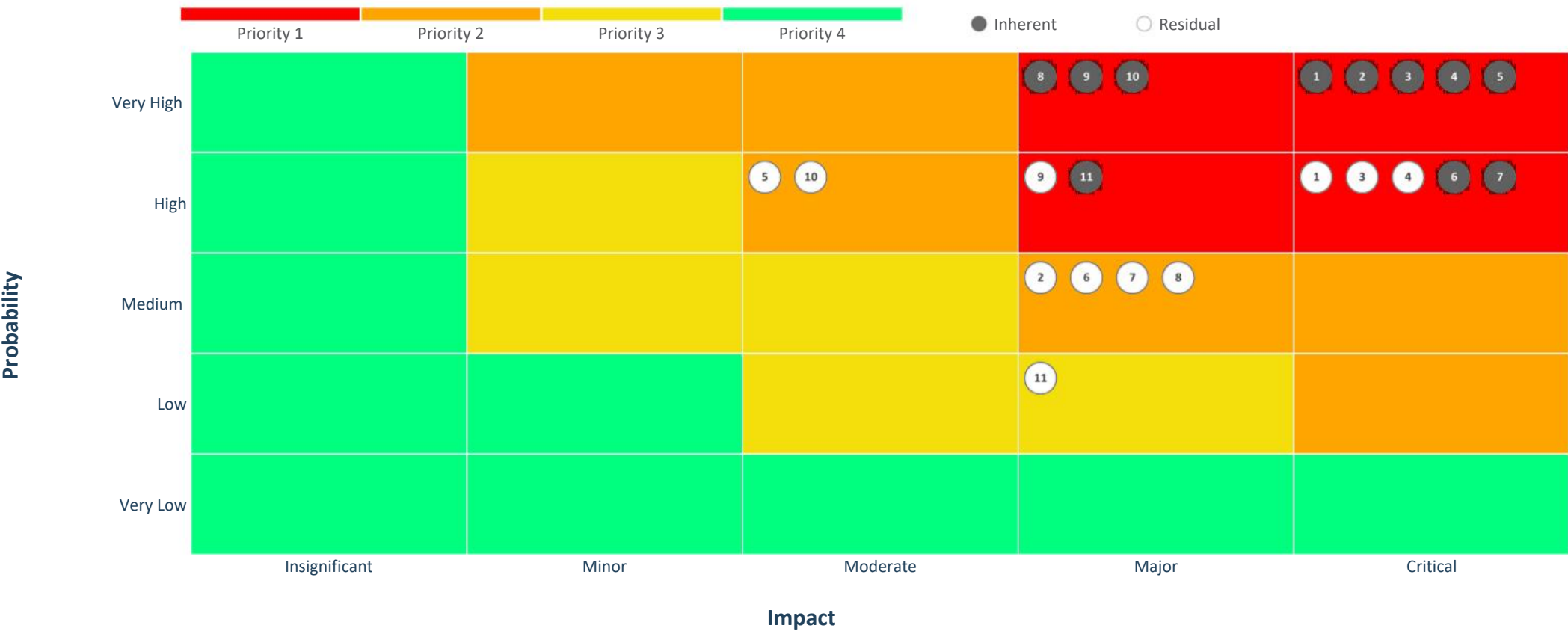
# Heatmap Report

PKC

camms**risk**

Print Date: 16-Jun-2023

# HEATMAP



## RISK SUMMARY

### Strategic

No.	Risk Title	Inherent	Residual	Trend
4	SRCP-001 - We fail to protect children and vulnerable adults from harm	Priority 1	Priority 1	↔
	<b>Risk Comment:</b> -			
1	SRCP-002 - We fail to mitigate or reduce the impact of climate change in Perth and Kinross	Priority 1	Priority 1	↔
	<b>Risk Comment:</b> -			
3	SRCP-003 - The economy in Perth & Kinross does not grow in an inclusive and sustainable way	Priority 1	Priority 1	↔
	<b>Risk Comment:</b> -			
9	SRCP-004 - Our actions to tackle poverty and address the inequalities gap within Perth & Kinross are ineffective	Priority 1	Priority 1	↔
	<b>Risk Comment:</b> -			
10	SRCP-005 - We do not design and deliver the sustainable public services that our communities need	Priority 1	Priority 2	↔
	<b>Risk Comment:</b> -			
2	SRCP-006 - The security (that is, the confidentiality, integrity, availability and resilience) of the Council's data is compromised	Priority 1	Priority 2	↔
	<b>Risk Comment:</b> -			
6	SRCP-007 - Our operational response (in a non-public health related emergency situation) is inadequate or ineffective	Priority 1	Priority 2	↔
	<b>Risk Comment:</b> -			
5	SRCP-008 - There are insufficient financial resources to provide the services that our communities need.	Priority 1	Priority 2	↔
	<b>Risk Comment:</b> -			
8	SRCP-009 - We have insufficient capacity and skills within the workforce to deliver the services that our communities need	Priority 1	Priority 2	↔
	<b>Risk Comment:</b> -			
7	SRCP-010 - Council buildings and other assets are not safe, fit for purpose or providing best value	Priority 1	Priority 2	↔
	<b>Risk Comment:</b> -			

No.	Risk Title	Inherent	Residual	Trend
11	SRCP-011 - The health and safety of staff and the public is not adequately protected	Priority 1	Priority 3	↔
Risk Comment: -				

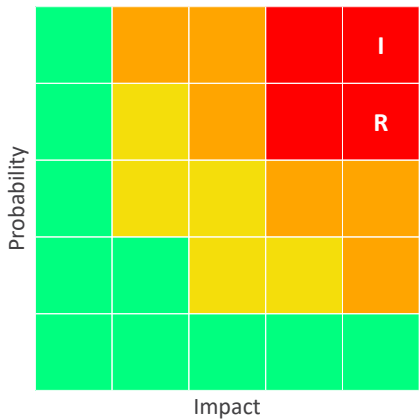


RISK OVERVIEW

Strategic

SRCP-001 We fail to protect children and vulnerable adults from harm				
Risk Category: People / Human Resource, Audit, Legislation and Compliance		Risk Owner: Thomas Glen	Secondary Responsible Persons: Jacqueline Pepper	Last Reviewed Date: 16 Jun, 2023
Next Review Date: 01 Apr, 2024				
Organisation > Chief Executive's Services				
Organisation > Communities				
Organisation > Corporate and Democratic Services				
Organisation > Education and Children’s Services				
Organisation > Education and Children’s Services > Services for Children, Young People and Families				
Organisation > Perth and Kinross Health and Social Care Partnership				
Organisation > Perth and Kinross Health and Social Care Partnership > Adult Social Work/ Social Care				

Individual Heatmap



I Inherent Risk Assessment  
R Residual Risk Assessment

Effectiveness of control	
I	N/A
R	Effective

Causes

- Evolving and complex legislative landscape
- Failure to align and prioritise budgets and resources to need
- Failure to develop a sense of collective responsibility (both within and out-with the Council)
- Inadequate/ poor quality data and business intelligence
- Incohesive partnership working (eg ineffective communication and data sharing)
- Increasing vulnerabilities and complexities in terms of need across our communities
- insufficient resource and capacity

Existing Risk Controls

Control Title	Control Owner	Control Effectiveness	Next Review Date
PKC Child Protection Processes/Policies/Procedures	Jacqueline Pepper	Effective	01 Oct, 2023
Robust internal governance and assurance systems	Jacqueline Pepper	Effective	01 Apr, 2024
Tayside Regional Collaborative Priority Group for Safeguarding and Child Protection	Sheena Devlin	Effective	01 Jul, 2024
Multi-agency Child Protection Committee	Jacqueline Pepper	Effective	01 Apr, 2024
Multi-agency Adult Protection Committee	Jacqueline Pepper	Effective	01 Apr, 2024
PKC Adult Support Protection Processes/Policies/Procedures	Jacqueline Pepper	Effective	01 Oct, 2023
Multi-agency public protection Chief Officers Group	Thomas Glen	Effective	01 Sep, 2023

Consequences

- Increased pressure on council services and other parts of the public sector
- Increasing failure demand and resources wasted on ineffective interventions
- Legal /financial claims and penalties for breach of duties and/or injury
- Poorer health and social wellbeing outcomes for communities
- Reputational damage/loss of public confidence
- Significant harm to individuals

Risk Actions



Risk Action Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Compile Adult Protection 2022/23 annual report and improvement plan and present to Adult Protection Committee, Council and IJB	Jacqueline Pepper	In Progress	50	31 Oct, 2023	<div><div></div><div></div><div></div></div> GREEN
Implement the Scottish Government’s refreshed National Guidance for Child Protection	Hazel Robertson	In Progress	75	31 Oct, 2023	<div><div></div><div></div><div></div></div> GREEN

SRCP-002

We fail to mitigate or reduce the impact of climate change in Perth and Kinross

<b>Risk Category:</b> Environment, Audit, Legislation and Compliance	<b>Risk Owner:</b> Barbara Renton	<b>Secondary Responsible Persons:</b> Serge Merone	<b>Last Reviewed Date:</b> 16 Jun, 2023	<b>Next Review Date:</b> 01 Apr, 2024
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Organisation > Chief Executive's Services

Organisation > Communities

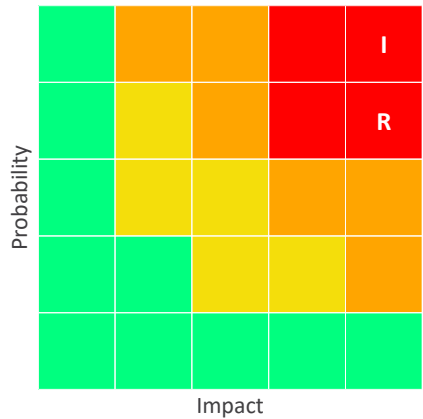
Organisation > Communities > Planning and Development

Organisation > Corporate and Democratic Services

Organisation > Education and Children’s Services

Organisation > Perth and Kinross Health and Social Care Partnership

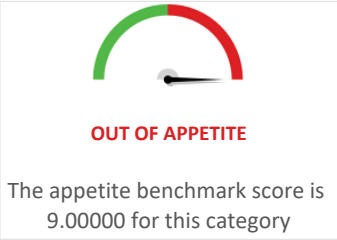
Individual Heatmap



I Inherent Risk Assessment  
R Residual Risk Assessment

Effectiveness of control	
I	N/A
R	Adequate

Risk Appetite



Causes

- A lack of leadership and accountability
- Energy inefficiency
- Failure to develop a sense of collective responsibility (both within and out-with the Council)
- Failure to influence culture and behaviour
- Failure to respond appropriately to evolving statutory duties & responsibilities
- Inadequate planning/ failure to prioritise and align appropriate resource
- Inadequate resources and capacity
- Ineffective /inefficient asset management
- The current economic climate







Existing Risk Controls

Control Title	Control Owner	Control Effectiveness	Next Review Date
Corporate Plan	Barbara Renton	Effective	01 Apr, 2024
Climate Change Strategy and Action Plan	Barbara Renton	Adequate	01 Apr, 2024
National and Local Key Performance Indicators	Barbara Renton	Adequate	01 Apr, 2024
Perth and Kinross Climate Change Commission	Barbara Renton	Improvement Required	01 Apr, 2024
Climate Carbon Working Groups	Barbara Renton	Effective	01 Apr, 2024
Climate Change engagement plan	Barbara Renton	Adequate	01 Apr, 2024
Climate Change Board	Serge Merone	Adequate	01 Apr, 2024
Climate Change and Sustainability Committee and Convenor's meeting	Barbara Renton	Effective	01 Apr, 2024

Risk Actions

Consequences

- Detrimental impact on environmental, health and wellbeing outcomes across our community
- Failure to meet our climate reduction targets and responsibilities, with potential legislative penalties
- Failure to reduce carbon footprint
- Increase in occurrence of adverse weather events
- Increased inequalities across communities
- Inflated investment requirements due to not taking early action
- Reputational damage/loss of public confidence

Risk Action Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Identify non-technical barriers and options to better engage rural communities and areas with multiple deprivation	Serge Merone	Not Started	0	31 Mar, 2024	 RED
Produce Climate Change Action Plan annual progress report and review indicators' effectiveness	Serge Merone	In Progress	40	31 Dec, 2023	 GREEN
Review and address CC Internal Audit recommendations	Barbara Renton	In Progress	10	30 Sep, 2023	 RED
Review of membership and participation in Climate Change Commission	Serge Merone	In Progress	20	31 Dec, 2023	 GREEN
Review procedures to produce prioritised and costed list of actions to be considered through Action Plan and budget review process and carry out Climate Change budget screening	Serge Merone	Not Started	0	31 Aug, 2023	 RED
Review roles and remits between Climate Change Board, SMT'S, CMG and ELT	Serge Merone	Not Started	0	30 Sep, 2023	 RED

SRCP-003

The economy in Perth & Kinross does not grow in an inclusive and sustainable way

Risk Category: Finance, People / Human Resource

Risk Owner: Barbara Renton

Secondary Responsible Persons: David Littlejohn

Last Reviewed Date: 16 Jun, 2023

Next Review Date: 01 Apr, 2024

Organisation > Chief Executive's Services

Organisation > Communities

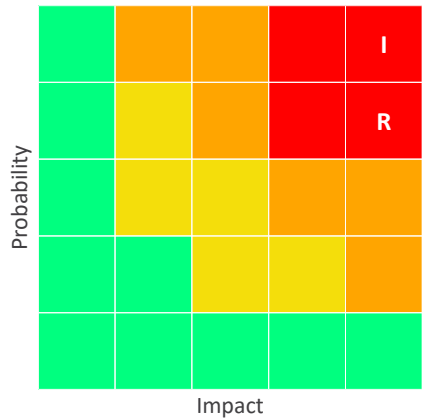
Organisation > Communities > Planning and Development

Organisation > Corporate and Democratic Services

Organisation > Education and Children’s Services

Organisation > Perth and Kinross Health and Social Care Partnership

Individual Heatmap



I Inherent Risk Assessment  
R Residual Risk Assessment

Effectiveness of control	
I	N/A
R	Adequate

Risk Appetite



Causes

- Failure to continue to resource the delivery of the Economic Wellbeing Plan
- Failure to identify relevant factors impacting local economic resilience and develop strategies to support local economy
- Failure to maximise on opportunities presented through the Tay Cities Deal and other UK/SG funds
- Forecasted lengthy economic recession
- The current economic climate, including the fallout from the Russia-Ukraine war, global supply chain issues and ongoing uncertainties following withdrawal from the EU





Existing Risk Controls

Control Title	Control Owner	Control Effectiveness	Next Review Date
Ongoing monitoring of local economy through relevant data	David Littlejohn	Effective	01 Apr, 2024
Tay Cities Deal	Barbara Renton	Effective	30 Sep, 2023
Local Employability Partnership	Barbara Renton	Improvement Required	31 Dec, 2023
Scottish Local Authorities’ Economic Development (SLAED) Group	Barbara Renton	Effective	31 Aug, 2023
UK Shared Prosperity Fund	Barbara Renton	Adequate	31 Dec, 2023
National Strategy for Economic Transformation	Barbara Renton	Effective	01 Apr, 2024
Regional Economy Strategy	Barbara Renton	Effective	31 Dec, 2023
Perth and Kinross Economic Wellbeing Plan & Taskforce	Barbara Renton	Adequate	30 Sep, 2023

Risk Actions

Consequences

- Decline in housebuilding, business expansion and investment
- Increased failure demand and resources being wasted on ineffective interventions
- Increased poverty/inequalities across our communities
- Population and economic decline
- Rising unemployment or more poorly paid employment and a lack of positive destinations for school leavers

Risk Action Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Accelerated delivery of step change projects (e.g., Perth West)	Barbara Renton	In Progress	10	01 Apr, 2024	 RED
Review of Wellbeing Plan underway to ensure it still meets the set objectives	David Littlejohn	In Progress	10	30 Sep, 2023	 RED
Targeted partnership work between ECS and SDS to support school leavers into positive destinations	Barbara Renton	In Progress	60	31 Mar, 2024	 GREEN
UK Shared Prosperity Fund Investment Plan	Barbara Renton	In Progress	10	01 Apr, 2024	 RED

SRCP-004

Our actions to tackle poverty and address the inequalities gap within Perth & Kinross are ineffective

Risk Category: People / Human Resource, Finance

Risk Owner: Clare Mailer

Secondary Responsible Persons: Barbara Renton, Karen Donaldson, Sheena Devlin

Last Reviewed Date: 16 Jun, 2023

Next Review Date: 01 Apr, 2024

Organisation > Chief Executive's Services

Organisation > Communities

Organisation > Corporate and Democratic Services

Organisation > Education and Children’s Services

Organisation > Perth and Kinross Health and Social Care Partnership

Individual Heatmap

Probability

I

R

Impact

I

Inherent Risk Assessment

R

Residual Risk Assessment

Effectiveness of control

I

N/A

R

Adequate

Risk Appetite

OUT OF APPETITE

The appetite benchmark score is 5.00000 for this category

Causes

- Failure to align and prioritise budgets with locality and local demographic needs
- Failure to plan and resource effective interventions to address needs
- Incohesive partnership working
- Low wage and in work poverty
- Rising costs (including food, fuel, housing)
- The current economic climate and cost of living crisis

Consequences

- A widening of the inequalities gap within Perth and Kinross
- An increasing demand for services, which the Council may be unable to meet
- Poor or reduced health, social and economic wellbeing outcomes within our communities
- Pressure on statutory services
- Reduction in Council income

Existing Risk Controls

Control Title	Control Owner	Control Effectiveness	Next Review Date
Transformation and Change Programme	Clare Mailer	Adequate	01 Aug, 2023
Child Poverty Project Team	Clare Mailer	Adequate	25 Apr, 2024
Anti-poverty task force	Clare Mailer	Adequate	27 Jul, 2023
Local Child Poverty Action Plan	Clare Mailer	Adequate	01 Sep, 2023
Welfare Rights - income maximisation	Alan Taylor	Effective	01 Jun, 2024
Economic Wellbeing Plan	David Littlejohn	Adequate	01 Apr, 2024
Governance and internal control arrangements	Clare Mailer	Adequate	01 Apr, 2024
Joint Welfare Reform Steering Group	Alan Taylor	Adequate	01 Apr, 2024
Local Outcomes Improvement Plan	Fiona Robertson	Adequate	01 Apr, 2024




Risk Actions

Risk Action Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Consolidation of budgetary information in relation to poverty to allow oversight of budgets and expenditure.	Clare Mailer	In Progress	30	30 Sep, 2023	<div><div></div><div></div><div></div></div> RED

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Risk Action Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Development of a cash-first approach	Clare Mailer	In Progress	20	01 Jun, 2025	 GREEN
Development of Good Food Strategy	Mark Butterworth	In Progress	40	01 Jun, 2024	 GREEN
New data project which will help align areas of need with resources at a more granular level	Carole Hendry	In Progress	10	01 Jun, 2024	 GREEN



SRCP-005

We do not design and deliver the sustainable public services that our communities need

<b>Risk Category:</b> Reputation and Public Image, People / Human Resource	<b>Risk Owner:</b> Clare Mailer	<b>Secondary Responsible Persons:</b> Charlene Guild, Fiona Robertson	<b>Last Reviewed Date:</b> 16 Jun, 2023	<b>Next Review Date:</b> 01 Apr, 2024
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Organisation > Chief Executive's Services

Organisation > Chief Executive's Services > Innovation

Organisation > Communities

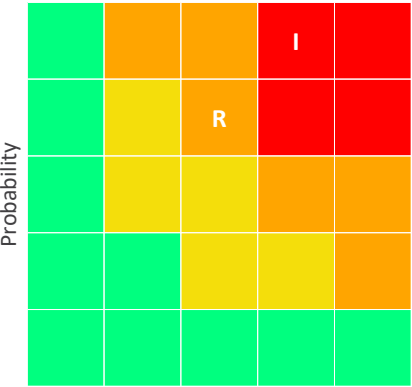
Organisation > Communities > Culture and Communities

Organisation > Corporate and Democratic Services

Organisation > Education and Children’s Services

Organisation > Perth and Kinross Health and Social Care Partnership

Individual Heatmap

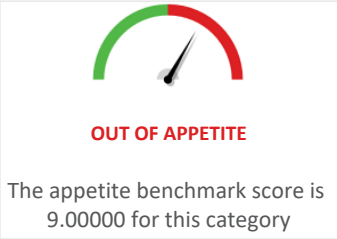


I Inherent Risk Assessment

R Residual Risk Assessment

Effectiveness of control	
I	N/A
R	Adequate

Risk Appetite



Causes

- Failure to develop and expand community connections and relationships
- Failure to effect the necessary cultural change within the organisation to implement new ways of working
- Failure to engage effectively local communities to better identify need
- Failure to prioritise/align financial resources to need
- Inadequate local population data and business intelligence
- Incohesive partnership working (eg ineffective communication and data sharing)
- Insufficient resources and capacity





Existing Risk Controls

Control Title	Control Owner	Control Effectiveness	Next Review Date
Transformation and Change Board	Thomas Glen	Adequate	01 Sep, 2023
Financial Management and internal control	Stewart MacKenzie	Effective	31 Oct, 2023
Community engagement processes/mechanisms	Charlene Guild	Adequate	25 Apr, 2024
Equalities Mainstreaming Report	Charlene Guild	Effective	01 Jun, 2025
Corporate Plan 2022-27	Clare Mailer	Adequate	04 Oct, 2023
Transformation and Change Strategy and Implementation Plan	Thomas Glen	Adequate	22 Jun, 2023
The PK Offer framework	Charlene Guild	Adequate	25 Apr, 2023
Local Action Partnerships - resources and governance arrangements	Fiona Robertson	Adequate	31 Dec, 2023
Local Action Partnerships	Fiona Robertson	Adequate	25 Apr, 2024
Community Planning Partnership Board	Fiona Robertson	Adequate	31 Mar, 2024

Risk Actions

Consequences

- A widening of the inequalities gap within Perth and Kinross
- Failure to comply with statutory duties
- Increased failure demand and resources being wasted on ineffective interventions
- Lack of confidence in Council / reputational loss
- Poor or reduced health, social and economic wellbeing outcomes within our communities

Risk Action Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Development and roll out of locality based, multi-disciplinary working groups	Clare Mailer	In Progress	20	01 May, 2025	 GREEN
Phase 1 transformation and change programme projects	Clare Mailer	In Progress	35	31 Mar, 2024	 AMBER
Review approach to community engagement	Clare Mailer	In Progress	30	01 Apr, 2025	 AMBER
Review of CPP delivery arrangements	Fiona Robertson	In Progress	10	31 Mar, 2024	 RED

SRCP-006

The security (that is, the confidentiality, integrity, availability and resilience) of the Council’s data is compromised

Risk Category: Information Technology and Security, Audit, Legislation and Compliance

Risk Owner: Karen Donaldson

Secondary Responsible Persons: Alan Taylor, Lisa Simpson

Last Reviewed Date: 16 Jun, 2023

Next Review Date: 01 Apr, 2024

Organisation > Chief Executive's Services

Organisation > Communities

Organisation > Corporate and Democratic Services

Organisation > Corporate and Democratic Services > IT & Revenues

Organisation > Corporate and Democratic Services > Legal & Governance Services

Organisation > Education and Children’s Services

Organisation > Perth and Kinross Health and Social Care Partnership

Individual Heatmap

Probability

Impact

I

Inherent Risk Assessment

R

Residual Risk Assessment

Effectiveness of control

I

N/A

R

Adequate

Risk Appetite

OUT OF APPETITE

Causes

- Cyber defences being breached
- Deliberate/malicious internal conduct
- Inadequate planning/ poor asset management
- Inadequate resources and capacity
- Inadequate training; lack of awareness; error
- Lack of documented processes and controls
- Lack of knowledge and understanding of Data Protection Legislation
- Poor information management
- Shadow IT procurement / inconsistent management of security aspects of cloud services / hosted systems
- Technical failure

Consequences

- Disconnection from PSN
- Inability to deliver services
- Irrecoverable loss theft and/or disclosure of data, including third party data
- Legal claims and/or financial costs and penalties
- Loss /damage to IT infrastructure
- Reputational damage/loss of public confidence
- Significant harm to individuals

Existing Risk Controls

Control Title	Control Owner	Control Effectiveness	Next Review Date
Digital Board	Alan Taylor	Adequate	31 Mar, 2024
HR/workforce policies and procedures	Pauline Johnstone	Adequate	31 Mar, 2024
Data Loss Prevention Policies	Khopolo Jamangile	Adequate	08 Aug, 2023
Records Management Plan	Khopolo Jamangile	Effective	08 Aug, 2023
Electronic Document Management System (EDMS)	Khopolo Jamangile	Effective	08 Aug, 2023
Internal audit & assurance activity	Jacqueline Clark	Adequate	08 Aug, 2023
Cyber incident response plan	Khopolo Jamangile	Adequate	08 Aug, 2023
Technical Business Continuity procedures	Alan Taylor	Effective	08 Aug, 2023
Data Protection and Information Security Policies, Processes and Training	Jillian Walker	Effective	08 Aug, 2023

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## Existing Risk Controls

Control Title	Control Owner	Control Effectiveness	Next Review Date
PSN accreditation	Lisa Simpson	Effective	08 Aug, 2023
Technical security controls	Alan Taylor	Effective	08 Aug, 2023
24/7 Security Operations Centre	Alan Taylor	Effective	08 Aug, 2023

## Risk Actions

Risk Action Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Annual Cyber Incident Response Plan testing / review feedback from cyber related incidents and exercises	Khopolo Jamangile	In Progress	40	31 Mar, 2024	 GREEN
Implement key enhanced MS365 security features	Dave Adams	In Progress	10	31 Dec, 2024	 RED
Implementation of new phishing simulation / training solution and monitoring for effectiveness	Khopolo Jamangile	In Progress	80	31 Mar, 2024	 GREEN
Refreshed Data Protection training	Jillian Walker	In Progress	10	31 Mar, 2024	 GREEN
Review / revision of ISMS policies, standards and guidance	Khopolo Jamangile	In Progress	10	31 Mar, 2024	 RED
Review / revision of technical business continuity procedures	Dave Adams	Not Started	0	30 Jun, 2024	 GREEN
Review / test, data and information security controls for remote / hybrid working	Khopolo Jamangile	In Progress	40	31 Dec, 2024	 GREEN

SRCP-007

Our operational response (in a non-public health related emergency situation) is inadequate or ineffective

<b>Risk Category:</b> Property and Assets, People / Human Resource	<b>Risk Owner:</b> Thomas Glen	<b>Secondary Responsible Persons:</b> Fraser Crofts	<b>Last Reviewed Date:</b> 16 Jun, 2023	<b>Next Review Date:</b> 01 Apr, 2024
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Organisation > Chief Executive's Services

Organisation > Communities

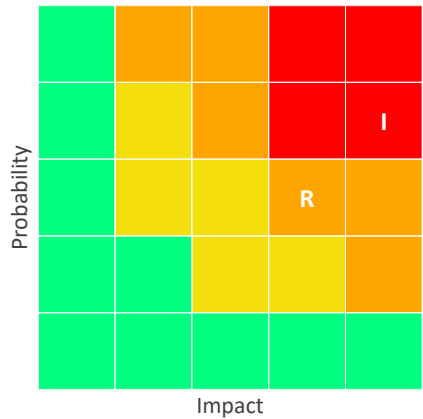
Organisation > Communities > Business and Resources

Organisation > Corporate and Democratic Services

Organisation > Education and Children’s Services

Organisation > Perth and Kinross Health and Social Care Partnership

Individual Heatmap



I Inherent Risk Assessment  
R Residual Risk Assessment

Effectiveness of control	
I	N/A
R	Adequate

Risk Appetite



Causes

- A lack of leadership and accountability
- Failure to test civil contingency/business continuity plans and processes
- Inadequate civil contingency/business continuity plans to cover relevant emergency situations
- Inadequate local population data and business intelligence
- Incohesive partnership working
- Insufficient resources and capacity

Consequences

- Damage to property and infrastructure
- Damage to the environment
- Detrmental impact on local economy
- Harm to health and wellbeing
- Legal claims and/or financial costs and penalties
- Reputational damage/loss of public confidence
- Unable to deliver essential services

Existing Risk Controls

Control Title	Control Owner	Control Effectiveness	Next Review Date
Vulnerable people lists	Fraser Crofts	Effective	01 Apr, 2024
Effective network of community support/response	Fraser Crofts	Adequate	01 Apr, 2024
Tayside Local Resilience Partnership	Fraser Crofts	Adequate	01 Apr, 2024
Appropriately skilled staff at Strategic, Tactical and Operational levels	Fraser Crofts	Effective	01 Apr, 2024
Business Continuity / Contingency plans	Fraser Crofts	Effective	02 May, 2023

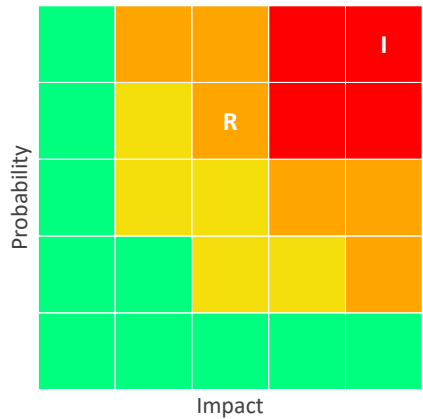
Risk Actions

Risk Action Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Contribute to Tayside Local Resilience Partnership	Fraser Crofts	Completed	100	01 Apr, 2024	<div><div></div><div></div><div></div><div></div><div></div></div> GREEN
Ensure key staff understand and are able to fulfil roles	Fraser Crofts	In Progress	70	01 Apr, 2024	<div><div></div><div></div><div></div><div></div><div></div></div> GREEN
Further engage to strengthen community resilience	Fraser Crofts	In Progress	40	01 Apr, 2024	<div><div></div><div></div><div></div><div></div><div></div></div> GREEN
Maintain availability of current vulnerable people lists	Fraser Crofts	In Progress	95	01 Apr, 2024	<div><div></div><div></div><div></div><div></div><div></div></div> GREEN

Risk Action Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Maintain currency of plans for foreseeable incidents	Fraser Crofts	In Progress	80	01 Apr, 2024	<div><div></div><div></div><div></div><div></div><div></div></div> <div>GREEN</div>

SRCP-008    There are insufficient financial resources to provide the services that our communities need.				
Risk Category: Finance, Audit, Legislation and Compliance, Contract and Procurement, Environment, Information Technology and Security, People / Human Resource, Property and Assets, Reputation and Public Image, Transformational		Risk Owner: Thomas Glen	Secondary Responsible Persons: Stewart MacKenzie	Last Reviewed Date: 16 Jun, 2023    Next Review Date: 01 Apr, 2024
Organisation > Chief Executive's Services Organisation > Communities Organisation > Corporate and Democratic Services Organisation > Corporate and Democratic Services > Finance Organisation > Education and Children’s Services Organisation > Perth and Kinross Health and Social Care Partnership				

Individual Heatmap



Causes

- Failure to deliver planned savings
- Failure to prioritise/align financial resources to need
- Failure to transform Council services
- High levels of inflation
- Increased ring-fencing of funding
- Increasing and/or more complex needs
- Movements in expenditure
- Movements in financial settlement
- Movements in projected income
- Reduction in local government funding
- The current economic climate and cost of living crisis

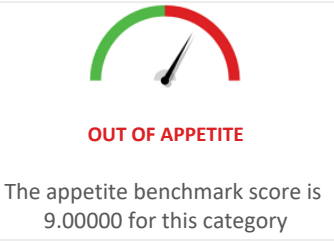
Consequences

- Deterioration in quality and safety of assets
- Failure to deliver a balanced budget
- Increase in savings targets and significant reduction in the Council's reserves
- Increased costs through failure demand
- Increased pressures on other parts of public sector or 3rd sector
- Lack of confidence in Council / reputational loss
- Legal /financial claims and penalties for breach of duties and/or injury
- Poorer economic, environmental and/or health and social wellbeing outcomes across Perth and Kinross
- Reduction in availability/quality of services

Existing Risk Controls

Control Title	Control Owner	Control Effectiveness	Next Review Date
Annual Accounts and Statutory Audit Processes	Stewart MacKenzie	Effective	01 Aug, 2023
Medium Term Financial Plan	Stewart MacKenzie	Adequate	01 Aug, 2023
Continuous engagement with management and elected members, e.g. Executive Leadership Group, Conveners, BRGs.	Stewart MacKenzie	Effective	01 Aug, 2023
Revenue and Capital monitoring	Stewart MacKenzie	Adequate	01 Aug, 2023
Treasury Management and Reserves Strategy	Stewart MacKenzie	Adequate	01 Aug, 2023
Capital Budget	Stewart MacKenzie	Adequate	01 Aug, 2023
Transformation and Change Programme	Clare Mailer	Adequate	31 Mar, 2024
Financial Strategy and Principles	Stewart MacKenzie	Adequate	01 Aug, 2023

Risk Appetite



Risk Actions

Risk Action Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Consolidation of the Finance Function	Stewart MacKenzie	Not Started	0	31 Mar, 2024	<div><div></div><div></div><div></div></div> RED



SRCP-009

We have insufficient capacity and skills within the workforce to deliver the services that our communities need

Risk Category: People / Human Resource, Reputation and Public Image

Risk Owner: Karen Donaldson

Secondary Responsible Persons: Charlene Guild, Pauline Johnstone

Last Reviewed Date: 16 Jun, 2023

Next Review Date: 01 Apr, 2024

Organisation > Chief Executive's Services

Organisation > Chief Executive's Services > Innovation

Organisation > Communities

Organisation > Corporate and Democratic Services

Organisation > Corporate and Democratic Services > HR

Organisation > Education and Children’s Services

Organisation > Perth and Kinross Health and Social Care Partnership

Individual Heatmap

Probability

I

R

Impact

I

Inherent Risk Assessment

R

Residual Risk Assessment

Effectiveness of control

I

N/A

R

Effective

Risk Appetite

OUT OF APPETITE

Causes

- Difficulties with recruitment, shortages in the labour market
- Difficulties with retention, pay and grade, impact of hybrid working on existing workforce
- Inadequate financial resources
- Inadequate workforce planning (including succession planning, policies & strategies, vacancies management, wage analysis)
- Increase in sickness absence, reduced wellbeing
- Lack of knowledge and expertise in particular areas
- Workforce reduction through restructuring/consolidation as part of transformation and change programme

Existing Risk Controls

Control Title	Control Owner	Control Effectiveness	Next Review Date
Staff Engagement and Communication Plan	Charlene Guild	Adequate	25 Apr, 2024
Joint Negotiating Committee for Teaching Staff	Karen Donaldson	Effective	01 Dec, 2023
Employees Joint Consultative Committee	Karen Donaldson	Effective	01 Dec, 2023
Leadership Development Programme	Charlene Guild	Adequate	25 Apr, 2024
Wellbeing/resilience/support (including links to partner organisation support resources for care workers)	Charlene Guild	Effective	25 Apr, 2024
Organisational development plan	Charlene Guild	Adequate	01 Oct, 2023
Leadership skills training	Charlene Guild	Adequate	01 May, 2024
Modern Apprentice & Graduate trainee schemes	Pauline Johnstone	Effective	01 Aug, 2023
Workforce planning	Pauline Johnstone	Effective	01 Aug, 2023

Consequences

- Detrimental impact on environmental, economic and health and wellbeing outcomes across Perth and Kinross
- Failure to deliver strategic objectives
- Failure to deliver the services that communities need / poor quality services
- Legal /financial claims and penalties for breach of duties and/or injury
- Poor staff morale, health and wellbeing/ increased staff absence
- Reputational damage/Council being seen as an unattractive employer

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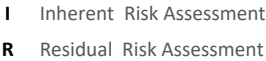
## Existing Risk Controls

Control Title	Control Owner	Control Effectiveness	Next Review Date
Hybrid/ new ways of working : guidance and operating models established	Pauline Johnstone	Effective	01 Aug, 2023
Corporate Workforce Plan 2021-2023	Pauline Johnstone	Effective	01 Aug, 2023

## Risk Actions

Risk Action Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Employee Offer Experience	Charlene Guild	In Progress	70	31 Mar, 2024	 GREEN
Refresh Health and Wellbeing Plan	Pauline Johnstone	In Progress	20	31 Mar, 2024	 GREEN
Working Smarter Project	Pauline Johnstone	In Progress	35	31 Mar, 2024	 GREEN

	Green	Yellow	Orange	Red	Dark Red
<b>Causes</b>					
<b>Consequences</b>					1






## Risk Appetite



OUT OF APPETITE

Risk Actions					
Risk Action Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Create, review, and update Asset Management Plans	Fraser Crofts	In Progress	50	31 Dec, 2023	<div><div></div><div></div><div></div></div> GREEN
Development of draft 30 year investment plan	Fraser Crofts	In Progress	25	31 Dec, 2023	<div><div></div><div></div><div></div></div> GREEN
Development of status reports for key assets and report to appropriate Boards and/or Committees	Fraser Crofts	In Progress	25	31 Mar, 2024	<div><div></div><div></div><div></div></div> GREEN

Risk Action Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Review, refresh and update planned maintenance programmes	Fraser Crofts	In Progress	50	31 Mar, 2024	 GREEN
Undertake condition and suitability surveys (risk based) across the wider asset estate	Fraser Crofts	In Progress	50	01 Feb, 2024	 GREEN
Use of asset management data to inform capital budget decision-making	Fraser Crofts	In Progress	50	01 Feb, 2024	 GREEN

SRCP-011

The health and safety of staff and the public is not adequately protected

Risk Category: Audit, Legislation and Compliance, People / Human Resource

Risk Owner: Barbara Renton

Secondary Responsible Persons: Mark Butterworth

Last Reviewed Date: 16 Jun, 2023

Next Review Date: 01 Apr, 2024

Organisation > Chief Executive's Services

Organisation > Communities

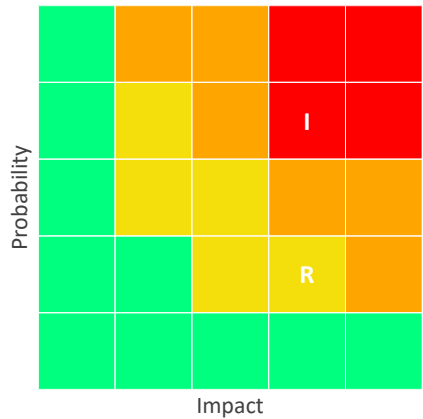
Organisation > Communities > Environment & Consumer Services

Organisation > Corporate and Democratic Services

Organisation > Education and Children’s Services

Organisation > Perth and Kinross Health and Social Care Partnership

Individual Heatmap



Causes

- Health & safety implications of new ways of working (e.g. hybrid / remote) not fully known/understood
- Inadequate resources and capacity
- Ineffective monitoring, reporting and response
- Lack of understanding /failure to apply legislation
- Under-investment in training and controls

Consequences

- Detrimental impact on health and wellbeing
- Legal /financial claims and penalties for breach of duties and/or injury or death
- Poor working environment and work life balance
- Potential injury/fatality
- Reputational damage/loss of confidence

Existing Risk Controls





Control Title	Control Owner	Control Effectiveness	Next Review Date
Partnership working with Director of Public Health ongoing	Mark Butterworth	Effective	01 Apr, 2024
Safe Systems of Work	Mark Butterworth	Effective	01 Apr, 2024
Employees Joint Consultative Committee and Service based Health and Safety Committees	Mark Butterworth	Effective	01 Apr, 2024
Corporate Health & Safety Team	Mark Butterworth	Effective	01 Apr, 2024
Robust Corporate Occupational Health & Safety Policy with supporting arrangement and guidance documents	Mark Butterworth	Effective	01 Apr, 2024
Management and staff training and communication	Mark Butterworth	Effective	01 Apr, 2024

Risk Appetite



Risk Actions

Risk Action Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Continual review of risk assessments, safe systems of work and working environments	Mark Butterworth	Ongoing	0	01 Apr, 2024	<div><div></div><div></div><div></div></div> N/A
Health & Safety Key Performance Indicators at both Corporate and Service levels	Mark Butterworth	In Progress	10	01 Apr, 2024	<div><div></div><div></div><div></div></div> RED

Risk Action Title	Responsible Officer	Action Status	% Completed	End Date	Performance
Implementation of Occupational Health and Safety policy and supporting topic specific arrangements	Mark Butterworth	In Progress	10	01 Apr, 2024	 RED
Increased capacity created within Corporate Health and Safety team aimed at Operational Services	Mark Butterworth	In Progress	10	01 Apr, 2024	 RED
Introduction of new digital Corporate Health and Safety management system to allow monitoring and reporting of health and safety	Mark Butterworth	In Progress	10	01 Apr, 2024	 RED
Monitoring and auditing of health and safety practices and procedures both by Management and Corporate Health & Safety Team	Mark Butterworth	In Progress	10	01 Apr, 2024	 RED



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