



**PERTH & KINROSS COUNCIL**

**ANNUAL ACCOUNTS**

**2015/16**

**UNAUDITED**

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## MANAGEMENT COMMENTARY

### 1. Introduction

This publication contains the financial statements of both Perth and Kinross Council and its group for the year ended 31 March 2016.

This management commentary outlines the key messages in relation to the Council and the group's financial planning and performance for the year 2015/16 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 we will face as we strive to meet the needs of the people of Perth and Kinross.

A glossary of terms is set out from page 95.

### 2. Our Vision and Strategic Objectives

Perth and Kinross 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 149,930. Over the past 10 years (2005-2015), the area has experienced an 8.6% increase in its population. During the same time period the Scottish population experienced an increase of 5.1%.

Our vision is of a confident and ambitious Perth and Kinross, to which everyone can contribute and in which all can share. Through our strategic objectives set out within the [Corporate Plan 2013-18](#) and [SOA/ Community Plan 2013-23](#) we aim to maximise the opportunities available to our citizens to achieve their potential. At the heart of our vision is a desire to see investment in early intervention and prevention focused on building success and reducing the costs of failure. The Corporate Plan 2013 – 2018 states that -



It is during our very earliest years and even pre-birth that a large part of the pattern for our future adult life is set. Giving every child the best start in life is a key opportunity to improve their chances of enjoying a positive future, regardless of their family circumstances. At the heart of our approach is a focus on enabling all children and young people to develop the skills and attributes required to be successful, take responsibility, make effective contributions to society and demonstrate a well-placed confidence about the things they do and say.

It is unacceptable that, because of a lack of income, families can be dragged into a cycle of deprivation or that older people can be deprived of the right to live in dignity. By removing barriers to employment, encouraging investment in business, skills and infrastructure and attracting new investment and employment into the area we are determined to address the root causes of poverty once and for all.

Reducing health inequalities is vital to achieving sustainable economic growth. If Perth and Kinross is to live up to its potential in terms of economic success,

healthy life expectancy must increase – particularly among those whose lives are currently cut short due to deprivation or other inequalities.

Ensuring that Perth and Kinross is a place where everyone enjoys a pleasant and safe environment is important to the health and wellbeing of all our communities. We are committed to focusing our energies on tackling the issues which may negatively impact on communities and their environment to ensure they remain safe, strong and sustainable in the future.

### 3. The Annual Accounts 2015/16

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 us for the delivery of the Council's vision and strategic objectives. The requirements governing the format and content of the Councils' Annual Accounts are contained in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2015/16 Annual Accounts have been prepared in accordance with this Code.

### 4. The Financial Plan

As part of our medium term financial planning, Perth and Kinross Council approved balanced gross revenue budgets to support the delivery of our strategic objectives within the General Fund (£424.761m) on 12 February 2015 and Housing Revenue Account (£26.63m) on 28 January 2015. Councils need to account for their spending and income in a way which complies with our legislative responsibilities. Most day to day spending

and income is recorded within the General Fund (page 13) and the costs and income in relation to the management of our housing stock are recorded within the Housing Revenue Account (pages 64 to 66).

Key to the delivery of Council Services is investment in the assets which are used to deliver these services (including schools, houses and infrastructure) and the utilisation of capital funding to stimulate regeneration in local areas. In 2015/16 the Council budgeted for capital investment of £64.418m on General Fund activities and £21.074m in respect of the Housing Revenue Account. This expenditure is funded from prudential borrowing, government grants, external funding, capital receipts, revenue contributions and earmarked reserves.

## 5. Performance Management

The Council continues to embed a performance management culture throughout the organisation. We use a wide range of comprehensive and diverse performance information to manage performance and target service improvements for the people of Perth and Kinross. This is supported by our performance management system which effectively analyses data, tracks progress of indicators and identifies actions to provide and communicate regular and robust performance information to Elected Members and Managers. Benchmarking is also used to compare our performance with other organisations to support change and improvement.

We monitor our performance against our strategic objectives on a regular basis at all levels of the Council and report this information publicly via our [public performance reporting mechanisms](#). These include the Annual Public Performance Report; Public Performance Summary; Service Annual and Six Month Performance Reports; online performance dashboards ('PK Performs') and the Council's evidence portal. By monitoring and reporting performance information in this way the Council is able to identify areas for improvement as well as celebrate key successes.

### 2015/16 Performance Highlights

Themed Committees have been considering individual Service Annual Performance reports during May/June 2016. The Council's Annual Performance Report will be considered by the Council on 5 October 2016. These reports provide comprehensive information on the Council's performance for 2015/16. The full range of performance information available for 2015/16 can be accessed online at <http://www.pkc.gov.uk/pkperforms>. This includes the Council's Annual Performance Report, our online performance dashboard "PK Performs", Service level performance reports, benchmarking and links to further information. The website is updated with performance reports and data as it becomes available.

For 2015/16 the top performance highlights are set out in the following table:

| Objective   | Highlight  |
|---|--|
| <b>Giving every child the best start in life</b>              | <ul style="list-style-type: none"> <li>Successfully extended the provision of 600 hours of free Early Learning and Childcare to include defined groups of two year olds, including children who are in need of protection or who are looked after.</li> <li>Augmented the work of the Permanence Team and improved the support to Approved Kinship Carers. The proportion of children who are looked after in kinship care continues to grow and we now have as many children placed with Kinship Carers as with Foster Carers.</li> <li>Reduced the impact of homelessness on children and families by moving families straight into permanent instead of temporary accommodation.</li> <li>Reduced the number of overcrowded households from 141 in the previous year to 127 bettering our target of 135 for 2015/16.</li> <li>Supported vulnerable children and families, including kinship carers, through advice and assistance from Welfare Rights and the Welfare Fund Team.</li> </ul>   |
| <b>Developing educated, responsible and informed citizens</b> | <ul style="list-style-type: none"> <li>There has been clear growth in the wider achievements of young people, with over 800 young people achieving an Achievement Award this year, and around 50% of all S4 and S5 leavers who depart school without achieving a level 6 (Higher grade) award leaving with at least one vocational qualification.</li> <li>More than 120 pupils from nine Perth and Kinross secondary schools have now benefitted from the Career Ready programme, supported by 30 local employers, which offers a structured way for employers to engage with schools to mentor senior pupils, deliver employability master classes and offer paid summer internships.</li> <li>More people with complex needs are now entering employment or further education when they leave school. This has been achieved by working collaboratively with Education and Children's Services to make the transition between services easier. The "Transitions within the Community" project received a Gold Securing the Future Award in 2015.</li> <li>Our Employment Support Team successfully supported 148 people with complex needs in paid jobs, voluntary and work experience placements.</li> <li>Outstanding results at NAT5 and Higher level</li> </ul> |

| Objective  | Highlight   |
|--|---|
| <b>Promoting a prosperous, sustainable and inclusive economy</b>       | <ul style="list-style-type: none"> <li>• The 2014 Employment Land Audit recorded an existing supply of 160 hectares of marketable land; this is some 25 hectares more than the supply required per our 2014-2019 Local Development Plan. 54 hectares of the total employment land has been identified as immediately available serviced business land.</li> <li>• The latest figures for the food and drink sector align with new Scottish Government definitions. There were 2,100 people employed within this sector in 2014. The Council's investment in Perth Food and Drink Park has the potential to sustain up to 400 jobs once the park is fully occupied.</li> <li>• For the period April 2015 to January 2016, 689 individuals were assisted into work. It is anticipated that the 700 job outcome target for 2015/16 will be exceeded. The introduction of additional wage incentives such as the Scotland Employer Recruitment Incentive will assist in achieving the target.</li> <li>• We have continued to develop our cultural assets, improve our visitor facilities and invest in major infrastructure projects. This includes the redevelopment of Perth Theatre, the ongoing refurbishment of Perth Museum and Art Gallery, new research facilities at the Fergusson Gallery, the refurbishment of Coupar Angus Library and the installation of WiFi in all Perth and Kinross Libraries.</li> <li>• The use of digital cultural services is increasing as we continue to improve and expand our website and social media use and content. Online content is currently being developed to further increase engagement with unique and important museum collections and also increase the range of services available for customers using smart phones, tablets and other mobile devices.</li> <li>• Collected 98.5% of income due from Council Tax in 2015/16 (Scottish Average in 2014/15 was 95.5%).</li> <li>• Launched new rent arrears arrangements focusing on early intervention and earlier escalation of rent arrears. The "Rent 1<sup>st</sup>" Campaign was introduced to support a change in culture towards the payment of rent.</li> <li>• Supported the development and expansion of the Perth &amp; Kinross Credit Union with additional offices opening in Blairgowrie, Crieff and Letham.</li> </ul> |
| <b>Supporting people to lead independent, healthy and active lives</b> | <ul style="list-style-type: none"> <li>• Participation in sport and active recreation is very good and increasing in key areas. The promotion of swimming lessons has seen the number of swimmers increase, and participants in Active Schools have also increased.</li> <li>• Sport and Active Recreation staff have worked to remove barriers to participation in sport amongst under-represented and marginalised groups.</li> <li>• 2015 saw the launch of the Carers Strategy which introduced participatory budgeting for Carers in Perth &amp; Kinross.</li> <li>• Supported people with complex needs through working with our partners to deliver a range of projects as part of the Integrated Care Fund.</li> <li>• Enabled individuals to take more choice and control over their health and social care support by working with our partners. We undertook a number of activities to allow people to remain in their own home or in a homely setting such as Rapid Response, Immediate Discharge Service, Reablement, Home and Day Services.</li> <li>• Our Reablement Service is key to supporting people following discharge from hospital with over 50% of people no longer requiring ongoing support following this intervention.</li> </ul>   |

| Objective   | Highlight  |
|---|--|
| <b>Creating a safe and sustainable place for future generations</b> | <ul style="list-style-type: none"> <li>The number of community groups supported by Community Capacity Building staff has increased partly due to powers now available through the Community Empowerment Act particularly asset transfer.</li> <li>Due to multi agency working Perth &amp; Kinross has the 5<sup>th</sup> lowest frequency of reconvictions within Scotland.</li> <li>The Anti-Social Behaviour Investigators work closely with Housing, Police and other partners to use early intervention and problem solving techniques to resolve situations and this is reflected in our performance indicators where all our targets were achieved in this area.</li> <li>Launched our Estate Based Initiative programme where council tenants and local residents identified community improvement projects in their local neighbourhoods. Over 30 projects were delivered.</li> <li>As at 29 February 2016, five commercial and fifteen residential properties have been brought back into use with funding from Perth and Kinross Council and Perth and Kinross Heritage Trust. In addition, a further 144 properties have been brought back into use with support, guidance and information provided to owners by the Vacant Property Development Officer and Support Assistant. The Vacant Property Development Officer was awarded a Shelter Scotland "Outstanding Individual" award in recognition of her personal contribution.</li> <li>Significant recent adverse weather impacts have alerted communities to the benefits of developing and sustaining local community resilience plans. The Council has been keen to support this activity and 2015/16 has seen an unprecedented increase in the number of plans supported, with 20 in place and a further 5 in the pipeline.</li> </ul> |

## 6. Financial Performance

Our financial performance is part of our performance management culture with regular reporting to the Strategic Policy and Resources Committee. This section summarises the main elements for 2015/16.

### a) General Fund Revenue Expenditure for 2015/16

In 2015/16 the Council incurred actual net expenditure on Services of £344.507m (which is the Deficit on Provision of Services before the inclusion of Taxation and Non-Specific Grant income disclosed in the Comprehensive Income and Expenditure Statement on page 13). The most recent monitoring position, which was approved by the Strategic Policy and Resources Committee on 20 April 2016, indicated a budgeted contribution from Reserves of £13.809m against a projected contribution of £4.627m – a reduction of £9.182m. The final position was a contribution to Reserves of £2.238 m – a further reduction of £7.230m.

The main reasons for these variances are set out below. These variances reflect the organisational structure of the Council and do not necessarily align with the CIPFA classification included in the Comprehensive Income and Expenditure Account that is set out on page 13.

Education and Children's Services (ECS) delivered savings of £5.5m as follows -

- £1.3m in respect of the Devolved School Management (DSM) Scheme from under spends on staff costs, property costs, supplies & services and income. These resources will be carried forward by schools into 2016/17.
- In terms of non-DSM budgets there were further under spends from:
  - additional staff slippage of £1.7m;
  - property costs of £1.3m due to reduced non-domestic rates bills and energy costs;
  - supplies and services of £0.5m
  - additional income (including grants) of £0.7m.

Housing and Community Care (HCC) delivered savings of £3.3m as follows -

- Older People - £1m under spend due to the use of resources carried forward from 2014/15, accelerated savings and staff slippage partially offset by over spends on care at home and care home placements;
- Learning Disabilities – under spend of £0.7m due to staff slippage and savings on respite care and supported living payments
- Finance & Support Services – under spend of £1.1m due to accelerated savings, staff slippage and additional income.
- Other net under spends across Housing, Adult Support and Wellbeing Services and Other Community Care Services delivered further savings of £0.5m.

The Environment Service (TES) delivered savings of £4.4m as follows -

- Planning and Regeneration – under spend of £1.6m due to staff slippage, additional income from building warrants and planning applications and managed under spends in line with grant funding applications
- Property – under spend of £1.2m due to savings on energy costs, water charges, property maintenance and a renegotiation of facilities management costs.
- Roads there is a net under spend of £1.6m from slippage in the bridge refurbishment programme and savings on the gully emptying project. In addition there were significant costs incurred during 2015/16 in relation to flooding in July 2015 and Storms Desmond and Frank in December 2015 and January 2016. The Council has been awarded funding from the Scottish Government through the Bellwin Scheme towards the cost of responding to these events.

The Council Tax Income Account delivered further additional income of £2.5m as follows –

- The Council continues to experience significant growth in the number of new properties across the whole of Perth and Kinross which delivered £0.8m of additional income.
- This additional income was partly offset by increases in discounts & exemptions less under spends on the Council Tax Reduction Scheme of £0.2m.
- A review of previous year collection levels has been undertaken resulting in an adjustment to collection levels which delivered a further under spend of £1.9m.

Other budgets across the Council delivered net under spends of £0.3m primarily from the Council's share of Tayside Contracts surplus for 2015/16 which was significantly more than budget.

#### **b) Composite Capital Budget 2015/16 & Housing Revenue Account**

A summary of the Council's capital expenditure is reflected within Note 36 to the Financial Statements on page 55. Total gross capital expenditure in 2015/16 was £66m (excluding capital financed from current revenue. The gross expenditure includes:

- £9.9m on school upgrades, including new primary schools in Alyth and Oakbank, and extensive upgrades to Errol Primary School and the sports facilities at Perth High School.
- £11.4m on roads & transport projects, including structural maintenance, bridge refurbishments, road junction/access improvements and road safety measures.
- £23.5m on other programmes including flood mitigation schemes (£2.2m), various environmental improvements (£1.2m), community care projects (£1.1m) and property upgrades & energy efficiency schemes (£1.8m).
- £21.6m on the Housing Revenue Account including affordable housing (£6.1m), central heating, rewiring and energy efficiency schemes (£3.8m) and external works including double glazing (£2.6m).

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 2016 was £411.091m. Actual debt was £365,368m, comprising borrowing (£243.677m at nominal value) and a PPP liability (£121.691m). The ratio of borrowing to the CFR for 2015/16 was therefore 88.9% (2014/15 90.3%). During the year the CFR increased by £2.890m, reflecting the capital expenditure above, less capital receipts, grants and contributions (£46.530m) and principal loan repayments (£16.956m).

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

As at 31 March 2016 the Council had uncommitted General Fund balances of £13.461m which represented 4% of the Council's annual budgeted net expenditure. Council policy is to retain uncommitted reserves of between 2% and 4%. The Council's Reserves Strategy will continue to be reviewed, particularly as the level of total reserves is expected to reduce due to the delivery of commitments over the next few years. Full details of the Council's General Fund Reserves are shown on page 12 and pages 52 to 54 of the Financial Statements, along with information on future commitments.

The Reserves position is summarised as follows:

|                              | £'000           |  | £'000            |
|------------------------------|-----------------|--|------------------|
| General Fund                 | (54,908)        | Revaluation Reserve                      | (258,256)        |
| Housing Revenue Account      | (782)           | Capital Adjustments Account              | (272,201)        |
| Capital Fund                 | (23,925)        | Financial Instruments Adjustment Account | 11,636           |
| Renewal and Repair Fund      | (1,234)         | Pensions Reserve                         | 161,821          |
| Insurance Fund               | (3,111)         | Employee Statutory Adjustment Account    | 4,648            |
| Capital Receipts Reserve     | (1,788)         | <b>TOTAL UNUSABLE RESERVES</b>           | <b>(352,352)</b> |
| Capital Grants Unapplied     | (87)            |  |                  |
| <b>TOTAL USABLE RESERVES</b> | <b>(85,835)</b> | <b>TOTAL RESERVES</b>                    | <b>(438,187)</b> |



**d) The Balance Sheet**

The Balance Sheet on page 14 summarises the Council's assets and liabilities as at 31 March 2016 and explanatory notes are provided from page 17. Total net assets have increased by £64.774m to £438.187m. Long Term Assets have increased by £43.356m, current assets increased by £9.04m, current liabilities reduced by £6.541m and long term liabilities reduced by £5.837m. The major changes in the Council's Balance Sheet between March 2015 and March 2016 are explained in more detail in the following paragraphs.

*Long Term Assets*

The value of Property, Plant and Equipment has increased by £41.111m primarily in response to a continuation of the major capital investment being undertaken by the Council.

*Current Assets*

The level of Short Term Debtors increased by £4.184m mainly due to a number of grants and recharges in relation to Central Government, the NHS and Capital projects, a refund due from a supplier in relation to a specific capital project, prepaid utilities relocation works and grants receivable in relation to capital projects and a reduction in the provision for Council Tax bad debts. The level of Cash or Cash Equivalents increased by £5.353m due to a reduction in the Authority's Current Account Overdrafts (£3.782m), and increased Short Term Deposits (£1.571m) as a result of undertaking new short term borrowing to take advantage of low interest rates.

*Current Liabilities*

Short Term Borrowing reduced by £11.573m, reflecting the short term element of the debt maturity profile. This was partially offset by the increase in Short Term Creditors of £4.493m primarily due to amounts payable under the Voluntary Severance Scheme, a prepaid receipt in relation to the sale of land, a balance due to Scottish Water at the year-end, an outstanding repayment of a restricted Scottish Government Grant and various movements in Trade Creditors.

*Long Term Liabilities*

Other Long Term Liabilities reduced by £20.048m due to reduced liabilities under PFI contracts, together with movements in pension assumptions which was partially offset by the increase in Long Term Borrowing of £13.585m reflecting the maturity profile of existing debt and the new borrowing undertaken to fund Capital expenditure in 2015/16.

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 market loans and from borrowing from the Public Works Loan Board. Further details are provided at Note 40.

*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 annual valuation of the Fund. The position at 31 March 2016 indicates a net liability of £161.821m compared to a net pension liability of £178.054m on 31 March 2015. This liability is based on a snapshot valuation at 31 March 2016 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 2014. For more information see Note 19.

*Provisions, Contingencies and Write Offs*

The Council made provision for a number of eventualities which may have a material effect on the financial position of the Council. The reasons for the provisions are outlined in Note 31 on page 51.

There were a number of write-offs of debt and stock during the year which were approved by the Strategic Policy and Resources Committee on 15 June 2016 - [Authority to Write Off Debts and Obsolete Stock - June 2016](#).

No significant events occurred between the Balance Sheet date and the date the Head of Finance signed the accounts which would have a material impact on the 2015/16 Unaudited Annual Accounts.

## e) 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   | 2015/16    | 2014/15    | PURPOSE  |
|---|------------|------------|--|
| Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure   | 4%         | 4.0%       | Reflects the level of funding available to manage financial risk / unplanned expenditure.  |
| Movement in the Uncommitted General Fund Balance  | £0.151m    | £(0.070)m  | Reflects the extent to which the Council has increased / (decreased) its Uncommitted General Fund Reserve.                                 |
| Council Tax – In Year Collection Rate   | 97.3%      | 97.0%      | Demonstrates the Council's effectiveness in collecting council tax debt.   |
| Ratio of Council Tax Income to Overall Level of Funding   | 19.5%      | 20.1%      | This reflects the Council's capacity to vary expenditure by raising Council Tax Income.  |
| Final Net Service Expenditure compared to Budgeted Net Service Expenditure (see Deficit / (Surplus) on Provision of Services – Page 13) | £(16.412)m | £(12.880)m | Measurement of how final expenditure compares with the budgeted position and is a reflection on the effectiveness of financial management. |
| Capital Financing Requirement   | £411.091m  | £408.201m  | Measurement of requirement to borrow for capital purposes.   |
| External Debt Levels  | £365.368m  | £368.459m  | Actual borrowing for capital investment purposes.  |
| Capital Financing Requirement Ratio   | 88.9%      | 90.3%      | Measurement of prudence in relation to borrowing levels – borrowing only to invest in capital.   |
| Ratio of Financing Costs to Net Revenue Stream  | 6.1%       | 9.0%       | Measurement of the Council's ability to fund borrowing costs.  |

## f) 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 (Surplus) or Deficit on Provision of Services line shows the true economic cost of providing Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for Council Tax and council house rent setting purposes.
- 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 **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 UK economy continues to show signs of recovery with inflation and unemployment falling and growth taking place in a number of sectors. However this does not lessen the pressures which continue to face public sector expenditure at a UK and Scottish level with further reductions in government funding predicted over the medium term.

The Council approved its latest [Medium Term Financial Plan](#) in July 2015. This Plan provided an update on the latest projections for the Council across a number of scenarios including reductions in funding, population growth and an increase in the number of older people with more complex care needs. The Scottish Government announced a one year financial settlement for local government that was much worse than the planning assumptions used in the Medium Term Financial Plan. The medium term financial plan reflects sound financial planning by the Council and is critical for the sustainability of key services and the financial stability of the Council. The Council's Reserves Strategy is another key element of its financial planning.

In February 2016 the Council approved a [three year Revenue Budget](#) – final for 2016/17 and provisional for 2017/18 and 2018/19. This Revenue Budget process was one of the most challenging to date both in terms of the reductions in funding and timescales following the Spending Review by the UK Government. Information received late in the process from the Scottish Government in relation to the additional funding towards Health and Social Care also added further complexity to the process.

Perth and Kinross Integrated Joint Board (IJB) assumed responsibility for adult social care and a range of health services from 1 April 2016. The IJB is responsible for strategic and financial oversight of these services. The Council has received written directions from the IJB setting out their requirements. Significant activity has taken place including approval of an Integration Scheme by the Scottish Government which sets out the terms and conditions of the relationship between the Council, the Health Board and the Partnership. The development of a strategic plan has commenced which sets out the services which will be provided by the Partnership. Work will also be undertaken to ensure that effective financial stewardship of the Partnership and the Council continues and to ensure this new partnership is well placed to deliver integrated services.

Perth and Kinross Council continues to take appropriate action to address the challenging financial climate and the reductions in funding that we anticipate will continue over the next few years. This is underpinned by the regular updating of the Medium Term Financial Plan (MTFP) and by the availability of good quality financial information.

The Council approved the Composite Capital Budget 2016/17 - 2022/23 at its meeting on 22 June 2016. The HRA Capital Budget for 2016/17 - 2020/21 was approved by the Housing & Health Committee on 27 January 2016.

The Council's capital plans include major transport infrastructure improvements in North/West Perth. Also included are various school replacements and refurbishments to modernise the school estate and address increasing school rolls; road network improvements; various Flood Prevention Schemes and the development of Perth City Centre cultural attractions and improvements. Other ongoing expenditure includes road safety measures; parks and public spaces improvements; waste reduction and recycling and property improvements. The HRA Investment Programme 2016/17 to 2020/21 continues to focus upon the provision of new affordable housing and the enhancement of the existing housing stock, including energy efficiency and external fabric maintenance.

The Council's Capital Financing Requirement is estimated to peak at £709,898,000 in 2022/23. The annual cost of servicing the borrowing and PPP liabilities is being managed through the Capital Fund Strategy within the Medium Term Financial Plan. This includes provision to increase the Loan Charges budget by £1,000,000 per annum, thereby ensuring that the Council's plans remain affordable, prudent and sustainable.

There will be a change to accounting policies in 2016/17 as a result of the move to measuring Highways Network Assets at Depreciated Replacement Cost in accordance with the measurement methodologies specified in the CIPFA Code of Practice on Transport Infrastructure Assets. The Infrastructure Assets are currently measured at historic cost and it is anticipated that the change in the measurement basis will result in an estimated £2.5 billion increase in the current value of the assets. The change in accounting policy will be applied prospectively as the 2016/17 CIPFA Code of Practice on Local Authority Accounting will include an exceptional adaptation to IAS 1 Presentation of Financial Statements which removes the requirement to restate the opening balances at 1 April 2016 and preceding year information.

a) ***Transformation***

The Council is facing an unprecedented period of change. This includes addressing the greatest financial challenges in a generation, preparing for substantial population increase in Perth and Kinross, alongside rising demand for services and managing the most significant change in public service since the creation of the welfare state – the integration of health and social care – as part of a larger public service reform agenda. The ways we deliver services are increasingly complex and require much greater leadership and flexibility from Elected Members and staff.

Councils' revenue funding from the Scottish Government has reduced by 5 % in 2016/17 (in real terms), bringing the real terms reduction in revenue funding since 2010/11 to 11 % (source: Audit Scotland). To meet these challenges, the Council must deliver significant changes in the way services are delivered.

The Council's Transformation Programme 2015-2020 ensures that we will continue to be prepared to overcome these challenges and to deliver vital services to those in our community who need them most. To respond effectively to these challenges the Council must be more innovative, creative, flexible and entrepreneurial. To achieve this £4.6m of non-recurring funding has been committed to support transformation and a programme of transformation reviews is well underway.

We welcome a new age of working together with our Community Planning partners, with our communities and with the business and voluntary sectors. We will jointly face the challenges, we will build a better place to live, work and visit, and will protect the most vulnerable in our community.

b) ***Risk Management***

The Council's Risk Management Framework ensures that Corporate Business Risks and Service Risks are reviewed and updated regularly to ensure they are controlled effectively, to reduce the frequency of risk events occurring and minimise the severity of the consequences if they do occur. The [Corporate Risk Management Strategy](#) (which was approved by the Strategic Policy and resources Committee) includes the key risks associated with the delivery of the Community Plan and Corporate Plan. Service Risk Profiles include more detailed service level risks and these are managed by Service Management Teams. Risk management at a project level is key element of the Council's project management methodology.

The Council's key risks for 2016 - 2017 are:

- Support the most vulnerable in our society during welfare reform
- Protect adults at risk
- Protect vulnerable children and families
- Effectively manage changing financial circumstances
- Deliver the Council's capital programme
- Maintain security of information and prevent public sector fraud and corruption
- Health and safety
- Effective corporate governance
- Growing the economy
- Policy and legislative reform agenda

**c) Workforce Management**

Financial pressures, demand for Council services, changing demographics and public service reform informed the development of the Council's second transformation programme and continue to drive efficiencies, service redesign and rationalisation which in turn determine workforce requirements. The Council's updated Building Ambition - Transformation Strategy 2015-20 sets out how we will transform services as well as introducing an Organisational Development (OD) Framework. The OD Framework ensures that the Council continues to harness the talent of our people based around the Learn Innovate Grow principles. These principles act as enablers for transforming the organisation and reinforce the commitment to developing our organisational culture. A corporate approach to workforce planning as set out in the Corporate Workforce Plan 2013-18 ensures that the Council maintains a balanced and skilled workforce. Young people are our future leaders. Over the last four years we have increased the range and number of opportunities for young people to train and work with the Council. We have seen a 65% increase in young people aged between 16 and 24 within the Council's workforce between 2012 and 2016. The quality of provision for young people has been recognised by Investors in Young People who awarded the Council the Gold Standard.

The Council's plans also include enabling projects which are helping to prepare employees and the organisation for the future – positive career choices, job families, job design and more effective processes for workforce flexibility. We recognise that learning is fundamental to growth and continue to organise sharing of knowledge, skills and expertise. Leadership development has continued with Business Breakfasts, Senior Manager Briefings, coaching skills and a collaborative leadership development programme with neighbouring councils. Together these initiatives help develop and nurture talent to meet future requirements.

The workforce management strategy is inherently linked to the Council's Transformation Programme and our Medium Term Financial Plan. Since 2009, the Council has implemented a range of workforce management measures which are designed to make the best use of opportunities to reshape the workforce on an on-going basis, enable service redesign and deliver a leaner workforce while avoiding compulsory redundancies as far as possible. This approach recognises the importance of managing staff costs and also recognises and values the contribution of our employees, as described within our annual workforce report Building Ambition – A 21st Century Workforce (Report 16/216).

A significant strand of the workforce management measures is enhancing capacity and improving performance, which is focussed on the health and wellbeing of employees, and ensuring that everyone is at work and being supported to perform to the best of their ability. Effectively, this recognises that as well as reducing the size and cost of our workforce, it is also important to maximise productivity.

In 2015/16 the average days lost to sickness absence per full time equivalent (fte) employee were 8.7 days for teachers and 9.6 days for other council staff (this compares with 6.9 days and 9.1 days respectively in 2014/15). The increase in sickness absence levels for both groups is in part explained by a change in the basis of the calculation and in part by an increase in medium and long term absences which are being addressed through positive support to prevent and minimise sickness absence in future.

The Council's positive people practices for wellbeing have been recognised through the award of Healthy Working Lives – Bronze Award, Carer Positive Kitemark and becoming an Accredited Living Wage Employer.

**8. Supplementary Information**

**(a) Group Accounts**

The Code of Practice on Local Authority Accounting in the United Kingdom requires the Council to produce group financial statements where it has an interest in entities that meet the definition of subsidiary, associate or joint venture. The Group results are presented alongside the results for the Council in the Annual Accounts. Further details of the associated entities that have been incorporated into the financial statements can be found on page 79.

The Council has an interest in four organisations (detailed on page 79) 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 2015/16 Group Accounts Statements are included on pages 74 to 78. The basis for consolidation is set out in the Notes to the Group Accounts Statements on pages 79 to 81.

The Group Reserves have also been restated by £1.035m to include the pension liability for Horsecross Arts Ltd. to realign accounting policies for entities included within the Group Accounts.

The effect of consolidation is to increase the Council's net assets by £13.034m resulting in a Group Balance Sheet showing net assets of £451.221m at 31 March 2016 as set out on page 76. This position reflects the Council's share of the pension liabilities of the Associate included within the Group Balance Sheet.

**(b) Common Good and 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 deficit of £0.073m which, when applied to the surplus brought forward, results in an accumulated revenue surplus as at 31 March 2016 of £1.994m.

Details of income and expenditure accounts and balance sheets can be found on pages 72 & 73 of these accounts. These funds are subject to similar accounting policies and procedures to those that are applied to the Council's main accounts. The main source of income to Common Good Funds is rent.

The Council also administers a number of charitable Trust Funds. Details of income and expenditure accounts and balance sheets can be found on page 71 of these accounts. Overall the Trust Funds recorded an in year deficit of £0.105m which, when applied to the surplus brought forward, results in an accumulated surplus as at 31 March 2016 of £3.080m.

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

**(c) Public Private Partnerships**

In September 2000 the Council entered into a 25 year PPP contract for the construction, maintenance and operation of office accommodation and a carpark. In 2015/16 the Council paid £2.893m 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 to maintain them to a pre agreed standard. In 2015/16 the Council paid £15.414m to the contractor under the terms of the contract.

**9. Conclusion**

The Council has continued to demonstrate sound financial management in 2015/16 by delivering services with the resources which are available to us. The pressures being experienced by Services in relation to demand are known to us and plans are in place to mitigate them and these have been reflected in our medium and long term financial plans.

We know we will face many challenges in the future from the combined effect of reduced resources; increasing demands and expectations for our services. Yet we are confident that by working more creatively with all our residents and partners, we will not only embrace these challenges but will improve our performance and service delivery.

**10. Acknowledgements**

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

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Bernadette Malone  
Chief Executive  
Perth & Kinross Council

Date:

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Councillor Ian Miller  
Leader of the Council  
Perth & Kinross Council

Date:

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John Symon  
Head of Finance  
Perth & Kinross Council

Date:

## MOVEMENT IN RESERVES STATEMENT

|   | General<br>Fund<br>Balance<br>£'000 | Housing<br>Revenue<br>Account<br>£'000 | Capital<br>Fund<br>£'000 | Renewal<br>& Repair<br>Fund<br>£'000 | Insurance<br>Fund<br>£'000 | Capital<br>Receipts<br>Reserve<br>£'000 | Capital<br>Grants<br>Unapplied<br>£'000 | Total<br>Usable<br>Reserves<br>£'000 | Unusable<br>Reserves<br>(Note 33)<br>£'000 | Total<br>Authority<br>Reserves<br>£'000 |
|---|-------------------------------------|--|--------------------------|--------------------------------------|----------------------------|---|---|--------------------------------------|--|---|
| <b>Balance at 1 April 2014</b>  | (48,041)                            | (907)                                  | (15,832)                 | (412)                                | (3,410)                    | (1,833)                                 | (102)                                   | (70,537)                             | (11,377)                                   | (81,914)                                |
| <u>Movement in reserves during 2014/15</u>                                      |                                     |  |                          |                                      |                            |   |   |                                      |  |   |
| Deficit on the provision of services  | 3,104                               | 45                                     | 0                        | 0                                    | 0                          | 0                                       | 0                                       | 3,149                                | 0  | 3,149                                   |
| Other Comprehensive Income and Expenditure                                      | 0                                   | 0                                      | 0                        | 0                                    | 0                          | 0                                       | 0                                       | 0                                    | (294,648)                                  | (294,648)                               |
| <b>Total Comprehensive Income and Expenditure</b>                               | 3,104                               | 45                                     | 0                        | 0                                    | 0                          | 0                                       | 0                                       | 3,149                                | (294,648)                                  | (291,499)                               |
| Adjustments between accounting basis & funding basis under regulations          | (13,363)                            | 802                                    | 0                        | 0                                    | 0                          | 1                                       | 0                                       | (12,560)                             | 12,560                                     | 0                                       |
| <b>Net (increase)/decrease before transfers to earmarked reserves</b>           | (10,259)                            | 847                                    | 0                        | 0                                    | 0                          | 1                                       | 0                                       | (9,411)                              | (282,088)                                  | (291,499)                               |
| Transfers to/(from) Other Statutory Reserves                                    | 5,630                               | (740)                                  | (3,484)                  | (1,014)                              | (392)                      | 0                                       | 0                                       | 0                                    | 0  | 0                                       |
| (Increase)/decrease in 2014/15  | (4,629)                             | 107                                    | (3,484)                  | (1,014)                              | (392)                      | 1                                       | 0                                       | (9,411)                              | (282,088)                                  | (291,499)                               |
| <b>Balance at 31 March 2015</b>   | (52,670)                            | (800)                                  | (19,316)                 | (1,426)                              | (3,802)                    | (1,832)                                 | (102)                                   | (79,948)                             | (293,465)                                  | (373,413)                               |
| <u>Movement in reserves during 2015/16</u>                                      |                                     |  |                          |                                      |                            |   |   |                                      |  |   |
| (Surplus)/Deficit on the provision of services                                  | (15,093)                            | 2,353                                  | 0                        | 0                                    | 0                          | 0                                       | 0                                       | (12,740)                             | 0  | (12,740)                                |
| Other Comprehensive Income and Expenditure                                      | 0                                   | 0                                      | 0                        | 0                                    | 0                          | 0                                       | 0                                       | 0                                    | (52,034)                                   | (52,034)                                |
| <b>Total Comprehensive Income and Expenditure</b>                               | (15,093)                            | 2,353                                  | 0                        | 0                                    | 0                          | 0                                       | 0                                       | (12,740)                             | (52,034)                                   | (64,774)                                |
| Adjustments between accounting basis & funding basis under regulations (note 5) | 8,469                               | (1,675)                                | 0                        | 0                                    | 0                          | 44                                      | 15                                      | 6,853                                | (6,853)                                    | 0                                       |
| <b>Net (increase)/decrease before transfers to earmarked reserves</b>           | (6,624)                             | 678                                    | 0                        | 0                                    | 0                          | 44                                      | 15                                      | (5,887)                              | (58,887)                                   | (64,774)                                |
| Transfers to/(from) Other Statutory Reserves                                    | 4,386                               | (660)                                  | (4,609)                  | 192                                  | 691                        | 0                                       | 0                                       | 0                                    | 0  | 0                                       |
| (Increase)/decrease in 2015/16  | (2,238)                             | 18                                     | (4,609)                  | 192                                  | 691                        | 44                                      | 15                                      | (5,887)                              | (58,887)                                   | (64,774)                                |
| <b>Balance at 31 March 2016 carried forward</b>                                 | (54,908)                            | (782)                                  | (23,925)                 | (1,234)                              | (3,111)                    | (1,788)                                 | (87)                                    | (85,835)                             | (352,352)                                  | (438,187)                               |

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2014/15                               |  | 2015/16                                 |                           |                                       |   |
|---------------------------------------|--|---|---------------------------|---------------------------------------|---|
| Actual<br>Net<br>Expenditure<br>£'000 | Notes  | Actual<br>Gross<br>Expenditure<br>£'000 | Actual<br>Income<br>£'000 | Actual<br>Net<br>Expenditure<br>£'000 | Budgeted<br>Net<br>Expenditure<br>£'000 |
| <b>COUNCIL SERVICES</b>               |  |   |                           |                                       |   |
| 146,328                               | Education Services                                 | 153,401                                 | (5,952)                   | 147,449                               | 153,810                                 |
| 79,012                                | Social Work Services                               | 100,938                                 | (18,827)                  | 82,111                                | 81,346                                  |
| 19,859                                | Roads and Transport Services                       | 25,471                                  | (5,667)                   | 19,804                                | 21,095                                  |
| 4,913                                 | Planning and Development Services                  | 9,214                                   | (7,207)                   | 2,007                                 | 5,016                                   |
| 8,427                                 | Housing Services (General Fund)                    | 46,044                                  | (37,742)                  | 8,302                                 | 11,746                                  |
| 18,986                                | Cultural & Related Services                        | 20,645                                  | (671)                     | 19,974                                | 20,078                                  |
| 24,121                                | Environmental Services                             | 30,645                                  | (3,924)                   | 26,721                                | 26,107                                  |
| 2,074                                 | Central Services                                   | 7 3,988                                 | (1,771)                   | 2,217                                 | 2,488                                   |
| 2,694                                 | Other Expenditure                                  | 8 4,900                                 | (453)                     | 4,447                                 | 4,997                                   |
| 4,285                                 | Corporate and Democratic Core                      | 4,343                                   | 0                         | 4,343                                 | 4,210                                   |
| (805)                                 | Housing Revenue Account                            | 30,973                                  | (26,363)                  | 4,610                                 | 4,996                                   |
| <b>309,894</b>                        | <b>COST OF SERVICES</b>                            | <b>430,562</b>                          | <b>(108,577)</b>          | <b>321,985</b>                        | <b>335,889</b>                          |
| (1,255)                               | Other Operating Expenditure / Income               | 9                                       |                           | 644                                   | 1,049                                   |
| 30,036                                | Financing and Investment Income and Expenditure    | 10                                      |                           | 21,878                                | 22,018                                  |
| (335,526)                             | Taxation and Non-Specific Grant Income             | 11                                      |                           | (357,247)                             | (355,284)                               |
| <b>3,149</b>                          | <b>(Surplus)/Deficit on Provision of Services</b>  |   |                           | <b>(12,740)</b>                       | <b>3,672</b>                            |
| (185,698)                             | Surplus on revaluation of non current assets       |   |                           | (19,396)                              | (19,396)                                |
| (108,950)                             | Remeasurement of the net defined benefit liability |   |                           | (32,638)                              | (32,638)                                |
| (294,648)                             | Other Comprehensive Income and Expenditure         |   |                           | (52,034)                              | (52,034)                                |
| <b>(291,499)</b>                      | <b>Total Comprehensive Income and Expenditure</b>  |   |                           | <b>(64,774)</b>                       | <b>(48,362)</b>                         |



## BALANCE SHEET

| <u>31 March 2015</u> |                              | Notes | <u>31 March 2016</u> |
|----------------------|------------------------------|-------|----------------------|
| £'000                |                              |       | £'000                |
| 854,470              | Property, Plant & Equipment  | 22    | 895,581              |
| 24,059               | Heritage Assets              | 23    | 26,289               |
| 17,699               | Investment Property          | 24    | 17,558               |
| 43                   | Intangible Assets            | 25    | 61                   |
| 2,116                | Assets Held for Sale         | 26    | 2,188                |
| 300                  | Long Term Debtors            | 27    | 366                  |
| <b>898,687</b>       | <b>Long Term Assets</b>      |       | <b>942,043</b>       |
| 46,156               | Short Term Investments       |       | 45,120               |
| 274                  | Assets Held for Sale         | 26    | 895                  |
| 466                  | Inventories                  | 28    | 384                  |
| 26,729               | Short Term Debtors           | 29    | 30,913               |
| 2,683                | Cash and Cash Equivalents    | 45    | 8,036                |
| <b>76,308</b>        | <b>Current Assets</b>        |       | <b>85,348</b>        |
| (25,065)             | Short Term Borrowing         | 40    | (13,492)             |
| (50,841)             | Short Term Creditors         | 30    | (55,334)             |
| (204)                | Provisions                   | 31    | (743)                |
| <b>(76,110)</b>      | <b>Current Liabilities</b>   |       | <b>(69,569)</b>      |
| (1,130)              | Provisions                   | 31    | (1,756)              |
| (224,598)            | Long Term Borrowing          | 40    | (238,183)            |
| (299,744)            | Other Long Term Liabilities  | 19,37 | (279,696)            |
| <b>(525,472)</b>     | <b>Long Term Liabilities</b> |       | <b>(519,635)</b>     |
| <b>373,413</b>       | <b>NET ASSETS</b>            |       | <b>438,187</b>       |
| 79,948               | Usable Reserves              |       | 85,835               |
| 293,465              | Unusable Reserves            | 33    | 352,352              |
| <b>373,413</b>       | <b>TOTAL RESERVES</b>        |       | <b>438,187</b>       |

The unaudited accounts were issued on 29 June 2016.

J A Symon ACA  
Head of Finance  
29 June 2016

## CASH FLOW STATEMENT

| <u>2014/15</u>      |   | Notes | <u>2015/16</u>      |
|---------------------|---|-------|---------------------|
| <u>£'000</u>        |   |       | <u>£'000</u>        |
| (3,149)             | <b>Surplus/(deficit) on the provision of services</b>   |       | 12,740              |
| 59,462              | Adjustments to net surplus or deficit on the provision of services for non cash movements   |       | 59,522              |
| (22,103)            | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities |       | (37,852)            |
| <u>34,210</u>       | <b>Net cash flows from Operating Activities</b>   |       | <u>34,410</u>       |
| (80,693)            | Investing Activities  | 43    | (27,222)            |
| 44,426              | Financing Activities  | 44    | (1,835)             |
| <u>(2,057)</u>      | <b>Net increase / (decrease) in cash and cash equivalents</b>   |       | <u>5,353</u>        |
| 4,740               | Cash and cash equivalents at the beginning of the reporting period  |       | 2,683               |
| <u><u>2,683</u></u> | <b>Cash and cash equivalents at the end of the reporting period</b>   | 45    | <u><u>8,036</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 Ian Miller  
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 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.

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 2016.

J A Symon ACA  
Head of Finance  
Date: 29 June 2016

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting Policies

### General

The Annual Accounts have been prepared in accordance with proper accounting practices 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 2015/16 and the Service Reporting Code of Practice (SeRCOP) 2015/16, supported by International Financial Reporting Standards (IFRS). The Annual Accounts are intended to present a true and fair view of the financial position and transactions of the authority and have been prepared in accordance with the fundamental accounting principles of relevance, reliability, comparability, understandability and materiality.

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

### Accruals of Income and Expenditure

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

In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- 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 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.

There will be a change to accounting policies in 2016/17 as a result of the move to measuring Highways Network Assets at Depreciated Replacement Cost in accordance with the measurement methodologies specified in the CIPFA Code of Practice on Transport Infrastructure Assets. Infrastructure Assets are currently measured at historic cost and it is anticipated that the change in the measurement basis will result in an estimated £2.5 billion increase in the current value of the assets. The change in accounting policy will be applied prospectively as the 2016/17 CIPFA Code of Practice on Local Authority Accounting will include an exceptional adaptation to IAS 1 Presentation of Financial Statements which removes the requirement to restate the opening balances at 1 April 2015 and preceding year information.

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

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the Tayside Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 3.3% 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;
- unlisted securities – current bid price;
- property – market value.

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

- Service cost comprising:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - net interest on the net defined liability / (asset), i.e. net interest expense for the authority – the change during the period in the net defined benefit liability / (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability / (asset) at the end of the period – taking into account any changes in the net defined benefit liability / (asset) during the period as a result of contribution and benefit payments;
- Remeasurements comprising:
  - the return on plan assets - excluding amounts included in net interest on the net defined benefit liability / (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
  - the net defined benefit liability / (asset) – 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 Annual Accounts are authorised for issue. Two types of events can be identified:

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

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

#### **Fair Value Measurement**

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

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

The authority 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 authority 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 authority 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 authority'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 loans and receivables that have fixed or determinable payments but are not quoted in an active market.

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 then 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 a loan to a charitable organisation at less than market rates (soft loan). 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. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

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

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

## Foreign Currency

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

## 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.

## Heritage Assets

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage Assets include museum and gallery collections and works of art. These assets are held by the Council in pursuit of its overall objectives in relation to the maintenance of the heritage. From 1 April 2016 Culture Perth & Kinross has taken on responsibility for the delivery and development of museum and library services in Perth & Kinross. The Trust will manage 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 Council 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 Council 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; to attempt 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 Heritage Service 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 Council Heritage Service Collecting Policy 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 Receipts Reserve.

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

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

### **Inventories**

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

### **Investment Properties**

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts 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 charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SerCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on surplus assets in Property, Plant and Equipment.

These two cost categories are defined in SerCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## Property, Plant and Equipment

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

### Recognition

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

### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- infrastructure and community assets – depreciated historical cost;
- assets under construction – historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH). The Council arrived at this valuation using the Beacon approach (Adjusted Vacant Possession) for the first time in 2014/15 in accordance with LASAAC guidance;

- 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;
- 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.

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

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

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

### Impairment

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

Where impairment losses are identified, they are accounted for:

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

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

### Disposals and Assets Held for Sale

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

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

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

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

### Depreciation

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

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

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

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

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

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

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

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

### **Provisions**

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

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

### **Reserves**

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

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

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

### **VAT**

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

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

For 2015/16, the accounting standards that require to be reported relate to:

- Amendments to IAS 19 Employee Benefits (Defined benefit Plans – Employee Contributions)
- Annual Improvements to IFRSs (2010 – 2012 Cycle):

- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRS's (2012 – 2014 Cycle):
  - Amendments to IAS 1 Presentation of Financial Statements (Disclosure Initiative)  
The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

### 3. Critical Judgements in Applying Accounting Policies

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

#### **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 37 provides further details.

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

The Annual 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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are in respect of the Council's Net Pensions Liability and Property and Plant and Equipment.

#### Uncertainty

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.

#### Effect if Actual Results Differ from Assumptions

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a reduction in the pension liability of £13,840,000. However, the assumptions interact in complex ways. During 2015/16, the Council's actuaries advised that the net pension's liability had decreased by £16,233,000 following an updating of assumptions.

#### Uncertainty

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

#### Effect if Actual Results Differ from Assumptions

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £507,000 for every year that useful lives had to be reduced.

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

|   | Usable Reserves      |                         |                          |                          |              | 2014/15         |
|---|----------------------|-------------------------|--------------------------|--------------------------|--------------|-----------------|
|   | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | Total        |                 |
|   | £'000                | £'000                   | £'000                    | £'000                    | £'000        | £'000           |
| <u>Adjustments involving the Capital Adjustment Account</u>   |                      |                         |                          |                          |              |                 |
| Depreciation and impairment on non-current assets   | (27,556)             | (13,128)                | 0                        | 0                        | (40,684)     | (41,568)        |
| Revaluation Losses on Property, Plant & Equipment   | (8,644)              | (294)                   | 0                        | 0                        | (8,938)      | (3,309)         |
| Reversal revaluation gains  | 11,809               | 293                     |                          |                          | 12,102       | 9,314           |
| Movements in Fair Value of Investment Properties  | 136                  | 0                       | 0                        | 0                        | 136          | (2,137)         |
| Amortisation of Intangible Assets   | (11)                 | 0                       | 0                        | 0                        | (11)         | (33)            |
| Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement   | 29,775               | 5,007                   | 0                        | 0                        | 34,782       | 18,753          |
| Amounts of non current assets written off on disposal as part of the gain/loss  | (3,470)              | (995)                   | 0                        | 0                        | (4,465)      | (2,106)         |
| <u>Items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>  |                      |                         |                          |                          |              |                 |
| Statutory provision for repayment of debt   | 13,914               | 3,042                   | 0                        | 0                        | 16,956       | 15,762          |
| Capital expenditure charged to the General Fund and HRA balances  | 4,340                | 4,194                   | 0                        | 0                        | 8,534        | 10,434          |
| <u>Adjustments involving the Capital Receipts Reserve</u>   |                      |                         |                          |                          |              |                 |
| Transfer of sale proceeds credited as part of the gain/loss on disposal   | 2,143                | 1,050                   | (3,193)                  | 0                        | 0            | 0               |
| Use of the Capital Receipts Reserve to finance new capital expenditure  | 0                    | 0                       | 3,237                    |                          | 3,237        | 3,047           |
| <u>Adjustments involving the Capital Grants Unapplied Account</u>   | 0                    | 0                       | 0                        | 15                       | 15           | 0               |
| <u>Adjustments involving the Financial Instruments Adjustment Account</u>   | 438                  | 124                     | 0                        | 0                        | 562          | 589             |
| <u>Adjustments involving the Pensions Reserve</u>   |                      |                         |                          |                          |              |                 |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | 15,332               | 1,045                   | 0                        | 0                        | 16,377       | 17,181          |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement   | (30,730)             | (2,052)                 | 0                        | 0                        | (32,782)     | (38,187)        |
| <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 | 993                  | 39                      | 0                        | 0                        | 1,032        | (300)           |
| <b>Total Adjustments</b>  | <b>8,469</b>         | <b>(1,675)</b>          | <b>44</b>                | <b>15</b>                | <b>6,853</b> | <b>(12,560)</b> |

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

|   | Balance as at<br>1 April 2015<br>£'000 | Transfers<br>(In)/Out<br>£'000 | Balance as at<br>31 March 2016<br>£'000 |
|---|--|--------------------------------|---|
| Transformation Programme (including Workforce Management)                 | (12,963)                               | (3,003)                        | (15,966)                                |
| Revenue Budget Flexibility  | (5,143)                                | (140)                          | (5,283)                                 |
| Affordable Housing (Resources accrued from reduced Council Tax Discounts) | (3,168)                                | (561)                          | (3,729)                                 |
| Developer Contributions: Commuted Sums & Infrastructure                   | (2,732)                                | (910)                          | (3,642)                                 |
| Car Parking   | (2,204)                                | 536                            | (1,668)                                 |
| Developer Contributions: Affordable Housing                               | (1,097)                                | (272)                          | (1,369)                                 |
| Devolved School Management Balances                                       | (1,284)                                | 26                             | (1,258)                                 |
| Perth City Centre Regeneration  | (1,200)                                | 0                              | (1,200)                                 |
| Secondary Schools   | 0                                      | (1,149)                        | (1,149)                                 |
| Revenue Grants  | (1,054)                                | 228                            | (826)                                   |
| Essential Maintenance & Compliance Works                                  | (860)                                  | 145                            | (715)                                   |
| Community Empowerment Act 2015  | 0                                      | (650)                          | (650)                                   |
| Evidence to Success   | 0                                      | (624)                          | (624)                                   |
| Crematorium Abatement Levy  | (300)                                  | (100)                          | (400)                                   |
| Public Service Network  | (390)                                  | 35                             | (355)                                   |
| Planning Appeals and Public Inquiries                                     | (344)                                  | 44                             | (300)                                   |
| Modern Apprentices/Graduate Trainees                                      | (329)                                  | 38                             | (291)                                   |
| Perth Office Programme  | (610)                                  | 366                            | (244)                                   |
| UK City of Culture  | 0                                      | (239)                          | (239)                                   |
| Central Energy Efficiency Fund  | (179)                                  | (52)                           | (231)                                   |
| Environmental Initiatives   | (220)                                  | 0                              | (220)                                   |
| Investment in Improvement Funds   | (684)                                  | 466                            | (218)                                   |
| Energy and Water Management   | (200)                                  | 0                              | (200)                                   |
| Local Government Elections  | (106)                                  | (91)                           | (197)                                   |
| Contaminated Land   | (109)                                  | (14)                           | (123)                                   |
| Investment in Learning Programme  | (135)                                  | 35                             | (100)                                   |
| Corporate Feasibility Studies   | 0                                      | (100)                          | (100)                                   |
| Financial Assistance  | (180)                                  | 100                            | (80)                                    |
| Events  | (100)                                  | 50                             | (50)                                    |
| Rural Warden  | 0                                      | (20)                           | (20)                                    |
| Funding of Capital Expenditure at Perth Theatre                           | (3,202)                                | 3,202                          | 0                                       |
| Local Integration Reserve Fund  | (500)                                  | 500                            | 0                                       |
| Community Safety / Community Wellbeing Initiatives                        | (67)                                   | 67                             | 0                                       |
| Earmarked Balances at 31 March 2016                                       | <u>(39,360)</u>                        | <u>(2,087)</u>                 | <u>(41,447)</u>                         |

### Purpose of Earmarked General Fund Balances

**Transformation Programme (including Workforce Management)** – The Reserves Strategy in February 2016 approved these resources as earmarked to support the Council's transformation programme including the costs of any workforce management measures required to respond to future financial challenges. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

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

**Affordable Housing (Resources accrued from reduced Council Tax Discounts)** - the Council has previously agreed to reduce the level of Council Tax Discounts on Second Homes and Long Term Unoccupied Dwellings to 10% to create funding to support the development of affordable housing within the Perth & Kinross area in partnership with Registered Social Landlords. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Developer Contributions; Commuted Sums, Infrastructure and Affordable Housing** - the Enterprise & Infrastructure Committee approved a comprehensive affordable housing policy on 29 August 2007. As a consequence, commuted sums are received from some developers in lieu of the provision of affordable housing. These sums are held in the Council's Reserves until they are applied to schemes for the provision of affordable housing. Additionally, contributions are provided by developers towards the cost of providing and maintaining public open space, play areas and Infrastructure. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Car Parking** – this balance is the accumulated surplus at 31 March 2016 which is restricted in its application under the Road Traffic Regulation Act 1984. Any proposals to utilise these resources will require approval by the Strategic Policy and Resources Committee.

**Devolved School Management Balances** – the amount shown is the accumulated sum available to be carried forward at 31 March 2016 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.

**Perth City Centre Regeneration** – this balance will be utilised for projects in Perth City Centre. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Secondary Schools** – £649,000 of these resources were earmarked as part of the 2015/16 Revenue Monitoring Report 1 to the Strategic Policy & Resources Committee (report 15/395 refers) to equip the new secondary school at Bertha Park. A further £500,000 was approved as part of the 2016/17 Revenue Budget process as budget flexibility.

**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.

**Essential Maintenance and Compliance Works** – these resources have been earmarked to fund the dilapidations works associated with the Perth Office Programme. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Community Empowerment Act 2015** – these resources were approved to be earmarked to expand the provisions of the Small Business Bonus and Fresh Start Schemes by the Strategic Policy & Resources Committee on 15 June 2016 (report 16/266 refers).

**Evidence to Success** – these resources were earmarked as part of the setting of the 2015/16 Revenue Budget in February 2014 and will be utilised in 2016/17.

**Crematorium Abatement Levy** – income from financial years 2012/13 until 2015/16 has been earmarked for future investment at Perth Crematorium to comply with mercury abatement legislation. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

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

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

**Modern Apprentices/Graduate Trainees** - The Strategic Policy and Resources Committee approved the transfer of the underspend on modern apprentices and graduate trainees during 2015/16 to fund future expenditure in this area.

**Perth Office Programme** - these resources are earmarked in reserves to fund future expenditure on the Perth Office Programme. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**UK City of Culture** – Council approved funding of £250,000 towards the bid for City of Culture (report 15/417 refers). £239,000 of resources are available for future years.

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

**Environmental Initiatives** – these resources are earmarked in reserves for future environmental initiatives. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Investment in Improvement Funds** - this amount is earmarked for specific projects in accordance with reports approved by the Strategic Policy & Resources Committee. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process, with additional reports on progress in utilising the resources to be submitted to that committee where necessary.

**Energy and Water Management** – the Council approved the transfer of £200,000 to an Energy and Water Management Reserve as part of the Revenue Budget process in February 2014. This is to deal with any potential over spends on energy and water management associated with severe weather.

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

**Contaminated Land** – under spends in 2015/16 and previous years have been earmarked to fund future remediation work to comply with the Council's statutory duty. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Investment in Learning Programme (ILL)** – under spends in financial year 2011/12 have been earmarked within Reserves to deal with future expenditure on the ILL Programme including infrastructure works at Moyness Road, Blairgowrie.

**Corporate Feasibility Studies** – these resources were approved to be earmarked at the Strategic Policy & Resources Committee (report 16/179 refers) for use in future years.

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

**Events** – These resources were earmarked as part of the revenue budget approved in February 2013 for investment in outdoor and cultural events. These resources have been partly used in 2015/16 with the balance to be used in 2016/17. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Rural Warden** - these resources were earmarked as part of the 2015/16 Revenue Budget to provide pilot funding for a partnership approach to community safety in Highland Perthshire and will be utilised in 2016/17.

**Funding of Capital Expenditure at Perth Theatre** – these resources were earmarked in reserves to fund investment in Perth Theatre. During 2015/16 these resources have been transferred to the Capital Fund. The application of these resources will be reported to the Strategic Policy & Resources Committee through the capital monitoring process.



**Local Integration Reserve Fund** – The Strategic Policy and Resources Committee approved the transfer of £500,000 during 2014/15 to a Local Integration Reserve Fund (Report No. 14/407 refers). These resources were released in 2015/16 to assist with health and social care.

**Community Safety / Community Wellbeing Initiatives** – reduced requisitions in 2011/12 from Tayside Fire and Rescue Board and Tayside Joint Police Board allowed the identification of resources to support preventative initiatives linked to community wellbeing and safety. The balance of these resources will be utilised in 2015/16.

## 7. Central Services

This heading includes areas of expenditure that cannot be attributed or apportioned to the main services provided by the Council.

|  | 2015/16<br>£'000 | 2014/15<br>£'000 |
|--|------------------|------------------|
| Local Tax Collection                         | 1,531            | 1,366            |
| Registration of Births, Deaths and Marriages | 163              | 96               |
| Electoral Registration /Elections            | 538              | 495              |
| Licensing                                    | (118)            | (118)            |
| Emergency Planning                           | 1                | 4                |
| General Grants and Financial Assistance      | 102              | 231              |
|  | <u>2,217</u>     | <u>2,074</u>     |

## 8. Other Expenditure

Other Expenditure is detailed as follows. In 2015/16 Valuation services were provided by a joint board on behalf of Perth & Kinross, Angus and Dundee City Councils.

|  | 2015/16<br>£'000 | 2014/15<br>£'000 |
|--|------------------|------------------|
| Valuation  | 1,093            | 1,162            |
| Commercial Property                              | 2,988            | 1,246            |
| Irrecoverable Costs of Support to Outside Bodies | 188              | 59               |
| Harbour  | 178              | 227              |
| Total  | <u>4,447</u>     | <u>2,694</u>     |

The harbour at Perth is a commercial port. Income from harbour dues during the year amounted to £98,000 (2014/15 £87,000) and the net deficit was £178,000 (2014/15 net deficit £227,000).

## 9. Other Operating Expenditure / Income

|  | 2015/16<br>£'000 | 2014/15<br>£'000 |
|--|------------------|------------------|
| Losses/(Gains) on the Disposal of Non Current Assets | 1,239            | (912)            |
| Share of Tayside Contracts surplus                   | (595)            | (343)            |
| Total  | <u>644</u>       | <u>(1,255)</u>   |

## 10. Financing and Investment Income and Expenditure

|   | 2015/16<br>£'000 | 2014/15<br>£'000 |
|---|------------------|------------------|
| Interest payable and similar charges  | 17,808           | 17,516           |
| Pensions interest cost and expected return on pensions assets                                 | 5,677            | 11,809           |
| Interest receivable and similar income  | (455)            | (391)            |
| (Income) and expenditure in relation to investment properties and changes in their fair value | (1,152)          | 1,102            |
| Total   | <u>21,878</u>    | <u>30,036</u>    |

## 11. Taxation and Non Specific Grant Incomes

|                                  | 2015/16<br>£'000 | 2014/15<br>£'000 |
|----------------------------------|------------------|------------------|
| Council Tax Income               | (69,494)         | (67,578)         |
| Non Domestic Rates               | (59,158)         | (55,395)         |
| Non Ringfenced Government Grants | (193,813)        | (193,800)        |
| Capital Grants and Contributions | (34,782)         | (18,753)         |
| Total                            | <u>(357,247)</u> | <u>(335,526)</u> |

## 12. Material Items of Income and Expense

There have been no material items of income and expenditure during 2015/16 which are not disclosed on the face of the Comprehensive Income and Expenditure Statement.

## 13. 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 2015/16, there were no such debt modifications.

The net amount of premium and discount debited to the General Fund and HRA for transactions prior to 1 April 2012 (as permitted by statutory guidance) from the Financial Instruments Adjustment Account (FIAA) was £547,000 (2014/15 £574,000).

## 14. General Grants, Bequests and Donations

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

During 2015/16 a total of £9,956,000 (2014/15 £9,885,000) was paid out in support of these organisations ranging from remission of hall rents of a few pounds to the contribution towards the operational and other costs of Live Active Leisure Limited of £3,844,000 (2014/15 £3,997,000). Details of grants are shown below.

|   | 2015/16<br>£'000 | 2015/16<br>£'000 | 2014/15<br>£'000 | 2014/15<br>£'000 |
|---|------------------|------------------|------------------|------------------|
| <b>Education Services</b>                               |                  |                  |                  |                  |
| - Service Level Agreements with Voluntary Organisations |                  | 468              |                  | 486              |
| <b>Social Work Services</b>                             |                  |                  |                  |                  |
| - Service Level Agreements with Voluntary Organisations | 2,868            |                  | 3,046            |                  |
| - Other Grants  | 93               |                  | 0                |                  |
| <i>Sub Total Social Work Services</i>                   |                  | 2,961            |                  | 3,046            |
| <b>Housing Services (General Fund)</b>                  |                  |                  |                  |                  |
| - Churches Action for the Homeless                      | 236              |                  | 231              |                  |
| - Perth and Kinross Community Mediation                 | 55               |                  | 55               |                  |
| <i>Sub Total Housing (General Fund)</i>                 |                  | 291              |                  | 286              |
| <b>Planning &amp; Development Services</b>              |                  |                  |                  |                  |
| - Perth & Kinross Heritage Trust                        | 83               |                  | 83               |                  |
| - Perth & Kinross Countryside Trust                     | 60               |                  | 70               |                  |
| - Vacant Property Grants                                | 31               |                  | 0                |                  |
| - Visit Scotland  | 28               |                  | 28               |                  |
| <i>Sub Total Planning &amp; Development</i>             |                  | 202              |                  | 181              |
| <b>Cultural &amp; Related Services</b>                  |                  |                  |                  |                  |
| - Live Active Leisure Limited                           | 3,844            |                  | 3,997            |                  |
| - Horsecross Arts Ltd: Perth Concert Hall               | 866              |                  | 866              |                  |
| - Horsecross Arts Ltd: Perth Repertory Theatre          | 321              |                  | 321              |                  |
| - Pitlochry Festival Theatre                            | 220              |                  | 220              |                  |
| - Shaw Trust  | 158              |                  | 0                |                  |
| - Perth & Kinross Sports Council                        | 11               |                  | 15               |                  |
| <i>Sub Total Cultural &amp; Related</i>                 |                  | 5,420            |                  | 5,419            |
| <b>Central Services</b>                                 |                  |                  |                  |                  |
| - Citizens Advice Bureau                                | 388              |                  | 249              |                  |
| - Perthshire Women's Aid                                | 124              |                  | 104              |                  |
| - Other   | 102              |                  | 114              |                  |
| <i>Sub Total Central Services</i>                       |                  | 614              |                  | 467              |
|   |                  | <u>9,956</u>     |                  | <u>9,885</u>     |

## 15. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Expenditure Reporting Code of Practice. However, decisions about resource allocation are taken by the Council on the basis of internal management reports analysed across service areas. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- expenditure on some support services is budgeted for centrally and not charged to Services.

The income and expenditure of the Council's principal services recorded in the management reports for the year is as follows:

| <b>Segmental Analysis 2015/16</b>      | Education & Children's Services<br>£'000 | Housing & Community Care<br>£'000 | The Environment Service<br>£'000 | Total<br>£'000   |
|--|--|-----------------------------------|----------------------------------|------------------|
| Fees, charges and other service income | (5,165)                                  | (47,523)                          | (12,671)                         | (65,359)         |
| Government Grants and contributions    | (1,462)                                  | (34,590)                          | (1,429)                          | (37,481)         |
| <b>Total Income</b>                    | <b>(6,627)</b>                           | <b>(82,113)</b>                   | <b>(14,100)</b>                  | <b>(102,840)</b> |
| Employee expenses                      | 108,807                                  | 40,754                            | 24,001                           | 173,562          |
| Other service expenses                 | 62,709                                   | 111,005                           | 31,040                           | 204,754          |
| Support Service Recharges              | 6,781                                    | 4,121                             | 2,987                            | 13,889           |
| <b>Total Operating Expenses</b>        | <b>178,297</b>                           | <b>155,880</b>                    | <b>58,028</b>                    | <b>392,205</b>   |
| <b>Net Cost of Services</b>            | <b>171,670</b>                           | <b>73,767</b>                     | <b>43,928</b>                    | <b>289,365</b>   |

2015/16  
£'000

### Reconciliation to Net Cost of Services in Group Comprehensive Income and Expenditure Statement

|  |         |
|--|---------|
| Cost of Services in Service Analysis   | 289,365 |
| Add services not included in main analysis                                   | 1,052   |
| Add amounts not reported to management                                       | 31,568  |
| Net cost of services in Comprehensive Income and Expenditure Statement       | 321,985 |
| Group operating results  | 3,073   |
| Net cost of services in Group Comprehensive Income and Expenditure Statement | 325,058 |

| <b>Reconciliation to Subjective Analysis<br/>2015/16</b>                                  | Service<br>Analysis | Services<br>not in<br>Analysis | Not reported<br>to<br>management | Group<br>Results<br>in Cost of<br>Services | Net Cost of<br>Services | Corporate<br>Amounts | Total            |
|---|---------------------|--------------------------------|----------------------------------|--|-------------------------|----------------------|------------------|
|   | £'000               | £'000                          | £'000                            | £'000                                      | £'000                   | £'000                | £'000            |
| Fees, charges and other service income  | (65,359)            | (2,368)                        | 10                               | (27,505)                                   | (95,222)                | (1,120)              | (96,342)         |
| Surplus or deficit on associates and joint ventures                                       | 0                   | 0                              | 0                                | 1,868                                      | 1,868                   | (630)                | 1,238            |
| Interest and Investment Income  | 0                   | 0                              | 0                                | 0  | 0                       | (633)                | (633)            |
| Income from council tax   | 0                   | 0                              | 0                                | 0  | 0                       | (69,494)             | (69,494)         |
| Government grants and contributions   | (37,481)            | (291)                          | (3,088)                          | 0  | (40,860)                | (287,754)            | (328,614)        |
| <b>Total Income</b>   | <b>(102,840)</b>    | <b>(2,659)</b>                 | <b>(3,078)</b>                   | <b>(25,637)</b>                            | <b>(134,214)</b>        | <b>(359,631)</b>     | <b>(493,845)</b> |
| Employee expenses   | 173,562             | 15,123                         | 9,696                            | 19,321                                     | 217,702                 | 6,137                | 223,839          |
| Other service expenses  | 204,754             | (11,412)                       | (12,581)                         | 8,148                                      | 188,909                 | (32)                 | 188,877          |
| Support Service Recharges   | 13,889              | 0                              | 0                                | 0  | 13,889                  | 0                    | 13,889           |
| Depreciation, amortisation and impairment   | 0                   | 0                              | 37,531                           | 1,241                                      | 38,772                  | 0                    | 38,772           |
| Interest payments   | 0                   | 0                              | 0                                | 0  | 0                       | 17,920               | 17,920           |
| Gain on disposal of non-current assets  | 0                   | 0                              | 0                                | 0  | 0                       | 1,361                | 1,361            |
| <b>Total Operating Expenses</b>   | <b>392,205</b>      | <b>3,711</b>                   | <b>34,646</b>                    | <b>28,710</b>                              | <b>459,272</b>          | <b>25,386</b>        | <b>484,658</b>   |
| <b>(Surplus) / Deficit on the provision of<br/>services (Group Comprehensive I&amp;E)</b> | <b>289,365</b>      | <b>1,052</b>                   | <b>31,568</b>                    | <b>3,073</b>                               | <b>325,058</b>          | <b>(334,245)</b>     | <b>(9,187)</b>   |

| <b>Segmental Analysis 2014/15</b>      | <i>Education &amp;<br/>Children's<br/>Services<br/>£000</i> | <i>Housing &amp;<br/>Community<br/>Care<br/>£000</i> | <i>The<br/>Environment<br/>Service<br/>£000</i> | <i>Total<br/>£000</i> |
|--|---|--|---|-----------------------|
| Fees, charges and other Service income | (5,275)   | (45,539)   | (11,733)  | (62,547)              |
| Government Grants and contributions    | (1,930)   | (33,045)   | (1,356)   | (36,331)              |
| <b>Total Income</b>                    | <b>(7,205)</b>  | <b>(78,584)</b>                                      | <b>(13,089)</b>                                 | <b>(98,878)</b>       |
| Employee expenses                      | 105,386   | 39,351   | 23,506  | 168,243               |
| Other Service expenses                 | 60,400  | 105,799  | 32,303  | 198,502               |
| Support Service Recharges              | 6,328   | 3,720  | 2,822   | 12,870                |
| <b>Total Operating Expenses</b>        | <b>172,114</b>  | <b>148,870</b>                                       | <b>58,631</b>                                   | <b>379,615</b>        |
| <b>Total Net Cost of Services</b>      | <b>164,909</b>  | <b>70,286</b>  | <b>45,542</b>                                   | <b>280,737</b>        |

2014/15  
£'000

#### Reconciliation to Net Cost of Services in Group Comprehensive Income and Expenditure Statement

|  |         |
|--|---------|
| Cost of Services in Service Analysis   | 280,737 |
| Add services not included in main analysis                                   | 1,327   |
| Add amounts not reported to management                                       | 27,830  |
| Net cost of services in Comprehensive Income and Expenditure Statement       | 309,894 |
| Group operating results  | 2,164   |
| Net cost of services in Group Comprehensive Income and Expenditure Statement | 312,058 |

| <b>Reconciliation to Subjective Analysis<br/>2014/15<br/>Restated</b>                 | <i>Service<br/>Analysis</i> | <i>Services<br/>not in<br/>Analysis</i> | <i>Not reported<br/>to<br/>management</i> | <i>Group<br/>Results<br/>in Cost of<br/>Services</i> | <i>Net Cost of<br/>Services</i> | <i>Corporate<br/>Amounts</i> | <i>Total</i>     |
|---|-----------------------------|---|---|--|---------------------------------|------------------------------|------------------|
|   | £'000                       | £'000                                   | £'000                                     | £'000  | £'000                           | £'000                        | £'000            |
| Fees, charges and other service income  | (62,547)                    | (1,579)                                 | 8   | (26,206)   | (90,324)                        | (1,141)                      | (91,465)         |
| Surplus or deficit on associates and joint ventures                                   | 0                           | 0                                       | 0   | 955  | 955                             | (379)                        | 576              |
| Interest and Investment Income  | 0                           | 0                                       | 0   | 0  | 0                               | (562)                        | (562)            |
| Income from council tax   | 0                           | 0                                       | 0   | 0  | 0                               | (67,578)                     | (67,578)         |
| Government grants and contributions   | (36,331)                    | (543)                                   | (1,844)                                   | 0  | (38,718)                        | (267,948)                    | (306,666)        |
| <b>Total Income</b>   | <b>(98,878)</b>             | <b>(2,122)</b>                          | <b>(1,836)</b>                            | <b>(25,251)</b>                                      | <b>(128,087)</b>                | <b>(337,608)</b>             | <b>(465,695)</b> |
| Employee expenses   | 168,243                     | 14,748                                  | 9,367                                     | 18,956   | 211,314                         | 12,677                       | 223,991          |
| Other service expenses  | 198,502                     | (11,299)                                | (15,297)                                  | 7,241  | 179,147                         | 2,244                        | 181,391          |
| Support Service Recharges   | 12,870                      | 0                                       | 0   | 0  | 12,870                          | 0                            | 12,870           |
| Depreciation, amortisation and impairment   | 0                           | 0                                       | 35,596                                    | 1,218  | 36,814                          | 0                            | 36,814           |
| Interest payments   | 0                           | 0                                       | 0   | 0  | 0                               | 17,632                       | 17,632           |
| Gain on disposal of non-current assets  | 0                           | 0                                       | 0   | 0  | 0                               | (1,133)                      | (1,133)          |
| <b>Total Operating Expenses</b>   | <b>379,615</b>              | <b>3,449</b>                            | <b>29,666</b>                             | <b>27,415</b>  | <b>440,145</b>                  | <b>31,420</b>                | <b>471,565</b>   |
| <b>(Surplus) / Deficit on the provision of services (Group Comprehensive I&amp;E)</b> | <b>280,737</b>              | <b>1,327</b>                            | <b>27,830</b>                             | <b>2,164</b>   | <b>312,058</b>                  | <b>(306,188)</b>             | <b>5,870</b>     |

## 16. Agency Services

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

|   | 2015/16<br>Income | 2015/16<br>Expenditure | 2014/15<br>Income | 2014/15<br>Expenditure |
|---|-------------------|------------------------|-------------------|------------------------|
|   | £'000             | £'000                  | £'000             | £'000                  |
| <u>Education Services</u>   |                   |                        |                   |                        |
| Provision of Pupil Support  |                   |                        |                   |                        |
| Assistants to other local authorities                                 | 156               | 156                    | 147               | 147                    |
| <u>Roads and Transport Services</u>                                   |                   |                        |                   |                        |
| Receipts from other local authorities for cross boundary bus services | 30                | 30                     | 29                | 29                     |
| <u>Central Services</u>   |                   |                        |                   |                        |
| Income from Scottish Water  | 444               | 444                    | 444               | 444                    |
| <b>Totals</b>   | <b>630</b>        | <b>630</b>             | <b>620</b>        | <b>620</b>             |

## 17. External Audit Costs

In 2015/16 Perth and Kinross Council incurred the following fees relating to external audit services provided in accordance with the Code of Audit Practice:

|                                | 2015/16<br>£'000 | 2014/15<br>£'000 |
|--------------------------------|------------------|------------------|
| Fees payable to Audit Scotland | 281              | 281              |

This includes £1,500 in respect of the audit of charitable trusts where the Council is the sole trustee (2014/15 £1,500).

## 18. Termination Benefits

The Council terminated the contracts of a number of employees in 2015/16, incurring liabilities of £3,449,000 (£168,000 in 2014/15). These were in relation to 150 officers (24 in 2014/15) from all Services across the Council throughout 2015/16 and will deliver recurring savings of approximately £3.3million in a full year.

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

In 2015/16, the Council paid £8,502,817 to the Teachers' Pensions scheme in respect of teachers' retirement benefits, representing 17.2% of pensionable pay. The figures for 2014/15 were £7,763,452 and 14.9%. 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 £253,846 (2014/15 £253,846).

### **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 defined benefit final salary 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 pensions accrual rate guarantees a pension based on 1/60th of final pensionable salary 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. The scheme's normal retirement age is 65. 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.
- 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 schedule 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 pensions payments as they eventually fall due.

### Career Average Revalued Earnings Scheme (CARE)

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

### Transactions Relating to Post-Employment Benefits

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

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

#### Local Government Pension Scheme

|  | 2015/16<br>£'000 | 2014/15<br>£'000 |
|--|------------------|------------------|
| Comprehensive Income and Expenditure Statement   |                  |                  |
| Cost of Services   |                  |                  |
| - Service Cost   | 27,105           | 26,378           |
| Financing and Investment Income and Expenditure  |                  |                  |
| - Net Interest on the Defined Liability  | 5,611            | 11,613           |
| Administration Expenses  | 66               | 196              |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services   | <u>32,782</u>    | <u>38,187</u>    |
| Remeasurement of the net defined benefit liability comprising:   |                  |                  |
| Expected return on pension fund assets in excess of interest   | 25,157           | (51,547)         |
| Other Actuarial (Gains)/Losses on Assets   | 0                | 14,309           |
| Changes in demographic assumptions   | 0                | (29,962)         |
| Changes in financial assumptions   | (56,870)         | 76,199           |
| Experience Gain on defined benefit obligation  | (925)            | (117,949)        |
| Total Post Employment Benefit (Credited)/Charged to the Comprehensive Income & Expenditure Statement   | <u>(32,638)</u>  | <u>(108,950)</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>(32,782)</u>  | <u>(38,187)</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>16,377</u>    | <u>17,181</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<br>2016<br>£'000 | 31 March<br>2015<br>£'000 |
|---|---------------------------|---------------------------|
| Present Value of the Defined Benefit Obligation | 724,812                   | 743,568                   |
| Present Value of Unfunded Obligation            | 25,687                    | 28,242                    |
| Closing Defined Benefit Obligation              | 750,499                   | 771,810                   |
| Fair Value of Pension Fund Assets (Bid Value)   | (588,678)                 | (593,756)                 |
| <b>Net Liability in Balance Sheet</b>           | <b>161,821</b>            | <b>178,054</b>            |

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<br>2016<br>£'000 | 31 March<br>2015<br>£'000 |
|---|---------------------------|---------------------------|
| Opening Defined Benefit Obligation            | 771,810                   | 797,579                   |
| Current Service Cost                          | 25,232                    | 24,756                    |
| Interest Cost                                 | 25,214                    | 35,561                    |
| Change in Financial Assumptions               | (56,870)                  | 76,199                    |
| Change in Demographic Assumptions             | 0                         | (29,962)                  |
| Experience Gain on Defined Benefit Obligation | (925)                     | (117,949)                 |
| Estimated Benefits Paid Net of Transfers In   | (19,248)                  | (19,215)                  |
| Past Service Costs (including Curtailments)   | 1,873                     | 1,622                     |
| Contributions by Scheme Participants          | 5,290                     | 5,133                     |
| Unfunded Pension Payments                     | (1,877)                   | (1,914)                   |
| Closing Defined Benefit Obligation            | 750,499                   | 771,810                   |

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<br>2016<br>£'000 | 31 March<br>2015<br>£'000 |
|---|---------------------------|---------------------------|
| Opening Fair Value of Scheme Assets                       | 593,756                   | 531,581                   |
| Interest on Assets  | 19,603                    | 23,948                    |
| Return on Assets Less Interest                            | (25,157)                  | 51,547                    |
| Other Actuarial Gains/Losses                              | 0                         | (14,309)                  |
| Administration Expenses                                   | (66)                      | (196)                     |
| Contributions by Employer Including Unfunded              | 16,377                    | 17,181                    |
| Contributions by Scheme Participants                      | 5,290                     | 5,133                     |
| Estimated Benefits Paid Plus Unfunded Net of Transfers In | (21,125)                  | (21,129)                  |
| Closing Fair Value of Scheme Assets                       | 588,678                   | 593,756                   |

Perth & Kinross Council's share of Tayside Pension Fund's assets at 31 March 2016 comprised:

|              | 31 March 2016  |             | 31 March 2015  |             |
|--------------|----------------|-------------|----------------|-------------|
|              | £'000          | %           | £'000          | %           |
| Equities     | 403,566        | 68%         | 420,464        | 70%         |
| Gilts        | 30,813         | 5%          | 32,534         | 5%          |
| Other Bonds  | 76,015         | 13%         | 75,036         | 13%         |
| Property     | 71,824         | 13%         | 59,190         | 11%         |
| Cash         | 6,460          | 1%          | 6,532          | 1%          |
| <b>Total</b> | <b>588,678</b> | <b>100%</b> | <b>593,756</b> | <b>100%</b> |

A further breakdown of the assets as at 31 March 2016 is as follows:

|                                    | 31 March 2016 | 31 March 2015 |
|------------------------------------|---------------|---------------|
| Equities                           |               |               |
| Consumer                           | 10%           | 11%           |
| Financials                         | 11%           | 12%           |
| Industrials                        | 7%            | 7%            |
| Energy and Utilities               | 3%            | 3%            |
| Materials                          | 2%            | 2%            |
| Healthcare                         | 4%            | 4%            |
| Information Technology             | 5%            | 5%            |
| Telecommunications                 | 2%            | 1%            |
| Pooled Investments                 | 24%           | 25%           |
|                                    | 68%           | 70%           |
| Gilts                              |               |               |
| Government Bonds                   | 5%            | 5%            |
| Other Bonds                        |               |               |
| Corporate Bonds                    | 12%           | 12%           |
| Venture Capital / Partnerships     | 1%            | 1%            |
|                                    | 13%           | 13%           |
| Property                           |               |               |
| Retail                             | 2%            | 4%            |
| Commercial                         | 9%            | 5%            |
| Alternatives and Cash              | 2%            | 2%            |
|                                    | 13%           | 11%           |
| Cash                               |               |               |
| Forward Foreign Exchange Contracts | 1%            | 1%            |
| Total                              | 100%          | 100%          |

### 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 2016.

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

|  | 2015/16 | 2014/15 |
|--|---------|---------|
| Mortality Assumptions:   |         |         |
| Longevity at 65 for Current Pensioners:                              |         |         |
| - Men  | 21.3    | 21.2    |
| - Women  | 23.3    | 23.2    |
| Longevity at 65 for Future Pensioners:                               |         |         |
| - Men  | 23.5    | 23.4    |
| - Women  | 25.6    | 25.5    |
| Rate of Inflation CPI  | 2.4%    | 2.4%    |
| Rate of Inflation RPI  | 3.3%    | 3.2%    |
| Rate of Increase in Salaries   | 4.2%    | 4.2%    |
| Rate of Increase in Pensions   | 2.4%    | 2.4%    |
| Rate for Discounting Scheme Liabilities                              | 3.7%    | 3.3%    |
| Take-up of Option to Convert Annual Pension into Retirement Lump Sum | 10.0%   | 50.0%   |

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £161,821,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2017 is £14,539,000.

## Sensitivity Analysis

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

|  |              |              |              |
|--|--------------|--------------|--------------|
| Adjustment to discount rate                              | +0.1%        | 0.0%         | -0.1%        |
| - Present value of total obligation as at 1 April 2016   | £736,659,000 | £750,499,000 | £764,611,000 |
| - Projected Service cost (2016/17)                       | £22,088,000  | £22,600,000  | £23,124,000  |
| Adjustment to long term salary increase                  | +0.1%        | 0.0%         | -0.1%        |
| - Present value of total obligation as at 1 April 2016   | £752,831,000 | £750,499,000 | £748,182,000 |
| - Projected Service cost (2016/17)                       | £22,611,000  | £22,600,000  | £22,589,000  |
| Adjustment to pension increases and deferred revaluation | +0.1%        | 0.0%         | -0.1%        |
| - Present value of total obligation as at 1 April 2016   | £762,446,000 | £750,499,000 | £728,643,000 |
| - Projected Service cost (2016/17)                       | £23,177,000  | £22,600,000  | £22,038,000  |
| Adjustment to mortality age rating assumption            | + 1 year     | None         | -1 year      |
| - Present value of total obligation as at 1 April 2016   | £773,032,000 | £750,499,000 | £728,643,000 |
| - Projected Service cost (2016/17)                       | £23,177,000  | £22,600,000  | £23,542,000  |

## 20 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 15 on amounts reported to decision makers.

### 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 £136,000.

### Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown in the Remuneration Report. During 2015/16, three councillors had an interest in businesses from which the Council commissioned works and services to the value of £22,753; £21,713 and £910 respectively. Contracts were entered into in full compliance with the Council's standing orders and the Councillors' Code of Conduct.

### Live Active Leisure Ltd

This organisation provides leisure services within the area served by the Council. A grant was provided in 2015/16 amounting to £3,844,000 (2014/15 £3,997,000). It is a sole member Company with the Council as that member.

### Horsecross Arts Ltd

This organisation operates Perth Concert Hall and Perth Theatre. A grant was provided in 2015/16 amounting to £1,187,000 (2014/15 £1,187,000). It is a sole member Company with the Council as that member.

### Tayside Contracts Joint Committee

This organisation provides roads maintenance; catering and cleaning services to the Council. Payments to Tayside Contracts in 2015/16 amounted to £22,491,000 (2014/15 £21,288,000). The Joint Committee is administered and controlled by Dundee City, Angus and Perth and Kinross Councils.

## 21 Leases

### Council as Lessee

The Council has 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 is written down over the shorter of the lease term or the useful life of the property.

The Council also 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 2016/17 and 2017/18.

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

|   | 2015/16<br>£'000 | 2014/15<br>£'000 |
|---|------------------|------------------|
| Not later than one year                           | 490              | 797              |
| Later than one year and not later than five years | 916              | 1,235            |
| Later than five years                             | 604              | 733              |
|   | <u>2,010</u>     | <u>2,765</u>     |

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

|                              | 2015/16<br>£'000 | 2014/15<br>£'000 |
|------------------------------|------------------|------------------|
| Minimum lease payments       | 792              | 792              |
| Sublease payments receivable | (11)             | (15)             |
|                              | <u>781</u>       | <u>777</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 future minimum lease payments receivable under non-cancellable leases in future years are:

|   | 2015/16<br>£'000 | 2014/15<br>£'000 |
|---|------------------|------------------|
| Not later than one year                           | 1,155            | 1,302            |
| Later than one year and not later than five years | 3,700            | 3,968            |
| Later than five years                             | 47,869           | 50,144           |
|   | <u>52,724</u>    | <u>55,414</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 2014/15 and 2015/16.

## 22 Property, Plant and Equipment

Movements on Fixed Assets 2015/16 in respect of Property, Plant & Equipment are shown below:

### Movements in 2015/16

|  | Council<br>Dwellings<br>£'000 | Other<br>Land &<br>Buildings<br>£'000 | Vehicles<br>Plant &<br>Equipment<br>£'000 | Infrastructure<br>Assets<br>£'000 | Community<br>Assets<br>£'000 | Sub<br>Total<br>c/fwd<br>£'000 |
|--|-------------------------------|---------------------------------------|---|-----------------------------------|------------------------------|--------------------------------|
| <u>Gross Book Value</u>  |                               |                                       |   |                                   |                              |                                |
| As at 1 April 2015   | 278,565                       | 451,831                               | 37,542                                    | 211,308                           | 15,473                       | 994,719                        |
| Additions  | 14,672                        | 10,936                                | 6,065                                     | 15,533                            | 1,201                        | 48,407                         |
| Revaluation increases recognised in the<br>Revaluation Reserve                                     | 0                             | 10,951                                | 0   | 0                                 | 0                            | 10,951                         |
| Revaluation decreases recognised in the<br>Revaluation Reserve                                     | 0                             | (316)                                 | 0   | 0                                 | 0                            | (316)                          |
| Revaluation increases recognised in the<br>Surplus/Deficit on the Provision of Services            | 0                             | 2,216                                 | 0   | 0                                 | 0                            | 2,216                          |
| Revaluation decreases recognised in the<br>Surplus/Deficit on the Provision of Services            | 0                             | (10,202)                              | 0   | 0                                 | 0                            | (10,202)                       |
| Impairment losses/(reversals) recognised in the<br>Surplus/Deficit on the Provision of Services    | 0                             | 0                                     | 0   | 0                                 | 0                            | 0                              |
| Derecognition - disposals  | (3,824)                       | (3,599)                               | (3,320)                                   | 0                                 | 0                            | (10,743)                       |
| Asset reclassifications  | 6,499                         | 14,837                                | 0   | 0                                 | 0                            | 21,336                         |
| As at 31 March 2016  | 295,912                       | 476,654                               | 40,287                                    | 226,841                           | 16,674                       | 1,056,368                      |
| <u>Depreciation</u>  |                               |                                       |   |                                   |                              |                                |
| As at 1 April 2015   | (15,002)                      | (42,862)                              | (22,800)                                  | (82,480)                          | (6,111)                      | (169,255)                      |
| Depreciation charge for 2015/16  | (13,002)                      | (13,162)                              | (5,253)                                   | (8,276)                           | (991)                        | (40,684)                       |
| Depreciation written out to the Revaluation<br>Reserve - revaluation gain                          | 0                             | 6,549                                 | 0   | 0                                 | 0                            | 6,549                          |
| Depreciation written out to the Revaluation<br>Reserve - revaluation loss                          | 0                             | 37                                    | 0   | 0                                 | 0                            | 37                             |
| Depreciation written out to the Surplus/Deficit<br>on the Provision of Services - revaluation gain | 0                             | 9,593                                 | 0   | 0                                 | 0                            | 9,593                          |
| Depreciation written out to the Surplus/Deficit<br>on the Provision of Services - revaluation loss | 0                             | 2,779                                 | 0   | 0                                 | 0                            | 2,779                          |
| Derecognition - disposals  | 2,828                         | 2,076                                 | 3,227                                     | 0                                 | 0                            | 8,131                          |
| Asset reclassifications  | 0                             | 1,850                                 | 0   | 0                                 | 0                            | 1,850                          |
| As at 31 March 2016  | (25,176)                      | (33,140)                              | (24,826)                                  | (90,756)                          | (7,102)                      | (181,000)                      |
| Net Book Value at 31 March 2016  | 270,736                       | 443,514                               | 15,461                                    | 136,085                           | 9,572                        | 875,368                        |

**Movements in 2015/16**

|  | Sub<br>total<br>b/fwd<br>£'000 | Surplus<br>Assets<br>£'000 | Assets<br>Under<br>Construction<br>£'000 | Total<br>PPE<br>£'000 | PFI Assets<br>Included<br>in PPE<br>£'000 |
|--|--------------------------------|----------------------------|--|-----------------------|---|
| <b>Gross Book Value</b>  |                                |                            |  |                       |   |
| As at 1 April 2015   | 994,719                        | 726                        | 28,315                                   | 1,023,760             | 133,078                                   |
| Additions  | 48,407                         | 221                        | 16,984                                   | 65,612                | 46  |
| Revaluation increases recognised in the<br>Revaluation Reserve                                     | 10,951                         | 18                         | 0  | 10,969                | 3,002                                     |
| Revaluation decreases recognised in the<br>Revaluation Reserve                                     | (316)                          | 0                          | (74)                                     | (390)                 | 0   |
| Revaluation increases recognised in the<br>Surplus/Deficit on the Provision of Services            | 2,216                          | 0                          | 0  | 2,216                 | 757                                       |
| Revaluation decreases recognised in the<br>Surplus/Deficit on the Provision of Services            | (10,202)                       | (2,791)                    | (428)                                    | (13,421)              | (2,131)                                   |
| Impairment losses/(reversals) recognised in the<br>Surplus/Deficit on the Provision of Services    | 0                              | 0                          | 0  | 0                     | 0   |
| Derecognition - disposals  | (10,743)                       | (580)                      | 0  | (11,323)              | 0   |
| Asset reclassifications  | 21,336                         | 2,424                      | (24,602)                                 | (842)                 | 0   |
| As at 31 March 2016  | 1,056,368                      | 18                         | 20,195                                   | 1,076,581             | 134,752                                   |
| <b>Depreciation</b>  |                                |                            |  |                       |   |
| As at 1 April 2015   | (169,255)                      | (35)                       | 0  | (169,290)             | (16,600)                                  |
| Depreciation charge for 2015/16  | (40,684)                       | 0                          | 0  | (40,684)              | (4,477)                                   |
| Depreciation written out to the Revaluation<br>Reserve - revaluation gain                          | 6,549                          | 0                          | 0  | 6,549                 | 5,690                                     |
| Depreciation written out to the Revaluation<br>Reserve - revaluation loss                          | 37                             | 0                          | 1  | 38                    | 0   |
| Depreciation written out to the Surplus/Deficit<br>on the Provision of Services - revaluation gain | 9,593                          | 0                          | 0  | 9,593                 | 8,976                                     |
| Depreciation written out to the Surplus/Deficit<br>on the Provision of Services - revaluation loss | 2,779                          | 1,875                      | 10                                       | 4,664                 | 1,538                                     |
| Derecognition - disposals  | 8,131                          | 0                          | 0  | 8,131                 | 0   |
| Asset reclassifications  | 1,850                          | (1,840)                    | (11)                                     | (1)                   | 0   |
| As at 31 March 2016  | (181,000)                      | 0                          | 0  | (181,000)             | (4,873)                                   |
| Net Book Value at 31 March 2016  | 875,368                        | 18                         | 20,195                                   | 895,581               | 129,879                                   |

# **Comparative Movements in 2014/15**

|  | Council<br>Dwellings<br>£'000 | Other<br>Land &<br>Buildings<br>£'000 | Vehicles<br>Plant &<br>Equipment<br>£'000 | Infrastructure<br>Assets<br>£'000 | Community<br>Assets<br>£'000 | Sub<br>Total<br>c/fwd<br>£'000 |
|--|-------------------------------|---------------------------------------|---|-----------------------------------|------------------------------|--------------------------------|
| <u>Gross Book Value</u>  |                               |                                       |   |                                   |                              |                                |
| As at 1 April 2014   | 88,303                        | 435,014                               | 36,581                                    | 194,882                           | 14,286                       | 769,066                        |
| Additions  | 13,544                        | 11,534                                | 6,881                                     | 16,426                            | 1,187                        | 49,572                         |
| Revaluation increases recognised in the<br>Revaluation Reserve                                     | 166,657                       | 457                                   | 0   | 0                                 | 0                            | 167,114                        |
| Revaluation decreases recognised in the<br>Revaluation Reserve                                     | 0                             | (146)                                 | 0   | 0                                 | 0                            | (146)                          |
| Revaluation increases recognised in the<br>Surplus/Deficit on the Provision of Services            | 7,907                         | 195                                   | 0   | 0                                 | 0                            | 8,102                          |
| Revaluation decreases recognised in the<br>Surplus/Deficit on the Provision of Services            | 0                             | (3,230)                               | 0   | 0                                 | 0                            | (3,230)                        |
| Derecognition - disposals  | (2,000)                       | (40)                                  | (5,920)                                   | 0                                 | 0                            | (7,960)                        |
| Asset reclassifications  | 4,154                         | 8,047                                 | 0   | 0                                 | 0                            | 12,201                         |
| As at 31 March 2015  | 278,565                       | 451,831                               | 37,542                                    | 211,308                           | 15,473                       | 994,719                        |
| <u>Depreciation</u>  |                               |                                       |   |                                   |                              |                                |
| As at 1 April 2014   | (19,524)                      | (30,920)                              | (23,818)                                  | (74,676)                          | (5,186)                      | (154,124)                      |
| Depreciation charge for 2014/15  | (15,522)                      | (12,503)                              | (4,799)                                   | (7,804)                           | (925)                        | (41,553)                       |
| Depreciation written out to the Revaluation<br>Reserve - revaluation gain                          | 18,645                        | 127                                   | 0   | 0                                 | 0                            | 18,772                         |
| Depreciation written out to the Revaluation<br>Reserve - revaluation loss                          | 0                             | 8                                     | 0   | 0                                 | 0                            | 8                              |
| Depreciation written out to the Surplus/Deficit<br>on the Provision of Services - revaluation gain | 879                           | 216                                   | 0   | 0                                 | 0                            | 1,095                          |
| Depreciation written out to the Surplus/Deficit<br>on the Provision of Services - revaluation loss | 0                             | 81                                    | 0   | 0                                 | 0                            | 81                             |
| Derecognition - disposals  | 520                           | 2                                     | 5,817                                     | 0                                 | 0                            | 6,339                          |
| Asset reclassifications  | 0                             | 127                                   | 0   | 0                                 | 0                            | 127                            |
| As at 31 March 2015  | (15,002)                      | (42,862)                              | (22,800)                                  | (82,480)                          | (6,111)                      | (169,255)                      |
| Net Book Value at 31 March 2015  | 263,563                       | 408,969                               | 14,742                                    | 128,828                           | 9,362                        | 825,464                        |

## Movements in 2014/15

|   | Sub<br>total<br>b/fwd<br>£'000 | Surplus<br>Assets<br>£'000 | Assets<br>Under<br>Construction<br>£'000 | Total<br>PPE<br>£'000 | PFI Assets<br>Included<br>in PPE<br>£'000 |
|---|--------------------------------|----------------------------|--|-----------------------|---|
| <b>Gross Book Value</b>   |                                |                            |  |                       |   |
| As at 1 April 2014  | 769,066                        | 803                        | 21,007                                   | 790,876               | 132,735                                   |
| Additions   | 49,572                         | 8                          | 21,827                                   | 71,407                | 343                                       |
| Revaluation increases recognised in the Revaluation Reserve                                     | 167,114                        | 0                          | 0  | 167,114               | 0   |
| Revaluation decreases recognised in the Revaluation Reserve                                     | (146)                          | 0                          | (53)                                     | (199)                 | 0   |
| Revaluation increases recognised in the Surplus/Deficit on the Provision of Services            | 8,102                          | 0                          | 0  | 8,102                 | 0   |
| Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services            | (3,230)                        | (60)                       | (119)                                    | (3,409)               | 0   |
| Derecognition - disposals   | (7,960)                        | 0                          | 0  | (7,960)               | 0   |
| Asset reclassifications   | 12,201                         | (25)                       | (14,347)                                 | (2,171)               | 0   |
| As at 31 March 2015   | 994,719                        | 726                        | 28,315                                   | 1,023,760             | 133,078                                   |
| <b>Depreciation</b>   |                                |                            |  |                       |   |
| As at 1 April 2014  | (154,124)                      | (32)                       | 0  | (154,156)             | (13,375)                                  |
| Depreciation charge for 2014/15   | (41,553)                       | (15)                       | 0  | (41,568)              | (3,225)                                   |
| Depreciation written out to the Revaluation Reserve - revaluation gain                          | 18,772                         | 0                          | 0  | 18,772                | 0   |
| Depreciation written out to the Revaluation Reserve - revaluation loss                          | 8                              | 0                          | 3  | 11                    | 0   |
| Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain | 1,095                          | 0                          | 117                                      | 1,212                 | 0   |
| Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss | 81                             | 12                         | 7  | 100                   | 0   |
| Derecognition - disposals   | 6,339                          | 0                          | 0  | 6,339                 | 0   |
| Asset reclassifications   | 127                            | 0                          | (127)                                    | 0                     | 0   |
| As at 31 March 2015   | (169,255)                      | (35)                       | 0  | (169,290)             | (16,600)                                  |
| Net Book Value at 31 March 2015   | 825,464                        | 691                        | 28,315                                   | 854,470               | 116,478                                   |

## Capital Commitments

At 31 March 2016, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £23.534m. Similar commitments at 31 March 2015 were £9.042m. The total commitment is made up of the following:

|                                     | 2015/16<br>£'000 | 2014/15<br>£'000 |
|-------------------------------------|------------------|------------------|
| Education Projects                  | 7,729            | 7,285            |
| Upgrade of Perth Theatre            | 8,420            | 0                |
| Roads & Bridges Improvement Schemes | 877              | 1,052            |
| Flood Prevention                    | 736              | 94               |
| Environmental Improvements          | 1,392            | 134              |
| Upgrade of Office Accommodation     | 3,536            | 0                |
| Other Capital Projects              | 844              | 477              |
|                                     | <u>23,534</u>    | <u>9,042</u>     |



## Valuation of Assets

### Revaluations

The Authority 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. All valuations were carried out internally with the exception of Council Dwellings which were carried out by the District Valuer. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on market prices at date of acquisition.

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<br>Dwellings<br>£'000 | Other<br>Land and<br>Buildings<br>£'000 | Surplus<br>Assets<br>£'000 | Total<br>£'000 |
|-----------------------------|-------------------------------|---|----------------------------|----------------|
| Carried at historical cost  | 39,049                        | 25,163                                  | 0                          | 64,212         |
| Values at fair value as at: |                               |   |                            |                |
| 31 March 2016               | 0                             | 174,939                                 | 18                         | 174,957        |
| 31 March 2015               | 256,863                       | 15,420                                  | 0                          | 272,283        |
| 31 March 2014               | 0                             | 82,654                                  | 0                          | 82,654         |
| 31 March 2013               | 0                             | 43,510                                  | 0                          | 43,510         |
| 31 March 2012               | 0                             | 134,968                                 | 0                          | 134,968        |
| Total Cost or Valuation     | 295,912                       | 476,654                                 | 18                         | 772,584        |

### Changes in Estimates

In line with the incorporation of the requirements of IFRS 13 (Fair Value Measurement) into the 2015/16 CIPFA Code and associated LASAAC guidance, Surplus Assets are now valued on a fair value (best use) basis. All valuations were 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. In terms of the fair value hierarchy, all Surplus Assets are valued at Level 2.

The revaluation of Surplus Assets at 1 April 2015 resulted in a revaluation decrease of £0.898m, consisting of a decrease of £0.916m which was recognised in the Surplus/Deficit on the Provision of Services, and an increase of £0.018m which was credited to the Revaluation Reserve.

The Council made no other material changes to accounting estimates for Property, Plant and Equipment in 2015/16.

## 23 Heritage Assets

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

|                          | 2015/16<br>Art<br>Collection<br>£'000 | 2015/16<br>War<br>Memorials<br>£'000 | 2015/16<br>Total<br>£'000 | 2014/15<br>Art<br>Collection<br>£'000 | 2014/15<br>War<br>Memorials<br>£'000 | 2014/15<br>Total<br>£'000 |
|--------------------------|---------------------------------------|--------------------------------------|---------------------------|---------------------------------------|--------------------------------------|---------------------------|
| <b>Cost or Valuation</b> |                                       |                                      |                           |                                       |                                      |                           |
| Balance at 1 April       | 24,013                                | 46                                   | 24,059                    | 24,013                                | 46                                   | 24,059                    |
| Revaluations             | 2,230                                 | 0                                    | 2,230                     | 0                                     | 0                                    | 0                         |
| Balance at 31 March      | 26,243                                | 46                                   | 26,289                    | 24,013                                | 46                                   | 24,059                    |

### Art Collection

The collection of Fine Art maintained and preserved by the Council Heritage Service is varied and includes oil paintings (approx 1,225 items), watercolours (900), drawings (4,000), prints (1,500), and sculptures (150). The Fine Art collection also includes J D Fergusson and Margaret Morris archives which number approximately 30,000 items.

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

Curators within the Heritage Service of Culture Perth & Kinross are undertaking a five year rolling programme of valuation for the Fine and Applied Art collections. Items and collections having significant value will be added to the Council balance sheet as the valuation programme progresses.

There are a number of significant works included within the Art Collection. The cumulative value of the J D Fergusson oil paintings valued during 2010/11 amounts to £10.2m; the oils form a small part of the J D Fergusson and Margaret Morris collection of works and archives. The cumulative value attached to the oil paintings valued by the curators during 2011/12 is £9.3m; of note are paintings by John Everett Millais, Samuel John Peploe, and Francis Campbell Boileu which have a collective value of £6m. An additional £1.1m was added to the value of Heritage Assets in 2012/13 following the curatorial valuation of watercolours and drawings, and J D Fergusson works on paper. The 2013/14 revaluation programme included the curatorial valuation of the Margaret Morris archives, which has resulted in £3.4m being added to the value of Heritage Assets.

A further £2.2m has been added to the value of Heritage Assets during 2015/16 following the curatorial valuation of sculptures; of note are sculptures by Eric Gill and JD Fergusson with a cumulative value of £1.3m.

#### *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 four 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 four financial years.

### **Further Information on the Museum and Art Gallery Collection**

#### **Art Collection**

##### **Fine and Applied Art**

The Fine Art collection owes its existence largely to the 1926 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 Council Heritage Service Collecting Policy provides guidance on the collection, disposal or lending of heritage assets.

### **24 Investment Properties**

|  | 2015/16        | 2014/15        |
|--|----------------|----------------|
|  | £'000          | £'000          |
| Rental income from investment property                     | (1,120)        | (1,141)        |
| Direct operating expenses arising from investment property | 71             | 137            |
| Net gain   | <u>(1,049)</u> | <u>(1,004)</u> |

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

|   | 2015/16<br>£'000 | 2014/15<br>£'000 |
|---|------------------|------------------|
| Balance at start of year  | 17,699           | 16,428           |
| Additions   | 735              | 1,587            |
| Disposals:  | (190)            | (176)            |
| Net gains / (losses) from fair value adjustments                | 136              | (2,138)          |
| Reclassifications:<br>(to) / from Property, Plant and Equipment | (822)            | 1,998            |
| Balance at end of year  | <u>17,558</u>    | <u>17,699</u>    |

All of the Authority's investment properties are valued at Level 2 on the fair value hierarchy. Values as at 31 March 2015 and 31 March 2016 are as follows:

|  | Other Significant Observable<br>Inputs (Level 2) |                  |
|--|--|------------------|
|  | 2015/16<br>£'000                                 | 2014/15<br>£'000 |
| Recurring fair value measurements using: |  |                  |
| Industrial and Commercial Land           | 15,098   | 14,619           |
| Shops and Offices                        | 1,703  | 1,981            |
| Other Investment Properties              | 757  | 1,099            |
| Total Fair Value                         | <u>17,558</u>                                    | <u>17,699</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.

## 25 Intangible Assets

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

|                                      | 2015/16<br>Assets<br>£'000 | 2014/15<br>Assets<br>£'000 |
|--------------------------------------|----------------------------|----------------------------|
| Balance at start of year             |                            |                            |
| Gross carrying amount                | 184                        | 136                        |
| Accumulated amortisation             | (141)                      | (108)                      |
| Net carrying amount at start of year | 43                         | 28                         |
| Additions: Purchases                 | 29                         | 48                         |
| Disposals: Gross Carrying Amount     | (79)                       | 0                          |
| Disposals: Accumulated Amortisation  | 79                         | 0                          |
| Amortisation for the period          | (11)                       | (33)                       |
| Net carrying amount at end of year   | 61                         | 43                         |
| Comprising:                          |                            |                            |
| Gross carrying amounts               | 134                        | 184                        |
| Accumulated amortisation             | (73)                       | (141)                      |
|                                      | 61                         | 43                         |

Intangible Assets include the historic cost for internal development of software for Resourcelink, the Council's integrated Human Resources Payroll system. The Council is custodian of Resourcelink software and data and continues to maintain control over the system; future economic benefits will therefore continue to flow to the council. Amortisation of Resourcelink expenditure commenced in 2008/09 and the historic cost has now been written down in full.

Software Licenses, capitalised in 2012/13, came to the end of their license term during the current year. These had been amortised over their three year license term and were written down in full as at 31 March 2015. These have therefore been written off as disposals during the current year.

Intangible Assets also includes the cost of the software license and additional development of Concerto, the Council's Corporate Asset Management software. Costs in relation to Concerto were incurred during 2014/15, with further development carried out during the current year, and will provide future benefit to the Council; this is amortised over the seven year licence term, which commenced during 2014/15.

## 26 Assets Held for Sale

|   | Current          |                  | Non Current      |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2015/16<br>£'000 | 2014/15<br>£'000 | 2015/16<br>£'000 | 2014/15<br>£'000 |
| Balance outstanding at start of year      | 274              | 0                | 2,116            | 2,525            |
| Assets newly classified as held for sale: |                  |                  |                  |                  |
| - Property, Plant and Equipment           | 896              | 174              | 769              | 0                |
| Revaluation Losses                        | (100)            | 0                | (80)             | 0                |
| Revaluation Gains                         | 0                | 0                | 293              | 0                |
| Assets sold                               | (175)            | 0                | (910)            | (309)            |
| Transfers from non-current to current     | 0                | 100              | 0                | (100)            |
| Balance outstanding at year end           | 895              | 274              | 2,188            | 2,116            |

## 27 Long Term Debtors

|                              | 2015/16<br>£'000 | 2014/15<br>£'000 |
|------------------------------|------------------|------------------|
| Other Entities & Individuals | 366              | 300              |
| Total                        | <u>366</u>       | <u>300</u>       |

## 28 Inventories

|                                      | 2015/16<br>£'000 | 2014/15<br>£'000 |
|--------------------------------------|------------------|------------------|
| Balance outstanding at start of year | 466              | 516              |
| Purchases                            | 2,970            | 2,971            |
| Recognised as an expense in the year | (3,047)          | (3,012)          |
| Written off balances                 | (5)              | (9)              |
| Balance outstanding at end of year   | <u>384</u>       | <u>466</u>       |

## 29 Debtors

|                                | 2015/16<br>£'000<br>Gross | 2015/16<br>£'000<br>Net | 2014/15<br>£'000<br>Gross | 2014/15<br>£'000<br>Net |
|--------------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| Scottish Government            |                           | 5,648                   |                           | 5,443                   |
| Central Government             |                           | 6,701                   |                           | 5,817                   |
| Other Local Authorities        |                           | 16                      |                           | 80                      |
| NHS Bodies                     |                           | 667                     |                           | 310                     |
| Other Entities & Individuals   | 15,904                    |                         | 14,955                    |                         |
| less Impairment                | <u>(9,930)</u>            |                         | <u>(9,270)</u>            |                         |
|                                |                           | 5,974                   |                           | 5,685                   |
| Trade                          | 8,629                     |                         | 6,527                     |                         |
| less Impairment                | <u>(790)</u>              |                         | <u>(678)</u>              |                         |
|                                |                           | 7,839                   |                           | 5,849                   |
| Council Tax & Community Charge | 15,710                    |                         | 15,792                    |                         |
| less Impairment                | <u>(11,642)</u>           |                         | <u>(12,247)</u>           |                         |
|                                |                           | 4,068                   |                           | 3,545                   |
| Total                          |                           | <u>30,913</u>           |                           | <u>26,729</u>           |

### 30 Creditors

|                                       | 2015/16<br>£'000 | 2014/15<br>£'000 |
|---------------------------------------|------------------|------------------|
| Scottish Government                   | (133)            | (3)              |
| Central Government                    | (4,303)          | (4,683)          |
| Other Local Authorities               | (684)            | (601)            |
| NHS Bodies                            | (4)              | (5)              |
| Public Corporations and Trading Funds | (325)            | 0                |
| Other Entities and Individuals        | (21,328)         | (20,623)         |
| Trade Creditors                       | (28,557)         | (24,926)         |
| Total                                 | <u>(55,334)</u>  | <u>(50,841)</u>  |

### 31 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 2016.

#### VAT

Within the 2014/15 Annual Accounts the Council had a provision of £106,000 for a potential underpayment of Value Added Tax (VAT) in relation to housing repairs. Where repairs are required to properties within the Council's portfolio and there are privately owned properties within the confines of the structure any charges to the owners for the repairs were treated as exclusive of VAT. Her Majesty's Revenue and Customs (HMRC) initially stated that in the above circumstance VAT should be charged to owners. However, the Council's VAT advisors appealed this decision and HMRC agreed that if the properties were being brought up to Scottish Housing Quality Standard then VAT would not be required to be charged to owners of properties. Based on this information the provision has been reversed.

|                                       | Self Insured/<br>Uninsured<br>Losses<br>£'000 | VAT<br>£'000 | Total<br>£'000 |
|---------------------------------------|---|--------------|----------------|
| Balance as at 1 April 2015            | 1,228   | 106          | 1,334          |
| Additional provisions made in 2015/16 | 1,499   | 0            | 1,499          |
| Amounts used in 2015/16               | (228)   | 0            | (228)          |
| Unused amounts reversed in 2015/16    | 0   | (106)        | (106)          |
| Balance as at 31 March 2016           | <u>2,499</u>                                  | <u>0</u>     | <u>2,499</u>   |
| Balance Sheet Disclosure:             |   |              |                |
| Less than 12 months                   | 743   | 0            | 743            |
| Over 12 months                        | 1,756   | 0            | 1,756          |
|                                       | <u>2,499</u>                                  | <u>0</u>     | <u>2,499</u>   |

### 32 Usable Reserves

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

### 33 Unusable Reserves

|  | 2015/16<br>£'000 | 2014/15<br>£'000 |
|--|------------------|------------------|
| Revaluation Reserve                      | (258,256)        | (246,847)        |
| Capital Adjustments Account              | (272,201)        | (242,550)        |
| Financial Instruments Adjustment Account | 11,636           | 12,198           |
| Pensions Reserve                         | 161,821          | 178,054          |
| Employee Statutory Adjustment Account    | 4,648            | 5,680            |
| Total Unusable Reserves                  | <u>(352,352)</u> | <u>(293,465)</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.

|  | 2015/16<br>£'000 | 2014/15<br>£'000 |
|--|------------------|------------------|
| Balance at 1 April   | (246,847)        | (71,470)         |
| Upward revaluation of assets   | (19,748)         | (185,886)        |
| Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services | 352              | 186              |
|  | <u>(266,243)</u> | <u>(257,170)</u> |
| Difference between fair value depreciation and historical cost depreciation  | 7,141            | 9,191            |
| Accumulated gains on assets sold or scrapped   | 846              | 1,132            |
| Amount written off to the Capital Adjustment Account   | <u>7,987</u>     | <u>10,323</u>    |
| Balance at 31 March  | <u>(258,256)</u> | <u>(246,847)</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.

|   | 2015/16<br>£'000        | 2014/15<br>£'000        |
|---|-------------------------|-------------------------|
| Balance at 1 April  | (242,550)               | (224,072)               |
| 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   | 40,684                  | 41,568                  |
| Revaluation losses on Property, Plant and Equipment   | (3,164)                 | (6,005)                 |
| Amortisation of intangible assets   | 11                      | 33                      |
| Amounts of non current assets written off on disposal as part of the gain/loss  | 4,465                   | 2,106                   |
|   | <u>(200,554)</u>        | <u>(186,370)</u>        |
| Adjusting amounts written out of the Revaluation Reserve  | <u>(7,987)</u>          | <u>(10,323)</u>         |
|   | <u>(208,541)</u>        | <u>(196,693)</u>        |
| Capital financing applied in the year:  |                         |                         |
| Use of the Capital Receipts Reserve to finance new capital expenditure  | (3,237)                 | (3,047)                 |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement                             | (34,782)                | (18,753)                |
| Application of grants to capital financing from Capital Grants Unapplied Account  | (15)                    | 0                       |
| Statutory provision for the financing of capital investment charged against the General Fund and HRA balances               | (16,956)                | (15,762)                |
| Capital expenditure charged against the general fund and HRA balances   | <u>(8,534)</u>          | <u>(10,434)</u>         |
|   | <u>(272,065)</u>        | <u>(244,689)</u>        |
| Movements in the fair value of the Investment Properties  | (136)                   | 2,139                   |
| Balance at 31 March   | <u><u>(272,201)</u></u> | <u><u>(242,550)</u></u> |

#### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) is used to hold the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Council uses the Account to manage the balance of premiums and discounts which existed at 31 March 2007, which arose on the early redemption of loans. These are charged to the General Fund and Housing Revenue Account (HRA) in accordance with statutory provisions, and so spreading the burden on Council Tax and Housing Rents. These statutory arrangements allow for the annual charges to be made in accordance with the original amortisation schedules which existed at that time. Whilst these statutory provisions allow for the spreading of discounts and premiums which arose after 1 April 2007 in certain circumstances, there have been no such premiums or discounts in this period.

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

Accordingly, the balance on the FIAA as at 31 March 2016 in respect of the above provisions will be charged to the General Fund and HRA over the next 38 years. The movements on the FIAA during the year are shown below:

|  | 2015/16<br>£'000     | 2014/15<br>£'000     |
|--|----------------------|----------------------|
| Balance at 1 April   | 12,198               | 12,787               |
| Proportion of discounts incurred in previous financial years credited against the General Fund & HRA Balance in accordance with statutory requirements in the year | 4                    | 10                   |
| Proportion of premiums incurred in previous financial years charged against the General Fund & HRA Balance in accordance with statutory requirements in the year   | (551)                | (584)                |
| Difference on restatement of Stepped Interest Rate Loans   | (15)                 | (15)                 |
| Balance at 31 March  | <u><u>11,636</u></u> | <u><u>12,198</u></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.

|  | 2015/16<br>£'000 | 2014/15<br>£'000 |
|--|------------------|------------------|
| Balance at 1 April   | 178,054          | 265,998          |
| Actuarial Gains or Losses on Pensions Assets and Liabilities   | (32,638)         | (108,950)        |
| 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 | 32,782           | 38,187           |
| Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year  | (16,377)         | (17,181)         |
| Balance at 31 March  | <u>161,821</u>   | <u>178,054</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.

|   | 2015/16<br>£'000 | 2014/15<br>£'000 |
|---|------------------|------------------|
| Balance at 1 April  | 5,680            | 5,380            |
| Settlement or cancellation of accrual made at the end of the preceding year | (5,680)          | (5,380)          |
| Amounts accrued at the end of the current year                              | 4,648            | 5,680            |
| Balance at 31 March   | <u>4,648</u>     | <u>5,680</u>     |

## **34 Impairment Losses**

There was a £3.164m net loss following the revaluation of properties during the year, all of which has been assessed as a revaluation loss rather than a loss attributed to deterioration in the anticipated level of the performance of the properties.

### 35 Grants

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16.

|  | 2015/16<br>£'000 | 2014/15<br>£'000 |
|--|------------------|------------------|
| <b>Credited to Taxation and Non Specific Grant Income</b>      |                  |                  |
| Scottish Government  | 33,770           | 17,578           |
| Scottish Government Directorates (incl Historic Scotland; NHS) | 18               | 0                |
| Other Scottish Government Bodies                               | 70               | 708              |
| Developer Contributions  | 146              | 0                |
| Other Third Party Contributions                                | 778              | 467              |
|  | <u>34,782</u>    | <u>18,753</u>    |
| <b>Credited to Services</b>                                    |                  |                  |
| Scottish Government  | 5,200            | 4,098            |
| Scottish Government Directorates (incl Historic Scotland; NHS) | 492              | 375              |
| Sport Scotland   | 376              | 523              |
| Local Authority  | 33               | 40               |
| Other Scottish Government Bodies                               | 326              | 459              |
| Other Third Party Contributions                                | 906              | 867              |
|  | <u>7,333</u>     | <u>6,362</u>     |

### 36 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 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.

|  | 2015/16<br>£'000 | 2014/15<br>£'000 |
|--|------------------|------------------|
| Capital Financing Requirements b/fw d        | 408,201          | 383,170          |
| <u>Capital Expenditure</u>                   |                  |                  |
| Property, Plant and Equipment                | 66,376           | 73,042           |
| Revenue Expenditure funded from Capital      | <u>1,655</u>     | <u>1,845</u>     |
|  | 68,031           | 74,887           |
|  | <u>476,232</u>   | <u>458,057</u>   |
| <u>Sources of Finance</u>                    |                  |                  |
| Capital Receipts                             | (3,214)          | (3,062)          |
| Government Grants and Contributions          | (36,437)         | (20,598)         |
| Revenue Contributions                        | (8,534)          | (10,434)         |
| Loans Fund Principal Repayments              | <u>(16,956)</u>  | <u>(15,762)</u>  |
|  | (65,141)         | (49,856)         |
| Closing Capital Financing Requirement c/fw d | <u>411,091</u>   | <u>408,201</u>   |
| Movement                                     | 2,890            | 25,031           |
| <u>Analysed as:</u>                          |                  |                  |
| Increase in need to borrow                   | 6,613            | 28,775           |
| Net assets acquired under PPP contract       | <u>(3,723)</u>   | <u>(3,744)</u>   |
|  | <u>2,890</u>     | <u>25,031</u>    |

### 37 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 2015/16 for the office accommodation was £2,485,000 (2014/15 £2,649,000). In 2015/16 the facilities management element of the service charge was renegotiated resulting in a reduced unitary charge payment.

The unitary charge for 2015/16 for the car park was £408,000 (2014/15 £405,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2016/17 for the office accommodation will be £2,399,000 and for the car park £411,000.

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 Blairgowrie, Glenearn at Perth South, Loch Leven at Kinross, Strathearn at Crieff and the North Inch Secondary School Campus were brought into operation during 2009/10. The Council will make unitary charge payments until the contract ends in 2042, at which time the campuses will be handed back to the Council at no cost. The estimated capital value of the scheme is £127,687,000.

The unitary charge for 2015/16 for the campuses operating in the year was £15,414,000 (2014/15 £15,167,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2016/17 for all school campuses are estimated to be £15,561,000.

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

|                                 | 2015/16<br>£'000 | 2014/15<br>£'000 |
|---------------------------------|------------------|------------------|
| Net Book Value at 1 April 2015  | 116,478          | 119,360          |
| Additions                       | 46               | 343              |
| Revaluations                    | 17,832           | 0                |
| Depreciation                    | (4,477)          | (3,225)          |
| Net Book Value at 31 March 2016 | <u>129,879</u>   | <u>116,478</u>   |

Movements in Public Private Partnership Liabilities during the year were:

|                                    | 2015/16<br>£'000 | 2014/15<br>£'000 |
|------------------------------------|------------------|------------------|
| Liabilities at 1 April 2015        | 125,414          | 129,158          |
| Amounts repaid in year             | (3,723)          | (3,744)          |
| Liabilities at 31 March 2016       | <u>121,691</u>   | <u>125,414</u>   |
| Disclosed in the Balance Sheet as: |                  |                  |
| Long Term Liabilities              | 117,875          | 121,690          |
| Creditors                          | 3,816            | 3,724            |
| Liabilities at 31 March 2016       | <u>121,691</u>   | <u>125,414</u>   |

Future Public Private Partnership liabilities due to be met:

|                       | Repayment<br>of liability<br>£'000 | Interest<br>£'000 | Service<br>Charges<br>£'000 | Lifecycle<br>Maintenance<br>£'000 | Contingent<br>Rentals<br>£'000 | TOTAL<br>£'000 |
|-----------------------|------------------------------------|-------------------|-----------------------------|-----------------------------------|--------------------------------|----------------|
| Due within one year   | 3,816                              | 6,363             | 5,687                       | 1,214                             | 1,400                          | 18,480         |
| Due in 2 to 5 years   | 17,133                             | 22,840            | 24,481                      | 5,999                             | 7,837                          | 78,290         |
| Due in 6 to 10 years  | 23,535                             | 21,743            | 34,264                      | 12,671                            | 14,292                         | 106,505        |
| Due in 11 to 15 years | 16,872                             | 15,509            | 36,391                      | 17,894                            | 18,777                         | 105,443        |
| Due in 16 to 20 years | 24,589                             | 11,035            | 41,524                      | 14,112                            | 28,041                         | 119,301        |
| Due in 21 to 25 years | 31,313                             | 4,796             | 47,390                      | 14,769                            | 36,710                         | 134,978        |
| Due in 26 to 30 years | 4,433                              | 102               | 5,388                       | 0                                 | 5,325                          | 15,248         |
| Total                 | <u>121,691</u>                     | <u>82,388</u>     | <u>195,125</u>              | <u>66,659</u>                     | <u>112,382</u>                 | <u>578,245</u> |

These figures are based on the actual cash amount estimated to be payable and not on prices at 31 March 2016.

### 38 Authorisation of Annual Accounts

The Unaudited Annual Accounts were authorised for issue by the Head of Finance on 29 June 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### 39 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, 15% of all claims paid out since 1993 on policies taken out by TRC (less an overall total reduction of £50,000). Perth and Kinross Council is one of the successor bodies of TRC. It is not currently clear whether the remaining assets of the TRC Insurance Fund will be sufficient to meet any liability.

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. Property titles are being reviewed when land and/or buildings are declared surplus to operational needs and, until all property titles for all former burghs are reviewed, there remains the possibility that some assets may require to be transferred between the Council and Common Good balance sheets.

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

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

#### 40 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<br>2016<br>£'000 | 31 March<br>2015<br>£'000 | 31 March<br>2016<br>£'000 | 31 March<br>2015<br>£'000 | 31 March<br>2016<br>£'000 | 31 March<br>2015<br>£'000 |
| <b>Borrowings</b>                       |                           |                           |                           |                           |                           |                           |
| Financial liabilities at amortised cost | 238,183                   | 224,598                   | 13,492                    | 25,065                    | 251,675                   | 249,663                   |
| Total borrowings                        | 238,183                   | 224,598                   | 13,492                    | 25,065                    | 251,675                   | 249,663                   |
| <b>Investments</b>                      |                           |                           |                           |                           |                           |                           |
| Loans and receivables                   | 370                       | 254                       | 52,839                    | 49,093                    | 53,209                    | 49,347                    |
| Total investments                       | 370                       | 254                       | 52,839                    | 49,093                    | 53,209                    | 49,347                    |

Lender Option Borrower Option (LOBO) borrowings of £44.85m have been included in long term borrowing as at 31 March 2016 but have a call date in the next 12 months.

The above long term figures are based on the 2015 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:

| 2015/16  | Financial<br>Liabilities                        | Financial<br>Assets      |                  |                  |
|--|---|--------------------------|------------------|------------------|
|  | Liabilities<br>measured at<br>amortised<br>cost | Loans and<br>receivables | Total<br>2015/16 | Total<br>2014/15 |
|  | £'000   | £'000                    | £'000            | £'000            |
| Interest expense                                     | 10,289  | 0                        | 10,289           | 9,719            |
| Losses on derecognition                              | 0   | 0                        | 0                | 25               |
| Interest payable and similar charges                 | 10,289  | 0                        | 10,289           | 9,744            |
| Interest income                                      | 0   | (489)                    | (489)            | (382)            |
| Interest and investment income                       | 0   | (489)                    | (489)            | (382)            |
| Gains on revaluation                                 | (46)  | 0                        | (46)             | 0                |
| Losses on revaluation                                | 7   | 0                        | 7                | 12               |
| Losses arising on revaluation of financial<br>assets | (39)  | 0                        | (39)             | 12               |
| Net loss/(gain) for the year                         | 10,250  | (489)                    | 9,761            | 9,374            |

## 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 2016 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 2016, 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 124/16.
- For other market debt and investments the discount rates used are the rates available for an instrument with the same terms from a comparable lender.
- Interpolation techniques have been used between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- Fair values have been calculated for all instruments in the portfolio, but only those which are materially different from the carrying value have been disclosed.

The fair values are calculated as follows:

|                                      | 31 March 2016   |            | 31 March 2015   |            |
|--------------------------------------|-----------------|------------|-----------------|------------|
|                                      | Carrying amount | Fair value | Carrying amount | Fair value |
|                                      | £'000           | £'000      | £'000           | £'000      |
| Public Works Loans Board (PWLB)      | 196,645         | 239,475    | 196,430         | 235,881    |
| Lender Option Borrower Option (LOBO) | 44,850          | 58,240     | 44,863          | 57,220     |
| Local Authority Bonds                | 5,001           | 5,011      | 5,001           | 5,020      |
| Short term borrowing                 | 2,808           | 3,433      | 1,346           | 2,183      |
| Other (Special Loans)                | 1,828           | 1,829      | 1,734           | 1,737      |
| Other Market Loans                   | 543             | 541        | 289             | 280        |
| Financial Liabilities                | 251,675         | 308,529    | 249,663         | 302,321    |

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. The difference between the carrying amount and the fair value therefore represents the premium the Council would need to pay to the lender in the event these loans were to be repaid at that date. For comparison, if the Council were to have repaid all the loans to the PWLB on the balance sheet date, a total of £281.6M would have been payable after applying the PWLB's premature redemption rates applicable on that date. This is higher than the Fair Value shown in the table above, as the PWLB premature redemption rates include an additional profit margin over their comparative new borrowing rates.

## Fair Value of Assets Carried at Amortised Cost

|  | 31 March 2016   |            | 31 March 2015   |            |
|--|-----------------|------------|-----------------|------------|
|  | Carrying amount | Fair value | Carrying amount | Fair value |
|  | £'000           | £'000      | £'000           | £'000      |
| Cash (including petty cash)                | 8,036           | 8,036      | 2,683           | 2,684      |
| Deposits with Banks and Building Societies | 45,120          | 45,153     | 46,156          | 46,182     |
| Mortgages                                  | 114             | 115        | 0               | 0          |
| Loans to Others                            | 434             | 434        | 508             | 508        |
| Financial Assets                           | 53,704          | 53,738     | 49,347          | 49,374     |

The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate deposits where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date.

## Nature and Extent of Risks Arising from Financial Instruments

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

### (i) Credit Risk

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

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

|  | Amounts at 31<br>March 2016 | Historical<br>experience of<br>default | Historical<br>experience<br>adjusted for<br>market conditions<br>as at 31 March<br>2016 | Estimated maximum<br>exposure to default and<br>uncollectability |
|--|-----------------------------|--|---|--|
|  | £'000                       | %                                      | %   | £'000  |
| Deposits with banks and other financial institutions | 57,186                      | 0                                      | 0   | 0  |
| Loans to Others                                      | 548                         | 0                                      | 0   | 0  |
| Debtors  | 14,969                      | 6.8                                    | 6.8   | 1,016  |
| <b>Total</b>   | <b>72,703</b>               | <b>-</b>                               | <b>-</b>  | <b>1,016</b>   |

The Council's overall exposure to credit risk in relation to its deposits in banks and other financial institutions of £57,186k 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 2016. The repayment profile of these deposits, including loans to others, is shown below:

|                        | 31 March 2016<br>£'000 | 31 March 2015<br>£'000 |
|------------------------|------------------------|------------------------|
| Less than three months | 37,165                 | 38,110                 |
| Three to six months    | 20,021                 | 18,541                 |
| Six months to one year | -                      | -                      |
| More than one year     | -                      | -                      |
| <b>Total</b>           | <b>57,186</b>          | <b>56,651</b>          |

### Loans to Others

The Council initiates a legal charge on property where, for example, clients require assistance with payment of care fees, but cannot pay immediately until such time as their property is sold. The total amount outstanding as at 31 March 2016 in this category is £548,000 and experience of default is minimal.

### Debtors

The Council does not generally allow credit for customers, such that £12.203m of the £14.969m balance is past its due date for payment.

The past due amount can be analysed by age as follows:

|                        | 31 March 2016<br>£'000 | 31 March 2015<br>£'000 |
|------------------------|------------------------|------------------------|
| Less than three months | 9,163                  | 13,002                 |
| Three to six months    | 259                    | 195                    |
| Six months to one year | 1,234                  | 545                    |
| More than one year     | 1,547                  | 2,673                  |
| <b>Total</b>           | <b>12,203</b>          | <b>16,415</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 2016 | On 31 March 2015 |
|--------------------------|------------------|------------------|
|                          | £'000            | £'000            |
| Public Works Loans Board | 194,871          | 194,532          |
| Market debt              | 43,806           | 43,489           |
| Local Authority Bonds    | 5,000            | 5,000            |
| Temporary borrowing      | 2,807            | 1,346            |
| Local bonds              | 1,821            | 1,734            |
| Bank Overdraft           | 4,563            | 7,851            |
| <b>Total</b>             | <b>252,868</b>   | <b>253,952</b>   |
| Less than 1 year         | 15,909           | 30,643           |
| Between 1 and 2 years    | 8,218            | 6,711            |
| Between 2 and 5 years    | 30,336           | 30,644           |
| Between 5 and 10 years   | 31,122           | 33,511           |
| Between 10 and 15 years  | 6,105            | 10,172           |
| More than 15 years       | 161,178          | 142,271          |
| <b>Total</b>             | <b>252,868</b>   | <b>253,952</b>   |

In the more than 15 years category there are £44.85m 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 Account, 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 2016.
- The fair value of fixed rate financial assets 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 losses, 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 2016, 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     | 524   |
| Increase in interest receivable on variable rate investments | (716) |
| Impact on Comprehensive Income and Expenditure Statement     | (192) |
| Share of overall impact credited to the HRA                  | (42)  |

The impact of a 1% fall in interest rates would have been an estimated cost of £485,000 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 small reduction of £46,000 payable on other small loan balances. Therefore the net cost of a 1% fall in interest rates would be £439,000.

#### 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 or other tradable instruments, therefore it is not exposed to gains or losses on movements in their price.

### **41. Devolved School Management (DSM) Schools & School Boards**

The accumulated balance on the General Fund at 31 March 2016 includes net surplus funds of £1,258,000 (31 March 2015 £1,284,000) in respect of schools participating in the Devolved School Management scheme. There are a number of schools with surpluses totalling £1,266,000 and a number of schools carrying forward deficits amounting to £8,000. These surpluses and deficits are earmarked in 2015/16 for the individual schools concerned.

### **42. Operating Activities**

The cash flows for operating activities include the following items:

|                   | 2015/16<br>£'000 | 2014/15<br>£'000 |
|-------------------|------------------|------------------|
| Interest received | (526)            | (306)            |
| Interest paid     | 17,827           | 16,991           |
|                   | <u>17,301</u>    | <u>16,685</u>    |

### **43. Investing Activities**

|  | 2015/16<br>£'000 | 2014/15<br>£'000 |
|--|------------------|------------------|
| Purchase of property, plant and equipment, investment property and intangible assets               | (66,233)         | (71,424)         |
| Purchase of short-term and long-term investments   | (119,120)        | (73,656)         |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 3,193            | 3,046            |
| Proceeds of short-term and long-term investments   | 120,156          | 42,588           |
| Other receipts for investing activities  | 34,782           | 18,753           |
|  | <u>(27,222)</u>  | <u>(80,693)</u>  |

#### 44. Financing Activities

|  | 2015/16<br>£'000 | 2014/15<br>£'000 |
|--|------------------|------------------|
| Cash receipts of short and long-term borrowing   | 61,732           | 76,020           |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts | (3,723)          | (3,744)          |
| Repayments of short and long-term borrowing  | (59,844)         | (27,850)         |
| Net cash flows from financing activities   | <u>(1,835)</u>   | <u>44,426</u>    |

#### 45. Cash and Cash Equivalents

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

|                                 | 2015/16<br>£'000 | 2014/15<br>£'000 |
|---------------------------------|------------------|------------------|
| Cash held by officers           | 34               | 34               |
| Bank current accounts           | (4,064)          | (7,846)          |
| Short-term deposits with banks  | 12,066           | 10,495           |
| Total cash and cash equivalents | <u>8,036</u>     | <u>2,683</u>     |

#### 46. 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 71.

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

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

The other charitable trusts purposes include giving financial assistance to the poor in different areas of Perth & Kinross, assistance for libraries and art galleries and the maintenance of memorials.

|  | 31 March 2016<br>£'000 | 31 March 2015<br>£'000 |
|--|------------------------|------------------------|
| Educational Trust - Financial Assistance                                     |                        |                        |
| Net assets   | 847                    | 899                    |
| Net Incoming Resources before other recognised gains and losses              | 2                      | (3)                    |
| Educational Trust - Endowments   |                        |                        |
| Net assets   | 52                     | 57                     |
| Net Incoming Resources before other recognised gains and losses              | (2)                    | (3)                    |
| Other Charitable Trusts  |                        |                        |
| Net assets   | 2,181                  | 2,229                  |
| Net Incoming Resources before other recognised gains and losses              | 17                     | 137                    |
| <b>TOTAL Net Assets</b>  | <b>3,080</b>           | <b>3,185</b>           |
| <b>TOTAL Net Incoming Resources before other recognised gains and losses</b> | <b>17</b>              | <b>131</b>             |

Detailed Accounts for the Charities are available from the Head of Finance, Blackfriars, North Port, Perth, PH1 5LU.

## HOUSING REVENUE ACCOUNT

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>2014/15</u> |   |          | <u>2015/16</u> |          |
|----------------|---|----------|----------------|----------|
| £'000          |   |          | £'000          | £'000    |
|                | <b>Income</b>   |          |                |          |
| (24,068)       | Dwelling Rents  | (25,581) |                |          |
| 191            | less Voids  | 248      |                |          |
|                |   |          | (25,333)       |          |
| (719)          | Non-Dwelling Rents  | (673)    |                |          |
| 232            | less Voids  | 231      |                |          |
|                |   |          | (442)          |          |
| (1,214)        | Other Income  |          | (588)          |          |
| (25,578)       | <b>Total Income</b>   |          |                | (26,363) |
|                | <b>Expenditure</b>  |          |                |          |
| 7,651          | Repairs & Maintenance   |          | 8,011          |          |
| 7,645          | Supervision & Management  |          | 8,021          |          |
| 7,909          | Depreciation, impairment and revaluation losses on non current assets   |          | 13,129         |          |
| 321            | Movement in the Impairment of Debtors   |          | 375            |          |
| 1,247          | Other expenditure   |          | 1,437          |          |
| 24,773         | <b>Total Expenditure</b>  |          |                | 30,973   |
| (805)          |   |          |                | 4,610    |
|                | <b>Net Income for HRA Services as included in the Comprehensive Income and Expenditure Statement</b>              |          |                |          |
| 295            | HRA services' share of Corporate and Democratic Core  |          |                | 298      |
| (510)          | <b>Net Expenditure/(Income) for HRA Services</b>  |          |                | 4,908    |
|                | HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement: |          |                |          |
| (105)          | Gain on sale of HRA Non-Current Assets  |          |                | (55)     |
| 1,991          | Interest payable and similar charges  |          |                | 2,161    |
| (9)            | Interest and investment income  |          |                | (10)     |
| 744            | Net Interest on the net defined benefit liability   |          |                | 356      |
| (2,066)        | Capital Grants and Contributions Receivable   |          |                | (5,007)  |
| 45             | <b>Deficit for the year on HRA services</b>   |          |                | 2,353    |

## 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>2014/15</u><br>£'000 |  | <u>2015/16</u><br>£'000 | <u>2015/16</u><br>£'000 |
|-------------------------|--|-------------------------|-------------------------|
| (907)                   | Balance on the HRA at the end of the Previous Year                   |                         | (800)                   |
| 45                      | Deficit for the year on the HRA Income and Expenditure Account       | 2,353                   |                         |
| <u>802</u>              | Adjustments between Accounting Basis and Funding Basis Under Statute | <u>(1,675)</u>          |                         |
| <u>847</u>              | Net Decrease before Transfers to or from Reserves                    | 678                     |                         |
| (740)                   | Transfer from Reserves   | <u>(660)</u>            |                         |
| 107                     | Decrease in Year on the HRA  |                         | 18                      |
| <u>(800)</u>            | Balance on the HRA at the end of the Current Year                    |                         | <u>(782)</u>            |

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

| <u>2014/15</u><br>£'000 |  | <u>2015/16</u><br>£'000 | <u>2015/16</u><br>£'000 |
|-------------------------|--|-------------------------|-------------------------|
|                         | <b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>   |                         |                         |
| 105                     | Gain on sale of HRA Non-current assets   | 55                      |                         |
| (15,626)                | Depreciation and impairment of non current assets  | (13,128)                |                         |
| (1,068)                 | Revaluation Losses on Property, Plant and Equipment  | (294)                   |                         |
| 8,785                   | Reversal revaluation gains   | 293                     |                         |
|                         | Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement                              | 5,007                   |                         |
| 22                      | Adjustments involving Short Term Accumulated Absences Account  | 39                      |                         |
|                         | Reversal of items relating to retirement benefits credited to the Comprehensive Income and Expenditure Statement             | (2,052)                 |                         |
| <u>(2,407)</u>          |  |                         |                         |
| (8,123)                 |  |                         | (10,080)                |
|                         | <b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b> |                         |                         |
| 1,080                   | Employer's pension contributions and direct payments to pensioners payable in the year                                       | 1,045                   |                         |
| 125                     | Adjustments involving the Financial Instruments Adjustment Account   | 124                     |                         |
| 2,788                   | Statutory provision for the repayment of debt  | 3,042                   |                         |
| 4,932                   | Capital expenditure charged to the HRA balances  | 4,194                   |                         |
| <u>8,925</u>            |  |                         | 8,405                   |
| <u>802</u>              | <b>Net additional amount required by statute to be debited to the HRA Balance for the year</b>                               |                         | <u>(1,675)</u>          |

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. **Housing Stock** at 31 March 2016

|  | No. of Dwellings<br>31 March 2016 | <i>No. of Dwellings<br/>31 March 2015</i> |
|--|-----------------------------------|---|
| Sheltered accommodation                | 290                               | 291                                       |
| Detached/Semi-Detached/Terraced        | 3,602                             | 3,590                                     |
| High Rise Flats                        | 135                               | 134                                       |
| Tenement Flats/Other Flats/Maisonettes | 3,440                             | 3,400                                     |
| Total                                  | <u>7,467</u>                      | <u>7,415</u>                              |

### 2. **Rent Arrears** at 31 March 2016

|                | Gross Arrears<br>31 March 2016 |                | <i>Gross Arrears<br/>31 March 2015</i> |                |
|----------------|--------------------------------|----------------|--|----------------|
|                | £'000                          | % of<br>Income | £'000                                  | % of<br>Income |
| Houses         | 2,634                          | 10.6           | 2,252                                  | 9.4            |
| Other Subjects | <u>81</u>                      | <u>12.0</u>    | <u>96</u>                              | <u>13.4</u>    |
| Totals         | <u>2,715</u>                   | <u>10.6</u>    | <u>2,348</u>                           | <u>9.5</u>     |

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

In 2015/16 an impairment of £2,031,162 has been provided in the Balance Sheet an increase of £374,887 from the impairment in 2014/15.

## 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>2014/15</u> |   | <u>2015/16</u> |         |
|----------------|---|----------------|---------|
| £'000          |   | £'000          | £'000   |
| 84,603         | <b>Gross Charge</b>   |                | 85,394  |
| (2,750)        | Deduct - Exemptions   |                | (2,903) |
| (110)          | Disabled Relief   |                | (111)   |
| (6,871)        | Discounts and Reductions  |                | (6,738) |
| (6,535)        | Council Tax Reduction Scheme  |                | (6,287) |
| 68,337         | <b>Net Council Tax</b>  |                | 69,355  |
|                | Deduct -  |                |         |
| (6)            | Ministry Of Defence Properties  | (6)            |         |
| 6              | Contribution Received   | 6              | 0       |
| (1,191)        | Impairment of Bad and Doubtful Debts  |                | (980)   |
| 67,146         | <b>Total Council Tax Income</b>   |                | 68,375  |
| 432            | Adjustments for prior years for Council Tax and Community Charge                      |                | 1,119   |
| 67,578         | <b>Total Council Tax / Community Charge Income to Comprehensive I&amp;E Statement</b> |                | 69,494  |

## NOTES TO THE COUNCIL TAX INCOME ACCOUNT

### 1. CALCULATION OF THE COUNCIL TAX BASE

|  | A       | B       | C       | D       | E      | F     | G     | H     | 2015/16<br>TOTAL | 2014/15<br>TOTAL |
|--|---------|---------|---------|---------|--------|-------|-------|-------|------------------|------------------|
| No. of Properties                                  | 8,921   | 14,661  | 11,628  | 10,338  | 11,365 | 7,243 | 5,844 | 671   | 70,671           | 70,215           |
| Exemptions   | (762)   | (728)   | (495)   | (326)   | (249)  | (145) | (93)  | (28)  | (2,826)          | (2,526)          |
| Disabled Relief                                    | 65      | 22      | (3)     | 45      | (55)   | 11    | (76)  | (9)   | 0                | 0                |
| Discounts  | (1,397) | (1,849) | (1,254) | (1,027) | (872)  | (429) | (296) | (60)  | (7,184)          | (7,485)          |
| Effective No. of Properties                        | 6,827   | 12,106  | 9,876   | 9,030   | 10,189 | 6,680 | 5,379 | 574   | 60,661           | 60,204           |
| Ratio  | 6/9     | 7/9     | 8/9     | 9/9     | 11/9   | 13/9  | 15/9  | 18/9  |                  |                  |
| Band D Equivalents                                 | 4,547   | 9,416   | 8,779   | 9,030   | 12,453 | 9,649 | 8,965 | 1,148 | 63,987           | 63,322           |
| Contributions in lieu                              |         |         |         |         |        |       |       |       | 6                | 6                |
| TOTAL  |         |         |         |         |        |       |       |       | 63,993           | 63,328           |
| Provision for non-payment at 2.5% (2014/15 - 2.5%) |         |         |         |         |        |       |       |       | (1,600)          | (1,583)          |
| COUNCIL TAX BASE                                   |         |         |         |         |        |       |       |       | 62,393           | 61,745           |

### 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 the dwelling is occupied by only one adult. Discounts of 10% are awarded for second homes, but some second homes such as tied accommodation and purpose built holiday homes may be entitled to a discount of 50%. During 2015/16 long term empty dwellings, i.e. those empty for more than 12 months, received no discount under discretionary powers available to the Council. For future financial years a premium is to be introduced for such dwellings. A discount of 10% is retained for a maximum of 24 months where dwellings are actively being marketed for sale or let. Persons in detention, full-time students, those who are severely mentally impaired, some carers and certain others are disregarded when counting the number of adult residents for Council Tax purposes. Reductions in Council Tax may also be granted where the dwelling contains special facilities required to meet the needs of a disabled resident.

The valuation bands, the fractions used in calculating the Council Tax payable for each valuation band and the actual charges determined for 2015/16 are set out below:

| Valuation<br>Band | Property<br>Valuation<br>Range | Fraction<br>of<br>band D | 2015/16<br>Actual<br>Charge | 2014/15<br>Actual<br>Charge |
|-------------------|--------------------------------|--------------------------|-----------------------------|-----------------------------|
| A                 | £0 - £27,000                   | 6/9                      | £772.00                     | £772.00                     |
| B                 | £27,001 - £35,000              | 7/9                      | £900.67                     | £900.67                     |
| C                 | £35,001 - £45,000              | 8/9                      | £1,029.33                   | £1,029.33                   |
| <b>D</b>          | <b>£45,001 - £58,000</b>       | <b>9/9</b>               | <b>£1,158.00</b>            | <b>£1,158.00</b>            |
| E                 | £58,001 - £80,000              | 11/9                     | £1,415.33                   | £1,415.33                   |
| F                 | £80,001 - £106,000             | 13/9                     | £1,672.67                   | £1,672.67                   |
| G                 | £106,001 - £212,000            | 15/9                     | £1,930.00                   | £1,930.00                   |
| H                 | Over £212,000                  | 18/9                     | £2,316.00                   | £2,316.00                   |

## 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.

| 2014/15  |   | 2015/16  |          |
|----------|---|----------|----------|
| £'000    |   | £'000    | £'000    |
| 71,420   | <b>Gross Rate Levied</b>  |          | 68,852   |
|          | Deduct:   |          |          |
| (2,462)  | Rate Rebates  | (2,448)  |          |
| (34)     | Interest on Overpaid Rates  | (9)      |          |
| (15,141) | Reliefs, Charities etc.   | (12,675) |          |
| (342)    | Impairment for Bad and Doubtful Debts   | (285)    |          |
|          |   |          | (15,417) |
|          | Adjustments to Previous Years:  |          |          |
| (1,898)  | Gross Rate Levied   | (471)    |          |
| 780      | Transitional Surcharge/Relief   | 0        |          |
| 37       | Rate Rebates  | 48       |          |
| (59)     | Reliefs, Charities etc.   | (145)    |          |
| (589)    | Impairment for Bad and Doubtful Debts and Abatements                                    | (657)    |          |
|          |   |          | (1,225)  |
| 51,712   | <b>Net Non Domestic Rate Income</b>   |          | 52,210   |
| (51,880) | Contribution to National Non Domestic Rate Pool   | (52,389) |          |
| 55,415   | Contribution from National Non Domestic Rate Pool                                       | 59,337   |          |
| 3,535    | Net contribution from National Non Domestic Rate Pool                                   |          | 6,948    |
| 55,247   | <b>Total Non Domestic Rate Income (before Council retentions)</b>                       |          | 59,158   |
| 148      | Non-Domestic Rate Income Retained by Council (Business Rates Incentivisation Scheme)    |          | 0        |
| 55,395   | <b>Total Non Domestic Rate Income to Comprehensive Income and Expenditure Statement</b> |          | 59,158   |
| 168      | Discretionary Relief funded by the Council  |          | 179      |



## NOTES TO THE NON DOMESTIC RATE INCOME ACCOUNT

### 1. NON DOMESTIC RATES

All non domestic rate income collected by Scottish local authorities is paid into a national pool. It is redistributed to authorities in proportion to the resident population in each authority's area and therefore bears no direct relationship to the amount collected by those authorities. The rate poundage set by the Scottish Government for 2015/16 was 48.0p (2014/15 47.1p).

The Small Business Bonus Scheme, introduced from 1 April 2008, provides relief to businesses based on their combined rateable value. From 1 April 2014 the combined rateable value threshold has been set at £35,000 with relief available on all individual properties with a rateable value of £18,000 or less. Subject to eligibility, this provides relief of between 25% and 100%.

A supplement of 1.3p (2014/15 1.1p) was charged on properties with a rateable value of over £35,000 (£35,000 for 2014/15) to contribute towards the additional cost of the scheme.

### 2. RATEABLE SUBJECTS AND VALUES

| <i>No. of<br/>Subjects<br/>at 1 April 2014</i> | <i>Rateable<br/>Value<br/>£'000<br/>at 1 April 2014</i> |                                       | <i>No. of<br/>Subjects<br/>at 1 April 2015</i> | <i>Rateable<br/>Value<br/>£'000<br/>at 1 April 2015</i> |
|--|---|---------------------------------------|--|---|
| 1,673  | 38,741  | Shops                                 | 1,671  | 39,100  |
| 96   | 1,701   | Public Houses                         | 92   | 1,670   |
| 950  | 15,578  | Offices (including banks)             | 970  | 15,568  |
| 225  | 10,057  | Hotels etc.                           | 223  | 9,992   |
| 1,532  | 21,098  | Industrial Subjects etc.              | 1,531  | 21,153  |
| 1,465  | 9,111   | Leisure, Entertainment, Caravans etc. | 1,531  | 9,398   |
| 161  | 3,337   | Garages and Petrol Stations           | 158  | 3,404   |
| 59   | 1,100   | Cultural                              | 60   | 1,132   |
| 428  | 1,332   | Sporting Subjects                     | 426  | 1,327   |
| 124  | 13,525  | Education and Training                | 121  | 13,574  |
| 393  | 6,851   | Public Service Subjects               | 387  | 6,907   |
| 2  | 0   | Communications                        | 1  | 0   |
| 28   | 709   | Quarries, Mines etc.                  | 28   | 709   |
| 3  | 4,119   | Petrochemical                         | 2  | 4,065   |
| 246  | 1,742   | Religious                             | 246  | 1,750   |
| 117  | 6,555   | Health, Medical                       | 117  | 6,477   |
| 722  | 1,528   | Other                                 | 717  | 1,534   |
| 71   | 2,999   | Care Facilities                       | 70   | 3,024   |
| 19   | 81  | Advertising                           | 20   | 83  |
| 40   | 7,327   | Undertaking                           | 59   | 7,826   |
| <u>8,354</u>                                   | <u>147,491</u>  | Total                                 | <u>8,430</u>                                   | <u>148,693</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 2016.

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2016

|  | 2015/16<br>£'000 | 2015/16<br>£'000 | 2014/15<br>£'000 |
|--|------------------|------------------|------------------|
| <b>INCOMING RESOURCES</b>  |                  |                  |                  |
| Incoming resources from generated funds:                                 |                  |                  |                  |
| Investment Income  | 116              |                  | 121              |
| Other incoming resources   | 5                |                  | 141              |
| <b>Total Incoming Resources</b>  |                  | 121              | 262              |
| <b>RESOURCES EXPENDED</b>  |                  |                  |                  |
| Costs of generating funds:   |                  |                  |                  |
| Costs of generating voluntary income                                     | 0                |                  | 3                |
| Investment management costs  | 16               |                  | 12               |
| Charitable activities  | 64               |                  | 61               |
| Governance costs   | 8                |                  | 7                |
| Other Resources Expended   | 16               |                  | 48               |
| <b>Total Resources Expended</b>  |                  | 104              | 131              |
| <b>Net Incoming Resources Before Other Recognised Gains &amp; Losses</b> |                  | 17               | 131              |
| <b>OTHER RECOGNISED GAINS</b>  |                  |                  |                  |
| (Losses)/Gain on Investment assets                                       |                  | (122)            | 206              |
| <b>Net Movement in Funds for the Year</b>                                |                  | (105)            | 337              |
| <b>RECONCILIATION OF FUNDS</b>   |                  |                  |                  |
| Total Funds Brought Forward at 1 April 2015                              |                  | 3,185            | 2,848            |
| <b>TOTAL FUNDS CARRIED FORWARD AT 31 MARCH 2016</b>                      |                  | <u>3,080</u>     | <u>3,185</u>     |

### BALANCE SHEET AS AT 31 MARCH 2016

|   | 31 March 2016<br>£'000 | 31 March 2016<br>£'000 | 31 March 2015<br>£'000 |
|---|------------------------|------------------------|------------------------|
| <b>FIXED ASSETS</b>   |                        |                        |                        |
| Tangible Assets   |                        | 65                     | 50                     |
| Investments   |                        | 2,915                  | 2,609                  |
| <b>CURRENT ASSETS</b>   |                        |                        |                        |
| Debtors   | 7                      |                        | 24                     |
| Investments - Amounts due by Perth & Kinross Council Loans Fund | 106                    |                        | 509                    |
| <b>LIABILITIES</b>  |                        |                        |                        |
| Creditors: amounts falling due within one year                  | (13)                   |                        | (7)                    |
| <b>NET CURRENT ASSETS</b>                                       |                        | 100                    | 526                    |
| <b>NET ASSETS</b>   |                        | <u>3,080</u>           | <u>3,185</u>           |
| <b>TOTAL FUNDS</b>  |                        | <u>3,080</u>           | <u>3,185</u>           |

#### Notes to Charitable Trusts

- The market value of Investments at 31 March 2016 was £2,915,000 (31 March 2015 £2,609,000).
- The unaudited accounts were issued on 29 June 2016.

J A Symon ACA  
Head of Finance  
29 June 2016

## COMMON GOOD

The Council administers the Common Good Accounts for ten former burghs within Perth & Kinross. The figures below summarise the aggregate income and expenditure for the year and detail the Assets and Liabilities at 31 March 2016.

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2016

|   | 2015/16<br>£'000  | 2015/16<br>£'000        | 2014/15<br>£'000        |
|---|-------------------|-------------------------|-------------------------|
| <b>EXPENDITURE</b>                      |                   |                         |                         |
| Grants to Voluntary Organisations       | 179               |                         | 163                     |
| Christmas Lighting                      | 83                |                         | 86                      |
| Property Costs                          | 79                |                         | 54                      |
| Supplies & Services                     | 7                 |                         | 7                       |
|   | <u>          </u> | 348                     | <u>          </u> 310   |
| <b>INCOME</b>                           |                   |                         |                         |
| Rents, Fees, Charges etc.               | 257               |                         | 277                     |
| Interest on Loans                       | 16                |                         | 11                      |
| Gain on Disposal of Assets              | 0                 |                         | 70                      |
| Other                                   | 2                 |                         | 3                       |
|   | <u>          </u> | 275                     | <u>          </u> 361   |
| <b>(DEFICIT) / SURPLUS FOR THE YEAR</b> |                   | (73)                    | 51                      |
| Balance Brought Forward                 |                   | 2,067                   | 2,016                   |
| Balance Carried Forward                 |                   | <u>          </u> 1,994 | <u>          </u> 2,067 |

### BALANCE SHEET AS AT 31 MARCH 2016

|  | 31 March 2016<br>£'000  | 31 March 2016<br>£'000  | 31 March 2015<br>£'000  |
|--|-------------------------|-------------------------|-------------------------|
| <b>FIXED ASSETS</b>                                    |                         | 4,657                   | 4,598                   |
| <b>CURRENT ASSETS</b>                                  |                         |                         |                         |
| Debtors  | 86                      |                         | 6                       |
| Investments  | 1,828                   |                         | 1,735                   |
| Revenue Advances to Perth & Kinross Council Loans Fund | 528                     |                         | 679                     |
|  | <u>          </u> 2,442 |                         | <u>          </u> 2,420 |
| <b>CURRENT LIABILITIES</b>                             |                         |                         |                         |
| Creditors and Accruals                                 | <u>          </u> (196) |                         | <u>          </u> (109) |
| <b>NET CURRENT ASSETS</b>                              |                         | 2,246                   | 2,311                   |
| <b>TOTAL NET ASSETS</b>                                |                         | <u>          </u> 6,903 | <u>          </u> 6,909 |
| <b>RESERVES</b>  |                         |                         |                         |
| Revenue  |                         | 1,994                   | 2,067                   |
| Capital  |                         | 386                     | 386                     |
| Capital Adjustment Account                             |                         | 80                      | 73                      |
| Revaluation Reserve                                    |                         | <u>          </u> 4,443 | <u>          </u> 4,383 |
|  |                         | <u>          </u> 6,903 | <u>          </u> 6,909 |

The unaudited accounts were issued on 29 June 2016.

J A Symon ACA  
Head of Finance  
29 June 2016

## NOTES TO THE COMMON GOOD ACCOUNTS

- 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.
- Common Good Reserve Funds**

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

| FUND         | Balance at<br>1 April 15 | Income<br>2015/16 | Expenditure<br>2015/16 | Balance at<br>31 March 16 |
|--------------|--------------------------|-------------------|------------------------|---------------------------|
|              | £'000                    | £'000             | £'000                  | £'000                     |
| Perth City   | 1,368                    | 247               | 342                    | 1,273                     |
| Aberfeldy    | 147                      | 2                 | 4                      | 145                       |
| Alyth        | 21                       | 0                 | 0                      | 21                        |
| Auchterarder | 337                      | 23                | 1                      | 359                       |
| Blairgowrie  | 21                       | 0                 | 0                      | 21                        |
| Coupar Angus | 2                        | 0                 | 0                      | 2                         |
| Crieff       | 7                        | 2                 | 1                      | 8                         |
| Kinross      | 157                      | 1                 | 0                      | 158                       |
| Pitlochry    | 7                        | 0                 | 0                      | 7                         |
| <b>TOTAL</b> | <b>2,067</b>             | <b>275</b>        | <b>348</b>             | <b>1,994</b>              |

### 3. Common Good Fixed Assets

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

A review of property and land titles is undertaken once an asset has been declared surplus to operational needs. Until all property titles of the former burghs are reviewed there remains the possibility that some assets may require to be transferred between the Balance Sheets of the Council and Common Good Funds.

# GROUP MOVEMENT IN RESERVES STATEMENT

|  | General<br>Fund<br>Balance | Housing<br>Revenue<br>Account | Capital<br>Fund | Renewal<br>& Repair<br>Fund | Insurance<br>Fund | Capital<br>Receipts<br>Reserve | Capital<br>Grants<br>Unapplied | Total<br>Usable<br>Reserves | Unusable<br>Reserves | TOTAL<br>Authority<br>Reserves | Authority's<br>share of<br>subsidiaries | Authority's<br>share of<br>associates<br>& joint<br>ventures | TOTAL<br>Reserves |
|--|----------------------------|-------------------------------|-----------------|-----------------------------|-------------------|--------------------------------|--------------------------------|-----------------------------|----------------------|--------------------------------|---|--|-------------------|
|  | £'000                      | £'000                         | £'000           | £'000                       | £'000             | £'000                          | £'000                          | £'000                       | £'000                | £'000                          | £'000                                   | £'000  | £'000             |
| <b>Balance at 1 April 2014</b>   | <b>(48,041)</b>            | <b>(907)</b>                  | <b>(15,832)</b> | <b>(412)</b>                | <b>(3,410)</b>    | <b>(1,833)</b>                 | <b>(102)</b>                   | <b>(70,537)</b>             | <b>(11,377)</b>      | <b>(81,914)</b>                | <b>(11,518)</b>                         | <b>10,229</b>  | <b>(83,203)</b>   |
| <u>Movement in reserves during 2014/15</u>                             |                            |                               |                 |                             |                   |                                |                                |                             |                      |                                |   |  |                   |
| (Surplus) or deficit on the provision of services                      | 3,104                      | 45                            | 0               | 0                           | 0                 | 0                              | 0                              | 3,149                       | 0                    | 3,149                          | 1,208                                   | 1,513  | 5,870             |
| Other Comprehensive Income and Expenditure                             | 0                          | 0                             | 0               | 0                           | 0                 | 0                              | 0                              | 0                           | (294,648)            | (294,648)                      | (3,175)                                 | (9,724)  | (307,547)         |
| <b>Total Comprehensive Income and Expenditure</b>                      | <b>3,104</b>               | <b>45</b>                     | <b>0</b>        | <b>0</b>                    | <b>0</b>          | <b>0</b>                       | <b>0</b>                       | <b>3,149</b>                | <b>(294,648)</b>     | <b>(291,499)</b>               | <b>(1,967)</b>                          | <b>(8,211)</b>   | <b>(301,677)</b>  |
| Adjustments between accounting basis & funding basis under regulations | (13,363)                   | 802                           | 0               | 0                           | 0                 | 1                              | 0                              | (12,560)                    | 12,560               | 0                              | 0                                       | 0  | 0                 |
| <b>Net (increase)/decrease before transfers to earmarked reserves</b>  | <b>(10,259)</b>            | <b>847</b>                    | <b>0</b>        | <b>0</b>                    | <b>0</b>          | <b>1</b>                       | <b>0</b>                       | <b>(9,411)</b>              | <b>(282,088)</b>     | <b>(291,499)</b>               | <b>(1,967)</b>                          | <b>(8,211)</b>   | <b>(301,677)</b>  |
| Transfers to/(from) Other Statutory Reserves                           | 5,630                      | (740)                         | (3,484)         | (1,014)                     | (392)             | 0                              | 0                              | 0                           | 0                    | 0                              | 0                                       | 0  | 0                 |
| (Increase)/decrease in 2014/15   | (4,629)                    | 107                           | (3,484)         | (1,014)                     | (392)             | 1                              | 0                              | (9,411)                     | (282,088)            | (291,499)                      | (1,967)                                 | (8,211)  | (301,677)         |
| <b>Balance at 31 March 2015</b>  | <b>(52,670)</b>            | <b>(800)</b>                  | <b>(19,316)</b> | <b>(1,426)</b>              | <b>(3,802)</b>    | <b>(1,832)</b>                 | <b>(102)</b>                   | <b>(79,948)</b>             | <b>(293,465)</b>     | <b>(373,413)</b>               | <b>(13,485)</b>                         | <b>2,018</b>   | <b>(384,880)</b>  |
| <u>Movement in reserves during 2015/16</u>                             |                            |                               |                 |                             |                   |                                |                                |                             |                      |                                |   |  |                   |
| (Surplus) / Deficit on the provision of services                       | (15,093)                   | 2,353                         | 0               | 0                           | 0                 | 0                              | 0                              | (12,740)                    | 0                    | (12,740)                       | 972                                     | 2,581  | (9,187)           |
| Other Comprehensive Income and Expenditure                             | 0                          | 0                             | 0               | 0                           | 0                 | 0                              | 0                              | 0                           | (52,034)             | (52,034)                       | (2,371)                                 | (2,749)  | (57,154)          |
| <b>Total Comprehensive Income and Expenditure</b>                      | <b>(15,093)</b>            | <b>2,353</b>                  | <b>0</b>        | <b>0</b>                    | <b>0</b>          | <b>0</b>                       | <b>0</b>                       | <b>(12,740)</b>             | <b>(52,034)</b>      | <b>(64,774)</b>                | <b>(1,399)</b>                          | <b>(168)</b>   | <b>(66,341)</b>   |
| Adjustments between accounting basis & funding basis under regulations | 8,469                      | (1,675)                       | 0               | 0                           | 0                 | 44                             | 15                             | 6,853                       | (6,853)              | 0                              | 0                                       | 0  | 0                 |
| <b>Net (increase)/decrease before transfers to earmarked reserves</b>  | <b>(6,624)</b>             | <b>678</b>                    | <b>0</b>        | <b>0</b>                    | <b>0</b>          | <b>44</b>                      | <b>15</b>                      | <b>(5,887)</b>              | <b>(58,887)</b>      | <b>(64,774)</b>                | <b>(1,399)</b>                          | <b>(168)</b>   | <b>(66,341)</b>   |
| Transfers to/(from) Other Statutory Reserves                           | 4,386                      | (660)                         | (4,609)         | 192                         | 691               | 0                              | 0                              | 0                           | 0                    | 0                              | 0                                       | 0  | 0                 |
| (Increase)/decrease in 2015/16   | (2,238)                    | 18                            | (4,609)         | 192                         | 691               | 44                             | 15                             | (5,887)                     | (58,887)             | (64,774)                       | (1,399)                                 | (168)  | (66,341)          |
| <b>Balance at 31 March 2016 carried forward</b>                        | <b>(54,908)</b>            | <b>(782)</b>                  | <b>(23,925)</b> | <b>(1,234)</b>              | <b>(3,111)</b>    | <b>(1,788)</b>                 | <b>(87)</b>                    | <b>(85,835)</b>             | <b>(352,352)</b>     | <b>(438,187)</b>               | <b>(14,884)</b>                         | <b>1,850</b>   | <b>(451,221)</b>  |

# GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| <u>2014/15</u><br>Actual<br>Net<br>Expenditure<br>£'000 |   | Note | <u>2015/16</u>                          |                                       |
|---|---|------|---|---------------------------------------|
|   |   |      | Actual<br>Gross<br>Expenditure<br>£'000 | Actual<br>Income<br>£'000             |
|   |   |      |   | Actual<br>Net<br>Expenditure<br>£'000 |
|   | <b>SERVICES</b>                                     |      |   |                                       |
| 146,328   | Education Services                                  |      | 153,401                                 | (5,952)                               |
| 79,012  | Social Work Services                                |      | 100,938                                 | (18,827)                              |
| 19,859  | Roads and Transport Services                        |      | 25,471                                  | (5,667)                               |
| 4,913   | Planning and Development Services                   |      | 9,214                                   | (7,207)                               |
| 8,427   | Housing Services (General Fund)                     |      | 46,044                                  | (37,742)                              |
| 20,245  | Cultural & Related Services                         |      | 29,713                                  | (8,723)                               |
| 24,121  | Environmental Services                              |      | 30,645                                  | (3,924)                               |
| 2,074   | Central Services                                    |      | 3,988                                   | (1,771)                               |
| 2,694   | Other Expenditure                                   |      | 4,900                                   | (453)                                 |
| 4,285   | Corporate and Democratic Core                       |      | 4,343                                   | 0                                     |
| (805)   | Housing Revenue Account                             |      | 30,973                                  | (26,363)                              |
| (10)  | Charitable Trusts                                   |      | 104                                     | (5)                                   |
| (40)  | Common Good   |      | 348                                     | (259)                                 |
| 955   | Associates accounted for on an equity basis         |      | 19,189                                  | (17,321)                              |
| <b>312,058</b>  | <b>COST OF SERVICES</b>                             |      | <b>459,271</b>                          | <b>(134,214)</b>                      |
| (1,292)   | Other Operating Expenditure / Income                |      |   | 608                                   |
| 30,630  | Financing and Investment Income and Expenditure     | 4    |   | 22,395                                |
| (335,526)   | Taxation and Non-Specific Grant Income              |      |   | (357,247)                             |
| <b>5,870</b>  | <b>(Surplus) / Deficit on Provision of Services</b> |      |   | <b>(9,187)</b>                        |
| (185,781)   | Surplus on revaluation of non current assets        |      |   | (19,463)                              |
| 0   | Impairment losses on non current assets             |      |   | 0                                     |
| (120,669)   | Remeasurement of the net defined benefit liability  |      |   | (37,680)                              |
| (1,097)   | Other gains   |      |   | (11)                                  |
| <b>(307,547)</b>  | <b>Other Comprehensive Income and Expenditure</b>   |      |   | <b>(57,154)</b>                       |
| <b>(301,677)</b>  | <b>Total Comprehensive Income and Expenditure</b>   |      |   | <b>(66,341)</b>                       |

## GROUP BALANCE SHEET

| <i>1 April 2014</i>   |  | Notes | 31 March 2015         |
|-----------------------|--|-------|-----------------------|
| <u>£'000</u>          |  |       | <u>£'000</u>          |
| 871,710               | Property, Plant & Equipment                  |       | 912,383               |
| 24,059                | Heritage Assets                              |       | 26,289                |
| 17,699                | Investment Property                          |       | 17,558                |
| 43                    | Intangible Assets                            |       | 61                    |
| 2,116                 | Assets Held for Sale                         |       | 2,188                 |
| 300                   | Long Term Debtors                            |       | 366                   |
| <u>915,927</u>        | <b>Long Term Assets</b>                      |       | <u>958,845</u>        |
| 50,500                | Short Term Investments                       | 5     | 49,863                |
| 274                   | Assets Held for Sale                         |       | 895                   |
| 521                   | Inventories                                  |       | 434                   |
| 27,794                | Short Term Debtors                           | 6     | 31,649                |
| <u>11,835</u>         | Cash and Cash Equivalents                    |       | <u>18,038</u>         |
| 90,924                | <b>Current Assets</b>                        |       | <u>100,879</u>        |
| (25,065)              | Short Term Borrowing                         |       | (13,492)              |
| (52,157)              | Short Term Creditors                         | 7     | (57,401)              |
| (204)                 | Provisions                                   |       | (743)                 |
| <u>(77,426)</u>       | <b>Current Liabilities</b>                   |       | <u>(71,636)</u>       |
| (1,130)               | Provisions                                   |       | (1,756)               |
| (224,598)             | Long Term Borrowing                          |       | (238,183)             |
| (12,112)              | Liabilities in associates and joint ventures |       | (11,834)              |
| <u>(306,705)</u>      | Other Long Term Liabilities                  |       | <u>(285,094)</u>      |
| (544,545)             | <b>Long Term Liabilities</b>                 |       | <u>(536,867)</u>      |
| <u><u>384,880</u></u> | <b>NET ASSETS</b>                            |       | <u><u>451,221</u></u> |
| 79,948                | Usable Reserves                              |       | 85,835                |
| 293,465               | Unusable Reserves                            |       | 352,352               |
| 1,373                 | Group Reserves                               |       | 3,051                 |
| <u>10,094</u>         | Charitable and Common Good Reserves          |       | <u>9,983</u>          |
| <u><u>384,880</u></u> | <b>TOTAL RESERVES</b>                        |       | <u><u>451,221</u></u> |

Note

The unaudited Accounts were issued on 29 June 2016.

J A Symon ACA  
Head of Finance  
29 June 2016

## GROUP CASH FLOW STATEMENT

| <u>2014/15</u> |  | <u>Notes</u> | <u>2015/16</u> |
|----------------|--|--------------|----------------|
| <i>£'000</i>   |  |              | <i>£'000</i>   |
| (5,870)        | <b>Surplus / (deficit) on the provision of services</b>  |              | 9,187          |
| 62,859         | Adjustments to net surplus / (deficit) on the provision of services for non cash movements   |              | 63,866         |
| (22,104)       | Adjustments for items included in the net surplus / (deficit) on the provision of services that are investing and financing activities |              | (37,852)       |
| <u>34,885</u>  | Net cash flows from Operating Activities   |              | <u>35,201</u>  |
| (80,695)       | Investing Activities   | 10           | (27,118)       |
| 44,476         | Financing Activities   | 11           | (1,880)        |
| <u>(1,334)</u> | Net increase or (decrease) in cash and cash equivalents  |              | <u>6,203</u>   |
| 13,169         | Cash and cash equivalents at the beginning of the reporting period   |              | 11,835         |
| <u>11,835</u>  | Cash and cash equivalents at the end of the reporting period   |              | <u>18,038</u>  |



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

| <u>2014/15</u><br>£'000 |  | <u>2015/16</u><br>£'000 |
|-------------------------|--|-------------------------|
| 3,149                   | (Surplus) / deficit on the single entity Comprehensive Income & Expenditure Statement for the year | (12,740)                |
|                         | Add:   |                         |
| (388)                   | • Managed Funds - Charitable Trusts & Common Good  | 178                     |
| 1,901                   | • Associates   | 2,403                   |
| 1,208                   | • Subsidiaries   | 972                     |
| 5,870                   | (Surplus) / deficit for the year on the Group Comprehensive I & E Statement                        | (9,187)                 |

## NOTES TO THE GROUP ACCOUNTS

### 1. Combining Entities

The results of Tayside Valuation Board which is jointly administered with Dundee and Angus City 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 2015/16 was 40.71% (2014/15 40.29%). The accounting period for the Board is the year to 31 March 2016 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. and Horsecross Arts 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. Both 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 leisure provision required from the organisations by the Council. Live Active Leisure Ltd. and Horsecross Arts 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 both organisations is 100% due to the nature of Council control and direction over their operations.

Both Live Active Leisure Ltd. and Horsecross Arts Ltd. are arm's length companies with sole member status with the Council being the sole member in both companies.

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

Live Active Leisure Ltd.  
Horsecross Arts Ltd.

Caledonia House, Hay Street, Perth, PH1 5HS.  
Perth Concert Hall, Mill Street, Perth, PH1 5HZ.

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 70 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 71 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 for 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 2015/16 is 33.0% (2014/15 33.1%). Copies of Tayside Contracts Joint Committee's individual accounts are published separately, and can be obtained from Head of Financial Services, Tayside Contracts, 1 Soutar Street, Dundee, DD3 8SS.

In addition the CIPFA Code requires the realignment of accounting policies for entities included within the Group Accounts. The pension liability at 31 March 2016 for Horsecross Arts Ltd of £1,035,000 has been included within the Group Reserves balance at 31 March 2016.

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

Perth and Kinross Integrated Joint Board came into effect in October 2015. The results for 2015/16 have been excluded from the Council's Group accounts on the grounds of materiality. The Council will review the inclusion of this organisation in preparing its 2016/17 Group Accounts.

Culture Perth & Kinross took responsibility for Libraries and Museum Services from 1 April 2016 and will deliver Libraries and Museum Services. The Council will review the inclusion of this organisation in preparing its 2016/17 Group Accounts.

## 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 £13,034,000 (2014/15 £11,467,000).

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 CI&E Statement – Financing and Investment Income & Expenditure

|   | 2015/16<br>£'000 | 2014/15<br>£'000 |
|---|------------------|------------------|
| Council Financing and Investment Income & Expenditure | 21,878           | 30,036           |
| Subsidiaries  | (44)             | (50)             |
| Charitable Trusts                                     | 6                | (327)            |
| Common Good   | (16)             | (11)             |
| Tayside Contracts Joint Committee                     | 492              | 832              |
| Associates  | 79               | 150              |
|   | <u>22,395</u>    | <u>30,630</u>    |

## 5. Group Balance Sheet - Investments

|                               | 2015/16<br>£'000 | 2014/15<br>£'000 |
|-------------------------------|------------------|------------------|
| Council Investments           | 45,120           | 46,156           |
| Charitable Trusts Investments | 2,915            | 2,609            |
| Common Good Investments       | 1,828            | 1,735            |
| Total Group Investments       | <u>49,863</u>    | <u>50,500</u>    |

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

|   | 2015/16<br>£'000 | (Restated)<br>2014/15<br>£'000 |
|---|------------------|--------------------------------|
| Net Debtors Balance - Note 29 to the Financial Statements | 30,913           | 26,729                         |
| Subsidiary Debtors  | 643              | 1,035                          |
| Charitable Trust  |                  |                                |
| Debtors   | 113              | 533                            |
| Inter-company elimination                                 | (106)            | (509)                          |
| Common Good   |                  |                                |
| Debtors   | 614              | 685                            |
| Inter-company elimination                                 | (528)            | (679)                          |
| Total Group Debtors                                       | <u>31,649</u>    | <u>27,794</u>                  |

## 7. Group Balance Sheet – Short term Creditors

|   | 2015/16<br>£'000       | 2014/15<br>£'000       |
|---|------------------------|------------------------|
| Net Creditors Balance - Note 30 to the Financial Statements | (55,334)               | (50,841)               |
| Charitable Trust  |                        |                        |
| Creditors   | (13)                   | (7)                    |
| Inter-company elimination                                   | 106                    | 509                    |
| Common Good   |                        |                        |
| Creditors   | (196)                  | (109)                  |
| Inter-company elimination                                   | 528                    | 679                    |
|   | <u>(54,909)</u>        | <u>(49,769)</u>        |
| Subsidiary Creditors  | <u>(2,492)</u>         | <u>(2,388)</u>         |
| Total Group Creditors                                       | <u><u>(57,401)</u></u> | <u><u>(52,157)</u></u> |

## 8. Pension Liability

|  | 2015/16<br>£'000        | 2014/15<br>£'000        |
|--|-------------------------|-------------------------|
| Net Pensions Liability at 31 March - Note 19 to the Financial Statements | (161,821)               | (178,054)               |
| Subsidiaries   | <u>(5,399)</u>          | <u>(6,961)</u>          |
| Group Pension Liability at 31 March                                      | <u><u>(167,220)</u></u> | <u><u>(185,015)</u></u> |

## 9. Group Cash Flow Statement

There has been no impact on the Group Cash Flow Statement from the inclusion of the Tayside Valuation Joint Board or Tayside Contracts Joint Committee. Cash transactions between the Joint Board 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. and Horsecross Arts Ltd. within the Group Cash Flow Statement is to increase the movement in the net cash position by £10,002,000 (2014/15, increase of £9,152,000). A cash increase of £8,737,000 represents the Council's 100% share of Live Active Leisure Ltd. and a cash increase of £1,265,000 represents the Council's 100% share of Horsecross Arts Ltd.

## 10. Group Cash Flow – Investing Activities

|                              | 2015/16<br>£'000       | 2014/15<br>£'000       |
|------------------------------|------------------------|------------------------|
| Council Investing Activities | (27,222)               | (80,693)               |
| Subsidiaries                 | <u>104</u>             | <u>(2)</u>             |
|                              | <u><u>(27,118)</u></u> | <u><u>(80,695)</u></u> |

## 11. Group Cash Flow – Financing Activities

|                              | 2015/16<br>£'000      | 2014/15<br>£'000     |
|------------------------------|-----------------------|----------------------|
| Council Financing Activities | (1,835)               | 44,426               |
| Subsidiaries                 | <u>(45)</u>           | <u>50</u>            |
|                              | <u><u>(1,880)</u></u> | <u><u>44,476</u></u> |

## 12. Related Party Transactions

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

|                               | From<br>31.3.16<br>£'000 | To<br>31.3.16<br>£'000 | From<br>31.3.15<br>£'000 | To<br>31.3.15<br>£'000 |
|-------------------------------|--------------------------|------------------------|--------------------------|------------------------|
| Tayside Valuation Joint Board | 73                       | 0                      | 15                       | 7                      |

## **ANNUAL GOVERNANCE STATEMENT 2015/16**

### **1 Introduction**

- 1.1 Good governance is key to the success of Perth & Kinross Council in delivering its corporate objectives and being recognised as an ambitious, high performing Council. It supports better informed decision making, the efficient use and management of our resources, high quality performance, greater scrutiny and accountability and ultimately results in better outcomes for the people living in our communities.
- 1.2 The purpose of this Governance Statement is to give assurance to the people of Perth & Kinross, our Elected Members, staff, partner agencies and other stakeholders that we have effective arrangements in place to ensure that, as a Council, we are doing the right things for the right people at the right time in an open, honest and accountable way.

### **2 Scope of Responsibility**

- 2.1 As a local authority, Perth & Kinross Council must conduct its business in accordance with the law and proper standards and ensure that public money is used economically, efficiently, and effectively with due regard to the achievement of sustainability.
- 2.2 The Local Government in Scotland Act 2003 also places a specific duty on the Council to make arrangements to secure best value and ensure continuous improvement in terms of the services it delivers to the people of Perth & Kinross.
- 2.3 A comprehensive and robust governance framework is integral to the Council's ability to discharge these responsibilities. We must have proper arrangements in place to enable us to discharge our functions and responsibilities, achieve our defined outcomes and manage risk effectively.
- 2.4 As well as providing assurance as to the effectiveness of the governance arrangements in place for the Council, this Annual Governance Statement also covers the four organisations that are included in the Council's Group Accounts.
- Live Active Leisure Limited (included in our accounts as subsidiary)
  - Horsecross Arts Limited (included in our accounts as subsidiary)
  - Tayside Valuation Joint Board (included in our accounts as associate):
  - Tayside Contracts (included in our accounts as associate)

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

- 3.1 The governance framework enables the Council to monitor and evaluate the achievement of its corporate aims and objectives and to determine whether these have delivered appropriate, efficient and cost effective services and good outcomes for our communities.
- 3.2 A crucial part of the governance framework is the system of internal control which is designed to manage the risk of a failure to achieve our aims and objectives.
- 3.3 Our internal control system manages risk through the continuing process of identification, prioritisation, evaluation and mitigation. Risk is evaluated on the basis of likelihood and impact in both financial and non-financial terms.
- 3.4 As an organisation we have to mitigate and manage these risks proportionately and effectively, recognising that risk can never be eliminated completely and therefore only reasonable assurance can ever be given.

### **4 Our Governance Framework**

- 4.1 Our governance framework comprises the rules, resources, systems, processes, culture and values that enable us achieve our strategic objectives and provide services in an appropriate and cost effective way.
- 4.2 We recognise that the following are fundamental elements of good governance within public sector organisations:-
- Vision, direction & purpose
  - Leadership, Culture & Values
  - Stakeholder Engagement
  - Organisational Development
  - Effective Decision Making
  - Internal Controls
  - Scrutiny & Accountability
- 4.3 These criteria are based on the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) Framework: Delivering Good Governance in Local Government and the International Framework: Delivering Good Governance in the Public Sector developed by CIPFA and the International Federation of Accountants.

4.4 Our governance arrangements are underpinned by the fundamental principles of good governance, the requirements of legislation and best practice and can be summarised as:

- Our vision and purpose is the achievement of the shared priorities and intended outcomes for the citizens of Perth & Kinross documented in our [Community Plan / Single Outcome Agreement 2013-23](#) and our [Corporate Plan](#) for 2013-18. [Building Ambition: Our Transformation Strategy](#) together with [Revenue budget 2016-2019](#), our Capital Budget and other strategic documents provides the direction to realising our vision.
- Our culture and values are reflected in everything we do as an organisation as set out in our Corporate Plan and our [Local Code of Corporate Governance, Codes of Conduct](#) and our various policies and procedures ensure that as a Council we respect the rule of law, actively promote a culture of good governance and demonstrate a commitment to ethical values.
- Perth & Kinross Council recognise that as an organisation we must continue to adapt and evolve to deliver cost efficient, high quality services in an increasingly complex and financially challenging public sector landscape. Our people are our most valuable asset and we recognise that we will secure the best outcomes for our communities through investing in our workforce to ensure that they have the right skills to deliver. Our approach is outlined in our strategic document [Building Ambition - A Workforce for the 21st Century](#) and our “Learn, Innovate Grow” philosophy is being embedded across the organisation to create a highly motivated, skilled and flexible workforce.
- We continue to actively engage with our communities to help us design and deliver services which best meet their needs. The Council has a strategy for engaging with communities and has agreed a Statement of Intent with its Community Planning Partners to support a co-ordinated approach to community engagement. Our approach to consultations is based on the [National Standards for Community Engagement](#) and we have established a wide range of [consultation processes and procedures](#).
- The Council's [Scheme of Administration](#) sets out the role of committees in decision-making and the delegated decision-making powers of individual officers. The committees, boards and panels we have established ensure proper democratic engagement and provide an appropriate mechanism for effective decision making and accountability.
- The Council has developed and implemented a suite of policies, procedures and management processes to ensure that there are appropriate **internal controls** in place in respect of:-
  - Workforce Management
  - Financial management
  - Officer /Member relations
  - Performance Management
  - Change & Improvement
  - Workforce Planning
  - Risk Management
  - Procurement
  - Major Investment Project Management
  - Health & Safety
  - Information Management
  - Information Security
  - Civil Contingencies & Business Continuity
  - Anti-Fraud & Corruption
  - Conflicts of interests
  - Gifts & Hospitality
  - Whistle-blowing and reporting concerns
  - Complaints handling
  - Funding External bodies / ALEO's
- The Council's governance arrangements include clearly defined roles and responsibilities for all Chief Officers and Statutory Officers, including the Chief Executive, the Chief Social Worker, the Monitoring Officer and the Section 95 Officer (Chief Financial Officer).
- The Council has designated the Depute Chief Executive (Environment) Sustainability, Strategic and Entrepreneurial Development as the Senior Information Risk Owner with the Head of Legal & Governance Services as Depute.
- The Council believes in openness and transparency; our management, democratic systems and structures are designed to ensure effective decision making and to support effective scrutiny of its decision making and operational business and ensure that as an organisation we are properly held to account.
- Three year budgets are set by the Council, and each budget is allocated to a named budget holder. Budgets are monitored regularly by Service Management Teams and overall financial performance is monitored regularly by the Executive Officer Team and the Finance & Resources Group.
- The Strategic Policy & Resources Committee receives regular financial monitoring information as part of the budgetary control framework.

- Capital spend is monitored by Senior Management through the Strategic Investment Group and the Corporate Resources Group, and reported regularly to the Executive Officer Team and the Strategic Policy & Resources Committee as part of the budgetary control framework.
- The annual service planning process ensures that Services meet the needs of customers, and that targets for quality improvements are set and monitored. Individual Business Management & Improvement Plans set out detailed actions and outcomes for each Service and include performance indicators. Service performance is reported regularly to the Executive Officer Team and publicly through the Council's Strategic Policy & Resources Committee.
- The Council publishes an Annual Report on its performance against the objectives set out within the Corporate Plan and Community Plan/Single Outcome Agreement. ([PKC Information, performance & Statistics](#))
- The Council's Transformation Programme is scrutinised by Service Management Teams, the Executive Officer Team and the Modernising Governance Member Officer Working Group. Progress is reported regularly to the Council's Strategic Policy & Resources Committee.
- The Council has a published process for dealing with complaints from members of the public.
- The Council has a published process for individuals to access information under the Freedom of Information legislation.

## 5 Effectiveness of our framework

- 5.1 Assurance evidence has been gathered from Service Management Teams (SMT) by way of a self-assessment questionnaires designed around the principles of the *International Framework of Good Governance in the Public Sector* (developed by CIPFA and the International Federation of Accountants and *Delivering Good Governance in Local Government* (CIPFA/SOLACE).
- 5.2 The evidence submitted by services has undergone a process of quality assurance through the Policy & Governance Group, which is chaired by the Head of Legal & Governance Services and comprises Senior Officers from the following services and representatives of each Directorate:
- Legal
  - Finance
  - Human Resources
  - Internal Audit
  - Information Compliance & Security
  - IT and Information Systems
  - Procurement
  - Democratic Services
- 5.3 Each SMT has certified that, having considered the evidence of the financial and non-financial controls within each of their areas, they are satisfied that these are adequate and effective subject to certain improvement actions which have been identified as part of that self-assessment process being implemented.
- 5.4 A Certificate of Assurance to this effect has been signed by each Director and their respective Depute Chief Executive.
- 5.5 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
  - Head of Democratic Services
  - Chief Internal Auditor
  - Corporate Procurement Manager
  - Information Compliance Manager
  - Corporate IT Manager
  - Senior Information Risk Owner
- 5.6 The Council's Chief Financial Officer is a key member of the Executive Officer Team of the Council helping it to develop and implement a sound financial strategy based on strong financial management underpinned by robust and effective financial controls. The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 5.7 The Council has arrangements in place for the management of information risk including an information security policy and standards. Government policy as regards the identification and assessment of threats to local authorities has changed recently and the security measures have been reviewed in 2015/16 to ensure continuing compliance with the Public Service Network (PSN) requirements.
- 5.8 A risk-based internal audit plan is prepared annually in a process which reviews all the significant activities and systems that contribute to the achievement of the Council's objectives. The Audit Committee approves the annual audit plan and

receives the annual audit report. Internal Audit has completed its 2015/16 Audit plan and issued 27 planned audits plus 1 additional audit during the period covered by this statement. In addition it has delivered 7 consultancy audits.

5.9 The Annual Internal Audit report for 2015/16 states:

*In the Chief Internal Auditor's opinion, reasonable reliance can be placed on the Council's governance arrangements and systems of internal control for 2015/16, subject to management implementation of the agreed actions detailed in Internal Audit reports..... Whilst limited reliance can be placed on the corporate risk management arrangements for 2015/16, the implementation of the identified improvements should enable reasonable reliance for 2016/17.*

5.10 The Local Area Network comprising key scrutiny bodies which engage with the Council (including Audit Scotland) have assessed Perth & Kinross within their Assurance and Improvement Plan 2014-17, as a "low risk council which shows good self-awareness and demonstrates a positive response to external scrutiny". In addition the risk assessment notes that "currently for 2014 to 2017 no additional specific scrutiny activity has been identified".

5.11 The Governance Framework has been in place for the financial year ending 31 March 2016 and up to the date of approval of the Annual Report and statement of accounts.

5.12 For Live Active Leisure Ltd and Horsecross Arts Ltd, reliance has been placed upon:

- unaudited financial statements of the companies (audited accounts will be scrutinised when available);
- internal control information taken from the Council's contract with Live Active Leisure Ltd and the Service Agreement with Horsecross Arts Ltd;
- quarterly contract monitoring meetings with Service;
- performance information and financial monitoring reports to Service; and
- presentations to Scrutiny Committee

5.13 For Tayside Contracts Joint Committee and Tayside Valuation Joint Board, reliance has been placed upon each organisation's own Annual Governance Statement.

5.14 Based on the assurance process outlined above, in terms of effectiveness, the Council governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework, subject to a number of areas (identified below) which have been or are already identified for some improvement action by virtue of:

- this process;
- internal audit actions;
- external audit actions; or
- transformation reviews

5.15 The areas referred to in 5.14 above which are the subject of current or planned improvement actions are:-

- corporate risk management
- contract management
- procurement / commissioning
- information management
- workforce planning
- funding external bodies

5.16 In addition to the above, the establishment of the Integrated Joint Board which took responsibility for the delivery of integrated health and adult social care services within Perth & Kinross as of 1 April 2016 will likely present a number of new challenges as we implement our new joint governance arrangements.

5.17 Similarly the implementation of the Community Empowerment Act and the establishment of locality based community planning boards may require some changes to be made to our existing governance arrangements, to ensure adequacy and transparency.

5.18 It is important that our decision making processes continue to be agile enough to ensure that key decisions can be made and actions implemented timeously to align with agreed project plans.

## 6 Statement

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

- internal audit;
- external audit;
- Council's Executive Officer Team
- Council's Corporate Management Team as part of this assurance process;
- Policy & Governance Group
- Head of Finance (as Chief Finance Officer)
- Head of Legal & Governance Services (as Monitoring Officer)
- external review agencies and inspectorates.



Internal Audit have provided me with assurance for the year 2015/16 and an Internal Audit plan is in place for 2016/17 that will focus on areas which have been identified as corporate or service specific risks.

Each Depute Chief Executive, Director and Head of Service, who has responsibility within the Scheme of Delegation for the development and maintenance of the system of internal control has provided me with assurance that the internal controls and governance arrangements within their service are effective and have been reviewed.

The Chief Financial Officer has provided assurance that the financial arrangements in place conform to the relevant CIPFA requirements.

I have been advised of the outcome of the review of the effectiveness of the governance arrangements by the Head of Legal & Governance Services and am satisfied that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

A Governance Improvement Action Plan will be produced to address the areas identified for review or development. This will ensure that adequate and appropriate systems and processes are in place to improve the effectiveness of our governance arrangements.

Oversight of implementation of the action plan will be maintained corporately through the Policy & Governance Group. Progress will be reported to the Council's Executive Officer Team and the Council's Scrutiny Committee

The key areas for improvement identified during the annual review include:

- reviewing our corporate approach to risk to support the organisation to be more, innovative and entrepreneurial through a better understanding and tolerance of risk
- reviewing our contract management practices to ensure that we are achieving best value from our arrangements
- continue to review our procurement activities to ensure that these align with our Procurement Strategy and deliver value for money
- continue to improve our information management to ensure that we make more effective use of Open Data and business information to improve services and provide greater transparency for our stakeholders
- continue to develop our workforce planning to ensure that we have an adequately skilled and agile workforce equipped and motivated to meet the challenges of delivering high quality cost efficient public services to our communities
- reviewing our arrangements for the funding of external bodies who provide services, to ensure transparency and compliance with current procurement legislation
- implementing robust governance arrangements to provide assurance in respect of our relationship with the Integrated Joint Board for the delivery of integrated health and social care services

I am also reassured by the fact that the areas identified for further development outlined above are already the subject of ongoing or planned reviews by virtue of audit recommendations or transformation projects. This demonstrates to me that, as an organisation we have a good understanding of our changing risk landscape and are committed to continuously improving the effectiveness of our governance framework to ensure that it is robust and fit for purpose in these challenging times.

Signed:

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Bernadette Malone  
Chief Executive

Perth & Kinross Council

Date:

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Councillor Ian Miller  
Leader of the Council

Perth & Kinross Council

Date:

## **REMUNERATION REPORT FOR FINANCIAL YEAR 2015/16**

### **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.
- 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 2015/16 the maximum salary for the Leader of Perth & Kinross Council is £33,454 and the Council has agreed that the Civic Head be paid 75% of the salary of the Leader, which for 2014/15 is a maximum of £25,090. 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 £25,090 and a maximum yearly amount payable for all Senior Councillors of £292,715 in 2015/16 (excluding the Council Leader, Civic Head, Conveners and Vice Conveners of Joint Boards and the Tayside Community Justice Authority). 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. Perth & Kinross Council's policy in 2015/16 was to pay Senior Councillors up to 90% of the maximum of £25,090 as prescribed by SLARC.
- 3.5 The Regulations also set out the remuneration payable to Councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board such as Tayside Valuation Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convener or Vice-Convener is a member. Joint Board Conveners and Vice-Conveners are considered to be Senior Councillors for remuneration disclosure purposes. In financial year 2015/16, Councillors from Perth & Kinross Council served as Convener of the Tayside Valuation Joint Board and Vice-Convener of the Tayside Community Justice Authority. The remuneration paid by the Council to these Councillors in their roles as Convener and Vice-Conveners was not recharged by the Council to the Tayside Valuation Joint Board or the Tayside Community Justice Authority.
- 3.6 During 2015/16 Perth & Kinross Council had 12 Senior Councillors and 2 Councillors serving as Conveners and Vice-Conveners of Joint Boards and the Community Justice Authority who are treated as Senior Councillors for the purposes of the Remuneration Report. Together with the Leader of the Council and the Provost, the total remuneration including taxable expenses paid to these Councillors was £370,269. The individual amounts payable to the Leader of the Council, the Provost, Senior Councillors of Perth & Kinross Council and Conveners and Vice-Conveners of Joint Boards and the Tayside Community Justice Authority in 2015/16 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 Existing Senior Councillors, Conveners and Vice-Conveners of Joint Boards and Vice Convener of the Tayside Community Justice Authority for Financial Year 2015/16**

| <b>Name and Post Title</b>   | <b>Salary, Fees &amp; Allowances 2015/16</b> | <b>Taxable Expenses 2015/16 (Note:1)</b> | <b>Total Remuneration 2015/16</b> | <b>Total Remuneration 2014/15</b> |
|--|--|--|-----------------------------------|-----------------------------------|
|  | £  | £  | £                                 | £                                 |
| Ian Miller<br>Council Leader & Convener Strategic Policy and Resources Committee | 33,454                                       | 116                                      | <b>33,570</b>                     | <i>33,254</i>                     |
| Elizabeth Grant<br>Provost (Civic Head)  | 25,090                                       | 76                                       | <b>25,166</b>                     | <i>24,863</i>                     |
| Henry Anderson<br>Convener Licensing Board                                       | 22,518                                       | 100                                      | <b>22,618</b>                     | <i>22,404</i>                     |
| Robert Band<br>Convener Lifelong Learning Committee                              | 22,518                                       | 147                                      | <b>22,665</b>                     | <i>22,458</i>                     |
| Jack Coburn<br>Convener Licensing Committee<br>(resigned 24/3/15)                | 0  | 0  | <b>0</b>                          | <i>21,932</i>                     |
| Bob Ellis<br>Convener Licencing Committee<br>(from 13/05/15)                     | 21,881                                       | 44                                       | <b>21,925</b>                     | <i>n/a</i>                        |
| Dave Doogan<br>Convener Housing & Health Committee                               | 22,518                                       | 53                                       | <b>22,571</b>                     | <i>22,406</i>                     |
| Alan Grant<br>Convener Environment Committee                                     | 22,518                                       | 0  | <b>22,518</b>                     | <i>22,295</i>                     |
| Tom Gray<br>Convener Development Management Committee                            | 22,518                                       | 91                                       | <b>22,609</b>                     | <i>22,404</i>                     |
| John Kellas<br>Convener Enterprise & Infrastructure Committee                    | 22,518                                       | 94                                       | <b>22,612</b>                     | <i>22,432</i>                     |
| Murray Lyle<br>Convener Local Review Body  | 22,518                                       | 51                                       | <b>22,569</b>                     | <i>22,362</i>                     |
| Elsbeth MacLachlan<br>Convener Tayside Valuation Board                           | 20,909                                       | 111                                      | <b>21,020</b>                     | <i>20,845</i>                     |
| Archibald MacLellan<br>Vice Convener Tayside Community Justice Authority         | 19,864                                       | 49                                       | <b>19,913</b>                     | <i>19,699</i>                     |
| Douglas Pover<br>Convener Community Safety Committee                             | 22,518                                       | 87                                       | <b>22,605</b>                     | <i>22,412</i>                     |
| Mac Roberts<br>Leader Largest Opposition Party                                   | 22,518                                       | 138                                      | <b>22,656</b>                     | <i>22,396</i>                     |
| Alexander Stewart<br>Convener Scrutiny Committee                                 | 22,518                                       | 125                                      | <b>22,643</b>                     | <i>22,350</i>                     |
| Barbara Vaughan<br>Convener Audit Committee                                      | 22,518                                       | 91                                       | <b>22,609</b>                     | <i>22,386</i>                     |
| <b>TOTAL (Note: 2)</b>   | <b>368,896</b>                               | <b>1,373</b>                             | <b>370,269</b>                    | <i>366,898</i>                    |

Notes:

- (1) Taxable Expenses relate to meals taken on Council premises.
- (2) After adjusting for the salaries of the Leader of the Council, Civic Head (Provost) and Convenors and Vice Convenors of Joint Boards and the Community Justice Authority, the total salary paid to Senior Councillors in 2015/16 was £269,579 which compares with the maximum under Regulations of £292,715.

3.7 The arrangements for political decision making structures within Perth & Kinross Council as at 31 March 2016, which encompassed the salaries of all Elected Members including the Council Leader, Civic Head and Senior Councillors were agreed at the meeting of the full Council on 23 May 2012 (Report No.12/193 refers) and are available on the Council's website at [Political Decision Making Structures](#) .

- 3.8 The Council paid the following salaries and expenses to all Councillors (including those listed in Table 1 above) in financial year 2014/15:

**Table 2: Remuneration Paid to Councillors 1 April 2015 to 31 March 2016**

| Type of Remuneration | 2015/16<br>£   | 2014/15<br>£   |
|----------------------|----------------|----------------|
| Salaries             | 782,615        | 787,125        |
| Taxable Expenses     | 2,595          | 2,746          |
| Total                | <u>785,210</u> | <u>789,871</u> |

- 3.9 The annual return of Councillors' salaries and expenses for 2015/16 is available for any member of the public to view at Perth & Kinross Council, Blackfriars, North Port, Perth; Council libraries and Council local area offices during normal working hours and is also available on the Council's website at [Councillors' Allowances](#)
- 3.10 The information in the annual return of Councillors' salaries and expenses for 2015/16 differs from the information presented within the Remuneration Report as the Remuneration Report excludes the payment of expenses which are not subject to taxation such as car mileage expenses; expenditure on public transport and subsistence expenses.

#### **4. Remuneration of Senior Employees**

- 4.1 The Council is required to publish the remuneration of Senior Employees as defined by the disclosure regulations. Senior Employees are defined with reference to their management authority; to the political restriction placed upon their post under section 2(1) (a), (b) or (c) of the Local Government Housing Act 1989 and with reference to their reporting relationship to the Council's 'Head of Paid Service' or Chief Executive. The disclosure requirements also include any employee whose annual remuneration is £150,000 or more. No employee of Perth & Kinross Council was remunerated at this level in 2015/16.
- 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 2015/16:
- The Chief Executive as the Statutory Head of Paid Service.
  - The Senior Chief Executive and Depute Chief Executives as officers responsible for the management of the authority to the extent that they may direct or control the major activities of the authority either solely or collectively.
  - The Head of Legal Services as the Council's statutory monitoring officer; the Head of Finance as the Council's proper officer for financial administration and the Director of Social Work as the Council's statutory Chief Social Work officer.
- 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 2015/16 is detailed in table 3 below:

**Table 3: Remuneration of Senior Employees of the Council and its Subsidiaries for Financial Year 2015/16**  
(Job titles as at 31 March 2016)

| <b>Name and Post Title</b>  | <b>Salary, Fees<br/>&amp; Allowances<br/>2015/16<br/>£</b> | <b>Total<br/>Remuneration<br/>2015/16<br/>£</b> | <b>Total<br/>Remuneration<br/>2014/15<br/>£</b> |
|---|--|---|---|
| Bernadette Malone<br>Chief Executive (Note 1)   | 129,941  | <b>129,941</b>                                  | <i>132,075</i>                                  |
| David Burke (Left 04/04/2014)<br>Depute Chief Executive &<br>Executive Director (Housing & Community Care)                    | 0  | <b>0</b>  | <i>1,723</i>                                    |
| John Fyffe<br>Senior Depute Chief Executive   | 115,472  | <b>115,472</b>                                  | <i>113,766</i>                                  |
| John Walker<br>Depute Chief Executive & Chief Operating Officer   | 110,147  | <b>110,417</b>                                  | <i>108,519</i>                                  |
| James Valentine<br>Depute Chief Executive   | 110,147  | <b>110,147</b>                                  | <i>108,519</i>                                  |
| William Atkinson<br>Director of Social Work   | 88,798   | <b>88,798</b>                                   | <i>87,486</i>                                   |
| Ian Innes (Left 30/06/15)<br>Head of Legal Services   | 21,755   | <b>21,755</b>                                   | <i>85,734</i>                                   |
| Lisa Simpson (Started 08/06/15)<br>Head of Legal Services   | 70,869   | <b>70,869</b>                                   | <i>n/a</i>                                      |
| John Symon<br>Head of Finance   | 87,020   | <b>87,020</b>                                   | <i>85,734</i>                                   |
| Gillian Taylor<br>Head of Democratic Services (now reports to Depute Chief<br>Executive and Chief Operating Officer) (Note 2) | 79,898   | <b>79,898</b>                                   | <i>78,717</i>                                   |
| Colin McMahon (to 16/01/15)<br>Horsecross Arts Limited – Chief Executive  | 0  | <b>0</b>  | <i>53,493</i>                                   |
| Gwilym Gibbons (from 19/01/15)<br>Horsecross Arts Limited – Chief Executive   | 66,950   | <b>66,950</b>                                   | <i>13,324</i>                                   |
| James Moyes<br>Live Active Leisure – Chief Executive  | 74,964   | <b>74,964</b>                                   | <i>72,546</i>                                   |
| <b>TOTAL</b>  | <b>955,961</b>   | <b>955,961</b>                                  | <i>941,636</i>                                  |

Note 1:

The substantive salary for the Chief Executive is laid down in COSLA Circular CO/146. The Chief Executive's remuneration in 2015/16 included a balance of fee of £1,296 for acting as Returning Officer for the European Parliamentary Election 2014 and £2,655 for acting as Returning Officer for the Perth & North Perthshire Constituency Election.

Note 2:

The Head of Democratic Services reported to the Chief Executive until 30 September 2015.

4.5 No other taxable benefits or bonuses were received by the above named Senior Employees of Perth & Kinross Council in 2015/16.

## 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 2015/16 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 2015/16**

| Remuneration Bands | Number of Employees |            |
|--------------------|---------------------|------------|
|                    | 2015/16             | 2014/15    |
| £50,000-£54,999    | 64                  | 59         |
| £55,000-£59,999    | 47                  | 40         |
| £60,000-£64,999    | 2                   | 5          |
| £65,000-£69,999    | 2                   | 4          |
| £70,000-£74,999    | 5                   | 5          |
| £75,000-£79,999    | 14                  | 12         |
| £80,000-£84,999    | 0                   | 0          |
| £85,000-£89,999    | 6                   | 5          |
| £90,000-£94,999    | 0                   | 0          |
| £95,000-£99,999    | 0                   | 0          |
| £100,000-£104,999  | 0                   | 0          |
| £105,000-£109,999  | 0                   | 2          |
| £110,000-£114,999  | 2                   | 1          |
| £115,000-£119,999  | 1                   | 0          |
| £120,000-£124,999  | 0                   | 0          |
| £125,000-£129,999  | 1                   | 0          |
| £130,000-£134,999  | 0                   | 1          |
| Total              | <u>144</u>          | <u>134</u> |

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

| (a)<br>Exit package cost<br>band (including<br>special payments) | (b)<br>Number of<br>compulsory<br>redundancies |          | (c)<br>Number of other<br>departures agreed |           | (d)<br>Total number of exit<br>packages by cost<br>band (b) + (c) |           | (e)<br>Total cost of exit<br>packages in each<br>band |                  |
|--|--|----------|---|-----------|---|-----------|---|------------------|
|  | 2015/16  | 2014/15  | 2015/16                                     | 2014/15   | 2015/16   | 2014/15   | 2015/16<br>£'000                                      | 2014/15<br>£'000 |
| £0 - £20,000   | 0  | 0        | 94  | 19        | 94  | 19        | 617   | 42               |
| £20,001 - £40,000  | 0  | 0        | 26  | 5         | 26  | 5         | 714   | 126              |
| £40,001 - £60,000  | 0  | 0        | 12  | 0         | 12  | 0         | 603   | 0                |
| £60,001 - £80,000  | 0  | 0        | 9   | 0         | 9   | 0         | 604   | 0                |
| £80,001 - £100,000   | 0  | 0        | 6   | 0         | 6   | 0         | 516   | 0                |
| Over £100,000  | 0  | 0        | 3   | 0         | 3   | 0         | 395   | 0                |
| <b>Total</b>   | <b>0</b>                                       | <b>0</b> | <b>150</b>                                  | <b>24</b> | <b>150</b>  | <b>24</b> | <b>3,449</b>  | <b>168</b>       |

- 5.2 The costs included within table 5 above are all non-recurring and include payments to individual officers and to the relevant Superannuation Fund.
- 5.3 All of the individual exit packages included within table 5 above have been subject to a full business case outlining the implications for the Council. In terms of the financial assessment for each business case, the maximum payback period is up to five years. The departure of the individuals included in the above table has delivered significant recurring savings to the Council and also allowed the Council to deliver on a 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 2015/16, the Head of Legal Services and Head of Democratic Services served as proper officers to the Tayside and Central Scotland Transport Partnership (TACTRAN). No remuneration was paid to Councillors and Senior Employees of Perth & Kinross Council by subsidiary bodies of the Council in 2015/16.
- 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 2015/16**

| Actual Pensionable pay                      | Contribution Rate<br>2015/16 |
|---|------------------------------|
| On earnings up to and including £20,500     | 5.5%                         |
| On earnings above £20,500 and up to £25,000 | 7.25%                        |
| On earnings above £25,000 and up to £34,400 | 8.5%                         |
| On earnings above £34,400 and up to £45,800 | 9.5%                         |
| On earnings above £45,800                   | 12%                          |

- 7.5 Pensionable Pay includes salary, plus any contractual elements of pay such as shift payment, night working payment, standby and the monetary value of any accommodation or other allowances in kind pertaining to employment.
- 7.6 Under the scheme there is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The pension is built up based on pensionable pay in the year with an accrual rate of 1/49<sup>th</sup> added to the pension account. (Prior to 2015 the accrual rate was 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service).
- 7.7 The value of accrued benefits have been calculated on the basis of the age at which the person will first become entitled to receive a pension on their retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued 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 2016 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, Conveners and Vice-Conveners of Joint Boards and Vice-Conveners of the Tayside Community Justice Authority for Financial Year 2015/16**

| Name and Post Title   | In-year pension contributions     |                                   |                     | Accrued Pension Benefits          |                                   |                                       |
|---|-----------------------------------|-----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------------------------|
|   | For Year<br>to<br>31/03/2016<br>£ | For Year<br>to<br>31/03/2015<br>£ |                     | For Year<br>to<br>31/03/2016<br>£ | For Year<br>to<br>31/03/2015<br>£ | Difference<br>from<br>31/03/2015<br>£ |
| Ian Miller<br>Council Leader & Convener Strategic<br>Policy and Resources Committee | 5,688                             | 5,962                             | Pension<br>Lump Sum | 6,158<br>2,968                    | 4,520<br>2,563                    | 1,638<br>405                          |
| Elizabeth Grant<br>Provost (Civic Head) (Note 1)                                    | 0                                 | 0                                 | Pension<br>Lump Sum | 0<br>0                            | 0<br>0                            | 0<br>0                                |
| Henry Anderson<br>Convener Licensing Board  | 3,828                             | 4,013                             | Pension<br>Lump Sum | 1,555<br>0                        | 1,080<br>0                        | 475<br>0                              |
| Robert Band<br>Convener Lifelong Learning Committee                                 | 3,828                             | 4,013                             | Pension<br>Lump Sum | 4,466<br>2,043                    | 3,274<br>1,765                    | 1,192<br>278                          |
| Jack Coburn (Note 1)<br>Convener Licensing Committee (resigned<br>24/03/15)         | 0                                 | 0                                 | Pension<br>Lump Sum | 0<br>0                            | 0<br>0                            | 0<br>0                                |
| Dave Doogan<br>Convener Housing & Health Committee                                  | 3,828                             | 4,013                             | Pension<br>Lump Sum | 1,212<br>0                        | 743<br>0                          | 469<br>0                              |
| Bob Ellis<br>Convener Licencing Committee (from<br>13/05/15)                        | 3,720                             | 0                                 | Pension<br>Lump Sum | 2,925<br>204                      | 0<br>0                            | n/a<br>n/a                            |
| Alan Grant (Note 1)<br>Convener Environment Committee                               | 0                                 | 0                                 | Pension<br>Lump Sum | 0<br>0                            | 0<br>0                            | 0<br>0                                |
| Tom Gray<br>Convener Development Management<br>Committee                            | 3,828                             | 4,013                             | Pension<br>Lump Sum | 3,066<br>0                        | 1,910<br>0                        | 1,156<br>0                            |
| John Kellas<br>Convener Enterprise & Infrastructure<br>Committee                    | 3,828                             | 4,013                             | Pension<br>Lump Sum | 4,143<br>2,033                    | 3,068<br>1,760                    | 1,075<br>273                          |
| Murray Lyle<br>Convener Local Review Body   | 3,828                             | 4,013                             | Pension<br>Lump Sum | 2,986<br>1,462                    | 2,456<br>1,420                    | 530<br>42                             |

| Name and Post Title   | In-year pension contributions  |                                |                     | Accrued Pension Benefits       |                                |                                    |
|---|--------------------------------|--------------------------------|---------------------|--------------------------------|--------------------------------|------------------------------------|
|   | For Year to<br>31/03/2016<br>£ | For Year to<br>31/03/2015<br>£ |                     | For Year to<br>31/03/2016<br>£ | For Year to<br>31/03/2015<br>£ | Difference from<br>31/03/2015<br>£ |
| Elspeth MacLachlan<br>Convener Tayside Valuation Board                      | 3,555                          | 3,726                          | Pension<br>Lump Sum | 2,845<br>1,353                 | 2,363<br>1,322                 | 482<br>31                          |
| Archibald MacLellan<br>Vice Convener Tayside Community Justice<br>Authority | 3,377                          | 3,540                          | Pension<br>Lump Sum | 6,140<br>2,076                 | 4,497<br>1,802                 | 1,643<br>274                       |
| Douglas Pover<br>Convener Community Safety Committee                        | 3,828                          | 4,013                          | Pension<br>Lump Sum | 1,555<br>0                     | 1,080                          | 475                                |
| Mac Roberts<br>Leader Largest Opposition Party                              | 3,828                          | 4,013                          | Pension<br>Lump Sum | 7,231<br>11,482                | 6,569<br>10,884                | 661<br>598                         |
| Alexander Stewart<br>Convener Scrutiny Committee                            | 3,828                          | 4,013                          | Pension<br>Lump Sum | 7,535<br>13,857                | 6,999<br>13,663                | 536<br>194                         |
| Barbara Vaughan (Note 1)<br>Convener Audit Committee                        | 0                              | 0                              | Pension<br>Lump Sum | 0<br>0                         | 0<br>0                         | 0<br>0                             |
| <b>TOTAL</b>  | <b>50,792</b>                  | <b>49,345</b>                  |                     |                                |                                |                                    |

Notes:

- (1) The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service, including any service with a Council subsidiary body, and not just their current appointment. Councillors have only been eligible to join the Local Government Pension Scheme since May 2007. Provost Elizabeth Grant and Councillors Jack Coburn, Alan Grant and Barbara Vaughan have elected not to become members of the Local Government Pension Scheme.

## 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 2016 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 2015/16  
(Post titles as at 31 March 2016)**

| Name and Post Title  | In-year pension contributions  |                                |                     | Accrued Pension Benefits       |                                |                                    |
|--|--------------------------------|--------------------------------|---------------------|--------------------------------|--------------------------------|------------------------------------|
|  | For Year to<br>31/03/2016<br>£ | For Year to<br>31/03/2015<br>£ |                     | For Year to<br>31/03/2016<br>£ | For Year to<br>31/03/2015<br>£ | Difference from<br>31/03/2015<br>£ |
| Bernadette Malone<br>Chief Executive   | 22,103                         | 23,043                         | Pension<br>Lump Sum | 48,935<br>100,276              | 45,597<br>98,790               | 3,338<br>1,486                     |
| David Burke (Left 04/04/14)<br>Depute Chief Executive &<br>Executive Director (Housing & Community<br>Care) (To 30/09/2013)      | 0                              | 310                            | Pension<br>Lump Sum | 0<br>0                         | n/a<br>n/a                     | n/a<br>n/a                         |
| John Fyffe<br>Senior Depute Chief Executive  | 19,631                         | 20,478                         | Pension<br>Lump Sum | 61,628<br>143,179              | 58,399<br>141,066              | 3,229<br>2,113                     |
| John Walker<br>Depute Chief Executive & Chief Operating<br>Officer   | 18,725                         | 19,533                         | Pension<br>Lump Sum | 45,931<br>98,012               | 43,040<br>96,563               | 2,891<br>1,449                     |
| James Valentine<br>Depute Chief Executive  | 18,725                         | 19,533                         | Pension<br>Lump Sum | 45,988<br>98,182               | 43,095<br>96,731               | 2,893<br>1,451                     |
| William Atkinson<br>Director of Social Work  | 15,096                         | 15,748                         | Pension<br>Lump Sum | 49,126<br>115,307              | 46,616<br>113,603              | 2,510<br>1,704                     |
| Ian Innes (Left 30/06/15)<br>Head of Legal Services  | 3,698                          | 15,432                         | Pension<br>Lump Sum | 45,421<br>109,232              | 44,984<br>109,232              | 437<br>0                           |
| Lisa Simpson (Started 08/06/15)<br>Head of Legal (Note 2)  | 12,048                         | 0                              | Pension<br>Lump Sum | 1,446<br>0                     | 0<br>0                         | 0<br>0                             |
| John Symon<br>Head of Finance  | 14,794                         | 15,432                         | Pension<br>Lump Sum | 28,733<br>59,123               | 26,560<br>58,249               | 2,173<br>874                       |
| Gillian Taylor<br>Head of Democratic Services (now reports<br>to Depute Chief Executive and Chief<br>Operating Officer) (Note 3) | 13,622                         | 14,169                         | Pension<br>Lump Sum | 37,878<br>84,674               | 35,407<br>83,179               | 2,471<br>1,495                     |



| Name and Post Title  | In-year pension contributions |                           |                     | Accrued Pension Benefits  |                           |                               |
|--|-------------------------------|---------------------------|---------------------|---------------------------|---------------------------|-------------------------------|
|  | For Year to<br>31/03/2016     | For Year to<br>31/03/2015 |                     | For Year to<br>31/03/2016 | For Year to<br>31/03/2015 | Difference from<br>31/03/2015 |
|  | £                             | £                         |                     | £                         | £                         | £                             |
| Colin McMahon (left 16/1/15)<br>Horsecross Arts Limited – Chief Executive            | 0                             | 4,432                     | Pension<br>Lump Sum | 0<br>0                    | 473<br>0                  | n/a<br>n/a                    |
| Gwilym Gibbons (start 19/1/15) (Note 2)<br>Horsecross Arts Limited – Chief Executive | 11,382                        | 1,159                     | Pension<br>Lump Sum | 1,588<br>0                | 214<br>0                  | 1,374<br>0                    |
| James Moyes<br>Live Active Leisure - Chief Executive                                 | 12,744                        | 13,058                    | Pension<br>Lump Sum | 38,656<br>88,894          | 35,930<br>86,027          | 2,725<br>2,867                |
| <b>TOTAL</b>   | <b>162,568</b>                | <b>162,327</b>            |                     |                           |                           |                               |

Notes:

- (1) The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their local government service, including any service with a Council subsidiary body, and not just their current employment.
- (2) These figures do not include transfer values
- (3) The Head of Democratic Services reported to the Chief Executive until 30 September 2015.

Signed:

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Bernadette Malone  
Chief Executive

Perth & Kinross Council

Date:

---

Councillor Ian Miller  
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.

### **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)**

A Central Government Agency, which provides loans from one year and above to authorities at interest rates that are 1% higher than those at which the Government can borrow itself.

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services.