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24/06/2021

A special meeting of the **Audit Committee** will be held virtually on **Wednesday, 30 June 2021** at **09:00**.

If you have any queries please contact Committee Services - Committee@pkc.gov.uk.

BARBARA RENTON
Interim Chief Executive

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

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

Members:

Councillor Eric Drysdale (Convener)
Councillor Stewart Donaldson (Vice-Convener)
Councillor Liz Barrett
Councillor Harry Coates
Councillor David Illingworth
Councillor Roz McCall
Councillor Xander McDade

Audit Committee

Wednesday, 30 June 2021

AGENDA

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

- 1 WELCOME AND APOLOGIES**
- 2 DECLARATIONS OF INTEREST**
- 3 MINUTE OF MEETING OF AUDIT COMMITTEE OF 21 JUNE 2021 FOR APPROVAL**
(copy to follow)
- 4 PERTH AND KINROSS COUNCIL INTERIM MANAGEMENT REPORT AND AUDIT STATUS SUMMARY YEAR ENDING 31 MARCH 2021** **5 - 22**
(copy herewith 21/109)
- 5 STRATEGIC RISK REGISTER** **23 - 44**
Report by Head of Legal & Governance Services (copy herewith 21/110)
- 6 INTERNAL AUDIT PLAN 2021/22**
Report by Chief Internal Auditor (copy to follow)
- 7 UNAUDITED DRAFT ANNUAL ACCOUNTS 2020/21** **45 - 158**
Report by Head of Finance (copy herewith 21/112)
- P1 PROPERTY SERVICES**
- (a) INTERNAL AUDIT WHISTLEBLOWING REPORT**
 - Exempt Reason 15 - The identity of a protected informant.

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Perth and Kinross Council

Interim management report and audit status summary

Year ending 31 March 2021

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For Perth and Kinross Council Audit Committee on 30 June 2021

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This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's Code of Audit Practice ("the Code").

This report is for the benefit of Perth and Kinross Council and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scoping and purpose section of this report.

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Introduction

Purpose of document

In line with our audit strategy document, we have completed an interim audit. Key activities performed included the testing of a selection of system controls, holding discussions with management to update our understanding of the Council's activities and our assessment of the key risks and audit focus areas.

This report provides the Audit Committee with an update on:

- Clarification of significant risks (page four)
- The results of the control testing (pages five to nine).
- Best Value and wider scope (page 10).
- Action plan (page 11)
- Prior year follow up (pages 12 to 15)

Our progress is highlighted on pages six and eight where some sample testing remains in progress from our February and June interim testing, aligned with management's annual planned valuation process.

Significant risks in relation to the audit of the financial statements which are unchanged except as highlighted, from our audit strategy document, dated 31 March 2021, and are:

- fraud risk from management override of controls;
- fraud risk from income and expenditure recognition (see page four);
- valuation of property and investment property; and
- retirement benefit obligations.

The other focus area identified was:

- capital expenditure.

Acknowledgements and context

We recognise that 2020-21 has posed extreme challenges for all aspects of the Council and its staff. The significant shift in operations to home working and additional pressures on services and staff have impacted on some aspects of the control environment and ability to progress audit recommendation. In this context, we would like to take this opportunity to thank officers and Members for their continuing help and cooperation throughout our audit work and focus on its importance. While some aspects of our control testing are outstanding, we have not identified any new significant risks as a result of our procedures or decline in the overall control environment which remains generally strong.

Clarification of significant risks

Significant risks

As part of our ongoing audit, we re-consider our risk assessments as a result of wider sector knowledge, regulatory findings, internal and external reviews and KPMG internal updates. As part of a response to additional knowledge, we clarify the significant risk relating to fraud over expenditure.

Our other three significant risks remain unchanged from our audit strategy presented on 31 March 2021.

Significant audit risk

The risk

Fraud risk from income recognition and expenditure

Why

We continue to rebut the risk of improper recognition of expenditure in respect of payroll costs (including pension adjustments), financing and investment expenditure, or depreciation. These costs are routine in nature and not at risk of manipulation. We also consider that regular expenditure throughout the year is generally routine, and low value but high volume of transactions, and the risk of material misstatement is sufficiently low given the segregations of duties that exist, and the regularly budget reporting and scrutiny carried out.

Practice Note 10 suggests that the risk of fraud over expenditure may in some cases outweigh the risk of fraud over income recognition, and we consider there does remain a risk. Our assessed risk is relates to cut off, whereby expenditure is recognised in the wrong financial year in order to meet budgets and targets, and is an inherent risk at any local authority.

Our assessment and approach in respect of income is unchanged.

Planned response

We will focus on cut off testing during the period of focus, through sample testing thresholds of transactions in order to mitigate any residual risk.

Control Framework

System Controls

In accordance with ISA 330 *The auditor's response to assessed risks*, we designed and performed tests of controls to obtain sufficient appropriate audit evidence as to the operating effectiveness of relevant controls over the main financial systems. Interim audit testing took place during February 2020. Overall we concluded that the control environment is effective.

| Test | Description | Results |
|---|---|---|
| Bank reconciliations (response to fraud risk) | <p>Bank reconciliations are prepared monthly by a member of the income team and reviewed by a more senior officer.</p> <p>We tested a sample of two months for each of the eight bank accounts to verify they had been completed and reviewed on a timely basis. A further test of control will be completed in respect of the year end reconciliations.</p> | <p>The November reconciliation for the Revenue Account was not completed within a month of the period end, being completed in January. No items were identified that impacted on the results of the reconciliation, and although not completed in line with internal expectations, we did consider the control to have operated effectively.</p> <p>Satisfactory</p> <p>Bank reconciliations are a key anti-fraud control and should be fully reconciled on a regular basis. Therefore, it is recommended that management ensures the timely reconciliation of all bank accounts.</p> <p>Recommendation one</p> |
| Capital budget monitoring | <p>Management and elected members monitor capital expenditure on all projects throughout the year. Performance of all large projects and any smaller projects nearing their approved spend will be considered by the Strategic Investments Board ("SIB") and then by the Strategic Policy and Resource committee ("SP&R") via the budget monitoring reports in September, November, January and April. Approval is required for any overspends or adjustments against original budgets.</p> <p>We considered the January 2021 report to conclude whether a sufficient level of detail was presented to and considered by the committees and that a level of precision is used to determine which variances require further analysis and discussion.</p> | <p>Our testing concluded that budget monitoring arrangements over capital expenditure are designed and implemented effectively.</p> <p>Satisfactory</p> |

Control Framework (continued)

System Controls (continued)

| Test | Description | Results |
|--|---|---|
| Revenue budget monitoring (response to fraud risk) | <p>The Council has a robust revenue budget setting process, with involvement of key members of staff across the Council. Performance against revenue budget is monitored on a regular basis and formally reported to Council via budget monitoring reports in September, November, January and April.</p> <p>The format of these reports has changed during 2020-21 while the Council responds to the Covid-19 pandemic. Reporting has focused on the impact of Covid-19 on the Council's five strategic objectives. We considered whether reporting included the sufficient level of precision and analysis.</p> | <p>Our testing concluded that budget monitoring arrangements over the revenue budget are designed and implemented effectively.</p> <p>Satisfactory</p> <p>As a result of Covid-19, revenue and capital budget monitoring remains increasingly important, both in the short and medium term. We will consider revisions to the budget and future budgets as part of the year-end audit.</p> |
| Review of cost of services expenditure | <p>The Council has a well-defined process covering the payment of services provided. We considered and tested management's review and authorisation of payments to an individual supplier that exceed £75,000 as required by Council policy. A sample of 40 payments were tested.</p> | <p>As a result of Covid-19, the control did not operate as planned during the period April to June 2020. The mitigating control identified was the approval of purchase invoices on receipt.</p> <p>Our testing of the 40 payments indicated that there is adequate segregation of duties between those entering data, and those authorising the payment.</p> <p>Satisfactory</p> |
| Authorisation over procurement contracts | <p>The Council has defined processes for the awarding of contracts, with written procedures to be followed for each contract type and value.</p> <p>Procurement testing of a sample of 15 contracts awarded in the year, split between those which required completion of a quotation and those which required to be tendered was undertaken. Our approach was designed to test whether correct procurement route had been followed based on value and reviewed the evidence of the tender evaluation process.</p> | <p>One item remains outstanding at the time of preparation related to one procurement contract.</p> <p>TBC</p> |

Control Framework (continued)

System Controls (continued)

| Test | Description | Results |
|-----------------------------|---|---|
| BACS authorisation | <p>BACS payment runs must be approved by an authorised member of the finance team.</p> <p>We tested a sample of 25 BACS payments to verify they had been authorised.</p> <p>Management enhanced controls in 2019-20 in respect of BACS payments following fraud identified at another local authority. Any amendments to the BACS payment file automatically generate an email to a number of senior members of Finance to allow for scrutiny and challenge. A central record is kept of any changes, and finance officers do not consider that this control can be reasonably strengthened any further.</p> <p>While the control environment has been strengthened, we consider that a weakness remains in respect of the ability of a small number of senior staff to modify the BACS payment file and override the detection control which has been implemented.</p> | <p>All sample items were correctly signed and authorised by the appropriate officer.</p> <p>Satisfactory</p> <p>In our previous audit, we made a recommendation over this control, and management indicated that there was acceptance over any residual risk as a very small number of individuals could override the controls in place. We continue to recommend that the detective control is redesigned to mitigate the risk that it is subject to management override by the privileged system users it is designed to monitor.</p> <p>Refer recommendation two, Interim report 2019-20</p> |
| Housing rents system | <p>We tested a sample of two months' reconciliations between the housing rents system (Northgate) and the general ledger (Integra) to determine whether officers completed this reconciliation on a timely basis and any reconciling items were followed up and investigated.</p> | <p>Both reconciliations have been performed on a timely basis and any reconciling items were followed up and investigated.</p> <p>Satisfactory</p> |

Control Framework (continued)

System Controls (continued)

| Test | Description | Results |
|---|---|--|
| Council Tax and Non-Domestic Rates | <p>For Non-Domestic Rates reliefs and exemptions, we selected 25 applications from account holders to test whether applications had been reviewed by an appropriate officer within the Local Taxes team and appropriate evidence of entitlement obtained.</p> <p>For each of Non-Domestic Rates and Council Tax, we tested a sample of five reconciliations of the Council's valuation roll against the valuation roll provided by the Tayside Valuation Joint Board and other valuation lists respectively.</p> | <p>In respect of our sample of 25 relating to non-domestic rates reliefs we are awaiting supporting documentation for some of the items selected for testing earlier in the year. We will provide an update in our annual audit report in September 2021, including any changes in approach that may be required.</p> <p>Our testing concluded that Council Tax and Non-Domestic Rates reconciliations over are designed and implemented effectively.</p> <p>TBC</p> |
| Review of valuations (response to significant risk) | <p>We will review management's assessment of impairment indicators and assess for completeness.</p> <p>We walked through with the valuations team to consider whether the review process was robust.</p> | <p>We will report our findings over the operating effectiveness of this control in our annual audit report once management completes its annual review of both movements in valuations from 1 April 20 to 31 March 21, and the review of assets not revalued in year in line with the year end timetable.</p> <p>For in year property valuations, we are satisfied with the design and implementation of the control in place.</p> <p>TBC</p> |
| Authorisation of payroll, and service establishment approval | <p>A sample of two months control sheets were tested, which record that the stages of the payroll process have been completed, before authorising the payroll and completing the BACS runs. This includes a key control over any exceptions or variances in net pay.</p> <p>A sample of two months' BACS runs were reviewed to test the payment schedule reconciled to appropriate reports and appropriately authorised.</p> <p>The annual service establishment report was reviewed to determine whether it had been reviewed by each service to confirm all employees are still actively employed by the Council.</p> | <p>Those controls sheets tested recorded key stages of the pay run and had been marked as completed, with the pay run being marked as ready for processing. The sample of exception reports tested were marked as reviewed and investigated.</p> <p>Both BACS runs subject to testing had been reconciled and authorised by an authorised signatory in advance of the pay run.</p> <p>Our testing indicated that all four services had completed and signed the service establishment report as expected.</p> <p>Satisfactory</p> |

Control Framework (continued)

System Controls (continued)

| Test | Description | Results |
|---|--|--|
| Transfer of pensionable data, and management review of assumptions (response to significant risk) | <p>We furthered our understanding of the process management undertake to transfer data to Tayside Pension Fund ("the fund"), and its assessment of the actuarial assumptions.</p> <p>We tested the annual management review of pension assumptions.</p> <p>These controls were tested in response to the significant risk over retirement benefit obligations.</p> | <p>We discussed and walked through the process undertaken by Management during the March 2021 payroll and pension processes. We were satisfied that the following controls are designed and implemented appropriately:</p> <ul style="list-style-type: none"> – transfer of new starts, leavers, and other changes to employee data to the fund; and – authorisation of the payment of pension contributions to the fund. <p>Satisfactory</p> <p>Following our recommendation in the 2019-20 audit in respect of assumption review, management introduced a high level review of the assumptions recommended by the fund's actuary, and adopted in respect of the Council's participation in the fund. This review is intended to identify any significant differences between the assumptions adopted which are specific to the Council against the publicly available market data, in order to allow appropriate challenge by management should the need arise. In order to gain expert advice management engage an actuary through the pension fund to provide these assumptions which management may or may not chose to adopt.</p> <p>While the control environment has been strengthened as a result of the introduction of this control, we consider that in order for us to rely on it, it would need to be informed by an additional independent experienced actuary.</p> <p>Recommendation two</p> <p>Our planned approach is unchanged in respect of the above.</p> |

Wider Scope and Best Value

The Code of Audit Practice sets out four audit dimensions which, alongside Best Value, set a common framework for all audit work conducted for the Accounts Commission. These areas are: governance and transparency, financial management, financial sustainability and value for money. During our interim audit we considered these areas and will conclude our assessment in our Annual Audit Report. We provide an update below of work carried out so far on Best Value.

| Test | Audit update |
|------------|--|
| Best Value | <p>2020-21 represents year five of the Best Value plan for the Council during which we shall complete a follow up of the Best Value Assurance Report ("BVAR") recommendations and will the equalities topic as part of our phased consideration over the term of appointment. We also consider that there are wider scope risks in respect of demand pressures, the transformation programme and EU withdrawal.</p> <p>We began our best value work over equalities with management in February 2021, and progress is ongoing. We continue to expect presentation of our findings and conclusions in September 2021.</p> <p>We will engage with management over their response to demand pressures, transformation programmes and EU Withdrawal at year end, noting that the impact of EU Withdrawal will be considered as part of equalities.</p> |

Action Plan

The action plan summaries specific recommendations arising from our work, together with related risks and management's responses.

Priority rating for recommendations

Grade one (significant) observations are those relating to business issues, high level or other important internal controls. These are significant matters relating to factors critical to the success of the Council or systems under consideration. The weaknesses may therefore give rise to loss or error.

Grade two (material) observations are those on less important control systems, one-off items subsequently corrected, improvements to the efficiency and effectiveness of controls and items which may be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified.

Grade three (minor) observations are those recommendations to improve the efficiency and effectiveness of controls and recommendations which would assist us as auditors. The weakness does not appear to affect the availability of the control to meet their objectives in any significant way. These are less significant observations than grades one or two, but we still consider they merit attention.

| Finding and risk | Recommendation | Original actions |
|--|---|---|
| 1. (Grade three) Bank Reconciliations | | |
| The November reconciliation for the Revenue Account was not completed within a month of the period end, being completed in January. No items were identified that impacted on the results of the reconciliation. | It is a key anti-fraud control for bank balances to be fully reconciled on a regular basis. It is recommended that management ensures the timely reconciliation of all bank accounts. | <p>Management response:</p> <p>Agreed - one reconciliation was not complete within one month of the period end, due to significant workloads. The Team involved in completing the reconciliations were also responsible for processing thousands of additional payments to businesses, individuals and families during 2020/21. Management recognise the importance of ensuring reconciliations are completed timeously, but not to the detriment of ensuring that financial support payments required in 2021/22 are prioritised, and will remind key colleagues of this.</p> <p>Implementation date: 31 August 2021</p> <p>Responsible officer: Chief Accountant</p> |

Action Plan (continued)

| Finding and risk | Recommendation | Original actions |
|--|--|--|
| 2. (Grade three) Management Review of Pension Assumptions | | |
| <p>Testing of the Management review of Pension assumptions identified that while the control environment has strengthened, it does not meet the high bar required to enable KPMG to rely upon it.</p> <p>Auditing standards require auditors to identify a management control where there is a significant risk. In the case of the defined benefit pension liability significant risk, we have not been able to identify a management control which is carried out to an acceptable level of expertise as required by the auditing standards.</p> <p>Due to the specialist nature of pension assumptions, we consider that the officer carrying out the review does not have the necessary specific expertise to fully review and challenge the assumptions and estimates that the Actuary suggested for the Defined Benefit Obligations.</p> | <p>We recommend that should management wish to meet this requirement, that they will need to carry out a predictive review of the methodology and assumptions that are being proposed to calculate the net liability of the defined benefit pension scheme held by the Council.</p> <p>This would require the services of an additional independent actuary.</p> <p>This control point does not impact upon our planned audit approach and is a common audit finding across our portfolio.</p> | <p>Management response:</p> <p>Tayside Pension Fund engages independent actuaries to undertake an annual review of the Fund. The Council places reliance on the professional, independent judgement of the actuaries to ensure that the assumptions remain reasonable. The Council will not be incurring additional cost to review the work of the independent actuary. The Council will, however, continue to undertake an inhouse review of the pension assumptions to ensure that they are reasonable.</p> <p>Implementation date: n/a</p> <p>Responsible officer: n/a</p> |

Prior year follow up

The action plan summaries specific recommendations arising from our work, together with related risks and management's responses.

Priority rating for recommendations

Grade one (significant) observations are those relating to business issues, high level or other important internal controls. These are significant matters relating to factors critical to the success of the Council or systems under consideration. The weaknesses may therefore give rise to loss or error.

Grade two (material) observations are those on less important control systems, one-off items subsequently corrected, improvements to the efficiency and effectiveness of controls and items which may be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified.

Grade three (minor) observations are those recommendations to improve the efficiency and effectiveness of controls and recommendations which would assist us as auditors. The weakness does not appear to affect the availability of the control to meet their objectives in any significant way. These are less significant observations than grades one or two, but we still consider they merit attention.

| Finding, risk and recommendation | Original actions | Progress |
|--|--|--|
| 1. (Grade three) Bank Reconciliations | | |
| <p>The December 2019 reconciliations were not completed within one month of the period end. This meant that one reconciling item was not identified or corrected until both December and January bank reconciliations were completed mid-February.</p> <p>Recommendation: It is a key anti-fraud control for bank balances to be fully reconciled on a regular basis. It is recommended that management ensures the timely reconciliation of all bank accounts.</p> | <p>Management response: n/a</p> <p>Implementation date: n/a</p> <p>Responsible officer: n/a</p> | <p>Management have completed bank reconciliations on a more timely basis, noting that one account reconciliation was delayed due to workload in November 2020 that has resulted in the continued recommendation going forward.</p> |

Prior year follow up (continued)

| Finding, risk and recommendation | Original actions | Progress |
|--|---|--|
| 2. (Grade two) BACS payment process | | |
| <p>As part of our audit, we remain alert to the susceptibility of fraud within the audit entity, using our existing knowledge from other entities and sectors.</p> <p>Management enhanced controls in respect of BACS payments following fraud identified at another local authority. While the control environment has been strengthened, we consider that a weakness remains in respect of the ability of a small number of senior staff to modify the BACS payment file and override the detection control which has been implemented.</p> <p>We note that our sample testing on page six in respect of BACS payment authorisation process did not identify any errors, and management have not identified any errors in relation to this weakness.</p> <p>Recommendation: It is recommended that the detective control is redesigned to mitigate the risk that it is subject to management override by the privileged system users it is designed to monitor.</p> | <p>Management response: The Council has implemented a number of controls in this area. Any amendments to the BACS payment file automatically generate an email to a number of senior members of Finance to allow for scrutiny and challenge. A central record is kept of any changes. Finance officers do not consider that this control can be reasonably strengthened any further.</p> <p>Implementation date: n/a</p> <p>Responsible officer: n/a</p> | <p>We will continue to plan and undertake our audit approach factoring in management's assessment.</p> |
| 3. (Grade three) Housing rents system | | |
| <p>We tested a sample of two months' reconciliations between the housing rents system (Northgate) and the general ledger (Integra). There was no documented review of these reconciliations by an authorised senior member of staff.</p> <p>Recommendation: We recommend that the reconciliations are reviewed by an authorised senior member of staff, and that this review is appropriately documented.</p> | <p>Management response: The monthly reconciliation will be reviewed and authorised by the Finance & Governance Manager and copies will be held on file.</p> <p>Implementation date: April 2020</p> <p>Responsible officer: Finance & Governance Manager</p> | <p>Implemented</p> |

Prior year follow up (continued)

| Finding, risk and recommendation | Original actions | Progress |
|--|---|--|
| <p>4. (Grade three) Non-Domestic Rates</p> <p>We have tested the design and implementation of the controls around Non-Domestic Rates. In two cases there was no clear segregation of duties in terms of staff recording and authorising Non-Domestic Rates relief applications.</p> <p>Recommendation: We recommend that management implements a process to ensure segregation of duties when completing and authorizing Non-Domestic Rates relief applications.</p> <p>In respect of management's response, we understand that detective controls are in place, we will consider their design and implementation as part of our year-end audit and will report on our findings in our Annual Audit Report. We do not plan to test the operating effectiveness to the extent we are not relying on IT based system controls.</p> | <p>Management response: The Local Taxes Management Team does not consider that there is a need for a clear segregation between accepting and processing information as it views this as one single customer interaction. They view the ability to make amendments, including those made at the point of contact, by an experienced member of staff to be beneficial in terms of customer service, and in achieving Best Value through effective use of staff resources rather than the recommended two-tiered approach.</p> <p>There is a very minor risk that staff could enter invalid information into the system, but this applies whether there is the existence of an application form or not.</p> <p>Furthermore, they strongly consider that satisfactory arrangements are in place through login control, system permissions, audit trails, accuracy checking and review processes to identify and mitigate any potential such actions occurring.</p> <p>Therefore, the Local Taxes Management Team are comfortable with existing processes and are accepting of any minor risks that current arrangements may bring.</p> <p>Implementation date: n/a</p> <p>Responsible officer: n/a</p> | <p>We will continue to plan and undertake our audit approach factoring in management's assessment and are aware that there is continued shift towards online processing by individuals without staff intervention.</p> |

Prior year follow up (continued)

| Finding, risk and recommendation | Original actions | Progress |
|--|--|---|
| 5. (Grade two) Council Tax and Non-Domestic Rates | | |
| <p>In respect of both Non-Domestic Rates and Council Tax, we were unable to verify a formal approach in respect of how the Council considered reliefs spanning multiple years.</p> <p>Recommendation: For best practice, it is recommended that the Council undertakes its formal process to consider these reliefs and discounts that span multiple years.</p> | <p>Management response: The Council recognises the need to regularly review discounts and exemptions awards that cross multiple financial years.</p> <p>To do this, each year a review timetable is created detailing the awards that we intend to review in the coming year.</p> <p>For Financial Year 2019/20, although such a timetable was created the reviews were not carried out as originally scheduled due to other work priorities.</p> <p>It is anticipated that a full review programme will be carried out during Financial Year 2020/21, although this may be impacted by Covid-19. The Local Taxes management team are content with this situation and will, as far as possible manage the risks of any delay in carrying out reviews.</p> <p>Implementation date: 31 March 2021</p> <p>Responsible officer: Principal Officer (Local Taxes)</p> | <p>We understand that due to the specific and understandable pressures affecting 2020-21 this has not been able to be progressed.</p> |



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PERTH & KINROSS COUNCIL

AUDIT COMMITTEE

30 June 2021

STRATEGIC RISK REGISTER

Report by Head of Legal & Governance Services

(Report No. 21/110)

This purpose of the report is to provide assurance that the Council's Risk Management Framework is adequate and effective and to advise the Committee of the current key strategic risks facing the organisation and how those will be managed.

1. EXECUTIVE SUMMARY

- 1.1 In terms of good governance, effective risk management is a key element of the Council's system of internal control. As such, it is reviewed as part of the assurance exercise undertaken to produce the Council's Annual Governance Statement. A further detailed review of the Strategic Risk Register has also been undertaken to ensure that it reflects the current key strategic risks facing the organisation at this time.
- 1.2 The Council's Risk Management Framework was approved in 2017 and has been reviewed since that time to ensure that it remains fit for purpose. The Framework represented a fresh approach to risk management based on the Management of Risk methodology. The approach is now embedded across the Council and risk at all levels is managed through a continuous process of identification, assessment, evaluation, prioritisation, and mitigation. Risk is evaluated based on the likelihood of the risk arising (probability) and the potential impact in both financial and non-financial terms. Given that risk can never be eliminated completely, proportionate controls and mitigation measures are then put in place to manage the risk.
- 1.3 The Council's approach to risk management as set out in the Risk Management Strategy has been effective in identifying, assessing, evaluating, mitigating and managing risk, appropriately and proportionately during the period 2020/21. The Risk Management Framework has been able to flex and adapt to provide an effective mechanism for managing the new and unprecedented risks which have faced the Council in the past year, as it has sought to maintain the operational delivery of essential services and deliver new services in response to the global public health crisis due to the COVID-19 pandemic.
- 1.4 The Strategic Risk Register reflects our assessment and evaluation of the key strategic risks which the Council is facing currently. Risk is fluid however and the risks, their scoring and the controls and mitigating actions need to be continually monitored and reviewed.

2. CONTEXT: Summary of Risk Activity 2020/21

- 2.1 In response to the global health pandemic, the Council implemented effective and appropriate civil contingencies arrangements. These included an effective operational command structure to ensure the effective discharge of the Council's duties as a Category 1 responder to protect the health and wellbeing of our communities during this time and the continued delivery of essential operational services. The command structure ensured effective risk management at both a strategic and operational level of existing, new and emerging risks. A separate COVID-19 risk register was managed through Silver Command, with the Silver Commander being the Senior Risk Officer. As restrictions eased after the first lockdown, work was carried out to identify which risks from the COVID-19 risk register required to now be managed through the established mechanism of Strategic and Service Risk Registers. This was as the Council twin tracked recovery and renewal activities alongside the public health response.
- 2.2 In March 2021, the Performance, Planning and Risk Group (PP&R), who are trained risk practitioners, carried out a PESTILE and SWOT exercise to scope out and to highlight the current context the organisation was operating in. The PP&R Group also carried out a critical review of the strategic risk register in terms of both context and format. Internal Audit also completed a review of other Local Authority risk registers for benchmarking purposes. A workshop session was carried out with the Executive Officer Team (EOT) to agree the context and establish a programme of work for 2021 for risk management. A new, more user-friendly format to the Risk Register was also agreed.
- 2.3 A workshop session in April 2021 was carried out with the Corporate Management Group (CMG) and the PP&R group. This consisted of constructive challenge and scrutiny of the nature of the risks, scoring and controls. The PP&R group then worked with Risk Owners and Actioners to finalise the context of the revised strategic risk in the new agreed format.
- 2.4 The redeveloped Strategic Risk Register is attached at Appendix 1. The format has been amended to provide a more concise view of the existing risk control measures. A risk overview section has also been added which provides context in respect to the status of the risk overall.

3. CURRENT KEY RISKS

- 3.1 There are currently eleven key strategic risks identified on the risk register. The INHERENT risk score is the evaluation of the risk prior to any control actions being implemented. The RESIDUAL risk score is the evaluation of the risk based on the probability and impact once control/mitigation measures are implemented.
- 3.2 The risks are articulated in terms of cause and effect to ensure that there is a clear understanding of the various factors which potentially give rise to the risk being realised.

- 3.3 Some risks cannot be reduced significantly regardless of what mitigating factors are put in place. Furthermore, risks are not exclusively negative and indeed some risks present potential opportunities for change and improvement. It is also recognised that the Council alone is not solely responsible for the management of a number of key strategic risks which will impact on the achievement of positive outcomes for our communities. The risk response therefore may vary (Accept/Avoid/Reduce/Transfer/Share/Enhance/Exploit) depending upon the nature of the risks and the circumstances.
- 3.4 Based on the evaluation the highest (Priority 1) risks facing the Council relate to: -
- the protection of vulnerable children and adults
 - reducing the impact of climate change
 - addressing poverty and the inequalities gap
 - service redesign
 - growing the local economy
- 3.5 The fact that other risks are scored lower in no way signifies that these are of lesser importance; the scores are more reflective of the scope and effectiveness of the current controls within the direct influence of the Council. Similarly, some other important risks will sit on Service Risk Registers in accordance with the Risk Management Strategy. These will be monitored and managed by the relevant Senior Management Teams, subject to the provisions within the Framework governing escalation and accountability.

4. NEXT STEPS

- 4.1 To strengthen our Risk Management Framework further, we are currently in the process of procuring a new software solution for risk management which will be integrated with performance management. This will allow the organisation to align our performance and risk data and activity more closely to our strategic objectives. The approach will provide a more holistic view of key issues, challenges, and opportunities to support better informed evidence-based decision making across the organisation.
- 4.2 The impact of the pandemic has significantly altered the public sector landscape. The last year has demonstrated the value and benefits of closer collaboration with our public partners, the private and third sector and with communities themselves and we must capitalise on this through the Perth and Kinross Offer. As we continue to twin track between response and recovery, we must challenge our traditional thinking around the design and delivery of our services to ensure that they meet the increasing and changing needs of our communities now and in the future. As an organisation we need to review and increase our appetite for risk. Accordingly, we will be engaging with elected member and officers to further develop our Risk Appetite Statement in the course 2021/22.

- 4.3 An in-house risk management training programme was developed at the start of 2020, however, roll out of the programme had to be put on hold as resources were diverted to responding to the public health emergency. This will be refreshed to ensure that it is relevant and fit for purpose and a new e-learning training module is also being created and will be rolled out in the Autumn of 2021.

5. CONCLUSION AND RECOMMENDATION

- 5.1 The Council's Risk Management Framework is robust and effective and will continue to be reviewed throughout 2021/22 to ensure that it remains fit for purpose. A programme of work is in place to further develop the framework to better support the organisation to achieve its strategic objectives and deliver better outcomes for the people of Perth & Kinross
- 5.2 It is recommended that the Committee:
- i) considers the content of the report and provide appropriate and constructive scrutiny
 - ii) notes the current key strategic risks which have been identified through the application of the approved risk management process.

Authors

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

Approved

| Name | Designation | Date |
|----------------|-------------------------|--------------|
| Barbara Renton | Interim Chief Executive | 20 June 2021 |

| |
|---|
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| You can also send us a text message on 07824 498145. |
| All Council Services can offer a telephone translation facility. |

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

1. Strategic Implications

Community Plan / Corporate Plan

- 1.1 This report supports the delivery of the Strategic Objectives within Perth and Kinross Community Plan (Local Outcomes Improvement Plan) 2017-2027 and Corporate Plan 2018-2022.

2. Resource Implications

Financial

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

Workforce

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

Asset Management (land, property, IT)

- 2.3 There are no asset management implications arising from this report.

3. Assessments

Equality Impact Assessment

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

Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals. No further action is required as it does not qualify as a PPS as defined by the Act and is therefore exempt.

Sustainability

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

Legal and Governance

- 3.6 Not applicable.

Risk

- 3.7 Not applicable.

4. Consultation

Internal

- 4.1 Service Management teams, the Corporate Management Group and Executive Officer Team were consulted during the preparation of this report.

External

4.2 Not applicable.

2. BACKGROUND PAPERS

Not applicable.

3. APPENDICES

Appendix 1 - Strategic Risk Register June 2021



Draft Strategic Risk Register

24th June 2021

Risk Summary: (see last page for key)

| Risk Ref. | Risk Title | Risk Event. <i>There is a risk that:</i> | Priority |
|------------------|--|---|-----------------|
| SR01 | Protection of Vulnerable Children & Adults | Vulnerable children and adults are not adequately protected, and the Council fails to meet its statutory duty | 20 |
| SR02 | Climate Change | The actions and decisions of the Council fail to affect the behavioural and cultural change required to mitigate the causes of and reduce the impact of climate change in Perth and Kinross | 20 |
| SR03 | Economic Wellbeing | The economy in Perth & Kinross does not grow in an inclusive and sustainable way | 20 |
| SR04 | Poverty & Equalities | There will be increased poverty and the inequalities gap within Perth & Kinross will widen | 16 |
| SR05 | Public Service Design & Delivery | The Council does not design and deliver the sustainable public services that our communities need | 16 |
| SR06 | Information Security | The security (that is, the confidentiality, integrity, availability, and resilience) of the Council's data is compromised | 15 |
| SR07 | Security & Emergency Planning/Civil Contingencies | The Council is unable to provide an adequate or effective operational response in emergency situations | 12 |
| SR08 | Financial Resilience | There are insufficient financial resources to deliver the required level and quality of services to our communities | 12 |
| SR09 | Workforce | The Council does not have the skilled, motivated, and agile workforce that it requires to ensure the effective delivery of services | 12 |
| SR10 | Asset Management | Council property, housing, roads infrastructure and other assets are not safe, fit for purpose or providing best value | 12 |
| SR11 | Health & Safety | The health and safety of staff and the public is not adequately protected | 8 |

Risk Number & Title: SR01 – PROTECTION OF VULNERABLE CHILDREN & ADULTS**Sub-Category: Legislation & Compliance****Current Risk Rating:** (priority 1, 2, 3 or 4)**PRIORITY 1****Risk Response:** (accept, avoid, reduce, transfer, share, enhance, exploit)**SHARE**

| Inherent Impact (1-5) | Inherent Probability (1-5) | Residual Impact (1-5) | Residual Probability (1-5) |
|------------------------|----------------------------|------------------------|----------------------------|
| 5 | 5 | 5 | 4 |
| Inherent Score: | 25 | Residual Score: | 20 |

| | | | | | | |
|-------------|---------------|----------|-----|--------|------|-----------|
| Impact | Critical | 5 | 10 | 15 | 20 | 25 |
| | Major | 4 | 8 | 12 | 16 | 20 |
| | Moderate | 3 | 6 | 9 | 12 | 15 |
| | Minor | 2 | 4 | 6 | 8 | 10 |
| | Insignificant | 1 | 2 | 3 | 4 | 5 |
| | | Very Low | Low | Medium | High | Very High |
| Probability | | | | | | |

| As a Result of | There is a risk that | Which Could Lead to |
|--|--|---|
| <ul style="list-style-type: none"> Increasing resource pressures across relevant public sector bodies Incohesive partnership working (eg ineffective communication and data sharing) Increasing vulnerabilities | Vulnerable children and adults are not adequately protected, and the Council fails to meet its statutory duty | <ul style="list-style-type: none"> Significant harm to individuals Increasing demand for services from Council and other public partners Damage to Council reputation/loss of public confidence Legal claims for breach of statutory duty |

Key Controls

- Public Protection Chief Officers Group
- PKC Child Welfare & Protection Processes/Policies/Procedures
- PKC Adult Welfare & Protection Processes/Policies/Procedures
- ECS Business Management & Improvement Plan actions
- Child Protection Committee
- Adult Protection Committee
- Public Protection Co-ordinating Group
- Tayside Regional Improvement Collaborative has established a Priority Group for Safeguarding and Child Protection
- Performance/ risk management & reporting systems

Risk Owner: Chief Executive**Risk Actionee:** Chief Social Work Officer**Key Actions & Updates**

- Chief Officers Group for Public Protection has strengthened role and remit during COVID-19 and approved a new Public Coordinating Group to be established from January 2021 led by the CSWO
- A public protection risk register is closely monitored by the Chief Officers Group for Public Protection and by public protection committees and the key areas of risk have been identified and mitigated
- Annual reports from the Child and Adult Protection Committees will report to Council/IJB December 2020.

Appendix 1

| Risk Number & Title: SR02 – CLIMATE CHANGE | | | |
|--|-------------------|---|--------------|
| Sub-Category: Environment | | | |
| Current Risk Rating: (priority 1, 2, 3 or 4) | PRIORITY 1 | Risk Response: (accept, avoid, reduce, transfer, share, enhance, exploit) | SHARE |

| Inherent Impact (1-5) | Inherent Probability (1-5) | Residual Impact (1-5) | Residual Probability (1-5) |
|------------------------|----------------------------|------------------------|----------------------------|
| 5 | 5 | 4 | 5 |
| Inherent Score: | 25 | Residual Score: | 20 |

| Impact | Critical | 5 | 10 | 15 | 20 | 25 |
|-------------|---------------|----------|-----|--------|------|-----------|
| | Major | 4 | 8 | 12 | 16 | 20 |
| | Moderate | 3 | 6 | 9 | 12 | 15 |
| | Minor | 2 | 4 | 6 | 8 | 10 |
| | Insignificant | 1 | 2 | 3 | 4 | 5 |
| | | Very Low | Low | Medium | High | Very High |
| Probability | | | | | | |

| As a Result of | There is a risk that | Which Could Lead to |
|--|---|--|
| <ul style="list-style-type: none"> A lack of climate leadership and accountability and failure to embed responsibility for action and to effect cultural change across services A lack of resources to properly plan, co-ordinate implement appropriate Council-wide response New, emerging and evolving statutory duties & responsibilities Failure to properly engage with and empower our communities and business to change behaviour and take action. Compartmentalised/ siloed approach to task and budget and decisions made with short time horizons. Failure to maximise on opportunities for positive change | <p>The actions and decisions of the Council fail to affect the behavioural and cultural change required to mitigate the causes of and reduce the impact of climate change in Perth and Kinross</p> | <ul style="list-style-type: none"> Failure to meet our climate reduction targets and responsibilities, with potential legislative penalties Inflated investment requirements due to not taking early action Damage to Council reputation/loss of public confidence Damage to property and livelihoods across the Council-area Detrimental impact on environmental, health and wellbeing outcomes across our community Missed funding or commercial opportunities Duplication of effort around carbon reduction and climate change |

| Key Controls |
|--|
| <ul style="list-style-type: none"> Climate Change Board Climate Change engagement plan Climate Carbon Working Groups Perth and Kinross Climate Change Commission (in process of being established) |

| Key Actions & Updates |
|---|
| <ul style="list-style-type: none"> Development of updated climate roadmap and clear corporate framework to ease integration of local low carbon activities across PKC and wider community Strengthening of climate change communication, reporting & governance structures across all levels of PKC from the Low Carbon Working Group, through Climate Change Board & onto the CMG, EOT, Community Planning partners & Elected Members. |

| |
|--|
| Risk Owner: – Chief Executive |
| Risk Actionee: Head of Planning & Development |

Appendix 1

Risk Number & Title: SR03 – ECONOMIC WELLBEING

Sub-Category: Finance

Current Risk Rating: (priority 1, 2, 3 or 4)

PRIORITY 1

Risk Response: (accept, avoid, reduce, transfer, share, enhance, exploit)

REDUCE

| Inherent Impact (1-5) | Inherent Probability (1-5) | Residual Impact (1-5) | Residual Probability (1-5) |
|------------------------|----------------------------|------------------------|----------------------------|
| 5 | 5 | 5 | 4 |
| Inherent Score: | 25 | Residual Score: | 20 |

| | | | | | | |
|-------------|---------------|----------|-----|--------|------|-----------|
| Impact | Critical | 5 | 10 | 15 | 20 | 25 |
| | Major | 4 | 8 | 12 | 16 | 20 |
| | Moderate | 3 | 6 | 9 | 12 | 15 |
| | Minor | 2 | 4 | 6 | 8 | 10 |
| | Insignificant | 1 | 2 | 3 | 4 | 5 |
| | | Very Low | Low | Medium | High | Very High |
| Probability | | | | | | |

| As a Result of | There is a risk that | Which Could Lead to |
|--|--|---|
| <ul style="list-style-type: none"> The current economic climate, including impacts of COVID-19 and uncertainties caused by withdrawal from the EU Failure to identify relevant factors impacting local economic resilience and develop strategies to support local economy Failure to maximise on opportunities presented through the Tay Cities Deal Debt of Covid Failure to resource the delivery of the Economic Wellbeing Plan appropriately | <p>The economy in Perth & Kinross does not grow in an inclusive and sustainable way</p> | <ul style="list-style-type: none"> Increased poverty across our communities Rising unemployment and a lack of positive destinations for school leavers Population and economic decline Decline in housebuilding, business expansion and investment Increased demand for services |

Key Controls

- Economic Wellbeing Plan
- Busines Barometer Survey
- Brexit Officers Working Group
- COSLA Officers Working Group
- Local Resilience Partnership
- Tay Cities Deal

Key Actions & Updates

- Ongoing monitoring of local economy, including Business Barometer Survey

Risk Owner: Executive Director - Communities

Risk Actionee: Head of Planning & Development

Appendix 1

Risk Number & Title: SR04 – POVERTY & EQUALITIES

Sub-Category: Finance

Current Risk Rating: (priority 1, 2, 3 or 4)

PRIORITY 1

Risk Response: (accept, avoid, reduce, transfer, share, enhance, exploit)

REDUCE

| Inherent Impact (1-5) | Inherent Probability (1-5) | Residual Impact (1-5) | Residual Probability (1-5) |
|------------------------|----------------------------|------------------------|----------------------------|
| 5 | 5 | 4 | 4 |
| Inherent Score: | 25 | Residual Score: | 16 |

| | | | | | | |
|-------------|---------------|----------|-----|--------|------|-----------|
| Impact | Critical | 5 | 10 | 15 | 20 | 25 |
| | Major | 4 | 8 | 12 | 16 | 20 |
| | Moderate | 3 | 6 | 9 | 12 | 15 |
| | Minor | 2 | 4 | 6 | 8 | 10 |
| | Insignificant | 1 | 2 | 3 | 4 | 5 |
| | | Very Low | Low | Medium | High | Very High |
| Probability | | | | | | |

| As a Result of | There is a risk that | Which Could Lead to |
|---|--|---|
| <ul style="list-style-type: none"> The current economic climate Low Wage and in work poverty increases in poverty and food poverty Wider societal community impacts as a result of COVID -19 (eg social isolation) Failure to plan and resource effective interventions to meet changing and increasing needs within our communities | <p>There will be increased poverty and the inequalities gap within Perth & Kinross will widen</p> | <ul style="list-style-type: none"> An increasing demand for services, including those provided by the HSCP, which the Council may be unable to meet Reduction in Council income A detrimental impact on communities, wellbeing, and achievement of Council strategic aims Pressure on statutory services particularly in public protection, social care and health. |

Key Controls

- Local Outcomes Improvement Plan
- Joint Welfare Reform Steering Group
- Service planning, performance monitoring & reporting
- Budget monitoring & reporting
- Equalities Impact Assessments
- Regional Economic Strategy/Economic Wellbeing Plan
- Public Protection Chief Officers Group
- Welfare Rights engagement and signposting
- Welfare Fund & COVID related Hardship Fund
- Local Child Poverty Action Plan
- Tayside Region Improvement Collaboration

Risk Owner: Executive Director - Communities

Risk Actionee: Depute Director - Communities

Key Actions & Updates

- Development of the P&K Offer
- Development of actions through Employability, Equalities and Fairness Group (Poverty & Child Poverty, Food and Fuel Poverty, Employability Initiatives)
- Local Outcome Improvement Plans – Follow up actions
- 2021/22 Budget Setting Decisions Rent increases minimised; Council tax freeze etc
- Economic Wellbeing Plan – monitoring and reporting of progress
- Temporary ongoing support to foodbanks/food distribution through Fair Share
- Development of Food Poverty Strategy

Appendix 1

Risk Number & Title: SR05 – PUBLIC SERVICE DESIGN & DELIVERY

Sub-Category: Reputation & Public Image

Current Risk Rating: (priority 1, 2, 3 or 4)

PRIORITY 1

Risk Response: (accept, avoid, reduce, transfer, share, enhance, exploit)

REDUCE

| Inherent Impact (1-5) | Inherent Probability (1-5) | Residual Impact (1-5) | Residual Probability (1-5) |
|------------------------|----------------------------|------------------------|----------------------------|
| 4 | 5 | 4 | 4 |
| Inherent Score: | 20 | Residual Score: | 16 |

| | | | | | | |
|-------------|---------------|----------|-----|--------|------|-----------|
| Impact | Critical | 5 | 10 | 15 | 20 | 25 |
| | Major | 4 | 8 | 12 | 16 | 20 |
| | Moderate | 3 | 6 | 9 | 12 | 15 |
| | Minor | 2 | 4 | 6 | 8 | 10 |
| | Insignificant | 1 | 2 | 3 | 4 | 5 |
| | | Very Low | Low | Medium | High | Very High |
| Probability | | | | | | |

| As a Result of | There is a risk that | Which Could Lead to |
|---|---|---|
| <ul style="list-style-type: none"> Failure to engage with and understand the needs of local communities Insufficient population demographics projections Failure to maximise on community connections and goodwill established during COVID-19 Insufficient governance and processes in place to deliver services in partnership with the community | <p>The Council does not design and deliver the sustainable public services that our communities need</p> | <ul style="list-style-type: none"> Increased demand for services A widening of the inequalities gap Detrimental impact on health and wellbeing Failure to deliver better outcomes for our communities Budgets being spent on ineffective interventions failure to implement duties in relation to the Community Empowerment Act Lack of confidence in Council / reputational loss |

Key Controls

- Community Planning Partnership Board
- Local Action Partnerships
- Budget provisions for Local Action Partnerships
- Equalities & Community Empowerment Workstream
- The PK Offer framework/Board

Key Actions & Updates

- Work is underway to bring together the Perth and Kinross Offer, PKC Corporate Plan and the Local Outcome Improvement Plan (LOIP) as an integrated approach to improving outcomes for local communities.
- Review of CPP delivery arrangements
- Participatory Budgeting Processes
- Kinross Inclusion review
- Place Plans further expansion

Risk Owner: Executive Director - Communities

Risk Actionee: Head of Innovation

Appendix 1

Risk Number & Title: SR06 – INFORMATION SECURITY

Sub-Category: Information Technology & Security

Current Risk Rating: (priority 1, 2, 3 or 4)

PRIORITY 2

Risk Response: (accept, avoid, reduce, transfer, share, enhance, exploit)

REDUCE

| Inherent Impact (1-5) | Inherent Probability (1-5) | Residual Impact (1-5) | Residual Probability (1-5) |
|------------------------|----------------------------|------------------------|----------------------------|
| 5 | 4 | 5 | 3 |
| Inherent Score: | 20 | Residual Score: | 15 |

| | | | | | | |
|-------------|---------------|----------|-----|--------|------|-----------|
| Impact | Critical | 5 | 10 | 15 | 20 | 25 |
| | Major | 4 | 8 | 12 | 16 | 20 |
| | Moderate | 3 | 6 | 9 | 12 | 15 |
| | Minor | 2 | 4 | 6 | 8 | 10 |
| | Insignificant | 1 | 2 | 3 | 4 | 5 |
| | | Very Low | Low | Medium | High | Very High |
| Probability | | | | | | |

| As a Result of | There is a risk that | Which Could Lead to |
|---|--|--|
| <ul style="list-style-type: none"> Inadequate cyber defences Poor information management Remote working/revised processes implemented at speed Inadequate financial and personnel resources Inadequate training Lack of awareness Human error Technical failure | <p>The security (that is, the confidentiality, integrity, availability and resilience) of the Council's data is compromised</p> | <ul style="list-style-type: none"> Significant harm to individuals Irrecoverable loss of data Inability to deliver services effectively Loss of IT infrastructure Damage to Council reputation/loss of public confidence Legal claims and/or financial penalties |

Key Controls

- PSN accreditation
- DP Policies/processes/training
- Business Continuity procedures
- Technical and procedural security controls
- Audit and monitoring (including independent auditing)
- EDMS implementation
- Records Management Plan

Key Actions & Updates

- Improved technical security measures
- Key data security monitoring roles/responsibilities being identified and resourced
- Further training and awareness sessions organised with staff to raise awareness of phishing and other relevant cyber security risks
- Developing an appropriate governance framework for cyber risk
- Improved supply chain security
- Monitoring of training uptake
- Feedback from exercises to services (ie. Phishing exercise)

Risk Owner: Chief Operating Officer

Risk Actionee: Head of Corporate IT & Revenues, Head of Legal and Governance Services

Appendix 1

Risk Number & Title: SR07 – SECURITY & EMERGENCY PLANNING/CIVIL CONTINGENCIES

Sub-Category: Property & Assets

Current Risk Rating: (priority 1, 2, 3 or 4)

PRIORITY 2

Risk Response: (accept, avoid, reduce, transfer, share, enhance, exploit)

REDUCE

| Inherent Impact (1-5) | Inherent Probability (1-5) | Residual Impact (1-5) | Residual Probability (1-5) |
|------------------------|----------------------------|------------------------|----------------------------|
| 5 | 5 | 4 | 3 |
| Inherent Score: | 25 | Residual Score: | 12 |

| | | | | | | |
|-------------|---------------|----------|-----|--------|------|-----------|
| Impact | Critical | 5 | 10 | 15 | 20 | 25 |
| | Major | 4 | 8 | 12 | 16 | 20 |
| | Moderate | 3 | 6 | 9 | 12 | 15 |
| | Minor | 2 | 4 | 6 | 8 | 10 |
| | Insignificant | 1 | 2 | 3 | 4 | 5 |
| | | Very Low | Low | Medium | High | Very High |
| Probability | | | | | | |

| As a Result of | There is a risk that | Which Could Lead to |
|---|--|---|
| <ul style="list-style-type: none"> Inadequate emergency/business continuity plans (considering all civil contingencies including terrorist, criminal threats and severe weather events) Lack of training and testing of plans | <p>The Council is unable to provide an adequate or effective operational response in emergency situations</p> | <ul style="list-style-type: none"> Major incidents not being managed appropriately Failure to deliver essential services Harm to health and wellbeing Failure to meet requirements of Civil Contingencies Act/legislative penalties Financial/data loss Reputational damage/loss of public confidence |

Key Controls

- Corporate Emergency Planning & Business Continuity Officer & Emergency Response Duty Officers
- Incident Management Teams
- Business Continuity Plans
- Civil Contingency Plans
- Civil Contingencies Act
- Tayside Resilience Partnership
- Outbreak Management Plan
- Concurrent Events & Covid 19 Plan

Key Actions & Updates

- Ensure Civil Contingency Plans are regularly reviewed and tested
- Table-top exercises (risk based)
- Representation on and attendance at appropriate regional and national resilience forums
- On-going engagement with local Community Resilience Groups
- Potential to complete a lesson learned exercise in view of business continuity/response to pandemic

Risk Owner: Chief Executive

Risk Actionee: Head of Communities Business and Resources

Appendix 1

Risk Number & Title: SR08 – FINANCIAL RESILIENCE

Sub-Category: Finance

Current Risk Rating: (priority 1, 2, 3 or 4)

PRIORITY 2

Risk Response: (accept, avoid, reduce, transfer, share, enhance, exploit)

ACCEPT

| Inherent Impact (1-5) | Inherent Probability (1-5) | Residual Impact (1-5) | Residual Probability (1-5) |
|------------------------|----------------------------|------------------------|----------------------------|
| 5 | 5 | 4 | 3 |
| Inherent Score: | 25 | Residual Score: | 12 |

| | | | | | | |
|-------------|---------------|----------|-----|--------|------|-----------|
| Impact | Critical | 5 | 10 | 15 | 20 | 25 |
| | Major | 4 | 8 | 12 | 16 | 20 |
| | Moderate | 3 | 6 | 9 | 12 | 15 |
| | Minor | 2 | 4 | 6 | 8 | 10 |
| | Insignificant | 1 | 2 | 3 | 4 | 5 |
| | | Very Low | Low | Medium | High | Very High |
| Probability | | | | | | |

| As a Result of | There is a risk that | Which Could Lead to |
|--|---|--|
| <ul style="list-style-type: none"> The current economic climate Reduced financial settlement Reduction in projected income Increased expenditure Increasing demand for services | <p>There are insufficient financial resources to deliver the required level and quality of services to our communities</p> | <ul style="list-style-type: none"> Reduction in availability/quality of services Detrimental impact of health and wellbeing Failure to comply with statutory duties Failure to deliver a balanced budget Reputational loss Increase in savings targets and significant reduction in the Council's reserves |

Key Controls

- Medium Term Financial Planning process
- Capital Budget
- Treasury Management
- Budget monitoring
- Forecasting/analysis
- Ongoing review of assumptions
- Continuous engagement with management and elected members
- Regular engagement with HSCP, Tayside Contracts & ALEOs
- Additional COSLA returns and monitoring and lobbying for Councils nationally via CoSLA, SOLACE, and the Directors of Finance Group
- Budget review groups

Key Actions & Updates

- Regular Elected Member briefing sessions have taken place, with Capital and Revenue budget updates to Council and SP&R
- Commenced budget preparation and continued Elected Member review process for 2021/22 with detailed engagement to follow in the Autumn
- Medium Term Financial Plan (2021-2027) approved in September 2020
- Significant funding received from SG to support the Council's response to COVID-19.
- Annual Governance Statement complete and submitted to Scrutiny on 09 June 2021

Risk Owner: Chief Executive

Risk Actionee: Head of Finance

Appendix 1

| | | | |
|---|-------------------|--|---------------|
| Risk Number & Title: SR09 – WORKFORCE | | | |
| Sub-Category: Human Resource | | | |
| Current Risk Rating: (priority 1, 2, 3 or 4) | PRIORITY 2 | Risk Response: (accept, avoid, reduce, transfer, share, enhance, exploit) | REDUCE |

| Inherent Impact (1-5) | Inherent Probability (1-5) | Residual Impact (1-5) | Residual Probability (1-5) |
|------------------------|----------------------------|------------------------|----------------------------|
| 4 | 5 | 4 | 3 |
| Inherent Score: | 20 | Residual Score: | 12 |

| | | | | | | |
|-------------|---------------|----------|-----|--------|------|-----------|
| Impact | Critical | 5 | 10 | 15 | 20 | 25 |
| | Major | 4 | 8 | 12 | 16 | 20 |
| | Moderate | 3 | 6 | 9 | 12 | 15 |
| | Minor | 2 | 4 | 6 | 8 | 10 |
| | Insignificant | 1 | 2 | 3 | 4 | 5 |
| | | Very Low | Low | Medium | High | Very High |
| Probability | | | | | | |

| As a Result of | There is a risk that | Which Could Lead to |
|---|---|---|
| <ul style="list-style-type: none"> Inadequate workforce planning (including succession planning, policies & strategies, vacancies management, wage analysis) Ineffective employee engagement Rigid/non-agile practices Failure to develop/train existing staff Lack of support for staff in dealing with additional pressures created by COVID-19 (including issues around uncertainty, wellbeing and mental health, and working from home) Failure to manage demand and capacity pressures arising from key losses of experienced Officers in recent years | <p>The Council does not have the skilled, motivated, and agile workforce that it requires to ensure the effective delivery of services</p> | <ul style="list-style-type: none"> Failure to deliver strategic objectives Detrimental impact on health and wellbeing Inability to deliver Services in a satisfactory and legislatively compliant manner/non-provision of Services Negative impacts upon staff and service delivery (including decrease in staff wellbeing, high absence, decreased productivity and morale, high staff turnover and skills gaps) Reputational damage/Council being seen as an unattractive employer |

| Key Controls |
|--|
| <ul style="list-style-type: none"> Workforce planning MA & Graduate trainee schemes Digital skills team and training Leadership skills training Organisational development framework, new OD approaches/methodologies Wellbeing/resilience/support (including links to partner organisation support resources for care workers) Employee engagement approaches and pulse surveys Leadership and management of change |

| Key Actions & Updates |
|--|
| <ul style="list-style-type: none"> Corporate Workforce Plan 2021-2023 Working Smarter Project Unwritten ground rules being refreshed Remote working guidance and skills for managers to work remotely being developed Skills and role profile review and manager support on this Mobilisation plans Return to office quality and impact fairness controls check Medium to longer term working approach, incorporating support, being developed Wellbeing conference |

| |
|--|
| Risk Owner: Chief Operating Officer |
| Risk Actionee(s): Corporate HR Manager, Head of Innovation (Organisational Development) |

Appendix 1

Risk Number & Title: SR10 – ASSET MANAGEMENT

Sub-Category: Property & Assets

Current Risk Rating: (priority 1, 2, 3 or 4)

PRIORITY 2

Risk Response: (accept, avoid, reduce, transfer, share, enhance, exploit)

REDUCE

| Inherent Impact (1-5) | Inherent Probability (1-5) | Residual Impact (1-5) | Residual Probability (1-5) |
|------------------------|----------------------------|------------------------|----------------------------|
| 4 | 4 | 4 | 3 |
| Inherent Score: | 16 | Residual Score: | 12 |

| | | | | | | |
|-------------|---------------|----------|-----|--------|------|-----------|
| Impact | Critical | 5 | 10 | 15 | 20 | 25 |
| | Major | 4 | 8 | 12 | 16 | 20 |
| | Moderate | 3 | 6 | 9 | 12 | 15 |
| | Minor | 2 | 4 | 6 | 8 | 10 |
| | Insignificant | 1 | 2 | 3 | 4 | 5 |
| | | Very Low | Low | Medium | High | Very High |
| Probability | | | | | | |

| As a Result of | There is a risk that | Which Could Lead to |
|--|--|---|
| <ul style="list-style-type: none"> Ineffective asset management planning Inadequate budgeting & failure of planning and investment Failure to respond appropriately to H&S concerns raised through national enquiries/reports Deterioration of assets through lack of planned maintenance/severe weather events Failure to capitalise on opportunities/new ways of working presented by COVID response Failure to adhere to legislation/statutory requirements | <p>Council buildings and other assets are not safe, fit for purpose or providing best value</p> | <ul style="list-style-type: none"> Breach of statutory duties Increased costs due to insurance claims and maintenance Increased health & safety risks (injury/fatalities) Impacts upon Service delivery Increased costs Legal claims/ financial penalties |

Key Controls

- Fire Action Plan
- Health & Safety
- Capital Investment Programme
- Structural Condition Surveys
- Partnership Arrangements with Scottish Fire and Rescue Service
- Maintenance Programmes (reactive, planned and statutory compliance)

Risk Owner: Chief Operating Officer

Risk Actionee(s): Head of Property, Head of Housing, Head of ES &C, Head of Business & Resources – ECS, Head of Business & Resources - Communities

Key Actions & Updates

- Asset Management/Investment Blueprint being developed
- Status and option reports for core assets
- Asset management plans
- Estate management plans
- Capital investment plans

Appendix 1

Risk Number & Title: SR11 – HEALTH & SAFETY

Sub-Category: Legislation & Compliance

Current Risk Rating: (priority 1, 2, 3 or 4)

PRIORITY 3

Risk Response: (accept, avoid, reduce, transfer, share, enhance, exploit)

ACCEPT

| Inherent Impact (1-5) | Inherent Probability (1-5) | Residual Impact (1-5) | Residual Probability (1-5) |
|------------------------|----------------------------|------------------------|----------------------------|
| 4 | 4 | 4 | 2 |
| Inherent Score: | 16 | Residual Score: | 8 |

| | | | | | | |
|--------|---------------|----------|-----|--------|------|-----------|
| Impact | Critical | 5 | 10 | 15 | 20 | 25 |
| | Major | 4 | 8 | 12 | 16 | 20 |
| | Moderate | 3 | 6 | 9 | 12 | 15 |
| | Minor | 2 | 4 | 6 | 8 | 10 |
| | Insignificant | 1 | 2 | 3 | 4 | 5 |
| | | Very Low | Low | Medium | High | Very High |
| | Probability | | | | | |

| As a Result of | There is a risk that | Which Could Lead to |
|--|--|---|
| <ul style="list-style-type: none"> Increased demands and pressures created by operating in context of COVID-19 Lack of understanding and application of regulations/legislation Under-investment in training and controls Ineffective monitoring, reporting and response | The health and safety of staff and the public is not adequately protected | <ul style="list-style-type: none"> Potential injury/fatality Breach of statutory duties Prosecution/fines Reputational damage/loss of staff and public confidence |

Key Controls

- Management and staff training and communication
- Risk Assessments based on public health guidance
- Corporate Health & Safety Team
- Health & Safety and PPE Bronze Group
- Safe Systems of Work
- Liaison with Director of Public Health and NHS Tayside to manage local outbreaks
- Weekly COVID monitoring within ECS
- Health & Safety Joint Consultative Committee

Risk Owner: Chief Executive

Risk Actionee: Head of Environmental & Consumer Services

Key Actions & Updates

- Continual monitoring through Bronze Group
- Continual review of risk assessments and environments

Key:

Exposure Rating

Risks are prioritised as to where they fall on the Risk Scoring Grid:

- **Priority 1** Risk remains extreme even after all identified controls and treatments have been applied. There are significant risks, which may have a serious impact on the Council and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of risk.
- **Priority 2** There are significant risks, which may have a serious impact on the Council or Service and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of risk.
- **Priority 3** Risk is manageable after controls have been applied. Although usually accepted, these risks may require some additional mitigating to reduce Probability if this can be done cost effectively. Reassess to ensure conditions remain the same and existing actions are operating effectively.
- **Priority 4** Appropriate controls keep the risk low / negligible. These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Ensure conditions remain the same and existing actions are operating effectively

PERTH & KINROSS COUNCIL

AUDIT COMMITTEE –

30 June 2021

UNAUDITED DRAFT ANNUAL ACCOUNTS 2020/21

Report by the Head of Finance

(Report No. 21/112)

PURPOSE OF REPORT

This report presents the Council's draft Unaudited Annual Accounts for the financial year 2020/21 in accordance with the Local Authority Accounts (Scotland) Regulations 2014.

1. BACKGROUND

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

- “(5) *The proper officer must ensure that financial statements give a true and fair view of the financial position of the local authority and its group at the end of the financial year and the transactions of the local authority and its group for that year.*
- (6) *Once the proper officer is satisfied as to the matters set out in paragraph (5), the proper officer must certify these matters by signing and dating the statement of responsibilities and the balance sheets contained within the Annual Accounts and then submit the Annual Accounts to the auditor.*
- (7) *The Annual Accounts must be submitted to the auditor no later than 30th June immediately following the financial year to which the Annual Accounts relate.*
- (8) *The local authority must publish a copy of the Annual Accounts submitted to the auditor, clearly identified as an unaudited version, on a website of the authority from the date they are submitted until the date on which the audited Annual Accounts are published in accordance with regulation 11.*
- (9) *A local authority or a committee of that authority whose remit includes audit or governance functions must meet to consider the unaudited Annual Accounts as submitted to the auditor.*
- (10) *The meeting referred to in paragraph (9) must be held no later than 31st August immediately following the financial year to which the Annual Accounts relate”.*

2. ANNUAL ACCOUNTS

- 2.1 The Annual Accounts are prepared in accordance with the 2020 CIPFA Code of Practice on Local Authority Accounting (“the Code”).
- 2.2 These accounts also comply with the Local Authority Accounts (Scotland) Regulations 2014 which came into force in October 2014.
- 2.3 The Annual Accounts include a Management Commentary, which provides users of the financial statements with integrated information on management’s view of performance, position, and progress (including forward looking information). This is set out on pages 1 to 14 of the draft Unaudited Annual Accounts which are attached at Appendix 1.
- 2.4 The Regulations require an annual review of the effectiveness of a local authority’s system of internal control by Elected Members. This requirement was met with the approval of the Annual Governance Statement by the Scrutiny Committee on 9 June 2021 (Report No. 21/85 refers). The Statement is set out from page 15 of the draft Unaudited Annual Accounts.
- 2.5 The Regulations also require consideration of the Unaudited Annual Accounts by those charged with governance at a meeting to be held no later than 31 August. This report (and the draft Unaudited Annual Accounts attached at Appendix 1) is before the Committee today to ensure compliance with the statutory requirements prior to submitting them to the appointed auditor (KPMG) and making them available for public inspection.
- 2.6 **ACTION:** Following consideration of the draft Unaudited Annual Accounts the Committee is asked to authorise the Head of Finance to sign the Unaudited Annual Accounts.

3. NEXT STEPS

- 3.1 The audit of the Annual Accounts will take place during July and August 2021. KPMG (working with Council officers) will consider whether the Annual Accounts:
 - Give a true and fair view, in accordance with applicable law and the 2020 Code, of the state of the affairs of Perth & Kinross Council and its Group as of 31 March 2021 and of the income and expenditure for the year then ended;
 - Have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as interpreted and adapted by the 2020 Code; and
 - Have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.
- 3.2 The Companies Act requires auditors to give an explicit opinion on whether the strategic report and governance statement have been prepared in accordance with legal requirements. Audit Scotland’s policy is to apply

Companies Act requirements on a best practice basis will include opinions to the auditor's report on whether the:

- Management commentary has been prepared in accordance with statutory guidance.
- Annual Governance Statement has been prepared in accordance with the proper practices set out in the good governance code.

3.3 It is anticipated that the results of the audit will be summarised in the Draft Annual Audit Report which incorporates the International Standard on Accounting (ISA) 260: Report to those Charged with Governance. It is further anticipated that this KPMG report will be considered by the Audit Committee on 20 September 2021 with the Final Annual Report on the 2020/21 Audit being considered by the Council on 7 October 2021.

3.4 **ACTION:** The Committee is asked to note that it is anticipated that the unsigned Audited Annual Accounts will be considered by the Audit Committee on 20 September 2021.

3.5 The Unaudited Annual Accounts are also available for public inspection between 1 and 21 July 2021 (inclusive) with any objections being sent to the auditor by 23 July 2021.

4. CONCLUSION AND RECOMMENDATIONS

4.1 The Unaudited Annual Accounts will be submitted to the Controller of Audit by 30 June 2021 following authorisation by the Head of Finance.

4.2 It is recommended that the Committee:-

- i) Authorises the Head of Finance to sign the Unaudited Annual Accounts – see paragraph 2.6.
- ii) Notes that it is anticipated that the unsigned Audited Annual Accounts will be considered by the Audit Committee on 20 September 2021 – see paragraph 3.4.

Author(s)

| Name | Designation | Contact Details |
|----------------|------------------------------|--|
| Scott Walker | Chief Accountant | chxfinance@pkc.gov.uk |
| Alison O'Brien | Corporate Accounting Manager | chxfinance@pkc.gov.uk |

Approved

| Name | Designation | Date |
|-------------------|-------------------------|--------------|
| Stewart Mackenzie | Head of Finance | 22 June 2021 |
| Karen Donaldson | Chief Operating Officer | 22 June 2021 |

1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

1. Strategic Implications

Corporate Plan

- 1.1 The Council's Corporate Plan 2018 – 2023 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:
- (i) Giving every child the best start in life;
 - (ii) Developing educated, responsible and informed citizens;
 - (iii) Promoting a prosperous, inclusive and sustainable economy;
 - (iv) Supporting people to lead independent, healthy and active lives; and
 - (v) Creating a safe and sustainable place for future generations.
- 1.2 This report relates to all of these objectives.

2. Resource Implications

Financial

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

Workforce

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

Asset Management (land, property, IT)

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

3 Assessments

Equality Impact Assessment

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

Strategic Environmental Assessment

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

Sustainability

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

4. Consultation

Internal

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

2. BACKGROUND PAPERS

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

3. APPENDICES

- Appendix 1 – 2020/21 Draft Unaudited Annual Accounts



PERTH & KINROSS COUNCIL

ANNUAL ACCOUNTS

2020/21

UN-AUDITED

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MANAGEMENT COMMENTARY

1. Introduction

This publication contains the financial statements of Perth & Kinross Council and its group for the year ended 31 March 2021.

This management commentary outlines the key messages in relation to financial planning and performance for the year 2020/21 and how this has supported delivery of the Council's strategic objectives. This commentary also looks forward, outlining the future financial plans for the organisation and the challenges and risks which it will face as it strives to meet the needs of the people of Perth and Kinross.

A glossary of terms is set out from page 103.

2. Our Vision and Strategic Objectives

The Council is situated in a central location in Scotland. It covers a geographical area of around 5,286 km² and has an estimated population of 151,950. Over the 10 years (2009-2019), the area has experienced a 5.3% increase in its population. During the same time period the Scottish population experienced an increase of 4.4%. The latest population projections over the next 10 years show a 1% increase compared to 1.9% across Scotland.

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

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

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

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

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



The recommendations of the Perth and Kinross Fairness Commission, which were endorsed by the Council in 2017, created a specific and collective focus on tackling the causes and consequences of poverty and inequality across the area and are still being progressed. The Council's commitment remains with the allocation of funding in the 2021/22 Revenue Budget approved in March 2021.

3. Covid-19

At the start of 2020/21, no-one could have imagined that Perth and Kinross would be at the start of a global pandemic that would impact so widely on the way that citizens live and work indefinitely. The economic and social impacts of Covid-19 and the pandemic response have undoubtedly been immense. The threat to lives and general health along with the restrictions and measures that have been taken to minimise transmission have been unprecedented.

The impact of Covid-19 on Perth and Kinross has been significant, and this will continue to be the case for some time to come. The Council has worked alongside communities and partners to support those affected and moving forward it needs to strengthen these relationships and ensure effective working is maintained. This will support and guide the Council as it builds on the Perth and Kinross Offer and the delivery of the 4 'E' workstreams of Equality, Education, Environment and Economy.

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

- an ability to come together in times of crisis.
- the willingness of volunteers to step up and help their communities.
- the flexibility of people to adapt to new and challenging environments.
- the kindness and understanding shown in personal sacrifices for the sake of community safety.

- the determination shown by front line staff, individuals and organisations to adapt and overcome the incredible challenges they faced in delivering vital support and services to people in need of help.

The following is a very brief snapshot of the Council's response in 2020/21 which was provided in addition to the continued delivery of essential services.

- Up to 4,937 vulnerable people were shielding across Perth and Kinross for a period of 18 weeks ranging from April to July 2020
- Approximately 3,500 food parcels were made up over the 18 week period, at a rate of approximately 195 a week and at an approximate cost of £87,000
- In the first lockdown period from March to August 2020, a total of 113 vulnerable children and 564 children of key workers attended hubs and other providers. From January to mid-February around 1,500 children attended school-based hubs, with all P1-P3 returning from 22 February 2021
- Free school meals were provided to over 3,700 children on a weekly basis throughout Perth and Kinross during the periods of remote learning
- Services for Children, Young People and Families continued to have contact with our most vulnerable children and young people throughout the pandemic
- Approximately 1,200 digital devices and data packages were provided to those children and young people who did not have access to one at home
- As of March 2021, the Council had also enabled over 6,200 local businesses to receive grants totalling over £55.7 million
- With all construction sites closed and most architects furloughing their staff during lockdown there was a 30% reduction in the number of building warrant applications and an 80% reduction in the value of building works contracted, falling from £73.96 million to £14.73 million
- The closure of many recycling and waste processing facilities throughout Perth and Kinross, had an impact on community cleanliness, as fly-tipping emerged as an environmental concern
- Working with partners, 3 Community Vaccination Centres (CVCs) were established and set up, a month earlier than expected, with around 350 Council staff volunteering to support the programme
- There were 500+ shifts filled in CVCs in the first 2 week period, using Council and Live Active Leisure staff and volunteers
- Across Tayside, NHS Tayside's vaccination teams have now delivered more than 350,000 vaccines – with almost two thirds of Tayside adults having their first dose and more than a third completing the course with both jabs
- A Carer Sitting Service was established, with a team of re-tasked staff providing support to carers and the people they cared for
- A Carers Connect Online Event connected with over 80 Carers and delivered interactive workshops to improve wellbeing and resilience
- An Enhanced Outreach Model is enabling the Council to support over 30 individuals virtually and it is holding on average 17 interactive online sessions per week
- During our response, 563 employees were re-tasked away from their substantive department to help essential frontline services support our community. Many hundreds more employees were moved within their own service to undertake new roles, again to provide essential services that supported the people of Perth & Kinross.

4. The Annual Accounts 2020/21

The Annual Accounts report the financial performance of the Council. Their main purpose is to demonstrate the stewardship of public funds which have been entrusted to it for the delivery of the Council's vision and strategic objectives. The requirements governing the format and content of the Council's Annual Accounts are contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020 Code). The 2020/21 Annual Accounts have been prepared in accordance with this Code.

5. The Financial Plan

To support the delivery of the strategic objectives during 2020/21, Perth & Kinross Council approved a balanced gross revenue budget of £471.235 million for the General Fund (March 2020). In addition, the Housing and Health Committee approved a gross revenue budget of £31.053 million for the Housing Revenue Account (January 2020). As part of its consistent approach to longer term financial planning, the Council has in place a Medium Term Financial Plan through to 2026/27, a Final Revenue Budget for 2021/22 and a Provisional Revenue Budget for 2022/23. The HRA Budget was also updated in January 2020.

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

Key to the delivery of Council Services is investment in the assets which are used to deliver these services (including schools, houses and infrastructure) and the utilisation of capital funding to stimulate development and regeneration in local areas. In 2020/21, the Council originally budgeted Capital investment of £98.301 million on General Fund activities and £23.019 million 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. It is anticipated that the Council will consider an Investment Blueprint for Capital investment and updated Capital Budget at its meeting in October 2021.

6. Performance Management

In the year 2020/21 the Council has been operating in an extremely challenging environment as a result of the global Covid-19 pandemic; seeking to maintain key essential service provision at the same time as undertaking vital new operational tasks to support the management of the public health crisis. The requirement for the majority of staff and all elected members to work remotely from home has brought resources, systems, processes, tools and technology being deployed differently and innovatively to ensure that democratic decision-making has continued in an open and transparent manner, and that we have continued to provide and support the services that our communities need during this difficult year.

In light of the Covid-19 pandemic, the Council implemented effective and appropriate civil contingencies arrangements. These have ensured:

- a clear decision-making framework utilising emergency powers in accordance with the Council's Scheme of Administration;
- appropriate political oversight through an Elected Member Sounding Board comprising the leaders of all political groups, during the initial period of lockdown and through the operation virtually of Council and Committees; monthly meetings of the Council were put in place at the earliest opportunity to ensure wider elected member oversight;
- an effective operational command structure to deliver essential services and key activities to protect the health and wellbeing of our communities during this time;
- adequate and effective risk management at both a strategic and operational level of existing, new and emerging risks; and
- openness and transparency by the recording and public reporting of decisions taken by the Chief Executive in exercise of her emergency powers under the provisions of Section 15.5 of the Council's Scheme of Administration.

Through the provision of high quality professional and technical advice and expertise we have supported the organisation to make the best informed, risk based decisions and to develop and equip our workforce with the skills needed to design and deliver essential public services now and in the future. We provide the core services which maintain the Council's governance framework and make sure that we have an effective system of internal control.

Some examples of how we supported staff to adapt and continue to deliver services include:

- A re-tasking process was created along with Covid Responders with willing volunteers to retrain staff and manage deployment to areas with reduced staffing and service delivery demand during the pandemic;
- Rolled out hardware and software systems to an additional c3,000 staff to facilitate home working;
- Introduced 'How to recruit remotely' during 2020 and this has been operating effectively across the Council;
- Developed and rolled out guidance on how to manage remote teams in 2020 which will be further developed going forward to support hybrid working arrangements and new ways of working;
- Expanded wellbeing support for staff;
- Developed a Covid staff web site to communicate changes implemented to support the delivery of services during the pandemic; and
- Video messaging and best practice has been widely communicated to maintain awareness of practices and safe systems of work. A Health & Safety hotline was set up to manage escalation of issues.

2020/21 Performance Summary

It is anticipated that the Council's Annual Performance Report will be considered in due course providing comprehensive information on the Council's performance for 2020/21. The full range of performance information for 2020/21 will be available online. This includes the Council's Annual Performance Report, the online performance dashboard "PK Performs", Service level performance reports, benchmarking and links to further information. The website is updated with performance reports and data as it becomes available.

For 2020/21 a selection of performance outcomes are set out in the following table:

| Objective | Outcome |
|--|--|
| Giving every child the best start in life | <ul style="list-style-type: none">• Staff adapted quickly to using new technology to ensure that statutory social work functions such as looked after reviews and child protection case conferences continued uninterrupted and that children, young people and families most at risk were prioritised, supported and cared for. Social workers have continued to see families face to face ensuring that 95-100% of children whose names were on the Child Protection Register were visited every week.• Delivered critical childcare for essential workers and vulnerable children throughout the year, and remote learning for all children and young people from March to June 2020. Managed the full time return to Early Learning & Childcare (ELC), registered childcare and schools from August to December 2020, and the phased return to ELC, registered childcare and schools from 7th January 2021.• Delivered 1200+ devices to children and young people at risk of digital exclusion when learning from home.• Continued the expansion of Early Learning and Childcare provision to 1140 hours. |

| | |
|--|--|
| | <ul style="list-style-type: none"> • Arranging the first ever virtual recruitment process for children's panel members across Tayside. • During 2020/21, a total of 83 families with children presented as homeless to the Council. This represents a 40% reduction from the 139 applicants in 2019/20. The reduction in presentations from families is much larger than the overall reduction in presentations. This is likely to be due to the pandemic and in particular the restrictions around evictions from the private and social-rented sectors. |
| Objective | Outcome |
| Developing educated, responsible and informed citizens | <ul style="list-style-type: none"> • Maintained all Education and Children's Services functions and supported operational requirements for a safe and successful reopening of schools and other establishments through each phase of restrictions. • Developed and implemented plans to support Home Learning and support a shift to digital learning approaches. • Implemented the Alternative Certification Model for Scottish Qualification Authority qualifications, using a well-considered and planned approach and a robust quality assurance process. • Educational attainment is generally good and steadily improving in line with Scotland. However challenges remain in narrowing poverty-related gaps, which is a key priority of the council's Raising Attainment Strategy. |
| Objective | Outcome |
| Promoting a prosperous, sustainable and inclusive economy | <ul style="list-style-type: none"> • The Council provided significant financial support, specifically, <ul style="list-style-type: none"> ◦ Welfare Grants - £600,000 ◦ Business Grants - £62.5 million ◦ Financial Insecurity Fund - £250,000 ◦ Free School Meals - £1.1 million • Over 1,000 local businesses responded to a Business Barometer survey in May 2020, and 80% reported a loss of income due to the pandemic. This is reflected in the fact that business owners accessed support available through a number of different agencies and support schemes, 63% of businesses accessed the Small Business Support Grant that we administered on behalf of the Scottish Government to over 6,200 local businesses. • The Council approved its economic wellbeing plan, as a partnership approach, to support the recovery from the pandemic. • As of December 2020, Perth City footfall, a key indicator for understanding economic activity in our main city centre, was down 19.4% upon the previous year. • The Council provided guidance to premises licence holders with regard to the opening up of outside drinking areas and dealing with the many occasional licences being submitted to permit these outdoor areas. • Government support schemes have so far prevented a substantial rise in unemployment. For Perth and Kinross, the cumulative number of claims for the UK Job Retention (furlough scheme) stands at 26,700 based on all claims received by HMRC between day one of the scheme and 15 March 2021. The number of people currently furloughed as of February 2021 was 12,100 which corresponds to an 18% take-up rate. At the peak of the furlough scheme last summer in August 2020, the take-up rate was 34% in Perth & Kinross. This higher reliance on the Job Retention Scheme is primarily due to the level of exposure we have to the current crisis (tourism/hospitality and retail-dominant economy). • The Creative Exchange was awarded regeneration project of the year (Scottish Property Awards). • The refurbishment of work in and around St Paul's Church was substantially completed in April 2021, creating a new public space for events and markets to increase footfall and support the economy, when Covid restrictions allow. |
| Objective | Outcome |
| Supporting people to lead independent, healthy and active lives | <ul style="list-style-type: none"> • The Council investigated 100% of all communicable diseases within 24 hours and responded to 88% of high level Covid restriction violations within 24 hours. • Provided the front-line contact centre service for public enquiries on Covid-19, shielding, self-isolation, test and protect, food and pharmacy referrals to partners. |

| | <ul style="list-style-type: none"> • Developed and worked collaboratively on the community support response including food distribution and welfare support for those in the greatest need. • Supported the set up and operation of community vaccination centres. • Gross Rent Arrears reduced by 2.38% in the year. We have invested in new software to support staff with targeted arrears monitoring and hope that the combined use of this software, along with a review of procedures will result in significant improvement in 2021/2022. • The SURE team won a National Participation Award from the Tenant Participation Advisory Service for their work. • Housing completions across the affordable and private sectors are the highest recorded since 2008 meaning the 5-year housing target by 2021 has already been reached a year earlier than anticipated. • For information about the Health and Social Care Partnership, please see the Perth and Kinross Integration Joint Board Annual Accounts 2020/21 (Un-audited) |
|---|--|
| Objective | Outcome |
| Creating a safe and sustainable place for future generations | <ul style="list-style-type: none"> • The impact of Covid-19 saw a reduction in emissions from Council properties during 2020/21. The outturn saw a reduction of almost 2,000 tonnes of CO2 from Council properties reporting 10,129 tonnes. • 248 tonnes of waste material were diverted from landfill to reuse. • 85% of all Greenspace projects planned for the financial year of 2020/21 were completed and 100% of projects involved community engagement. • 93% of all faults on the traffic network were rectified within the target time which is an improvement from the previous year's performance by 11%. • During 2020/21 there has been an increase in the number of communities with local resilience plans to 35 across Perth and Kinross. • During the coronavirus outbreak Local Action Partnerships gave over £150,000 in grants to community groups responding to the hardships people faced. • During the period of lockdown over 1,000 people registered as volunteers with Perth and Kinross Council. • Public protection arrangements were strengthened to ensure that partners were able to work together to identify and manage new risks associated with Covid-19 restrictions. • Many organisations in Perth worked together to provide support for the most vulnerable during the lockdown period. Groups worked in partnership to set up places to access food throughout Perth city and provided a delivery and check-in service. Examples of specific activities include: <ul style="list-style-type: none"> ○ Letham4All received funding for a Community Fridge Project. The funding was used to purchase a larger refrigeration unit to store donated food from local businesses to support families in need of free or discounted food. ○ National Christian Outreach Centre delivered 500 hot meals to elderly and vulnerable people living in the Perth area each week for 10 weeks. ○ Perth Welfare Society received a grant to buy IT and telephone equipment to support people who were self-isolating or shielding. They supported people mostly from South Asian backgrounds and were able to support people using Zoom in Urdu and Punjabi to apply for financial support, such as Universal credit. ○ Logos received a small grant to fund a Zoom account so they could deliver their youth activity sessions virtually. This small grant has had a big impact on young people using the service in the Strathearn area and helped tackle social isolation during lockdown. ○ FeldyRoo received funding initially to deliver hot meals to vulnerable people who were socially isolated in the Aberfeldy area. The service grew to deliver lunches, newspapers and evening meals to isolated members of the community during lockdown. The group delivered over 40,000 meals during this period. |

7. Financial Performance

Financial performance is part of the Council's performance management culture with regular reporting to elected members at both Council and the Strategic Policy & Resources Committee as well as regular briefings. This section summarises the main elements for 2020/21.

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

The 2020 Code requires that Councils present the segmental analysis on the basis of the organisational structure under which they operate. Additionally, the Code requires that if a local authority changes the presentation or classification of items in its financial statements, the authority shall reclassify comparative amounts unless reclassification is impracticable.

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

a) General Fund Revenue Expenditure for 2020/21

In 2020/21 the Council incurred actual net expenditure on Services of £368.866 million (which is the Cost of Services disclosed in the Comprehensive Income and Expenditure Statement on page 25). When Taxation and Non-Specific Grant Income, Financing and Investment Income and Expenditure and Other Operating Income and Expenditure are included there was a net Surplus on the Provision of Services of £4.843 million.

The Expenditure and Funding Analysis information on pages 41 and 42 sets out adjustments between the net Surplus on the Provision of Services of £4.843 million included in the Comprehensive Income and Expenditure Statement and the net expenditure (surplus) charged to the General Fund & HRA in the table below of £21.336 million. The adjustments of £16.076 million represent the difference between the net expenditure of the Council that is chargeable to taxation and rents and the figures reported in the Comprehensive Income and Expenditure Account. The surplus in the Expenditure and Funding Analysis is set out in the way in which the Council organises itself and manages and reports on financial performance.

The following table sets out adjustments to the most recently approved Revenue Budget to ensure that budget and actual figures are comparable. These include the Public Finance Initiative, external income and capital accounting adjustments. On a comparable basis the table shows a net under spend of £25.193 million which is explained in further detail.

| | Updated Budget Per Revenue Monitoring Report No.4 £ '000 | Virements £ '000 | Capital Accounting Adjustments £ '000 | Revised Budget £ '000 | Net Expend. Charged to the General Fund & HRA Balances per Expend. & Funding Analysis £ '000 | Variance £ '000 |
|---|---|---------------------|--|-----------------------------|--|--------------------|
| SERVICES | | | | | | |
| Education & Children's Services | 197,094 | (14,761) | (12,594) | 169,739 | 160,657 | (9,082) |
| Health & Social Care | 60,622 | 74 | 0 | 60,696 | 60,475 | (221) |
| Housing & Environment | 71,184 | (5,715) | (2,637) | 62,832 | 61,535 | (1,297) |
| Corporate & Democratic Services | 47,651 | 2,708 | 0 | 50,359 | 38,999 | (11,360) |
| Housing Revenue Account | 0 | (9,452) | 0 | (9,452) | (9,452) | 0 |
| Valuation Joint Board | 1,297 | 0 | 0 | 1,297 | 1,308 | 11 |
| Non Distributed Costs | 1,595 | 0 | 0 | 1,595 | 1,561 | (34) |
| NET COST OF SERVICES | 379,443 | (27,146) | (15,231) | 337,066 | 315,083 | (21,983) |
| Taxation & Non-Specific Grant | (390,667) | 17,070 | 0 | (373,597) | (372,618) | 979 |
| Finance / Investment / Other | 7,167 | 10,076 | 15,231 | 32,474 | 36,616 | 4,142 |
| Use of General Fund per Comprehensive Income & Expenditure Statement | (4,057) | 0 | 0 | (4,057) | (20,919) | (16,862) |
| Contributions from other Reserves | 200 | 0 | 0 | 200 | (4,274) | (4,474) |
| Use of General Fund Balances | (3,857) | 0 | 0 | (3,857) | (25,193) | (21,336) |

The contribution to the general fund of £25.193 million which is made up of additional income and service underspends, is comparable with the revenue monitoring positions that have regularly been presented to the Strategic Policy and Resources Committee throughout the financial year. The Contribution to the General Fund is larger than previous years due to the receipt of significant funding from the Scottish Government in late March 2021. This additional income will be carried forward in earmarked Reserves to support the Council's ongoing response to Covid-19. The following section provides a more detailed explanation of the final year end outturns.

Education & Children's Services delivered net under spends / additional income of **£9.1m**. The main reasons for this are -

- In respect of the Devolved School Management (DSM) Scheme there was an under spend (**£1.5m**) reflecting savings on staff costs (teachers and support staff) (£900,000), property costs, supplies & services (educational materials), transport costs (£600,000). These resources will be carried forward by schools into 2021/22.
- In 2020/21 schools were awarded Pupil Equity Funding direct from the Scottish Government to contribute towards raising attainment (£1.7m). Expenditure from this Fund is incurred by academic year rather than financial year. On that basis the under spend (**£800,000**) has been earmarked within Reserves to be utilised by schools in 2021/22.
- In terms of non-DSM budgets there were further over and under spends as follows:
 - Staff under spends were delivered across the whole Service (**£2.6m**) which reflects ongoing recruitment issues in certain professions.
 - There was a net under spend on property costs (**£400,000**). A non-domestic rates refund (£400,000), property works (£200,000) and miscellaneous other costs (£100,000) were partially offset by increased cleaning in response to Covid-19.
 - The Council received funding towards the expansion of early years in advance of when the expenditure would be incurred (**£2.0m**). The majority of this funding will be carried forward in an earmarked Reserve and drawn down when required.
 - Significant grant funding to support education recovery was also received in 2020/21 (**£4.4m**).
 - Due to restrictions, there was a significant under recovery on income across a range of chargeable services (**£2.5m**) including school lets, kids' clubs, music tuition and school meals.
 - Other net over and under spends across the Service provided further net costs (**£100,000**) including third party payments and home to school transport.

Health and Social Care delivered an under spend of **£200,000** from within the non-delegated areas of social care in 2020/21. The Strategic Policy & Resources Committee had previously agreed that any under spends on delegated social care functions would be carried forward by Perth and Kinross Integration Joint Board to support activity in 2021/22. Full details of this can be found in the Perth and Kinross Integration Joint Board 2020/21 Unaudited Annual Accounts.

Communities delivered an under spend of **£1.3m**, which is made up of over and under spends as follows:

- Within Roads there was an over spend (**£500,000**). This was due, in the main, to an over spend on winter maintenance, partially offset by under spends across the rest of the function.
- Property delivered a net under spend (**£2.0m**) due to savings across energy and utilities, property maintenance and the unitary charge.
- Across the remainder of the Service, there was a further net over spend (**£200,000**).

Corporate & Democratic Services contributed additional income of **£11.4m** as follows.

- The Council received £7 million of non-specific grant funding from the Scottish Government to support the Council's response to Covid-19. This additional income either supported activity in 2020/21 or will be carried forward to future financial years.
- Around £4 million of additional grant funding was provided by the Scottish Government to support activities administered by Corporate & Democratic Services. This additional funding included grants for local businesses, taxi driver support as well as financial insecurity. Much of this additional funding will be carried forward in Reserves to provide further support in 2021/22 and beyond.

In addition, **Taxation and Non-Specific Grant** achieved additional income (**£0.8m**), primarily in relation to second homes / long term empty properties.

Finance / Investment & Other delivered a planned and approved under spend (**£4.1m**) which was primarily the consequence of Council approved decisions to adjust budgets to support the Covid-19 response in future years.

General Fund and Housing Revenue Account Balances increased by £25.193 million to £75.489 million in line with the budget adjustments approved throughout the year by the Strategic Policy and Resources Committee, the receipt of significant additional funding from the Scottish Government and following the application of final outturns. When the Housing Revenue Account Balance of £3.006 million and the earmarked Reserves of £64.283 million that are set out on page 44 are excluded this leaves an uncommitted General Fund Balance of £8.200 million or 2% of the net 2021/22 Revenue Budget.

b) Composite Capital Budget and Housing Revenue Account Investment Programme 2020/21

A summary of the Council's capital expenditure is reflected within Note 35 to the Core Financial Statements on page 68. Total gross capital expenditure in 2020/21 was £57.737 million, comprising £19.850 million on the Council's Housing Revenue Account (HRA) and £37.887 million on the Council's Composite (General Fund) Programme. As a result of the Covid-19 pandemic and lock down measures, many projects were impacted, particularly construction works, in the first half of the financial year. The Council's gross expenditure includes:

- £10.775 million on school upgrades, including various new projects under the Early Learning & Childcare programme, and a further £993,000 on the development of the replacement of Perth High School.
- £11.856 million on Roads & Transport projects, including structural maintenance, road safety measures and the further development of the Perth Transport Futures project.
- £15.256 million on other works, including cultural attractions (£1.811 million); flood protection measures (£853,000); placemaking projects (£755,000); planning schemes (£849,000); and property & infrastructure upgrades (£3.923 million). The balance of £7.065 million relates to expenditure on various waste initiatives, greenspace, property, equipment, vehicles, and IT related works.
- £19.850 million on the HRA including affordable housing new builds & buy backs (£16.377 million), central heating and rewiring (£1.560 million), and energy efficiency schemes (£554,000).

Capital expenditure is funded by borrowing, asset sales, grants, other capital receipts, and Revenue Budget contributions. The Capital Financing Requirement (CFR, i.e., the underlying requirement to borrow for capital purposes) as at 31 March 2021 was £596.919 million. Actual capital debt was £665.913 million, comprising long-term borrowing (£533.700 million) and a PPP liability (£132.213 million). The ratio of borrowing to the CFR for 2020/21 has reduced to 111.6% (2019/20 115.5%). During the year the CFR increased by £13.257 million, reflecting the capital expenditure above, less capital receipts, grants and contributions and principal loan repayments whilst the ratio to borrowing reduced as a consequence of no new borrowing being undertaken in the year.

c) General Fund Reserves

As at 31 March 2021 the Council had uncommitted General Fund balances of £8.200 million which represented 2% of the Council's 2021/22 Revenue Budget approved in March 2021. Council policy, as set out in the Reserves Strategy approved by Council on 10 March 2021, is to retain uncommitted reserves of between 2% and 4% of net revenue

expenditure over the medium term. However, as part of the response to Covid-19, in approving the Reserves Strategy in March 2021, the Council agreed to divert all unearmarked Reserves in excess of 2% to an earmarked Reserve to support the Covid-19 recovery. The earmarked Reserves at 31 March 2021 also include additional funding from the Scottish Government that was provided during 2020/21, including significant amounts that were provided in late March 2021. The Council's Reserves Strategy will continue to be reviewed and updates will be considered by Council as part of revenue monitoring. Full details of the Council's General Fund Reserves are shown on page 24 and page 65 of the Financial Statements, along with information on future commitments.

The Reserves position is summarised as follows:

| | £'000 | | £'000 |
|------------------------------|------------------|--|------------------|
| General Fund | (72,483) | Revaluation Reserve | (317,769) |
| Housing Revenue Account | (3,006) | Capital Adjustments Account | (353,777) |
| Capital Fund | (27,944) | Financial Instruments Adjustment Account | 18,376 |
| Insurance Fund | (2,392) | Pensions Reserve | 105,334 |
| Capital Statutory Funds | (2,529) | Employee Statutory Adjustment Account | 7,813 |
| Capital Grants Unapplied | (2,730) | TOTAL UNUSABLE RESERVES | (540,023) |
| | | | |
| TOTAL USABLE RESERVES | (111,084) | TOTAL RESERVES | (651,107) |

The Balance Sheet

The Balance Sheet on page 26 summarises the Council's assets and liabilities as at 31 March 2021 and explanatory notes are provided from page 29. Total net assets have increased by £93.432 million to £651.107 million. Long Term Assets increased by £112.040 million, current assets decreased by £4.408 million, current liabilities increased by £47.923 million and long term liabilities decreased by £33.723 million. The major changes in the Council's Balance Sheet between 31 March 2020 and 31 March 2021 are explained in more detail in the following paragraphs.

Long Term Assets

The value of Property, Plant and Equipment increased by £44.187 million primarily due to the continuation of the major capital investment being undertaken by the Council described above. Long term investments of £45.115 million were held at the year end (2019/20 nil) in order to maximise returns at a time of positive cashflows and in a low interest environment. There was also an increase in the value of Heritage Assets of £24.007 million following a revaluation of assets held.

Current Assets

The level of Short Term Investments increased by £22.182 million whilst there was a decrease of £40.390 million in the level of Cash or Cash Equivalents. This was as a result of a large proportion cash being moved into Short and Long Term Investments according to liquidity requirements. Short term debtors increased during the year by £13.745 million due to an increase in the receivables from the Scottish Government, Central Government, Council Tax, Trade Debtors and Other Entities; this being slightly offset by a decrease in receivables from NHS Bodies.

Current Liabilities

Short Term Borrowing increased by £38.960 million as a result of anticipated increased cashflow requirements arising over the year end period at favourable interest rates. Short Term Creditors increased by £9.725 million primarily due to higher amounts payable to the Scottish Government, Central Government and Other Local Authorities.

Long Term Liabilities

Other Long Term Liabilities decreased by £21.118 million primarily due to a decrease in the net pension liability of £16.098 million and a decrease in the liability for public private partnerships of £4.974 million in line with the contract remaining. Also within Long Term Liabilities is a decrease in Long Term Borrowing of £12.515 million due to repayment of existing liabilities at maturity and with no additional long term borrowing undertaken during the year.

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

Pensions Reserve

International Accounting Standard 19 Revised (IAS19R) requires the disclosure of the Council's share of Tayside Pension Fund's assets and liabilities, both current and future. The information disclosed in the accounts is provided to the Council by the Pension Fund's actuaries following the tri-annual valuation of the Fund. The position at 31 March 2021 indicates a net liability of £105.334 million compared to a net pension liability of £121.432 million on 31 March 2020 due to changes in the assumptions. This liability is based on a snapshot valuation at 31 March 2021 and is a result of prevailing market conditions at that date. Triennial valuations of the Fund are carried out with the last valuation having taken place at 31 March 2020. Employer's contributions are currently 17% of pensionable pay. For more information see Note 18.

The Council made provision for a number of eventualities which may have an effect on the financial position of the Council. The reasons for the provisions are outlined in Note 30 on page 64.

There were a number of write-offs of debt and stock during the year which were approved by the Strategic Policy & Resources Committee on 2 June 2021 – Authority to Write Off Debts and Obsolete Stock.

d) Accounting Ratios

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

| FINANCIAL INDICATOR | 2020/21 | 2019/20 | PURPOSE |
|---|-----------|-----------|--|
| Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure | 2.0% | 3.7% | Reflects the level of funding available to manage financial risk / unplanned expenditure. |
| Movement in the Uncommitted General Fund Balance | £25.193m | £1.855m | Reflects the extent to which the Council has increased its Uncommitted General Fund Reserve. |
| Council Tax – In Year Collection Rate | 96.6% | 97.1% | Demonstrates the Council's effectiveness in collecting council tax debt. |
| Ratio of Council Tax Income to Overall Level of Funding | 22.0% | 23.4% | This reflects the Council's capacity to vary expenditure by raising Council Tax Income. |
| Capital Financing Requirement | £596.919m | £583.662m | Measurement of requirement to borrow for capital purposes. |
| External Debt Levels | £665.913m | £678.415m | Actual borrowing for capital investment purposes. |
| Capital Financing Requirement Ratio | 111.6% | 115.5% | Measurement of prudence in relation to borrowing levels – borrowing only to invest in capital. |
| Ratio of Financing Costs to Net Revenue Stream | 6.2% | 6.1% | Measurement of the Council's ability to fund borrowing costs. |

e) Financial Statements

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

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

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

- The **Statement of Responsibilities for the Annual Accounts** explains the responsibilities of the Council and of the Head of Finance as they relate to the Annual Accounts.
- The **Notes to the Financial Statements** provide further information on the above financial statements.
- The Notes include an **Expenditure and Funding Analysis** which compares the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Account. The service analysis for

both the Expenditure and Funding Analysis and the Comprehensive Income and Expenditure Statement are now both provided in the way in which the Council organises itself and manages financial performance.

- The **Annual Governance Statement** explains how the Council has complied with the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) standard for good corporate governance and meets the requirements of relevant legislation and current good practice.
- The **Remuneration Report** provides details of the Council's remuneration of its senior councillors and senior officers with regard to salary, taxable expenses and pension benefits and states how remuneration arrangements are managed. The report also provides information on exit packages agreed by the Council during the financial year.

Supplementary Financial Statements

The supplementary financial statements are as follows:

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

8. Financial Outlook, Risks and Plans for the Future

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

More than a year on from its start, the Covid-19 pandemic continues to exact a heavy toll in lives and livelihoods. Around the world, more than 100 million people have had the virus and around 2½ million have died from it, and world Gross Domestic Product (GDP) fell by 3½ per cent in 2020 as governments imposed public health restrictions in an attempt to control the virus. The UK has been hit particularly hard. Following a resurgence of infections over the winter, around 1 in 5 people have so far contracted the virus, 1 in 150 have been hospitalised, and 1 in 550 have died, the fourth highest mortality rate in the world. And GDP fell 9.9 per cent in 2020, the largest decline in the G7. While output partially recovered in the second half of last year – and somewhat more strongly than previously thought – the latest lockdown and temporary disruption to EU-UK trade at the turn of the year is expected to result in output falling again in the first quarter of this year.

The collapse in economic activity was very sudden and economies will take time to recover. Recent commentary has suggested that Scotland's economy may not return to pre Covid-19 levels until early 2024.

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

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

The Council approved its latest Medium Term Financial Plan 2021 - 2027 in September 2020. This Plan provided an update on the latest projections for the Council across a number of variables including reductions in funding, population growth and an increase in the number of clients (both young and old people) with more complex care needs. In February 2021 the Scottish Government announced a one year financial settlement for local government that was more favourable than the planning assumptions used in the Medium Term Financial Plan due to the provision of extra revenue funding. The Medium Term Financial Plan reflects sound financial planning by the Council and is critical for the sustainability of key services and the financial stability of the Council. The Council's Reserves Strategy is another key element of its financial planning. It is anticipated that the updated Medium Term Financial Plan will be considered by the Council in Autumn 2021.

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

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

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

Transformation

The Council continues to work in an environment of reducing revenue funding and increasing demand for services which requires an ongoing commitment to working in new and innovative ways. Into the future, the population of Perth and Kinross is expected to increase bringing additional pressures for the Council to meet the changing requirements, as will the repercussions of the Covid-19 pandemic.

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

Perth & Kinross Offer

The Perth & Kinross Offer was launched in 2019 and was based around the premise that it believes “everyone has something to offer”. The Council has been engaging with partners, communities, employees, businesses and people to understand how it can create more equal partnerships, redefine relationships and form new ways of working throughout Perth and Kinross.

Since the Covid-19 pandemic began in March 2020, there have been very real examples of the offer in action as the Council came together with local communities, and public, private and third sector organisations to respond to the ever-changing landscape and the impact of the virus on its communities and people has been the Council's priority. Responding more flexibly and efficiently than ever before to ensure that essential services continued and working with its community groups, volunteers, businesses and partners to ensure the most vulnerable in society are protected and safe has been paramount. All of the support, commitment and partnership working has allowed the stakeholders to see the Offer already in place.

As the Council continues with the Recovery & Renewal process, it now has an unprecedented opportunity to build an even better Perth and Kinross, moving into the future. The Perth & Kinross Offer is key to this approach and recovery is very much focused on those parts of the community that are hardest hit and will be based around four priority areas of Equalities, Empowerment and Fairness, Education & Learning, Economy and Environment and to support this, a working smarter project.

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

Capital

The Council approved a revised 9-year Composite Capital Budget for 2020/21 – 2028/29 on 31 March 2021. The Housing & Communities Committee approved the HRA Capital Budget for 2021/20 - 2025/26 on 3 February 2021, which was also updated by the Council on 31 March 2021. The Council will consider a new Composite (General Fund) Capital Budget later this year.

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

The HRA Investment Programme 2021/22 to 2025/26 continues to focus upon the provision of new affordable housing and the enhancement of the existing housing stock, including energy efficiency and external fabric maintenance.

The Capital Financing Requirement is estimated to peak at £935,970,000 in 2028/29 under current approved plans. The annual cost of servicing the borrowing and PPP liabilities is being managed through the Capital Fund Strategy within the Medium-Term Financial Plan. This ensures the Council's plan remains affordable, prudent, and sustainable.

Risk Management

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

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

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

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

Within the Council there is a cross Service cohort of trained risk practitioners who provide technical guidance and support to ensure that a consistent approach to risk management is taken across the whole organisation. Extensive work has been further undertaken throughout 2020/21 to embed the risk management framework to ensure that risk management activities are integrated with key business process and aligned to the delivery of the Council's objectives and defined outcomes. Strategic and operational risks are regularly monitored and reported in accordance with the principles of the framework.

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

Workforce Management

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

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

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

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

9. Supplementary Information

(a) Group Accounts

The Code of Practice on Local Authority Accounting in the United Kingdom requires the Council to produce group financial statements where it has an interest in entities that meet the definition of subsidiary, associate or joint venture. The Group results are presented alongside the results for the Council in the Annual Accounts. Further details of the associated entities that have been incorporated into the financial statements can be found on page 93.

The Council has an interest in six organisations (detailed on page 93) 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 2020/21 Group Accounts Statements are included on pages 88 to 92. The basis for consolidation is set out in the Notes to the Group Accounts Statements on pages 93 to 95. The effect of consolidation is to increase the Council's net assets by £15.483 million resulting in a Group Balance Sheet showing net assets of £666.590 million at 31 March 2021 as set out on page 90. This position reflects the Council's share of the pension liabilities of the Associate included within the Group Balance Sheet.

(b) Common Good and Charitable Trust Funds

Common Good Funds are administered by the local authority for the general benefit of the relevant communities. Overall, the Common Good Funds recorded an in-year surplus of £127,000 which, when applied to the surplus brought forward, results in an accumulated revenue surplus as at 31 March 2021 of £1.952 million.

Details of income and expenditure accounts and balance sheets can be found on pages 86 and 87 of the Annual Accounts. These funds are subject to similar accounting policies and procedures to those that are applied to the Council's main accounts. The main source of income to Common Good Funds is rent.

The Council also administers several Charitable Trust Funds. Details of income and expenditure accounts and balance sheets can be found on page 85 of these Annual Accounts. Overall, the Trust Funds recorded an in-year surplus of £435,000 which, when applied to the surplus brought forward, results in an accumulated surplus as at 31 March 2021 of £2.942 million.

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

(c) Public Private Partnerships / Design Build Finance Maintain

In September 2000 the Council entered into a 25-year PPP contract for the construction, maintenance and operation of office accommodation and a car park. In 2020/21 the Council paid £2.768 million to the contractor under the terms of the contract.

Between 2009 and 2012 six school campuses were also brought into operation at Blairgowrie, Glenearn, Loch Leven, Strathearn, North Inch and Breadalbane. The contractor's obligation was to construct the schools and is to maintain them to a pre agreed standard. In 2020/21 the Council paid £17.445 million to the contractor under the terms of the contract. In addition, in 2020/21, the Council paid £3.056 million in relation to Bertha Park High School.

10. Conclusion

The Council has continued to demonstrate sound financial management in 2020/21 by delivering services and responding to Covid-19 with the resources which are available to it. The pressures being experienced by Services in relation to demand are known and plans are in place to mitigate them. They have also been reflected in the medium and long term financial plans.

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

11. Acknowledgements

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

Barbara Renton
Interim Chief Executive
Perth & Kinross Council

Date:

Councillor Murray Lyle
Leader of the Council
Perth & Kinross Council

Date

Stewart MacKenzie
Head of Finance
Perth & Kinross Council

Date:

ANNUAL GOVERNANCE STATEMENT 2020/21

1 Introduction

- 1.1 Good governance is key to the success of Perth & Kinross Council. It supports better informed decision-making, the efficient use and management of our resources, high quality performance, greater scrutiny and accountability, resulting in better outcomes for the communities we serve.
- 1.2 The purpose of the Annual Governance Statement is to give assurance to the people of Perth & Kinross, our elected members, staff, partner agencies and other stakeholders that our governance arrangements are effective, and our system of internal control is robust.
- 1.3 In the year 2020/21 the Council has been operating in an extremely challenging environment due to the global Covid-19 pandemic; seeking to maintain key essential service provision at the same time as undertaking vital new operational tasks to support the management of the public health crisis. The requirement for most staff and all elected members to work remotely from home has brought with it both risks and opportunities in terms of governance with resources, systems, processes, tools and technology being deployed differently and innovatively. This is to ensure that democratic decision-making has continued in an open and transparent manner and that we have continued to provide the services that our communities need during this difficult year.

2 Scope of Responsibility

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

3 The purpose of the Governance Framework

- 3.1 Our governance framework comprises our culture and values and the rules, resources, systems and processes designed to help us achieve our strategic objectives and provide good quality services in the most cost-effective way possible. A crucial part of the framework is the system of internal control which is designed to manage and mitigate risk in relation to the achievement of our intended outcomes.
- 3.2 The Council manages risk through a continuous process of identification, assessment, evaluation, prioritisation, and mitigation. We evaluate risk based on likelihood and impact in both financial and non-financial terms. We do however need to mitigate and manage risk proportionately; recognising that risk can never be eliminated completely and that only reasonable assurance can ever be given.
- 3.3 The purpose of the governance framework, therefore, is to ensure that we are using our resources effectively to deliver good outcomes for our communities and to provide assurance that we are indeed doing the right things, for the right people, at the right time, in an open, ethical and accountable way.

4 Our Governance Framework

- 4.1 We recognise that the following are fundamental elements of good governance within public sector organisations: -
- Leadership, Culture & Values
 - Vision, Direction & Purpose
 - Stakeholder Engagement
 - Organisational Development
 - Effective Decision Making
 - Internal Controls
 - Scrutiny & Accountability

- 4.2 These fundamental elements of our governance framework reflect and seek to embed the principles of good governance within the International Framework: Delivering Good Governance in the Public Sector developed by CIPFA and the International Federation of Accountants, now incorporated into the 2016 CIPFA Framework for Delivering Good Governance in Local Government, namely:
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
 - Defining outcomes in terms of sustainable economic, social and environmental benefits
 - Ensuring openness and comprehensive stakeholder engagement
 - Developing the entity's capacity, including the capability of its leadership and the individuals within it
 - Determining the interventions necessary to optimise the achievement of the intended outcomes
 - Managing risks and performance through robust internal control and strong public financial management
 - Implementing good practices in transparency, reporting and audit to deliver effective accountability
- 4.3 Our governance arrangements are underpinned by the fundamental principles and the requirements of legislation and legislative best practice. They can be summarised as follows:
- Our vision is the achievement of the shared priorities and intended outcomes for the citizens of Perth & Kinross defined in our Local Outcome Improvement Plan and our Corporate Plan. This together with the work being done in developing the Perth & Kinross Offer, our Revenue Budget for 2020/21, our Capital Programme and the work being undertaken on our Strategic Investment Blueprint, our Housing Investment Programme, and other strategic documents; provide the necessary direction to the organisation to enable it to deliver on its vision and achieve its purpose.
 - There is effective communication between Members and Senior Management through Leaders Meetings, Convenors meetings, Member Officer Working Groups and all-member briefings where appropriate. There are also regular pre-agenda discussions in respect of each scheduled Council and Committee meeting.
 - There are effective arrangements in place for the discharge of the following functions:
 - Head of Paid Service
 - Monitoring Officer
 - Chief Finance Officer
 - Chief Social Work Officer
 - Data Protection Officer
 - Our culture and values are reflected in everything we do as an organisation. They are determined by our decision-making and behaviours and are reflected in our key corporate and community documents and strategies, our governance documents, Elected Member and Employee Codes of Conduct, Whistleblowing and anti-fraud and corruption policies, Elected Member Register of Interests, Gifts & Hospitality Policy and in our processes and procedures. These ensure that as a Council we respect the rule of law, behave with integrity, promote a culture of good governance and demonstrate a strong commitment to ethical values.
 - We recognise the importance of good stakeholder engagement in redesigning and reshaping public services and we will continue to actively engage and work in partnership with our communities, partners and other stakeholders as part of the Perth & Kinross Offer to ensure that we design and deliver the public services that our communities need and value. The Council has a strategy for engaging with communities and has agreed a Statement of Intent with its Community Planning Partners to support a co-ordinated approach to community engagement. Our approach to consultations is based on the National Standards for Community Engagement and we have established a wide range of consultation processes and procedures. The Community Empowerment (S) Act 2015 provides a framework for improving the quality of engagement and participation which will be reflected in our Local Outcome Improvement Plan.
 - We recognise that in an increasingly complex and financially challenging public sector landscape we must be able to adapt and evolve our services and workforce to continue delivering cost efficient, high quality services. Our people remain our most valuable asset and as an organisation we will secure the best outcomes for our communities by investing in the development of our workforce and of our leaders to ensure that they have the right skills and have sufficient capacity to deliver. Our approach is outlined in our Corporate Workforce Plan – Developing Talent and our “Learn, Innovate Grow” philosophy is embedded across the organisation to create a highly motivated, skilled and agile workforce. There is a programme of leadership development in place for our managers and an induction programme for elected members. An ongoing training programme will be developed in consultation with members to ensure that it meets their needs going forward.
 - The Council's Scheme of Administration sets out the role of committees in decision-making and the delegated decision-making powers of individual officers. The committees, boards, and panels we have established ensure proper democratic engagement and provide an appropriate mechanism for effective decision making and accountability. As a local authority, the extent of our decision-making powers is determined by statute and regulation. Our report template is designed to ensure that legal and financial checks are carried out before a report is presented for decision. It also provides that appropriate internal and external consultations and where relevant, options appraisals, ensure that decision makers are appropriately informed to determine the best course of action in the circumstances.

- The Council has developed and implemented a suite of policies, procedures and management processes to ensure that there are appropriate internal controls in place in respect of: -
 - Workforce Management
 - Financial management
 - Officer/Member relations
 - Performance Management
 - Change & Improvement
 - Workforce Planning
 - Risk Management
 - Procurement
 - Major Investment Project Management
 - Health & Safety
 - Information Management
 - Information Security
 - Civil Contingencies & Business Continuity
 - Anti- Fraud & Corruption
 - Conflicts of interests
 - Gifts & Hospitality
 - Whistleblowing and reporting concerns
 - Complaints handling
 - Funding External bodies/Arm's Length External Organisations
- As a public body we must be open, transparent and accountable for our decisions, actions and performance. Our management and democratic structures and processes are designed to facilitate effective decision making and the proper scrutiny of those decisions and their impact in terms of performance and the achievement of our intended outcomes.
- Given the high level of uncertainty, the Council has set a budget for the year 2021/22 with a provisional budget for 2022/23 (which was part of the three-year budget set in 2020). Each budget is allocated to a named budget holder. Budgets are monitored regularly by Service Management Teams and overall financial performance is monitored regularly by the Executive Officer Team. The Council has received additional financial reporting during the year to help manage the uncertainty and additional financial pressures faced by the Council in responding to the Covid-19 pandemic. The Strategic Policy & Resources Committee receives regular financial monitoring information as part of the budgetary control framework and provides the required political scrutiny of our financial management and performance.
- Capital expenditure is monitored by Senior Management through the Strategic Investment & Improvement Board and reported regularly to the Executive Officer Team and the Strategic Policy & Resources Committee as part of the budgetary control framework. The Capital Programme Office monitors project milestones.
- The service planning process ensures that Services meet the needs of customers, and that targets for quality improvements are set and monitored. Individual Business Management & Improvement Plans set out detailed actions and outcomes for each Service and include performance indicators. Service performance is reported regularly to the Executive Officer Team and publicly through the Council's themed committees and the Scrutiny Committee. Financial performance is publicly reported through the Strategic Policy & Resources Committee and relevant service committees.
- The Council publishes an Annual Performance Report on its performance against the objectives set out within the Corporate Plan and Local Outcome Improvement Plan.
- The Council has a published process for dealing with the following and annually reports on performance in this respect of these areas: -
 - complaints from members of the public
 - requests for access information under the Freedom of Information legislation
 - access information under the Data Protection legislation

5 Covid-19 Pandemic Governance Arrangements

- 5.1 In light of the Covid-19 pandemic, the Council implemented effective and appropriate civil contingencies arrangements. These have ensured: -
- a clear decision-making framework utilising emergency powers in accordance with the Council's Scheme of Administration
 - appropriate political oversight through an Elected Member Sounding Board comprising the leaders of all political groups, during the initial period of lockdown, and through the operation, virtually, of Council and Committees
 - an effective operational command structure to deliver essential services and key activities to protect the health and wellbeing of our communities during this time

- adequate and effective risk management at both a strategic and operational level of existing, new and emerging risks
- openness and transparency by the recording and public reporting of decisions taken by the Chief Executive in exercise of her emergency powers under the provisions of Section 15.5 of the Council's Scheme of Administration

5.2 Opportunities to further enhance and improve the internal controls to support the delivery of better outcomes for our communities have been recognised during this period. It is understood, however, that whilst improvement actions can be identified, the focus of the Council has been on maintaining essential services and managing the response and the recovery work that have been required to minimise the impact of Covid-19 on the communities of Perth and Kinross.

5.3 Planning has continued for recovery and renewal in line with the published Scottish Government framework and a key part of this will be ensuring appropriate governance arrangements are in place. These have been flexible to respond to the changing environment during the year to ensure a proportionate response to the impact of the pandemic on our communities and our workforce.

6 Governance Assurance Process

6.1 The Council utilises a robust process of gathering assurance information from Service Management Teams which concludes with Certificates of Assurance being signed by each Director and the Chief Operating Officer.

6.2 In keeping with advice from CIPFA, assurance has been gained from Service Management Teams that governance during the implementation and operation of these contingency measures was subject to adequate and effective controls.

6.3 Corporate assurance has also been provided as regards the adequacy of the internal controls from the following Officers:

- Chief Finance Officer (Section 95 Officer)
- Head of Legal & Governance Services/Monitoring Officer
- Chief Internal Auditor
- Corporate Procurement Manager
- Information Compliance Manager
- Senior Human Resources Manager
- Corporate Strategic Policy & Organisational Development Manager

6.4 For Arm's Length External Organisations, reliance has been placed upon:

- unaudited financial statements of the companies (audited accounts will be scrutinised when available)
- assurance self-assessment evaluations
- terms and conditions of Service Level Agreements
- contract monitoring meetings with Services
- performance information and financial monitoring reports to Services
- presentations to the Scrutiny Committee

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

6.6 For Perth & Kinross Integration Joint Board, reliance has been placed on their own Annual Governance Statement.

6.7 The draft Annual Governance Statement is considered by the Executive Officer Team and the Council's Scrutiny Committee prior to inclusion within the final draft Annual Accounts.

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

7 Prior Years' Governance Statements: Improvement update

7.1 The following areas have been identified for further review and/or improvement: -

- Communication and engagement
- Performance management
- Community empowerment
- Information governance
- Workforce planning
- Arm's Length External Organisations
- Integration Joint Board – relationship governance

7.2 Given that services have and continue to be focussed on the response to the Covid-19 pandemic, improvement activity has been delayed and progress in these areas will continue to be scrutinised by Service Management Teams and the appropriate Council Committees as and when possible.

8 Effectiveness of Governance Arrangements for 2020/21

- 8.1 Based on the assurance process outlined above, in terms of effectiveness, the Council's governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework, subject to the areas identified for review or improvement set out in sections 7 and 10.
- 8.2 Our financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). Financial risks arising from the continuing response to the Covid-19 pandemic are highlighted and managed through our effective processes, with regular reporting to elected members.
- 8.3 Our assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).
- 8.4 The Council has designated the Head of Legal & Governance Services as the Senior Information Risk Owner with the Head of Corporate IT and Revenues as Depute. Our information security measures have been reviewed in 2020/21 to ensure continuing compliance with the Public Service Network (PSN) requirements.
- 8.5 The Chief Internal Auditor is the Council's nominated Money Laundering Reporting Officer. There has been no relevant activity in respect of the Council and its group during the year.
- 8.6 We have structures in place which support constructive challenge and effective scrutiny to our system of internal control and our broader governance arrangements. In particular: -
- Scrutiny Committee
 - Strategic Policy & Resources Committee
 - Audit Committee
 - Themed Committees
 - Executive Officer Team
 - Corporate Management Group
 - Strategic Improvement & Investment Board
 - Policy & Governance Group
 - External Audit (presently KPMG)
- 8.7 Where it has been necessary to suspend Committees, any urgent business has been considered by more frequent meetings of Perth & Kinross Council.
- 8.8 In addition, the Council has implemented and reviewed temporary arrangements for the Covid-19 pandemic with appropriate governance arrangements throughout the year.

9 Opinion of the Chief Internal Auditor

- 9.1 Audit activity and performance will be detailed in the Annual Report by the Chief Internal Auditor for the year 2020/21 when it is presented to the Council's Audit Committee. The draft report contains the Chief Internal Auditor's opinion in respect of the effectiveness of the governance arrangements in place, as follows: -

"In the Chief Internal Auditor's opinion, reasonable reliance can be placed on the Council's risk management and governance arrangements, and systems of internal control for 2020/21, subject to management implementation of the agreed actions detailed in Internal Audit reports."

10 Areas for review/continued improvement action

- 10.1 The Council's identified priorities for the foreseeable future are on recovery and renewal from, and any further response necessary to, the Covid-19 pandemic and its consequences for the people, communities, organisations and businesses in the area. This will include the adoption of sound governance arrangements appropriate to the circumstances.
- 10.2 The last year has demonstrated our reliance on technology and the way in which technology can shape and influence how we deliver services and work as an organisation in the future. It is essential therefore that we continue to monitor, review and improve our cyber resilience and data management as part of recovery and renewal activity in the coming year.
- 10.3 Areas previously identified as requiring ongoing monitoring/review or further improvement action will continue to be scrutinised by Service Management Teams and the relevant Council Committees as and when appropriate.
- 10.4 In addition to these areas, there are some specific areas which will be held under review:
- Leadership capacity within Perth & Kinross because of changes within the management structure
 - Ongoing development of the Perth & Kinross Offer
 - Resourcing risks and opportunities arising from recovery from the Covid-19 pandemic
 - Working with the Integration Joint Board to ensure that there is appropriate leadership capacity and corporate support to ensure the delivery of the Board's strategic objectives.

STATEMENT

The Council is legally required to review the effectiveness of its governance arrangements and to publish an Annual Governance Statement, with its Annual Accounts. The Council's Governance Framework is considered robust and effective. During 2020/21 arrangements were implemented to take account of the Covid-19 pandemic. These contingency arrangements continue to operate and therefore it has not been possible to undertake the usual comprehensive review of our corporate governance arrangements. In accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) however, the Council has reviewed the effectiveness of the existing governance framework and in particular, the internal controls.

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

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

The Chief Internal Auditor has provided assurance for the year 2020/21 and an Internal Audit plan will be developed for 2021/22 that will focus on areas which have been identified as corporate or service specific risks in relation to core business and any additional risks which have arisen as a result of the Covid-19 pandemic.

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

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

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

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

Signed:

Signed:

Barbara Renton
Interim Chief Executive
Date:

Councillor Murray Lyle
Leader of the Council
Date:

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

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

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

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MOVEMENT IN RESERVES STATEMENT

| | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Fund £'000 | Renewal & Repair Fund £'000 | Insurance Fund £'000 | Capital statutory funds £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves (Note 32) £'000 | Total Authority Reserves £'000 |
|--|-------------------------------------|--|--------------------------|--------------------------------------|----------------------------|--|---|--------------------------------------|--|---|
| Balance at 1 April 2019 | (47,441) | (1,000) | (30,366) | (20) | (3,193) | (2,581) | (3,580) | (88,181) | (456,586) | (544,767) |
| <u>Movement in reserves during 2019/20</u> | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 6,407 | (3,203) | 0 | 0 | 0 | 0 | 0 | 3,204 | (16,112) | (12,908) |
| Adjustments from income & expenditure charged under the accounting basis to the funding basis (Note 5) | (9,493) | 3,403 | 0 | 0 | 0 | (67) | 1,391 | (4,766) | 4,766 | 0 |
| (Increase)/ Decrease in 2019/20 | (3,086) | 200 | 0 | 0 | 0 | (67) | 1,391 | (1,562) | (11,346) | (12,908) |
| Transfers to/(from) Other Statutory Reserves | 1,231 | (200) | (1,274) | 20 | 223 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2020 carried forward | (49,296) | (1,000) | (31,640) | 0 | (2,970) | (2,648) | (2,189) | (89,743) | (467,932) | (557,675) |
| <u>Movement in reserves during 2020/21</u> | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | (6,582) | 1,739 | 0 | 0 | 0 | 0 | 0 | (4,843) | (88,589) | (93,432) |
| Adjustments from income & expenditure charged under the accounting basis to the funding basis (Note 5) | (15,431) | (645) | 0 | 0 | 0 | 119 | (541) | (16,498) | 16,498 | 0 |
| (Increase) or Decrease in 2020/21 | (22,013) | 1,094 | 0 | 0 | 0 | 119 | (541) | (21,341) | (72,091) | (93,432) |
| Transfers to/(from) Other Statutory Reserves | (1,174) | (3,100) | 3,696 | 0 | 578 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2021 carried forward | (72,483) | (3,006) | (27,944) | 0 | (2,392) | (2,529) | (2,730) | (111,084) | (540,023) | (651,107) |

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2019/20 | | | | 2020/21 | | | |
|-------------------------------|-----------------|-----------------------------|--|---------|-------------------------------|-----------------|-----------------------------|
| Gross Expenditure £'000 | Income £'000 | Net Expenditure £'000 | | Notes | Gross Expenditure £'000 | Income £'000 | Net Expenditure £'000 |
| | | | COUNCIL SERVICES | | | | |
| 200,187 | (20,813) | 179,374 | Education & Children's Services | | 205,009 | (26,681) | 178,328 |
| 139,621 | (79,028) | 60,593 | Health & Social Care | | 152,534 | (88,343) | 64,191 |
| 106,168 | (26,028) | 80,140 | Communities | | 93,707 | (13,896) | 79,811 |
| 65,277 | (28,547) | 36,730 | Corporate and Democratic Services | | 80,970 | (36,645) | 44,325 |
| 31,899 | (28,029) | 3,870 | Housing Revenue Account | | 30,209 | (29,306) | 903 |
| 1,248 | 0 | 1,248 | Valuation Joint Board | | 1,308 | 0 | 1,308 |
| 544,400 | (182,445) | 361,955 | COST OF SERVICES | | 563,737 | (194,871) | 368,866 |
| 0 | (845) | (845) | Other Operating Income and Expenditure | 8 | 0 | (925) | (925) |
| 25,693 | (2,424) | 23,269 | Financing and Investment Income and Expenditure | 9 | 27,431 | (2,595) | 24,836 |
| 0 | (381,175) | (381,175) | Taxation and Non-Specific Grant Income | 10 | 0 | (397,620) | (397,620) |
| 570,093 | (566,889) | 3,204 | (Surplus)/Deficit on Provision of Services | | 591,168 | (596,011) | (4,843) |
| | | | (Surplus)/Deficit on revaluation of non current assets | | | | (56,181) |
| | | 1,459 | Remeasurement of the net defined benefit liability | | | | (32,408) |
| | | (17,571) | | | | | |
| | | (16,112) | Other Comprehensive Income and Expenditure | | | | (88,589) |
| | | (12,908) | Total Comprehensive Income and Expenditure | | | | (93,432) |

BALANCE SHEET

| <u>31 March 2020</u> | | Notes | <u>31 March 2021</u> |
|----------------------|------------------------------|-------|----------------------|
| £'000 | | | £'000 |
| 1,158,353 | Property, Plant & Equipment | 21 | 1,202,540 |
| 27,781 | Heritage Assets | 22 | 51,788 |
| 13,290 | Investment Property | 23 | 13,140 |
| 979 | Intangible Assets | 24 | 321 |
| 719 | Assets Held for Sale | 25 | 550 |
| 0 | Long Term Investments | | 45,115 |
| 981 | Long Term Debtors | 26 | 689 |
| 1,202,103 | Long Term Assets | | 1,314,143 |
| 139,395 | Short Term Investments | | 161,577 |
| 126 | Assets Held for Sale | 25 | 126 |
| 470 | Inventories | 27 | 525 |
| 27,854 | Short Term Debtors | 28 | 41,599 |
| 67,611 | Cash and Cash Equivalents | 44 | 27,221 |
| 235,456 | Current Assets | | 231,048 |
| (28,786) | Short Term Borrowing | 39 | (67,746) |
| (59,141) | Short Term Creditors | 29 | (68,866) |
| (1,034) | Provisions | 30 | (272) |
| (88,961) | Current Liabilities | | (136,884) |
| (2,239) | Provisions | 30 | (2,149) |
| (535,038) | Long Term Borrowing | 39 | (522,523) |
| (253,646) | Other Long Term Liabilities | 18,36 | (232,528) |
| (790,923) | Long Term Liabilities | | (757,200) |
| 557,675 | NET ASSETS | | 651,107 |
| 89,743 | Usable Reserves | | 111,084 |
| 467,932 | Unusable Reserves | 32 | 540,023 |
| 557,675 | TOTAL RESERVES | | 651,107 |

The Unaudited Annual Accounts were issued on 30 June 2021.

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

Stewart MacKenzie CPFA
Head of Finance
30 June 2021

CASH FLOW STATEMENT

| <u>2019/20</u> | | Notes | <u>2020/21</u> |
|----------------------|---|-------|----------------------|
| <u>£'000</u> | | | <u>£'000</u> |
| (3,204) | (Surplus)/Deficit on the provision of services | | 4,843 |
| 75,411 | Adjustments to net surplus or deficit on the provision of services for non cash movements | | 60,104 |
| (47,590) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | | (26,750) |
| <u>24,617</u> | Net cash flows from Operating Activities | | <u>38,197</u> |
| (147,487) | Investing Activities | 42 | (100,509) |
| 167,978 | Financing Activities | 43 | 21,922 |
| <u>45,108</u> | Net increase/(decrease) in cash and cash equivalents | | <u>(40,390)</u> |
| 22,503 | Cash and cash equivalents at the beginning of the reporting period | | 67,611 |
| <u><u>67,611</u></u> | Cash and cash equivalents at the end of the reporting period | 44 | <u><u>27,221</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 Murray Lyle
Leader of the Council

Date:

The Responsibilities of the Head of Finance

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

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

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

The Head of Finance has also:

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

I certify that the Annual Accounts give a true and fair view of the financial position of the Council and its group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2021.

Stewart MacKenzie CPFA
Head of Finance
Date: 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

General

The Statement of Accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and adapted to the Code of Practice as required by the Local Authority Accounts (Scotland) Regulations 2014 and section 12 of the Local Government in Scotland Act 2003. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and supported by International Financial Reporting Standards. The Statement of Accounts are intended to present a true and fair view of the financial position and transactions of the authority and have been prepared in accordance with the fundamental accounting principles of relevance, reliability, comparability, understandability and materiality.

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

Accruals of Income and Expenditure

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

In particular:

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

Cash and Cash Equivalents

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

Changes in Accounting Policies and Estimates and Errors

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

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

Charges to Revenue for Non-Current Assets

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

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

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

Contingent Assets and Liabilities

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

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

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

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

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

- quoted securities – current bid price;
- unquoted securities – professional estimate;
- 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;
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- Contributions paid to the Tayside Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

Career Average Revalued Earnings Scheme (CARE)

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

Events after the Reporting Period

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

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

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

Fair Value Measurement

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

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

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

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

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

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

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

Financial Liabilities

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

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

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

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

Financial Assets

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

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

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

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

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

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

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

Foreign Currency

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

Going Concern

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

Government Grants and Contributions

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

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

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

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

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

Heritage Assets

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

Tangible Heritage Assets

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

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

Art Collection

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

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

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

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

History Collection

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

Natural History Collection

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

Heritage Assets – General

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

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

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

Intangible Assets

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

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

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

Interests in Companies and Other Entities

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

Inventories

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

Investment Properties

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

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

Leases

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

The Council as Lessee

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

The Council as Lessor

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

Overheads and Support Services

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

Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Impairment

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

Where impairment losses are identified, they are accounted for:

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

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

Disposals and Assets Held for Sale

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

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

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

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

Depreciation

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

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

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

Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

Provisions

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

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

Reserves

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

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

Revenue Expenditure Funded from Capital under Statute

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

VAT

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

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

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

- Definition of a Business: Amendments to IFRS 3 Business Combinations aims to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7 address the hedge accounting issues arising before the interbank offered rate (IBOR) is replaced with an alternative risk free rate (RFR).
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate, i.e. replacement issues.

3. Critical Judgements in Applying Accounting Policies

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

Public Sector Funding

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

Public Private Partnership (PPP)

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

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

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

The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are in respect of the Council's Net Pensions Liability, and the estimated useful lives and valuation of Property, Plant and Equipment.

Net Pensions Liability

Uncertainty

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

Effect if Actual Results Differ from Assumptions

The effects on the net 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 £21.201 million. However, the assumptions interact in complex ways. During 2020/21, the Council's actuaries advised that the net pension liability had reduced by £16.098 million following an updating of assumptions.

Property, Plant & Equipment – Estimated Useful Lives

Uncertainty

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

Effect if Actual Results Differ from Assumptions

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £752,000 for every year that useful lives had to be reduced.

Property, Plant & Equipment - Valuations

Uncertainty

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

The valuation reports have been used to inform the measurement of non-current assets in these financial statements. Although the valuers have declared a material valuation uncertainty, they have continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to Council as at 31 March 2021 and can be relied upon.

Of the £618,360,000 net book value of Other Land & Buildings at 31 March 2021 and subject to valuation on a five year cycle, £487,753,000 relates to specialised assets valued on a depreciated replacement cost basis. Here the valuer bases their assessment on the cost to the Council of replacing the service potential of the assets; the uncertainty relates to the estimated costs of, rather than the extent of, service potential to be replaced. Covid-19 may also have a further impact of the value of assets subsequent to the balance sheet date. There is to date, limited market evidence to indicate the impact on particular categories of non-current asset.

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

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

Effect if Actual Results Differ from Assumptions

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

The sensitivity analysis for Investment property yields assumes a +/- 0.5% potential movement for the average yield across the total investment property portfolio. A 0.5% decrease in the average yield would result in an increase of £939,000 in the value of Investment property. If the average yield was to increase by 0.5%, the value of investment property would reduce by £821,000.

5. Adjustments between Accounting Basis and Funding Basis under Regulations

| | Usable Reserves | | | | Total | 2019/20 |
|---|----------------------------|-------------------------------|--------------------------------|--------------------------------|-----------------|----------------|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Capital Grants Unapplied | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| <u>Adjustments involving the Capital Adjustment Account</u> | | | | | | |
| Depreciation and impairment on non-current assets | (39,657) | (11,510) | 0 | 0 | (51,167) | (49,663) |
| Revaluation Losses on Property, Plant & Equipment | (486) | (67) | 0 | 0 | (553) | (2,287) |
| Reversal revaluation gains | 6,643 | 2 | 0 | 0 | 6,645 | 808 |
| Movements in Fair Value of Investment Properties | (75) | 0 | 0 | 0 | (75) | 195 |
| Amortisation of Intangible Assets | (675) | 0 | 0 | 0 | (675) | (859) |
| Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement | 22,227 | 3,055 | 0 | 0 | 25,282 | 46,262 |
| Amounts of non current assets written off on disposal as part of the gain/loss | (697) | (180) | 0 | 0 | (877) | (1,065) |
| <u>Items not debited or credited to the Comprehensive Income & Expenditure Statement</u> | | | | | | |
| Statutory provision for repayment of debt | 11,068 | 3,485 | 0 | 0 | 14,553 | 16,181 |
| Capital expenditure charged to the General Fund and HRA balances | 1,575 | 5,194 | 0 | 0 | 6,769 | 3,641 |
| <u>Adjustments involving the Capital Receipts Reserve</u> | | | | | | |
| Transfer of sale proceeds credited as part of the gain/loss on disposal | 759 | 258 | (1,017) | 0 | 0 | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 0 | 0 | 1,136 | 0 | 1,136 | 1,255 |
| <u>Adjustments involving the Capital Grants Unapplied Account</u> | | | | | | |
| | 0 | 0 | 0 | (541) | (541) | 1,391 |
| <u>Adjustments involving the Financial Instruments Adjustment Account</u> | | | | | | |
| | 542 | 183 | 0 | 0 | 725 | 724 |
| <u>Adjustments involving the Pensions Reserve</u> | | | | | | |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 17,804 | 1,307 | 0 | 0 | 19,111 | 18,188 |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (33,106) | (2,315) | 0 | 0 | (35,421) | (38,649) |
| <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 | (1,353) | (57) | 0 | 0 | (1,410) | (888) |
| Total Adjustments | (15,431) | (645) | 119 | (541) | (16,498) | (4,766) |

6. Expenditure and Funding Analysis - 2020/21

| | Net Expenditure charged to the General Fund and HRA Balances £000 | Adjustments between the Funding and Accounting Basis £000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £000 |
|--|---|--|---|
| Education & Children's Services | 160,657 | 17,671 | 178,328 |
| Health & Social Care | 60,475 | 3,716 | 64,191 |
| Communities | 61,535 | 18,276 | 79,811 |
| Corporate and Democratic Services | 38,999 | 5,326 | 44,325 |
| Housing Revenue Account | (9,452) | 10,355 | 903 |
| Valuation Joint Board | 1,308 | 0 | 1,308 |
| Non Distributed Costs | 1,561 | (1,561) | 0 |
| Cost of Services | 315,083 | 53,783 | 368,866 |
| Other Income and Expenditure | (336,002) | (37,707) | (373,709) |
| (Surplus) or Deficit on Provision of Services | (20,919) | 16,076 | (4,843) |
| Opening General Fund and HRA Balance | (50,296) | | |
| Surplus on General Fund and HRA Balance in Year | (20,919) | | |
| Transfers from other Statutory Reserves | (4,274) | | |
| Closing General Fund and HRA Balance at 31 March 2021 | (75,489) | | |

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

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

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

Expenditure and Funding Analysis - 2019/20

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

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

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

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

Explanation to the Expenditure and Funding Analysis

Adjustments for Capital Purposes

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

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

Net Change for the Pensions Adjustments

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

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

Other Differences

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

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

7. Transfer (to)/from General Fund Reserves

The Reserves Strategy that the Council approved in March 2021 earmarked funding towards specific or known future commitments. The following table sets out the updated balances as at 31 March 2021 for these Earmarked Reserves taking cognisance of the final year-end position.

| | Balance as at 1 April 2020 £'000 | Transfers (In)/Out £'000 | Balance as at 31 March 2021 £'000 |
|--|--|--------------------------------|---|
| Covid-19 | 0 | (25,727) | (25,727) |
| Revenue Grants | (6,044) | (9,162) | (15,206) |
| Developer Contributions: Commuted Sums & Infrastructure and Affordable Housing | (6,278) | 800 | (5,478) |
| Workforce Management (including transformation programme) | (5,322) | 1,047 | (4,275) |
| Affordable Housing (Resources accrued from reduced Council Tax Discounts) | (5,822) | 2,406 | (3,416) |
| Perth High School | (1,608) | 43 | (1,565) |
| Devolved School Management (DSM) | (1,224) | (312) | (1,536) |
| Remodelling of Residential Care (Children & Young People) | (1,506) | 251 | (1,255) |
| Car Parking | (1,183) | 0 | (1,183) |
| Secondary Schools | (1,013) | 200 | (813) |
| Culture | (418) | (241) | (659) |
| School Counsellors | 0 | (628) | (628) |
| Perth & Kinross Offer | (499) | 0 | (499) |
| Modern Apprentices/Graduate Trainees | (309) | (94) | (403) |
| Community Improvement Fund | (4) | (300) | (304) |
| PH2O | (407) | 140 | (267) |
| Grounds Maintenance | (225) | 15 | (210) |
| Works Maintenance | (400) | 200 | (200) |
| Financial Assistance | (156) | (20) | (176) |
| Local Government Elections | (106) | (53) | (159) |
| Community Action Partnerships | (230) | 103 | (127) |
| Revenue Budget Flexibility | (2,407) | 2,282 | (125) |
| Salix Fund | (174) | 102 | (72) |
| Planning Appeals and Public Inquiries | (211) | 211 | 0 |
| Contaminated Land | (203) | 203 | 0 |
| Health and Social Care Partnership | (180) | 180 | 0 |
| Events and Rural Communities | (120) | 120 | 0 |
| Bridge Feasibility Studies | (132) | 132 | 0 |
| Investment in North Inch Golf Course | (117) | 117 | 0 |
| Micro Loans Fund | (60) | 60 | 0 |
| Public Service Network | (17) | 17 | 0 |
| Earmarked Balances at 31 March 2021 | (36,375) | (27,908) | (64,283) |

Purpose of Earmarked General Fund Balances

Covid-19 – the Council approved the creation of the Covid-19 earmarked Reserve on 27 January 2021 (report 21/8 refers) to address the ongoing impact of Covid-19. It also approved that the final 2020/21 under spend would be earmarked within this Reserve. This will be utilised in 2021/22 and future years to fund non recurring expenditure pressures arising as a result of the pandemic.

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.

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

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

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

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

Devolved School Management (DSM) – the amount shown is the accumulated sum available to be carried forward at 31 March 2021 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.

Remodelling of Residential Care (Children & Young People) – The Council meeting of 16 August 2017 approved the review and remodelling of residential care (children and young people) and the financial resources to fund this transformation project (Report No.17/262 refers). The Council approved £500,000 from transformation funding and £500,000 from uncommitted Reserves and up to £700,000 from the Education and Children Services budget. 2017/18 Revenue Monitoring Report 3 to the Strategic Policy & Resources Committee approved £300,000 to be transferred from

Education and Children Services to this earmarked balance (Report No.18/41 refers) and a further £400,000 as part of the year end position. These resources are being phased over a number of years.

Car Parking – this balance is the accumulated surplus at 31 March 2021 which is restricted in its application under the Road Traffic Regulation Act 1984. Any proposals to utilise these resources will require approval by the Strategic Policy and Resources Committee.

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

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

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

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

Planning Appeals and Public Inquiries – in setting the revenue budget for 2021/22 the Council approved to no longer earmark these resources.

Contaminated Land – in setting the revenue budget for 2021/22 the Council approved to no longer earmark these resources.

Health and Social Care Partnership – in setting the Revenue Budget for 2021/22 the Council approved the un-earmarking of these resources.

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

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

Investment in North Inch Golf Course– The Strategic Policy & Resources Committee approved the transfer of £117,000 as part of Revenue Monitoring Report 2 to fund future investment in North Inch Golf Course (Report No 19/340 refers). This was utilised in 2020/21.

Micro Loans Fund – these resources were allocated during the revenue budget process for 2019/20, and were utilised in 2020/21.

Public Service Network – these resources were earmarked in reserves to fund ongoing work required beyond initial accreditation and were utilised in 2020/21.

8. Other Operating Expenditure / Income

| | 2020/21 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Gains on the Disposal of Non Current Assets | (121) | (257) |
| Share of Tayside Contracts surplus | (804) | (588) |
| Total | <u>(925)</u> | <u>(845)</u> |

9. Financing and Investment Income and Expenditure

| | 2020/21 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Interest payable and similar charges | 24,350 | 22,906 |
| Pensions interest cost and expected return on pensions assets | 2,918 | 2,901 |
| Interest receivable and similar income | (1,618) | (1,426) |
| Income in relation to investment properties and changes in their fair value | (814) | (1,112) |
| Total | <u>24,836</u> | <u>23,269</u> |

10. Taxation and Non Specific Grant Incomes

| | 2020/21 £'000 | 2019/20 £'000 |
|----------------------------------|------------------|------------------|
| Council Tax Income | (87,424) | (83,548) |
| Non Domestic Rates | (37,670) | (56,387) |
| Non Ringfenced Government Grants | (247,244) | (194,978) |
| Capital Grants and Contributions | (25,282) | (46,262) |
| Total | <u>(397,620)</u> | <u>(381,175)</u> |

11. Material Items of Income and Expense

In 2020/21 the Council received additional grant funding of £60.757 million from the Scottish Government in relation to the Covid-19 pandemic which was treated as agency income and expenditure and does not impact upon the figures in the Comprehensive Income and Expenditure Statement.

12. Premiums and Discounts on Debt Rescheduling Written Down

The Code requires that any premiums or discounts arising from debt rescheduling should be written off in the year they were incurred, except in limited circumstances where they would qualify as a 'modification' of debt. During 2020/21, there were no such debt modifications.

The net amount of premium and discount debited to the General Fund and HRA, including for transactions prior to 1 April 2007 (as permitted by statutory guidance), from the Financial Instruments Adjustment Account was £707,000 (2019/20 £707,000).

13. General Grants, Bequests and Donations

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

During 2020/21 a total of £15,456,000 (2019/20 £14,619,000) was paid out in support of these organisations ranging from remission of hall rents of a few pounds to the contribution towards the operational and other costs of Live Active Leisure Limited of £4,709,000 (2019/20 £4,686,000). Details of grants are shown below.

| | 2020/21 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Service Level Agreements with Outside Organisations | 4,179 | 3,380 |
| Live Active Leisure Limited | 4,709 | 4,686 |
| Culture Perth & Kinross | 3,079 | 3,256 |
| Horsecross Arts Ltd | 1,176 | 1,280 |
| Perth Money Advice Service | 414 | 409 |
| Churches Action for the Homeless | 258 | 254 |
| Pitlochry Festival Theatre | 220 | 220 |
| Commercial Property Regeneration Grants | 330 | 0 |
| Micro Business Grants | 60 | 152 |
| Perthshire Women's Aid | 78 | 78 |
| Perth & Kinross Heritage Trust | 97 | 94 |
| Perth & Kinross Countryside Trust | 30 | 30 |
| Vacant Property Grants | 49 | 25 |
| Perth & Kinross Sports Council | 11 | 11 |
| Other Miscellaneous Grants | 766 | 744 |
| | <u>15,456</u> | <u>14,619</u> |

14. Expenditure and Income Analysed by Nature

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

| Expenditure/Income | 2020/21 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Expenditure | | |
| Employee benefits expenses | 228,025 | 220,391 |
| Other services expenses | 234,167 | 218,824 |
| Net Contribution to Integration Joint Board | 56,743 | 54,077 |
| Support service recharges | 2,077 | 2,089 |
| Depreciation, amortisation, impairment | 45,806 | 51,806 |
| Interest payments | 24,350 | 22,906 |
| Total Expenditure | <u>591,168</u> | <u>570,093</u> |
| Income | | |
| Fees, charges and other service income | 167,667 | 139,186 |
| Interest and investment income | 2,595 | 2,424 |
| Taxation and Non-Specific Grant Income | 397,620 | 381,175 |
| Government grants and contributions | 28,008 | 43,847 |
| Gain on the disposal of assets | 121 | 257 |
| Total Income | <u>596,011</u> | <u>566,889</u> |
| (Surplus)/Deficit on the Provision of Services | <u>(4,843)</u> | <u>3,204</u> |

15. Agency Services

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

| | 2020/21 Income £'000 | 2020/21 Expenditure £'000 | 2019/20 Income £'000 | 2019/20 Expenditure £'000 |
|---|----------------------------|---------------------------------|----------------------------|---------------------------------|
| <u>Education & Children's Services</u> | | | | |
| Provision of Pupil Support Assistants to other local authorities | 211 | 211 | 113 | 113 |
| <u>Communities</u> | | | | |
| Receipts from other local authorities for cross boundary bus services | 17 | 17 | 17 | 17 |
| <u>Corporate and Democratic Services</u> | | | | |
| Income from Scottish Water | 445 | 445 | 444 | 444 |
| Totals | <u>673</u> | <u>673</u> | <u>574</u> | <u>574</u> |

The Council issued Covid-related grants on behalf of the Scottish Government during 2020/21 to the value of £60.757m. No Covid grants were paid out during 2019/20.

| | 2020/21 Income £'000 | 2020/21 Expenditure £'000 | 2019/20 Income £'000 | 2019/20 Expenditure £'000 |
|--|----------------------------|---------------------------------|----------------------------|---------------------------------|
| <u>Education & Children's Services</u> | | | | |
| Covid-related Grants to Partner Providers on behalf of Scottish Government | 353 | 353 | 0 | 0 |
| <u>Corporate and Democratic Services</u> | | | | |
| Covid-related Grants on behalf of Scottish Government | 60,404 | 60,404 | 0 | 0 |
| | <u>60,757</u> | <u>60,757</u> | <u>0</u> | <u>0</u> |

16. External Audit Costs

In 2020/21 Perth and Kinross Council incurred the following fees relating to external audit services provided in accordance with the Code of Audit Practice:

| | 2020/21 £'000 | 2019/20 £'000 |
|---------------------|------------------|------------------|
| External Audit Fees | <u>290</u> | <u>284</u> |

This includes £4,000 in respect of the audit of charitable trusts where the Council is the sole trustee (2019/20 £3,500).

17. Termination Benefits

The Council terminated the contracts of a number of employees in 2020/21, incurring liabilities of £5,000 (£407,000 in 2019/20). These were in relation to 58 officers (78 in 2019/20) from all Services across the Council throughout 2020/21 and will deliver full year recurring savings.

18. Post-Employment Benefits

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

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

Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers

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

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

In 2020/21, the Council paid £14.552 million to the Teachers' Pensions scheme in respect of teachers' retirement benefits, representing 23% of pensionable pay. The figures for 2019/20 were £12,590,572 and 23%. There were no contributions remaining payable at the year-end. Additional payments relating to added year's benefits, which the Council has inherited from predecessor authorities or awarded itself, together with related increases, amounted to £197,797 (2019/20 £208,184).

Pension Schemes Accounted for as Defined Benefit Pension Schemes

Local Government Pension Scheme

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

Benefits

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

Governance

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

Principal Risks

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

Discretionary Post-employment Benefits

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

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

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

Guaranteed Minimum Pension (GMP) Equalisation

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

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

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

McCloud Judgement

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

Career Average Revalued Earnings Scheme (CARE)

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

Transactions Relating to Post-Employment Benefits

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

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

Local Government Pension Scheme

| | 2020/21 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Comprehensive Income and Expenditure Statement | | |
| Cost of Services | | |
| - Service Cost | 32,503 | 35,748 |
| Financing and Investment Income and Expenditure | | |
| - Net Interest on the Defined Liability | 2,645 | 2,636 |
| Administration Expenses | 273 | 265 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | <u>35,421</u> | <u>38,649</u> |
| Remeasurement of the net defined benefit liability comprising: | | |
| Expected return on pension fund assets in excess of interest | (224,110) | 61,465 |
| Other actuarial (gains)/losses on assets | (48,885) | 0 |
| Changes in demographic assumptions | (19,288) | 0 |
| Changes in financial assumptions | 236,850 | (79,036) |
| Experience Gain on defined benefit obligation | 23,025 | 0 |
| Total Post Employment Benefit Credited to the Comprehensive Income & Expenditure Statement | <u>(32,408)</u> | <u>(17,571)</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>(35,421)</u> | <u>(38,649)</u> |
| Actual amount charged against the General Fund Balance for pensions in the year: | | |
| Employers' contributions and direct payments payable to Tayside Pension Fund | <u>19,111</u> | <u>18,188</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 2021 £'000 | 31 March 2020 £'000 |
|---|---------------------------|---------------------------|
| Present Value of the Defined Benefit Obligation | 1,105,952 | 840,283 |
| Present Value of Unfunded Obligation | 27,100 | 21,940 |
| Closing Defined Benefit Obligation | <u>1,133,052</u> | <u>862,223</u> |
| Fair Value of Pension Fund Assets (Bid Value) | <u>(1,027,718)</u> | <u>(740,791)</u> |
| Net Liability in Balance Sheet | <u>105,334</u> | <u>121,432</u> |

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

| | 31 March 2021 £'000 | 31 March 2020 £'000 |
|---|---------------------------|---------------------------|
| Opening Defined Benefit Obligation | 862,223 | 905,540 |
| Current Service Cost | 31,866 | 35,346 |
| Interest Cost | 20,017 | 21,484 |
| Change in Financial Assumptions | 236,850 | (79,036) |
| Change in demographic assumptions | (19,288) | 0 |
| Experience Gain on Defined Benefit Obligation | 23,025 | 0 |
| Estimated Benefits Paid Net of Transfers In | (26,331) | (25,718) |
| Past Service Costs (including Curtailments) | 637 | 402 |
| Contributions by Scheme Participants | 6,104 | 6,082 |
| Unfunded Pension Payments | <u>(2,051)</u> | <u>(1,877)</u> |
| Closing Defined Benefit Obligation | <u>1,133,052</u> | <u>862,223</u> |

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

| | 31 March 2021 £'000 | 31 March 2020 £'000 |
|---|---------------------------|---------------------------|
| Opening Fair Value of Scheme Assets | 740,791 | 786,998 |
| Interest on Assets | 17,372 | 18,848 |
| Return on Assets Less Interest | 224,110 | (61,465) |
| Other actuarial gains/ (losses) | 48,885 | 0 |
| Administration Expenses | (273) | (265) |
| Contributions by Employer Including Unfunded | 19,111 | 18,188 |
| Contributions by Scheme Participants | 6,104 | 6,082 |
| Estimated Benefits Paid Plus Unfunded Net of Transfers (Out)/In | <u>(28,382)</u> | <u>(27,595)</u> |
| Closing Fair Value of Scheme Assets | <u>1,027,718</u> | <u>740,791</u> |

Perth & Kinross Council's share of Tayside Pension Fund's assets at 31 March 2021 comprised:

| | 31 March 2021 | | 31 March 2020 | |
|--------------|---------------|------|---------------|------|
| | £'000 | % | £'000 | % |
| Equities | 735,891 | 72% | 489,766 | 66% |
| Gilts | 40,638 | 4% | 10,276 | 1% |
| Other Bonds | 134,143 | 13% | 130,895 | 18% |
| Property | 93,932 | 9% | 91,116 | 13% |
| Cash | 21,648 | 2% | 18,738 | 2% |
| Alternatives | 1,466 | 0% | 0 | 0% |
| Total | 1,027,718 | 100% | 740,791 | 100% |

A further breakdown of the assets is as follows:

| | 28 February 2021 | 29 February 2020 |
|-----------------------------|------------------|------------------|
| Equities | | |
| Consumer | 8% | 7% |
| Manufacturing | 3% | 2% |
| Energy and Utilities | 2% | 2% |
| Financial Institutions | 9% | 10% |
| Health and Care | 5% | 5% |
| Information Technology | 9% | 7% |
| Others | 12% | 11% |
| Industrials | n/a | n/a |
| | 48% | 44% |
| Debt Securities | | |
| Corporate Bonds | 12% | 14% |
| UK Government Bonds | 1% | 1% |
| Others | 1% | 1% |
| | 14% | 16% |
| Property | | |
| UK Property | 10% | 11% |
| | 10% | 11% |
| Investment Fund Unit Trusts | | |
| Equities | 24% | 23% |
| Bonds | 2% | 3% |
| | 26% | 26% |
| Cash & Cash Equivalents | 2% | 3% |
| 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 2021.

The principal assumptions used by the actuary have been:

| | 2020/21 | 2019/20 |
|---|---------|---------|
| Mortality Assumptions: | | |
| Longevity at 65 for Current Pensioners: | | |
| - Men | 18.9 | 19.7 |
| - Women | 22.2 | 21.7 |
| Longevity at 65 for Future Pensioners: | | |
| - Men | 20.4 | 21.4 |
| - Women | 23.8 | 23.5 |
| Rate of Inflation CPI | 2.8% | 1.9% |
| Rate of Inflation RPI | 3.2% | 2.4% |
| Rate of Increase in Salaries | 3.8% | 2.9% |
| Rate of Increase in Pensions | 2.8% | 1.9% |
| Rate for Discounting Scheme Liabilities | 2.0% | 2.4% |

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £105,334,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains sound.

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

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 is £16,545,000.

Change in Accounting Estimate

The derivation of the CPI assumption has changed at 31 March 2021. A long term gap between RPI and CPI of 40 basis points has been proposed, compared to 80 basis points at the prior year end. The update reflects the anticipated reform of RPI inflation following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor suggesting this reform is now likely to take effect from 2030. This results in an estimated increase in the defined benefit obligation of £81,504,000 compared to the approach taken the previous year.

An Inflation Risk Premium (IRP) adjustment has been included in the valuation of the scheme at 31 March 2021. The Bank of England (BoE) implied inflation curve may suggest a higher rate of inflation, over longer terms, than actually expected by market participants due to a willingness to accept a lower return on investments to ensure inflation linked returns. The assumed level of future annual RPI increase is 0.25% p.a. lower than the Single Equivalent Inflation Rate (SEIR) calculated using the BoE inflation curve alone. This is a change from the approach taken the previous year and results in an estimated gain in the defined benefit obligation of £50,179,000.

A weighting has been applied to the Continuous Mortality Investigation (CMI) Model for the valuation at 31 March 2021. The adjustment allows the exceptional mortality experienced as a result of the coronavirus pandemic to be incorporated into life expectancy modelling without having a disproportionate impact on results. The update results in an estimated gain in the defined benefit obligation of £11,819,000.

Sensitivity Analysis

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

| Adjustment to discount rate | +0.1% | 0.0% | -0.1% |
|--|----------------|----------------|----------------|
| - Present value of total obligation | £1,111,851,000 | £1,133,052,000 | £1,143,679,000 |
| - Projected Service cost | £46,312,000 | £47,812,000 | £49,357,000 |
| Adjustment to long term salary increase | +0.1% | 0.0% | -0.1% |
| - Present value of total obligation | £1,136,138,000 | £1,133,052,000 | £1,129,992,000 |
| - Projected Service cost | £47,838,000 | £47,812,000 | £47,786,000 |
| Adjustment to pension increases and deferred revaluation | +0.1% | 0.0% | -0.1% |
| - Present value of total obligation | £1,151,403,000 | £1,133,052,000 | £1,115,055,000 |
| - Projected Service cost | £49,341,000 | £47,812,000 | £30,240,000 |
| Adjustment to mortality age rating assumption | + 1 year | None | -1 year |
| - Present value of total obligation | £1,191,433,000 | £1,133,052,000 | £1,077,692,000 |
| - Projected Service cost | £50,077,000 | £47,812,000 | £45,639,000 |

19. Related Parties

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

Scottish Government

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

Tayside Valuation Joint Board

The Tayside Valuation Joint Board provides services on behalf of Perth & Kinross, Angus and Dundee Councils. The Council does not have any direct control or influence over the board and the amount payable to this body for valuation services and electoral registration services was £1,596,000 (2019/20 £1,528,000). £1,308,000 is disclosed in the Comprehensive Income and Expenditure Statement under Valuation Joint Board and £288,000 under Corporate and Democratic Services for electoral and registration services.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in the Remuneration Report. During 2020/21, two councillors had an interest in businesses from which the Council commissioned works and services to the value of £1,470 and £1,224 respectively. Contracts were entered into in full compliance with the Council's standing orders and the Councillors' Code of Conduct.

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

Chief Officers

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

Live Active Leisure Ltd

This organisation provides leisure services within the area served by the Council. A grant was provided in 2020/21 amounting to £4,709,000 (2019/20 £4,686,000). 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 2020/21 amounting to £1,176,000 (2019/20 £1,280,000). It is a sole member Company with the Council as that member.

Culture Perth & Kinross Ltd

This organisation has operated libraries, museums and arts galleries in Perth & Kinross since 1 April 2016. A grant was provided in 2020/21 amounting to £3,079,000 (2019/20 £3,256,000). 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 2020/21 amounted to £28,086,000 (2019/20 £30,166,000). The Joint Committee is administered and controlled by Dundee City, Angus and Perth & Kinross Councils.

Health and Social Care Partnership

This organisation is a joint venture between Perth & Kinross Council and Tayside Health Board and has since 1 April 2016 provided an integrated Health and Social Care service. Payments to the Health & Social Care Partnership in 2020/21 amounted to £78,831,000 (2019/20 £72,368,000) and receipts amounted to £22,088,000 (2019/20 £18,291,000).

20. Leases

Council as Lessee

The Council operates a Lease Car Scheme which is available to eligible employees and lease rental payments are recovered from employees. The car leasing agreements are due to expire during the financial years 2021/22 to 2023/24.

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

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

| | 2020/21 | 2019/20 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Not later than one year | 153 | 162 |
| Later than one year and not later than five years | 348 | 428 |
| Later than five years | 601 | 613 |
| | <u>1,102</u> | <u>1,203</u> |

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

| | 2020/21 | 2019/20 |
|------------------------------|------------|------------|
| | £'000 | £'000 |
| Minimum lease payments | 167 | 167 |
| Sublease payments receivable | (13) | (13) |
| | <u>154</u> | <u>154</u> |

Council as Lessor

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

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

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

| | 2020/21 | 2019/20 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Not later than one year | 1,272 | 1,302 |
| Later than one year and not later than five years | 4,384 | 4,471 |
| Later than five years | 48,721 | 49,843 |
| | <u>54,377</u> | <u>55,616</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 2019/20 and 2020/21.

21. Property, Plant and Equipment

Movements on Fixed Assets 2020/21 in respect of Property, Plant & Equipment are shown below:

Movements in 2020/21

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

Property, Plant and Equipment cont'd

Movements in 2020/21

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

Property, Plant and Equipment cont'd

Comparative Movements in 2019/20

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

Property, Plant and Equipment cont'd

Comparative Movements in 2019/20

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

Capital Commitments

At 31 March 2021, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years budgeted to cost £37.975m. Similar commitments at 31 March 2020 were £30.572m. The total commitment is made up of the following:

| | 2020/21 £'000 | 2019/20 £'000 |
|-------------------------------------|------------------|------------------|
| Cultural Attractions | 22,381 | 0 |
| Education Projects | 11,270 | 9,058 |
| Roads & Bridges Improvement Schemes | 1,569 | 3,353 |
| Flood Protection | 361 | 364 |
| Council Dwellings | 1,714 | 13,404 |
| Other Capital Projects | 680 | 4,393 |
| | 37,975 | 30,572 |

Valuation of Assets

Revaluations

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

The Council commissioned a valuation for a selection of PFI Campuses which was performed during the last quarter of financial year 2020/21. In addition, the Council's internal valuers performed valuations for a number of assets, including Investment properties, other PFI Campuses and properties requiring revaluation due to redevelopment or a change of use, during the last quarter of financial year 2020/21. In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), a material uncertainty has been declared in the valuation reports. This is due to market uncertainties caused by Covid-19. The Red Book defines material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.'

The valuation reports have been used to inform the measurement of non-current assets in these financial statements. Although the valuers have declared a material valuation uncertainty, the valuers have continued to exercise professional judgement in preparing the valuations and, therefore, this is the best information available to Council as at 31 March 2021 and can be relied upon.

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

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

| | Council Dwellings £'000 | Other Land and Buildings £'000 | Surplus Assets £'000 | Total £'000 |
|--------------------------------|-------------------------------|---|----------------------------|----------------|
| Carried at historical cost | 25,662 | 46,425 | 34 | 72,121 |
| Values at current value as at: | | | | |
| 31 March 2021 | 0 | 214,338 | 620 | 214,958 |
| 31 March 2020 | 294,354 | 9,302 | 1,060 | 304,716 |
| 31 March 2019 | 0 | 88,872 | 0 | 88,872 |
| 31 March 2018 | 0 | 77,573 | 0 | 77,573 |
| 31 March 2017 | 0 | 236,253 | 56 | 236,309 |
| Total Cost or Valuation | 320,016 | 672,763 | 1,770 | 994,549 |

Changes in Estimates

The Council has made no material changes to accounting estimates for Property, Plant and Equipment in 2020/21.

22. Heritage Assets

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

| | 2020/21 Art Collection £'000 | 2020/21 War Memorials £'000 | 2020/21 Total £'000 | 2019/20 Art Collection £'000 | 2019/20 War Memorials £'000 | 2019/20 Total £'000 |
|---------------------|---------------------------------------|--------------------------------------|---------------------------|---------------------------------------|--------------------------------------|---------------------------|
| Cost or Valuation | | | | | | |
| Balance at 1 April | 27,733 | 48 | 27,781 | 27,733 | 48 | 27,781 |
| Additions | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluations | 24,007 | 0 | 24,007 | 0 | 0 | 0 |
| Balance at 31 March | 51,740 | 48 | 51,788 | 27,733 | 48 | 27,781 |

Art Collection

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

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

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

There were no significant additions to Heritage Assets in 2019/20 or 2020/21. In 2020/21, the existing collection of oils, sketchbooks and works on paper by both JD Fergusson and Margaret Morris were revalued, resulting in £24.007m being added to the value of Heritage Assets.

Additions and Disposals of Heritage Assets

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

Further Information on the Museum and Art Gallery Collection

Art Collection

Fine and Applied Art

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

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

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

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

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

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

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

23. Investment Properties

| | 2020/21 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Rental income from investment property | (977) | (998) |
| Direct operating expenses arising from investment property | 107 | 81 |
| Balance at end of year | <u>(870)</u> | <u>(917)</u> |

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

| | 2020/21 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Balance at start of year | 13,290 | 13,095 |
| Disposals | (75) | 0 |
| Net gains/(losses) from fair value adjustments | (75) | 195 |
| Balance at end of year | <u>13,140</u> | <u>13,290</u> |

All of the Authority's investment properties are valued at Level 2 on the fair value hierarchy. Values as at 31 March 2020 and 31 March 2021 are as follows:

| | Other Significant Observable Inputs (Level 2) | |
|--|--|------------------|
| | 2020/21 £'000 | 2019/20 £'000 |
| Recurring fair value measurements using: | | |
| Industrial and Commercial Land | 11,895 | 11,805 |
| Shops and Offices | 895 | 1,035 |
| Other Investment Properties | 350 | 450 |
| Total Fair Value | <u>13,140</u> | <u>13,290</u> |

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

Significant Observable Inputs – Level 2

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

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

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

Highest and Best Use of Investment Properties

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

Valuation Techniques

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

Valuation Process for Investment Properties

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

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

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

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

24. Intangible Assets

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

| | 2020/21 Assets £'000 | 2019/20 Assets £'000 |
|--------------------------------------|----------------------------|----------------------------|
| Balance at start of year | | |
| Gross carrying amount | 2,948 | 2,867 |
| Accumulated amortisation | (1,969) | (1,110) |
| Net carrying amount at start of year | <u>979</u> | <u>1,757</u> |
| | | |
| Additions: Purchases | 17 | 81 |
| | | |
| Amortisation for the period | (675) | (859) |
| | | |
| Net carrying amount at end of year | <u>321</u> | <u>979</u> |
| Comprising: | | |
| Gross carrying amounts | 2,965 | 2,948 |
| Accumulated amortisation | (2,644) | (1,969) |
| | <u>321</u> | <u>979</u> |

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

25. Assets Held for Sale

| | Current | | Non Current | |
|--------------------------------------|------------------|------------------|------------------|------------------|
| | 2020/21 £'000 | 2019/20 £'000 | 2020/21 £'000 | 2020/19 £'000 |
| Balance outstanding at start of year | 126 | 511 | 719 | 798 |
| Assets sold | 0 | (400) | (181) | (146) |
| Other movements | 0 | 15 | 12 | 67 |
| Balance outstanding at year end | <u>126</u> | <u>126</u> | <u>550</u> | <u>719</u> |

26. Long Term Debtors

| | 2020/21 £'000 | 2019/20 £'000 |
|------------------------------|------------------|------------------|
| Other Entities & Individuals | 689 | 981 |
| Total | <u>689</u> | <u>981</u> |

27. Inventories

| | Consumables & Maintenance Materials | |
|--------------------------------------|--|------------------|
| | 2020/21 £'000 | 2019/20 £'000 |
| Balance outstanding at start of year | 470 | 432 |
| Purchases | 2,857 | 3,089 |
| Recognised as an expense in the year | (2,802) | (3,052) |
| Written off balances | 0 | 1 |
| Balance outstanding at end of year | <u>525</u> | <u>470</u> |

28. Debtors

| | 2020/21 | 2020/21 | 2019/20 | 2019/20 |
|------------------------------|-----------------|---------------|-----------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| | Gross | Net | Gross | Net |
| Scottish Government | | 11,707 | | 7,804 |
| Central Government | | 9,175 | | 3,739 |
| Other Local Authorities | | 374 | | 364 |
| NHS Bodies | | 918 | | 1,628 |
| Public Corps & Trading funds | | 0 | | 376 |
| Other Entities & Individuals | 17,524 | | 13,887 | |
| less Impairment | <u>(8,870)</u> | | <u>(8,280)</u> | |
| | | 8,654 | | 5,607 |
| Trade | 7,186 | | 5,592 | |
| less Impairment | <u>(1,162)</u> | | <u>(1,022)</u> | |
| | | 6,024 | | 4,570 |
| Council Tax | 19,596 | | 17,026 | |
| less Impairment | <u>(14,849)</u> | | <u>(13,260)</u> | |
| | | 4,747 | | 3,766 |
| Total | | <u>41,599</u> | | <u>27,854</u> |

29. Creditors

| | 2020/21 | 2019/20 |
|---------------------------------------|-----------------|-----------------|
| | £'000 | £'000 |
| Scottish Government | (8,621) | (2,168) |
| Central Government | (6,040) | (5,446) |
| Other Local Authorities | (3,205) | (450) |
| NHS Bodies | (275) | (204) |
| Public Corporations and Trading Funds | (587) | (487) |
| Other Entities and Individuals | (23,979) | (24,063) |
| Trade Creditors | (26,159) | (26,323) |
| Total | <u>(68,866)</u> | <u>(59,141)</u> |

30. Provisions Other than Bad and Doubtful Debts

Self-Insured/Uninsured Losses

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

The provision provides for an estimate of all liabilities likely to be incurred by the Council in respect of self-insured and uninsured losses in respect of incidents that have arisen prior to 1 April 2020.

Compensation Payments

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

Commercial Rent

The Council manages the rental leases for a number of commercial properties. The Council had previously made provision for rent refunds due to the downturn in the economic climate affecting retail trading performance. The provision at 31 March 2021 is to meet any potential liability for the years 2019/20 and 2020/21.

| | Self Insured/ Uninsured Losses £'000 | Compensation Payments £'000 | Commercial Rent £'000 | Total £'000 |
|---------------------------------------|---|-----------------------------------|-----------------------------|----------------|
| Balance as at 1 April 2020 | 1,367 | 1,866 | 40 | 3,273 |
| Additional provisions made in 2020/21 | 806 | 81 | 20 | 907 |
| Amounts used in 2020/21 | (483) | (1,256) | (20) | (1,759) |
| Balance as at 31 March 2021 | <u>1,690</u> | <u>691</u> | <u>40</u> | <u>2,421</u> |
| Balance Sheet Disclosure: | | | | |
| Less than 12 months | 252 | 0 | 20 | 272 |
| Over 12 months | 1,438 | 691 | 20 | 2,149 |
| | <u>1,690</u> | <u>691</u> | <u>40</u> | <u>2,421</u> |

31. Usable Reserves

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

32. Unusable Reserves

| | 2020/21 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Revaluation Reserve | (317,769) | (267,918) |
| Capital Adjustments Account | (353,777) | (346,950) |
| Financial Instruments Adjustment Account | 18,376 | 19,101 |
| Pensions Reserve | 105,334 | 121,432 |
| Employee Statutory Adjustment Account | 7,813 | 6,403 |
| Total Unusable Reserves | <u>(540,023)</u> | <u>(467,932)</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.

| | 2020/21 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Balance at 1 April | (267,918) | (276,144) |
| Upward revaluation of assets | (63,829) | (4,472) |
| Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services | 7,648 | 5,931 |
| | <u>(324,099)</u> | <u>(274,685)</u> |
| Difference between fair value depreciation and historical cost depreciation | 6,065 | 6,634 |
| Accumulated gains on assets sold or scrapped | 265 | 133 |
| Amount written off to the Capital Adjustment Account | 6,330 | 6,767 |
| Balance at 31 March | <u>(317,769)</u> | <u>(267,918)</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.

| | 2020/21 £'000 | 2019/20 £'000 |
|---|-------------------------|-------------------------|
| Balance at 1 April | (346,950) | (324,324) |
| 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 | 51,167 | 49,663 |
| Revaluation losses on Property, Plant and Equipment | (6,092) | 1,479 |
| Amortisation of intangible assets | 675 | 859 |
| Amounts of non current assets written off on disposal as part of the gain/loss | 877 | 1,065 |
| | <u>(300,323)</u> | <u>(271,258)</u> |
| Adjusting amounts written out of the Revaluation Reserve | <u>(6,330)</u> | <u>(6,767)</u> |
| | <u>(306,653)</u> | <u>(278,025)</u> |
| Capital financing applied in the year: | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (1,136) | (1,255) |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement | (22,639) | (44,160) |
| Application of grants to capital financing from the Capital Grants Unapplied Account | (2,102) | (3,493) |
| Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | (14,553) | (16,181) |
| Capital expenditure charged against the general fund and HRA balances | <u>(6,769)</u> | <u>(3,641)</u> |
| | <u>(353,852)</u> | <u>(346,755)</u> |
| Movements in the fair value of the Investment Properties | 75 | (195) |
| Balance at 31 March | <u><u>(353,777)</u></u> | <u><u>(346,950)</u></u> |

Financial Instruments Adjustment Account

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

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

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

Accordingly, the balance on the FIAA as at 31 March 2021 in respect of the above provisions will be charged to the General Fund and HRA over the next 47 years. The movements on the FIAA during the year are shown below:

| | 2020/21 £'000 | 2019/20 £'000 |
|--|----------------------|----------------------|
| Balance at 1 April | 19,101 | 19,825 |
| Proportion of discounts incurred in previous financial years credited against the General Fund & HRA Balance in accordance with statutory requirements in the year | 4 | 4 |
| Proportion of premiums incurred in previous financial years charged against the General Fund & HRA Balance in accordance with statutory requirements in the year | (711) | (711) |
| Difference on restatement of Stepped Interest Rate Loans | (18) | (17) |
| Balance at 31 March | <u><u>18,376</u></u> | <u><u>19,101</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.

| | 2020/21 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Balance at 1 April | 121,432 | 118,542 |
| Actuarial Losses on Pensions Assets and Liabilities | (32,408) | (17,571) |
| 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 | 35,421 | 38,649 |
| Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year | (19,111) | (18,188) |
| Balance at 31 March | <u>105,334</u> | <u>121,432</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.

| | 2020/21 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Balance at 1 April | 6,403 | 5,515 |
| Cancellation of accrual made at the end of the preceding year | (6,403) | (5,515) |
| Amounts accrued at the end of the current year | 7,813 | 6,403 |
| Balance at 31 March | <u>7,813</u> | <u>6,403</u> |

33. Impairment Losses

Movements in the value of properties during the year were mainly due to the revaluation of sites held on PFI / DBFM agreements, Council Offices, and various individual operational buildings such as Industrial Units, Shops and specialist education sites. Investment properties were also revalued during 2020/21. Two losses from revaluation totalling £82,500 have been treated as impairment losses due to a change of use of the properties. Any other losses arising have been assessed as a revaluation loss rather than a loss attributed to deterioration in the anticipated level of the performance of the properties.

34. Grants

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21.

| | 2020/21 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Credited to Taxation and Non Specific Grant Income | | |
| Scottish Government | 18,701 | 42,451 |
| Scottish Government Bodies & Directorates | 2,946 | 312 |
| Developer Contributions | 2,451 | 1,402 |
| Other Third Party Contributions | 1,184 | 2,097 |
| | <u>25,282</u> | <u>46,262</u> |
| Credited to Services | | |
| Scottish Government | 34,196 | 18,842 |
| Scottish Government Directorates (incl Historic Scotland, NHS) | 24 | 156 |
| Sport Scotland | 380 | 398 |
| Other Scottish Government Bodies | 208 | 240 |
| Other Third Party Contributions | 2,076 | 1,367 |
| | <u>36,884</u> | <u>21,003</u> |

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned. The funding includes Covid-19 specific grant received from the Scottish Government in 2020/21 for distribution to businesses impacted by the pandemic. The Covid-19 grant underspend has been treated as a liability pending confirmation that the funding may be distributed by the Council in 2021/22 to provide further pandemic support to businesses. The balance at the year-end is as follows:

| | 2020/21 | 2019/20 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Revenue Grants - Received in Advance | | |
| Scottish Government - Covid-19 funding for businesses | 4,788 | 0 |
| Scottish Government - Town Centre Fund | 2,234 | 1,807 |
| Other grants and contributions | 113 | 185 |
| Balance at 31 March | <u>7,135</u> | <u>1,992</u> |

35. Capital Expenditure and Capital Financing

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

| | 2020/21 | 2019/20 |
|---|-----------------|-----------------|
| | £'000 | £'000 |
| Capital Financing Requirements b/fwd | 583,662 | 540,265 |
| <u>Capital Expenditure</u> | | |
| Property, Plant & Equipment | 57,720 | 110,661 |
| Intangible Assets | 17 | 81 |
| Revenue Expenditure funded from Capital | 1,531 | 1,709 |
| CAA Historic adjustment | <u>2,720</u> | <u>0</u> |
| | 61,988 | 112,451 |
| | <u>645,650</u> | <u>652,716</u> |
| <u>Sources of Finance</u> | | |
| Capital Receipts | (1,137) | (1,260) |
| Government Grants and Contributions | (26,272) | (47,971) |
| Revenue Contributions | (6,769) | (3,641) |
| Loans Fund Principal Repayments | <u>(14,553)</u> | <u>(16,182)</u> |
| | (48,731) | (69,054) |
| Closing Capital Financing Requirement c/fwd | <u>596,919</u> | <u>583,662</u> |
| Movement | 13,257 | 43,397 |
| <u>Analysed as:</u> | | |
| Increase in need to borrow | 18,231 | 15,437 |
| Net assets acquired under PPP contract | <u>(4,974)</u> | <u>27,960</u> |
| | 13,257 | 43,397 |

36. Public Finance Initiatives and Similar Contracts

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

The unitary charge for 2020/21 for the office accommodation was £2,426,000 (2019/20 £2,415,000).

The unitary charge for 2020/21 for the car park was £342,000 (2019/20 £380,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2021/22 for the office accommodation will be £2,510,000 and for the car park is £363,000.

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

The Council has an obligation for six school campuses in a Public Private Partnership with Axiom Education (Perth and Kinross) Ltd. North Inch Primary was brought into operation in 2011/12. Breadalbane Campus at Aberfeldy was completed in 2010/11 and the campuses at Blairgowrie, Perth South, Kinross, Crieff and the Roman Catholic School Campus were brought into operation during 2009/10. The Council will make unitary charge payments until the contract ends in 2042, at which time the campuses will be handed back to the Council at no cost. The estimated capital value of the scheme is £127,687,000.

The unitary charge for 2020/21 for the campuses operating in the year was £17,445,000 (2019/20 £16,984,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2021/22 for all school campuses will be £17,775,000.

During 2019/20 the Council incurred an obligation for Bertha Park High School with the asset and liability recognised in the Statement of Accounts. The unitary charge for 2020/21 was £3,056,000 (2019/20 for the part year was £2,169,000).

Future agreed payments will increase in line with inflation. The unitary charge for 2021/22 for Bertha Park will be £3,065,000.

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

| | 2020/21 £'000 | 2019/20 £'000 |
|---------------------------------|------------------|------------------|
| Net Book Value at 1 April 2020 | 147,536 | 116,365 |
| Additions | 300 | 33,137 |
| Reclassification | 0 | 555 |
| Revaluations | 2,412 | 3,440 |
| Depreciation | (4,799) | (5,961) |
| Depreciation write back | 23,602 | 0 |
| Net Book Value at 31 March 2021 | <u>169,051</u> | <u>147,536</u> |

Movements in Public Private Partnership Liabilities during the year were:

| | 2020/21 £'000 | 2019/20 £'000 |
|------------------------------------|------------------|------------------|
| Liabilities at 1 April 2020 | 137,187 | 109,225 |
| Additional liabilities | 0 | 33,047 |
| Amounts repaid in year | (4,974) | (5,085) |
| Liabilities at 31 March 2021 | <u>132,213</u> | <u>137,187</u> |
| Disclosed in the Balance Sheet as: | | |
| Long Term Liabilities | 127,194 | 132,214 |
| Creditors | 5,019 | 4,973 |
| Liabilities at 31 March 2021 | <u>132,213</u> | <u>137,187</u> |

Future Public Private Partnership liabilities due to be met:

| | Repayment of liability £'000 | Interest £'000 | Service Charges £'000 | Lifecycle Maintenance £'000 | Contingent Rentals £'000 | TOTAL £'000 |
|-----------------------|------------------------------------|-------------------|-----------------------------|-----------------------------------|--------------------------------|----------------|
| Due within one year | 5,019 | 6,746 | 6,854 | 2,809 | 2,369 | 23,797 |
| Due in 2 to 5 years | 23,850 | 22,958 | 29,176 | 10,365 | 12,188 | 98,537 |
| Due in 6 to 10 years | 22,086 | 22,013 | 38,374 | 20,486 | 19,069 | 122,028 |
| Due in 11 to 15 years | 31,033 | 15,994 | 43,769 | 17,442 | 28,404 | 136,642 |
| Due in 16 to 20 years | 39,070 | 7,862 | 49,932 | 19,447 | 7,125 | 123,436 |
| Due in 21 to 25 years | 11,155 | 835 | 7,075 | 2,747 | 5,382 | 27,194 |
| Total | <u>132,213</u> | <u>76,408</u> | <u>175,180</u> | <u>73,296</u> | <u>74,537</u> | <u>531,634</u> |

These figures are based on the actual cash amount estimated to be payable and not on prices at 31 March 2021.

37. Authorisation of Annual Accounts

The Unaudited Annual Accounts were authorised for issue by the Head of Finance on 30 June 2021. 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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

38. Contingent Liabilities

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

There is a contingent liability relating to Municipal Mutual Insurance (MMI), who were the insurers for Tayside Regional Council (TRC). Following a Supreme Court judgement in November 2012 a scheme of arrangement has been put in place where MMI will seek to recover, from the scheme members or successors, 25% (and increase from 15% applied after April 2016) of all claims paid out since 1993 on policies taken out by TRC (less an overall total reduction of £50,000). Perth and Kinross Council is one of the successor bodies of TRC. There remains uncertainty as to whether the remaining assets of the TRC Insurance Fund will be sufficient to meet all future liabilities due to the long time horizon for certain types of claims.

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

The Council has a number of contracts for the upgrade and redevelopment of buildings and infrastructure. Claims relating to compensation for works and land purchases for several schemes are currently being negotiated or refuted, however, no reliable estimate can be made at this time in respect of any potential amount to be paid by or to be received by the Council.

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

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

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

There has been considerable interruption to Council business due to the restrictions arising from Covid-19, with impact upon all Council services. The increased level of uncertainty remains, and it is not possible to predict the potential consequences of actions taken by the Council which may arise from the Covid-19 restrictions. In addition, claims may be received which relate to works being halted due to the Covid-19 imposed restrictions on construction site movement. No reliable estimate can be made at this time in respect of any potential amount to be paid by the Council.

39. Financial Instruments

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

| | Long-Term | | Current | | Total | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | 31 March 2021 | 31 March 2020 | 31 March 2021 | 31 March 2020 | 31 March 2021 | 31 March 2020 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Borrowings | | | | | | |
| Financial liabilities at amortised cost | 522,523 | 535,038 | 67,746 | 28,786 | 590,269 | 563,824 |
| Total borrowings | 522,523 | 535,038 | 67,746 | 28,786 | 590,269 | 563,824 |
| Investments | | | | | | |
| Loans and receivables | 45,766 | 922 | 189,303 | 207,243 | 235,069 | 208,165 |
| Total investments | 45,766 | 922 | 189,303 | 207,243 | 235,069 | 208,165 |

Lender Option Borrower Option (LOBO) borrowings of £44.39m have been included in long term borrowing as at 31 March 2021 but have a call date in the next 12 months.

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

Financial Instruments Gains / Losses

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

| | Financial Liabilities | Financial Assets | | |
|--|---|--------------------------|------------------|------------------|
| | Liabilities measured at amortised cost | Loans and receivables | Total 2020/21 | Total 2019/20 |
| | £'000 | £'000 | £'000 | £'000 |
| Interest expense | 15,323 | 0 | 15,323 | 14,326 |
| Interest payable and similar charges | 15,323 | 0 | 15,323 | 14,326 |
| Interest income | 0 | (1,665) | (1,665) | (1,517) |
| Interest and investment income | 0 | (1,665) | (1,665) | (1,517) |
| Losses on revaluation | 11 | (5) | 6 | 33 |
| Surplus arising on revaluation of financial assets | 11 | (5) | 6 | 33 |
| Net loss/(gain) for the year | 15,334 | (1,670) | 13,664 | 12,842 |

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 2021 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 2021, using bid prices where applicable.

The calculations are made with the following assumptions:

- For Public Works Loans Board (PWLB) debt, the discount rates used are the rates for new borrowing as per rate sheet number 127/21.
- 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 2021 | | 31 March 2020 | |
|--------------------------------------|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying amount £'000 | Fair value £'000 | Carrying amount £'000 | Fair value £'000 |
| Public Works Loans Board (PWLB) | 492,782 | 560,437 | 500,316 | 518,866 |
| Lender Option Borrower Option (LOBO) | 44,390 | 68,235 | 44,784 | 63,280 |
| Short term borrowing | 50,798 | 50,800 | 154 | 159 |
| Other (Special Loans) | 2,169 | 2,167 | 16,433 | 16,434 |
| Other Market Loans | 130 | 136 | 2,137 | 2,138 |
| Financial Liabilities | 590,269 | 681,775 | 563,824 | 600,877 |

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

For comparison, if the Council were to have repaid all the loans to the PWLB on the balance sheet date, a total of £711.5m 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 2021 | | 31 March 2020 | |
|--|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying amount £'000 | Fair value £'000 | Carrying amount £'000 | Fair value £'000 |
| Cash (including petty cash) | 27,221 | 27,223 | 67,611 | 67,611 |
| Deposits with Banks and Building Societies | 206,692 | 207,382 | 139,395 | 139,395 |
| Mortgages | 334 | 362 | 287 | 287 |
| Loans to Others | 822 | 821 | 872 | 872 |
| Financial Assets | 235,069 | 235,788 | 208,165 | 208,165 |

Nature and Extent of Risks Arising from Financial Instruments

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

(i) Credit Risk

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

Under the terms of the Council's approved Treasury policy, only the highest rated banks and financial institutions are used. Accordingly, the expected credit loss on such deposits is deemed negligible, and no expected credit loss provision has been provided in the Income & Expenditure account for 2020/21 (2019/20 nil) on the grounds of immateriality. Applying historic default rates for the counterparties used by the Council as at 31 March 2021 shows the expected credit loss to be

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

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

| | Amounts at 31 March 2021 | Historical experience of default | Historical experience adjusted for market conditions as at 31 March 2021 | Estimated maximum exposure to default and uncollectability |
|--|-----------------------------|--|---|--|
| | £'000 | % | % | £'000 |
| Deposits with banks and other financial institutions | 237,359 | 0 | 0 | 0 |
| Loans to Others | 1,156 | 0 | 0 | 0 |
| Debtors | 14,950 | 7.2 | 0.0 | 1,076 |
| Total | 253,465 | - | - | 1,076 |

The Council's overall exposure to credit risk in relation to its deposits in banks and other financial institutions of £237.4m above cannot be assessed generally, as the risk of non-payment of the principle sums or interest is specific to each individual institution. Most of the deposits are with other local authorities, whilst all financial institutions in which the Council deposit funds have passed the most recent Bank of England stress-testing under current market conditions. Experience indicates that any such non-payment is rare, and there is no evidence that any risk of default existed at 31 March 2021. The repayment profile of these deposits, including loans to others, is shown below:

| | 31 March 2021 £'000 | 31 March 2020 £'000 |
|------------------------|------------------------|------------------------|
| Less than three months | 85,953 | 75,853 |
| Three to six months | 81,249 | 106,990 |
| Six months to one year | 25,042 | 24,069 |
| More than one year | 45,115 | - |
| Total | 237,359 | 206,912 |

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 2021 in this category is £822,000 and experience of default is minimal. The Council has granted mortgages for essential property repairs in shared ownership properties as well as secured loans to property owners to bring their properties back into use for affordable rent under the Empty Home Loans Fund (EHLF) scheme. The total amount outstanding as at 31 March 2021 is £334,000 with no experience of default. The total amount of Loans to Others of £1,156,000 can be analysed as follows:

| | 31 March 2021 £'000 | 31 March 2020 £'000 |
|------------------------|------------------------|------------------------|
| Less than three months | 127 | 59 |
| Three to six months | 128 | 59 |
| Six months to one year | 250 | 119 |
| More than one year | 651 | 922 |
| Total | 1,156 | 1,159 |

Debtors

The Council does not generally allow credit for customers, such that £13.076m of the £14.950m balance is past its due date for payment.

| | 31 March 2021 £'000 | 31 March 2020 £'000 |
|------------------------|------------------------|------------------------|
| Less than three months | 8,259 | 2,673 |
| Three to six months | 462 | 373 |
| Six months to one year | 1,486 | 1,944 |
| More than one year | 2,869 | 2,767 |
| Total | 13,076 | 7,757 |

(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 2021 | On 31 March 2020 |
|--------------------------|-------------------------|-------------------------|
| | £'000 | £'000 |
| Public Works Loans Board | 490,500 | 498,000 |
| Market debt | 43,340 | 43,368 |
| Temporary borrowing | 50,794 | 16,433 |
| Local bonds | 2,169 | 2,124 |
| Bank Overdraft | 3,494 | 0 |
| Total | 590,297 | 559,925 |
| Less than 1 year | 68,957 | 26,085 |
| Between 1 and 2 years | 8,000 | 12,500 |
| Between 2 and 5 years | 23,140 | 26,140 |
| Between 5 and 10 years | 32,500 | 37,500 |
| Between 10 and 15 years | 0 | 0 |
| More than 15 years | 457,700 | 457,700 |
| Total | 590,297 | 559,925 |

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

(iii) Market Risk

Interest rate risk

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

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

- Reductions in interest rates will affect interest earned on variable rate investments, and reduces income credited to the Comprehensive Income and Expenditure Statement. There would only be a small reduction in the interest payable on variable rate borrowing.
- Increases in interest rates will affect interest paid on variable rate borrowings, and increases interest expense charged to the Comprehensive Income and Expenditure Statement, but offset by increased investment returns.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the balance sheet for assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the balance sheet for any assets held at fair value in the balance sheet, which would also be reflected in the Comprehensive Income & Expenditure Statement. However, no such assets at fair value were held by the Council as at 31 March 2021.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the balance sheet for liabilities held at amortised cost, but will impact on the disclosure note for fair value.

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

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

According to this assessment strategy, at 31 March 2021, 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 | 997 |
| Increase in interest receivable on variable rate investments | (2,833) |
| Impact on Comprehensive Income and Expenditure Statement | (1,836) |
| Share of overall impact credited to the HRA | (466) |

The impact of a 1% fall in interest rates would have been an estimated cost of £1,662,000 to the Council as a result of a reduction in investment income, whilst it would be unlikely that the lenders of the market loans borrowed would pass on the reduction in rates payable. However, there would be a reduction of £565,000 payable on other loans. Therefore, the net cost of a 1% fall in interest rates would be £1,097,000, of which £279,000 would be debited to the HRA.

Foreign Exchange Risk

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

Price Risk

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

40. Devolved School Management (DSM) Schools

The accumulated balance on the General Fund at 31 March 2021 includes surplus funds of £1,536,000 (31 March 2020 £1,224,000) in respect of schools participating in the Devolved School Management scheme. There are no schools carrying forward deficits. These surpluses are earmarked in 2020/21 for the individual schools concerned.

There is Pupil Equity Funding from the Scottish Government of £791,000 which is being carried forward to 2021/22 for schools within the Council's earmarked general fund balances.

41. Operating Activities

The cash flows for operating activities include the following items:

| | 2020/21 £'000 | 2019/20 £'000 |
|-------------------|------------------|------------------|
| Interest received | (1,882) | (696) |
| Interest paid | 25,233 | 22,692 |
| | <u>23,351</u> | <u>21,996</u> |

42. Investing Activities

| | 2020/21 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Purchase of property, plant and equipment, investment property and intangible assets | (59,511) | (80,993) |
| Purchase of short-term and long-term investments | (221,692) | (180,412) |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 1,017 | 1,322 |
| Proceeds of short-term and long-term investments | 154,395 | 66,334 |
| Other receipts for investing activities | 25,282 | 46,262 |
| | <u>(100,509)</u> | <u>(147,487)</u> |

43. Financing Activities

| | 2020/21 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Cash receipts of short and long-term borrowing | 212,709 | 217,564 |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts | (4,974) | (5,086) |
| Repayments of short and long-term borrowing | (185,813) | (44,500) |
| Net cash flows from financing activities | <u>21,922</u> | <u>167,978</u> |

44. Cash and Cash Equivalents

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

| | 2020/21 £'000 | 2019/20 £'000 |
|---------------------------------|------------------|------------------|
| Cash held | 48 | 47 |
| Bank current accounts | (3,494) | 47 |
| Short-term deposits with banks | 30,667 | 67,517 |
| Total cash and cash equivalents | <u>27,221</u> | <u>67,611</u> |

45. Trust Funds

Perth & Kinross Council administers a number of Charitable Funds of varying sizes. The Income and Expenditure Account and Balance Sheet are detailed on page 83.

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

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

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

| | 31 March 2021 £'000 | 31 March 2020 £'000 |
|--|------------------------|------------------------|
| Educational Trust - Financial Assistance | | |
| Net assets | 991 | 829 |
| Net Incoming/(Outgoing) Resources before other recognised gains and losses | 1 | 1 |
| Educational Trust - Endowments | | |
| Net assets | 51 | 45 |
| Net Incoming/(Outgoing) Resources before other recognised gains and losses | 0 | 0 |
| Other Charitable Trusts | | |
| Net assets | 1,900 | 1,633 |
| Net Incoming Resources before other recognised gains and losses | 4 | 31 |
| TOTAL Net Assets | 2,942 | 2,507 |
| TOTAL Net Incoming Resources before other recognised gains and losses | 5 | 32 |

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

46. The Statutory Loans Fund

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

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

The annuity repayment method is used for all internal capital advances through the Loans Fund. The Council also defers the repayment of Loans Fund advances until the asset being funded is completed and operational. The Council repays/amortises the capital advances over the life of the asset being funded, up to a maximum of 50 years. Therefore,

the total number of years may exceed 50 years from the year the capital expenditure was incurred where the total expenditure on an asset is spread over two or more years before the asset becomes operational.

The value of Loans Fund advances outstanding at 31 March 2021 is £462,132,000. This is made up as follows:

| | Advances 1 April 2020 £'000 | Repaid 2020/21 £'000 | New Advances 2020/21 £'000 | Advances 31 March 2021 £'000 |
|----------------------|-----------------------------------|----------------------------|----------------------------------|------------------------------------|
| General Fund | 291,049 | (3,432) | 10,062 | 297,679 |
| Prudential Borrowing | 44,567 | (2,660) | 3,142 | 45,049 |
| Sub Total | 335,616 | (6,092) | 13,204 | 342,728 |
| HRA | 111,547 | (3,486) | 11,343 | 119,404 |
| Total | 447,163 | (9,578) | 24,547 | 462,132 |

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

| | General Fund £'000 | Prudential Borrowing £'000 | Sub Total: General Fund £'000 | Housing Revenue Account £'000 | Total £'000 |
|-------------------------|--------------------------|----------------------------------|--|--|----------------|
| Within 1 Year | 2,780 | 2,584 | 5,364 | 3,652 | 9,016 |
| Between 1 and 2 Years | 2,530 | 2,620 | 5,150 | 3,789 | 8,939 |
| Between 2 and 5 Years | 5,631 | 6,283 | 11,914 | 11,165 | 23,079 |
| Between 5 and 10 Years | (1,266) | 5,028 | 3,762 | 17,742 | 21,504 |
| Between 10 and 15 Years | (3,083) | 3,788 | 705 | 22,738 | 23,443 |
| Between 15 and 20 Years | 25,581 | 3,353 | 28,934 | 12,491 | 41,425 |
| Between 20 and 25 Years | 31,946 | 3,294 | 35,240 | 2,863 | 38,103 |
| More than 25 Years | 233,560 | 18,099 | 251,659 | 44,964 | 296,623 |
| Total | 297,679 | 45,049 | 342,728 | 119,404 | 462,132 |

Comparison of the capital advances above with capital debt of £533.7m shows that the Council's borrowing is around £71.6m higher than immediate requirements as at 31 March 2021. This reflects the strategy adopted of undertaking new borrowing at historic low rates in order to fund the large Capital Financing Requirement over the next few years. This strategy reduces the risks of funding this requirement in future years as interest rates rise and provides budget certainty for future interest rates at a low level.

The latest approved General Fund (Composite) Capital Budget and Housing Investment Programme includes the amount of capital expenditure to be funded by borrowing (i.e. new Loans Fund advances) in each of the next 8 years as follows:

| | General Fund £'000 | Housing Investment Programme £'000 | Total £'000 |
|---------|--------------------------|---|----------------|
| 2021/22 | 74,721 | 8,559 | 83,280 |
| 2022/23 | 109,803 | 7,757 | 117,560 |
| 2023/24 | 106,411 | 9,908 | 116,319 |
| 2024/25 | 32,996 | 9,124 | 42,120 |
| 2025/26 | 14,573 | 13,963 | 28,536 |
| 2026/27 | 11,728 | 0 | 11,728 |
| 2027/28 | 9,087 | 0 | 9,087 |
| 2028/29 | 10,255 | 0 | 10,255 |
| Total | 369,574 | 49,311 | 418,885 |

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

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

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

| 2019/20 | | 2020/21 | | |
|----------|---|----------|----------|----------|
| £'000 | | £'000 | £'000 | £'000 |
| | Income | | | |
| (27,205) | Dwelling Rents | (28,266) | | |
| 387 | less Voids | 513 | | |
| | | | (27,753) | |
| (567) | Non-Dwelling Rents | (585) | | |
| 39 | less Voids | 49 | | |
| | | | (536) | |
| (683) | Other Income | | (1,017) | |
| (28,029) | Total Income | | | (29,306) |
| | Expenditure | | | |
| 6,358 | Repairs & Maintenance | | 5,229 | |
| 12,479 | Supervision & Management | | 12,601 | |
| 12,641 | Depreciation, impairment and revaluation losses on non current assets | | 11,575 | |
| 173 | Movement in the Impairment of Debtors | | 515 | |
| 248 | Other expenditure | | 289 | |
| 31,899 | Total Expenditure | | | 30,209 |
| 3,870 | Net Expenditure for HRA Services as included in the Comprehensive Income and Expenditure Statement | | | 903 |
| 325 | HRA services' share of Corporate and Democratic Core | | | 315 |
| 4,195 | Net Expenditure for HRA Services | | | 1,218 |
| | HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement: | | | |
| (124) | Gain on sale of HRA Non-Current Assets | | | (78) |
| 3,148 | Interest payable and similar charges | | | 3,471 |
| (13) | Interest and investment income | | | (8) |
| 195 | Net Interest on the net defined benefit liability | | | 191 |
| (10,604) | Capital Grants and Contributions Receivable | | | (3,055) |
| (3,203) | (Surplus)/Deficit for the year on HRA services | | | 1,739 |

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>2019/20</u> <u>£'000</u> | | <u>2020/21</u> <u>£'000</u> | <u>2020/21</u> <u>£'000</u> |
|--------------------------------|--|--------------------------------|--------------------------------|
| (1,000) | Balance on the HRA at the end of the Previous Year | | (1,000) |
| (3,203) | Deficit/(Surplus) for the year on the HRA Income and Expenditure Account | 1,739 | |
| <u>3,403</u> | Adjustments between Accounting Basis and Funding Basis Under Statute | <u>(645)</u> | |
| <u>200</u> | Net Decrease before Transfers to or from Reserves | 1,094 | |
| (200) | Transfer from Reserves | <u>(3,100)</u> | |
| 0 | Movement in Year on the HRA | | (2,006) |
| <u>(1,000)</u> | Balance on the HRA at the end of the Current Year | | <u>(3,006)</u> |

Note to the Statement of Movement on the HRA Balance

| <u>2019/20</u> <u>£'000</u> | | <u>2020/21</u> <u>£'000</u> | <u>2020/21</u> <u>£'000</u> |
|--------------------------------|--|--------------------------------|--------------------------------|
| | Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year | | |
| 124 | Gain on sale of HRA Non-current assets | 78 | |
| (12,641) | Depreciation and impairment of non current assets | (11,575) | |
| | Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement | 3,055 | |
| 10,604 | Adjustments involving Short Term Accumulated Absences Account | (57) | |
| 51 | Reversal of items relating to retirement benefits credited to the Comprehensive Income and Expenditure Statement | (2,315) | |
| <u>(2,600)</u> | | | |
| (4,462) | | | (10,814) |
| | Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year | | |
| 1,163 | Employer's pension contributions and direct payments to pensioners payable in the year | 1,307 | |
| 177 | Adjustments involving the Financial Instruments Adjustment Account | 183 | |
| 4,436 | Statutory provision for the repayment of debt | 3,485 | |
| 2,089 | Capital expenditure charged to the HRA balances | 5,194 | |
| <u>7,865</u> | | | 10,169 |
| <u>3,403</u> | Net additional amount required by statute to be (credited)/debited to the HRA Balance for the year | | <u>(645)</u> |

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

1. **Housing Stock** at 31 March 2021

| | No. of Dwellings 31 March 2021 | <i>No. of Dwellings 31 March 2020</i> |
|--|-----------------------------------|---|
| Sheltered accommodation | 285 | 285 |
| Detached/Semi-Detached/Terraced | 3,653 | 3,671 |
| High Rise Flats | 138 | 136 |
| Tenement Flats/Other Flats/Maisonettes | 3,684 | 3,587 |
| Total | <u>7,760</u> | <u>7,679</u> |

2. **Rent Arrears** at 31 March 2021

| | Gross Arrears 31 March 2021 | | <i>Gross Arrears 31 March 2020</i> | |
|----------------|--------------------------------|----------------|--|----------------|
| | £'000 | % of Income | £'000 | % of Income |
| Houses | 2,700 | 9.6 | 1,982 | 7.3 |
| Other Subjects | 60 | 10.2 | 27 | 4.7 |
| Totals | <u>2,760</u> | <u>9.6</u> | <u>2,009</u> | <u>7.2</u> |

3. **Impairment of Debtors**

In 2020/21 an impairment of £1,880,727 has been provided in the Balance Sheet, an increase of £515,229 from the impairment in 2019/20.

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>2019/20</u> | | <u>2020/21</u> | |
|----------------|---|----------------|---------------|
| <i>£'000</i> | | £'000 | £'000 |
| 102,678 | Gross Charge | | 108,074 |
| (3,594) | Deduct - Exemptions | | (3,605) |
| (163) | Disabled Relief | | (173) |
| (7,401) | Discounts and Reductions | | (7,824) |
| (6,157) | Council Tax Reduction Scheme | | (6,821) |
| <u>85,363</u> | Net Council Tax | | <u>89,651</u> |
| | Deduct - | | |
| (7) | Ministry Of Defence Properties | (7) | |
| 7 | Contribution Received | <u>7</u> | 0 |
| (1,456) | Provision for Bad and Doubtful Debts | | (1,880) |
| <u>83,907</u> | Total Council Tax Income | | <u>87,771</u> |
| (359) | Adjustments for prior years for Council Tax and Community Charge | | (347) |
| <u>83,548</u> | Total Council Tax / Community Charge Income to Comprehensive I&E Statement | | <u>87,424</u> |

THE ACCOMPANYING NOTES TO THE COUNCIL TAX INCOME ACCOUNT

1. CALCULATION OF THE COUNCIL TAX BASE AT 31 MARCH 2021

| | A | B | C | D | E | F | G | H | 2020/21 TOTAL | 2019/20 TOTAL |
|--|---------|---------|---------|---------|---------|---------|---------|---------|------------------|------------------|
| No. of Properties | 8,753 | 14,941 | 12,566 | 11,168 | 11,856 | 7,890 | 6,360 | 687 | 74,221 | 73,660 |
| Exemptions | (750) | (646) | (497) | (312) | (236) | (103) | (87) | (20) | (2,651) | (2,870) |
| Disabled Relief | 80 | (7) | 4 | 36 | (25) | 8 | (91) | (5) | 0 | 0 |
| Discounts | (1,388) | (1,978) | (1,399) | (1,119) | (922) | (461) | (303) | (56) | (7,626) | (7,550) |
| Effective No. of Properties | 6,695 | 12,310 | 10,674 | 9,773 | 10,673 | 7,334 | 5,879 | 606 | 63,944 | 63,240 |
| Ratio | 240/360 | 280/360 | 320/360 | 360/360 | 473/360 | 585/360 | 705/360 | 882/360 | | |
| Band D Equivalents | 4,460 | 9,574 | 9,488 | 9,773 | 14,023 | 11,918 | 11,513 | 1,484 | 72,233 | 71,373 |
| Contributions in lieu | | | | | | | | | 7 | 7 |
| TOTAL | | | | | | | | | 72,240 | 71,380 |
| Provision for non-payment at 2.0% (2019/20 2.0%) | | | | | | | | | (1,445) | (1,428) |
| COUNCIL TAX BASE | | | | | | | | | 70,795 | 69,952 |

2. THE COUNCIL TAX CHARGE

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

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

The valuation bands, the fractions used in calculating the Council Tax payable for each valuation band and the actual charges determined for 2020/21 are set out below:

| Valuation Band | Property Valuation Range | Fraction of band D | 2020/21 Actual Charge | 2019/20 Actual Charge |
|----------------|--------------------------|--------------------|-----------------------|-----------------------|
| A | £0 - £27,000 | 240/360 | £878.67 | £842.67 |
| B | £27,001 - £35,000 | 280/360 | £1,025.11 | £983.11 |
| C | £35,001 - £45,000 | 320/360 | £1,171.56 | £1,123.56 |
| D | £45,001 - £58,000 | 360/360 | £1,318.00 | £1,264.00 |
| E | £58,001 - £80,000 | 473/360 | £1,731.71 | £1,660.76 |
| F | £80,001 - £106,000 | 585/360 | £2,141.75 | £2,054.00 |
| G | £106,001 - £212,000 | 705/360 | £2,581.08 | £2,475.33 |
| H | Over £212,000 | 882/360 | £3,229.10 | £3,096.80 |

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.

| 2019/20 | | 2020/21 | |
|---------------|---|---------------|-----------------|
| £'000 | | £'000 | £'000 |
| 81,886 | Gross Rate Levied | | 80,742 |
| (138) | Transitional Relief | | 0 |
| | | | <u>80,742</u> |
| | Deduct: | | |
| (2,617) | Rate Rebates | (2,631) | |
| (21,133) | Reliefs, Charities etc. | (45,910) | |
| (366) | Provision for Bad and Doubtful Debts | (251) | |
| | | | <u>(48,792)</u> |
| | Adjustments to Previous Years: | | |
| (1,305) | Gross Rate Levied | (4,390) | |
| 256 | Transitional Surcharge/Relief | 37 | |
| (604) | Reliefs, Charities etc. | (397) | |
| (166) | Impairment for Bad and Doubtful Debts and Abatements | 81 | |
| | | | <u>(4,669)</u> |
| <u>55,813</u> | Net Non Domestic Rate Income | | <u>27,281</u> |
| (56,016) | Contribution to National Non Domestic Rate Pool | (27,487) | |
| <u>56,590</u> | Contribution from National Non Domestic Rate Pool | <u>37,876</u> | |
| 574 | Net contribution from/(to) National Non Domestic Rate Pool | | 10,389 |
| 56,387 | Total Non Domestic Rate Income (before Council retentions) | | <u>37,670</u> |
| 0 | Non-Domestic Rate Income Retained by Council (Business Rates Incentivisation Scheme) | | 0 |
| <u>56,387</u> | Total Non Domestic Rate Income to Comprehensive Income and Expenditure Statement | | <u>37,670</u> |
| <u>202</u> | Discretionary Relief funded by the Council | | <u>206</u> |

THE ACCOMPANYING NOTES TO THE NON DOMESTIC RATE INCOME ACCOUNT

1. NON DOMESTIC RATES

All non domestic rate income collected by Scottish local authorities is paid into a national pool. It is redistributed to authorities in proportion to the resident population in each authority's area and therefore bears no direct relationship to the amount collected by those authorities. The rate poundage set by the Scottish Government for 2020/21 was 49.8p (2019/20 49.0p).

However the Scottish Government subsequently introduced a general 1.6% rates relief for all properties to effectively reverse the impact of the planned increase. This 1.6% general relief was part of a package of measures under the Scottish Government's Coronavirus Rates Relief scheme, which saw more than £25 million of relief being awarded to businesses in the Retail, Leisure and Hospitality sectors within the Perth and Kinross area.

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

2. RATEABLE SUBJECTS AND VALUES

| <i>No. of Subjects at 1 April 2019</i> | <i>Rateable Value £'000 at 1 April 2019</i> | | <i>No. of Subjects at 1 April 2020</i> | <i>Rateable Value £'000 at 1 April 2020</i> |
|--|---|---------------------------------------|--|---|
| 1,686 | 36,772 | Shops | 1,684 | 36,289 |
| 86 | 1,799 | Public Houses | 85 | 1,735 |
| 1,057 | 14,051 | Offices (including banks) | 1,061 | 13,866 |
| 234 | 13,917 | Hotels etc. | 234 | 13,675 |
| 1,692 | 23,390 | Industrial Subjects etc. | 1,721 | 23,784 |
| 1,789 | 11,662 | Leisure, Entertainment, Caravans etc. | 1,861 | 11,681 |
| 154 | 4,937 | Garages and Petrol Stations | 154 | 4,951 |
| 58 | 1,361 | Cultural | 59 | 1,373 |
| 1,396 | 2,984 | Sporting Subjects | 1,374 | 2,846 |
| 118 | 15,117 | Education and Training | 117 | 15,777 |
| 412 | 8,071 | Public Service Subjects | 416 | 8,024 |
| 1 | 0 | Communications | 1 | 0 |
| 21 | 406 | Quarries, Mines etc. | 21 | 406 |
| 2 | 3,597 | Petrochemical | 2 | 3,597 |
| 246 | 1,690 | Religious | 246 | 1,690 |
| 112 | 6,664 | Health, Medical | 112 | 6,668 |
| 717 | 1,883 | Other | 736 | 1,991 |
| 66 | 3,209 | Care Facilities | 65 | 3,206 |
| 35 | 118 | Advertising | 35 | 118 |
| 86 | 11,062 | Undertaking | 89 | 11,465 |
| <u>9,968</u> | <u>162,690</u> | Total | <u>10,073</u> | <u>163,142</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 2021.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2021

| | 2020/21 £'000 | 2020/21 £'000 | 2019/20 £'000 |
|--|------------------|------------------|------------------|
| INCOMING RESOURCES | | | |
| Incoming resources from generated funds: | | | |
| Investment Income | 104 | | 116 |
| Total Incoming Resources | | 104 | 116 |
| RESOURCES EXPENDED | | | |
| Costs of generating funds: | | | |
| Investment management costs | 13 | | 9 |
| Charitable activities | 72 | | 61 |
| Governance costs | 14 | | 9 |
| Reorganisation of trusts | 0 | | 5 |
| Total Resources Expended | | 99 | 84 |
| Net Incoming Resources Before Other Recognised Gains & Losses | | 5 | 32 |
| OTHER RECOGNISED GAINS | | | |
| Gain/(Losses) on Investment assets | | 430 | (237) |
| Net Movement in Funds for the Year | | 435 | (205) |
| RECONCILIATION OF FUNDS | | | |
| Total Funds Brought Forward | | 2,507 | 2,712 |
| TOTAL FUNDS CARRIED FORWARD | | 2,942 | 2,507 |

BALANCE SHEET AS AT 31 MARCH 2021

| | 31 March 2021 £'000 | 31 March 2021 £'000 | 31 March 2020 £'000 |
|---|------------------------|------------------------|------------------------|
| FIXED ASSETS | | | |
| Tangible Assets | | 90 | 90 |
| Investments | | 2,611 | 2,203 |
| CURRENT ASSETS | | | |
| Debtors | 28 | | 4 |
| Investments - Amounts due by Perth & Kinross Council Loans Fund | 222 | | 216 |
| | 250 | | 220 |
| LIABILITIES | | | |
| Creditors: amounts falling due within one year | (9) | | (6) |
| NET CURRENT ASSETS | | 241 | 214 |
| NET ASSETS | | 2,942 | 2,507 |
| TOTAL FUNDS | | 2,942 | 2,507 |

Notes to Charitable Trusts

- The market value of Investments at 31 March 2021 was £2,611,000 (31 March 2020 £2,203,000).
- The unaudited accounts were issued on 30 June 2021.

Stewart MacKenzie CPFA
Head of Finance
30 June 2021

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 2021.

INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2021

| | 2020/21 £'000 | 2020/21 £'000 | 2019/20 £'000 |
|---------------------------------------|------------------|------------------|------------------|
| EXPENDITURE | | | |
| Grants to Voluntary Organisations | 73 | | 139 |
| Christmas Lighting | 27 | | 62 |
| Property Costs | 0 | | 63 |
| Supplies & Services | 26 | | 20 |
| | | 126 | 284 |
| INCOME | | | |
| Rents, Fees, Charges etc. | 242 | | 258 |
| Interest on Loans | 10 | | 22 |
| Other | 1 | | 28 |
| | | 253 | 308 |
| SURPLUS/(DEFICIT) FOR THE YEAR | | 127 | 24 |
| Revenue Balance Brought Forward | | 1,825 | 1,801 |
| Revenue Balance Carried Forward | | 1,952 | 1,825 |

BALANCE SHEET AS AT 31 MARCH 2021

| | 31 March 2021 £'000 | 31 March 2021 £'000 | 31 March 2020 £'000 |
|--|------------------------|------------------------|------------------------|
| FIXED ASSETS | | 4,634 | 4,761 |
| CURRENT ASSETS | | | |
| Debtors | 0 | | 13 |
| Investments | 2,057 | | 2,003 |
| Revenue Advances to Perth & Kinross Council Loans Fund | 305 | | 179 |
| | 2,362 | | 2,195 |
| CURRENT LIABILITIES | | | |
| Creditors and Accruals | (127) | | (95) |
| NET CURRENT ASSETS | | 2,235 | 2,100 |
| TOTAL NET ASSETS | | 6,869 | 6,861 |
| RESERVES | | | |
| Revenue | | 1,952 | 1,825 |
| Capital | | 386 | 386 |
| Capital Adjustment Account | | 91 | 91 |
| Revaluation Reserve | | 4,440 | 4,559 |
| | | 6,869 | 6,861 |

The unaudited accounts were issued on 30 June 2021.

Stewart MacKenzie CPFA
Head of Finance
30 June 2021

THE ACCOMPANYING NOTES TO THE COMMON GOOD ACCOUNTS

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

2. Common Good Reserve Funds

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

| FUND | Balance at 1 April 20 | Income 2020/21 | Expenditure 2020/21 | Balance at 31 March 21 |
|--------------|--------------------------|-------------------|------------------------|---------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Perth City | 1,191 | 227 | 91 | 1,327 |
| Aberfeldy | 123 | 0 | 0 | 123 |
| Abernethy | 1 | 0 | 0 | 1 |
| Alyth | 20 | 0 | 0 | 20 |
| Auchterarder | 293 | 23 | 33 | 283 |
| Blairgowrie | 20 | 0 | 0 | 20 |
| Crieff | 12 | 2 | 1 | 13 |
| Kinross | 158 | 1 | 1 | 158 |
| Pitlochry | 7 | 0 | 0 | 7 |
| TOTAL | 1,825 | 253 | 126 | 1,952 |

3. Common Good Fixed Assets

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

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

The review of titles for the former Burghs, other than Perth, is complete and it is anticipated that the findings will be reported to the relevant Common Good Fund Committees and Community Councils as the Council progresses with the programme of Recovery and Renewal, prior to publication of the review on the Perth & Kinross Council website. The review of Perth is underway but has been delayed due to restrictions on the workplace from Covid-19.

GROUP MOVEMENT IN RESERVES STATEMENT

| | General Fund Balance | Housing Revenue Account | Capital Fund | Renewal & Repair Fund | Insurance Fund | Capital statutory funds | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | TOTAL Authority Reserves | Authority's share of subsidiaries | Authority's share of associates & joint ventures | TOTAL Reserves |
|---|----------------------------|-------------------------------|-----------------|-----------------------------|-------------------|-------------------------------|--------------------------------|-----------------------------|----------------------|--------------------------------|---|--|-------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 April 2019 | (47,441) | (1,000) | (30,366) | (20) | (3,193) | (2,581) | (3,580) | (88,181) | (456,586) | (544,767) | (10,610) | (2,058) | (557,435) |
| <u>Movement in reserves during 2019/20</u> | | | | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 6,407 | (3,203) | 0 | 0 | 0 | 0 | 0 | 3,204 | (16,112) | (12,908) | (58) | 1,953 | (11,013) |
| Adjustments from income & expenditure charged under the accounting basis to the funding basis | (9,493) | 3,403 | 0 | 0 | 0 | (67) | 1,391 | (4,766) | 4,766 | 0 | 0 | 0 | 0 |
| Decrease in 2019/20 | (3,086) | 200 | 0 | 0 | 0 | (67) | 1,391 | (1,562) | (11,346) | (12,908) | (58) | 1,953 | (11,013) |
| Transfers to/(from) Other Statutory Reserves | 1,231 | (200) | (1,274) | 20 | 223 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2020 carried forward | (49,296) | (1,000) | (31,640) | 0 | (2,970) | (2,648) | (2,189) | (89,743) | (467,932) | (557,675) | (10,668) | (105) | (568,448) |
| <u>Movement in reserves during 2020/21</u> | | | | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | (6,582) | 1,739 | 0 | 0 | 0 | 0 | 0 | (4,843) | (88,589) | (93,432) | 4,120 | (8,830) | (98,142) |
| Adjustments from income & expenditure charged under the accounting basis to the funding basis | (15,431) | (645) | 0 | 0 | 0 | 119 | (541) | (16,498) | 16,498 | 0 | 0 | 0 | 0 |
| (Increase) or Decrease in 2020/21 | (22,013) | 1,094 | 0 | 0 | 0 | 119 | (541) | (21,341) | (72,091) | (93,432) | 4,120 | (8,830) | (98,142) |
| Transfers to/(from) Other Statutory Reserves | (1,174) | (3,100) | 3,696 | 0 | 578 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2021 carried forward | (72,483) | (3,006) | (27,944) | 0 | (2,392) | (2,529) | (2,730) | (111,084) | (540,023) | (651,107) | (6,548) | (8,935) | (666,590) |

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

| 2019/20 Net Expenditure £'000 | | Note | 2020/21 | | |
|--|--|------|-------------------------------|-----------------|-----------------------------|
| | | | Gross Expenditure £'000 | Income £'000 | Net Expenditure £'000 |
| | SERVICES | | | | |
| 179,374 | Education & Children's Services | | 205,009 | (26,681) | 178,328 |
| 60,593 | Health & Social Care | | 152,534 | (88,343) | 64,191 |
| 80,140 | Housing & Environment | | 93,707 | (13,896) | 79,811 |
| 38,912 | Corporate and Democratic Services | | 86,392 | (43,726) | 42,666 |
| 3,870 | Housing Revenue Account | | 30,209 | (29,306) | 903 |
| 1,248 | Valuation Joint Board | | 1,308 | 0 | 1,308 |
| 84 | Charitable Trusts | | 99 | 0 | 99 |
| (2) | Common Good | | 126 | (243) | (117) |
| 364,219 | COST OF SERVICES | | 569,384 | (202,195) | 367,189 |
| (845) | Other Operating Expenditure / Income | | 0 | (925) | (925) |
| 23,303 | Financing and Investment Income and Expenditure | 4 | 27,431 | (3,176) | 24,255 |
| (381,175) | Taxation and Non-Specific Grant Income | | 0 | (397,620) | (397,620) |
| 5,502 | Deficit/(Surplus) on Provision of Services | | 596,815 | (603,916) | (7,101) |
| 3,113 | Share of the Deficit on the provision of services by Associates and Joint Ventures | | | | (3,151) |
| 8,615 | Group Deficit/(Surplus) | | | | (10,252) |
| 1,439 | (Surplus)/Deficit on revaluation of non current assets | | | | (56,062) |
| (20,037) | Remeasurement of the net defined benefit liability | | | | (26,873) |
| 289 | Other gains | | | | 280 |
| (1,319) | Share of the other comprehensive income and expenditure of Associates and Joint Ventures | | | | (5,235) |
| (19,628) | Other Comprehensive Income and Expenditure | | | | (87,890) |
| (11,013) | Total Comprehensive Income and Expenditure | | | | (98,142) |

GROUP BALANCE SHEET

| <u>31 March 2020</u> | | Notes | <u>31 March 2021</u> |
|----------------------|--|-------|----------------------|
| <u>£'000</u> | | | <u>£'000</u> |
| 1,174,113 | Property, Plant & Equipment | | 1,218,139 |
| 27,781 | Heritage Assets | | 51,788 |
| 13,290 | Investment Property | | 13,140 |
| 979 | Intangible Assets | | 321 |
| 719 | Assets Held for Sale | | 550 |
| 0 | Long Term Investments | | 45,115 |
| 580 | Investment in Joint Venture | | 6,950 |
| 981 | Long Term Debtors | | 689 |
| <u>1,218,443</u> | Long Term Assets | | <u>1,336,692</u> |
| 143,601 | Short Term Investments | 5 | 166,245 |
| 126 | Assets Held for Sale | | 126 |
| 529 | Inventories | | 575 |
| 28,604 | Short Term Debtors | 6 | 43,297 |
| 77,663 | Cash and Cash Equivalents | | 37,573 |
| <u>250,523</u> | Current Assets | | <u>247,816</u> |
| (28,786) | Short Term Borrowing | | (67,746) |
| (62,046) | Short Term Creditors | 7 | (71,896) |
| (1,034) | Provisions | | (272) |
| <u>(91,866)</u> | Current Liabilities | | <u>(139,914)</u> |
| (2,239) | Provisions | | (2,149) |
| (535,038) | Long Term Borrowing | | (522,523) |
| (9,843) | Liabilities in associates and joint ventures | | (7,826) |
| (261,532) | Other Long Term Liabilities | | (245,506) |
| <u>(808,652)</u> | Long Term Liabilities | | <u>(778,004)</u> |
| <u>568,448</u> | NET ASSETS | | <u>666,590</u> |
| 89,743 | Usable Reserves | | 111,084 |
| 467,932 | Unusable Reserves | | 540,023 |
| 1,405 | Group Reserves | | 5,672 |
| 9,368 | Charitable and Common Good Reserves | | 9,811 |
| <u>568,448</u> | TOTAL RESERVES | | <u>666,590</u> |

The unaudited Accounts were issued on 30 June 2021.

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

Stewart MacKenzie CPFA
Head of Finance
30 June 2021

GROUP CASH FLOW STATEMENT

| <u>2019/20</u> | | <u>Notes</u> | <u>2020/21</u> |
|----------------------|---|--------------|----------------------|
| £'000 | | | £'000 |
| (5,502) | (Surplus)/Deficit on the provision of services | | 7,101 |
| 77,939 | Adjustments to net surplus or deficit on the provision of services for non cash movements | | 59,543 |
| (47,590) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | | (26,750) |
| <u>24,847</u> | Net cash flows from Operating Activities | | <u>39,894</u> |
| (147,248) | Investing Activities | 10 | (101,906) |
| 167,978 | Financing Activities | 11 | 21,922 |
| <u>45,577</u> | Net increase/(decrease) in cash and cash equivalents | | <u>(40,090)</u> |
| 32,086 | Cash and cash equivalents at the beginning of the reporting period | | 77,663 |
| <u><u>77,663</u></u> | Cash and cash equivalents at the end of the reporting period | | <u><u>37,573</u></u> |

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

| <u>2019/20</u> | | <u>2020/21</u> |
|----------------|--|-----------------|
| <u>£'000</u> | | <u>£'000</u> |
| 3,204 | Deficit/(Surplus) on the single entity Comprehensive Income & Expenditure Statement for the year | (4,843) |
| | Add: | |
| 181 | • Managed Funds - Charitable Trusts & Common Good | (562) |
| 655 | • Joint Venture | (6,370) |
| 2,457 | • Associates | 3,221 |
| 2,118 | • Subsidiaries | (1,698) |
| <u>8,615</u> | Deficit/(Surplus) for the year on the Group Comprehensive Income & Expenditure Statement | <u>(10,252)</u> |

NOTES TO THE GROUP ACCOUNTS

1. Combining Entities

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

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

For the purpose of consolidation and incorporation within the Group Accounts recognition has been made of the Council's interest which is based on its share of the contributions made to the Tayside Valuation Board, which in 2020/21 was 42.48% (2019/20 42.08%). The accounting period for the Board is the year to 31 March 2021 and the Board Statements of Accounts presents fairly its individual financial position.

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

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

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

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

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

The income, expenditure, assets and liabilities of the Charitable Trusts which are administered and controlled by the Council have also been included as a managed fund. The nature of the assets of the managed fund are heritable property, investments and debtors. The assets are not the property of Perth & Kinross Council and are subject to charitable trust regulations. The Income and Expenditure Account of the Charitable Trusts is detailed on page 83 of the Annual Accounts.

The income, expenditure, assets and liabilities of the Common Good Accounts which are administered and controlled by the Council have also been included as a managed fund. The nature of the assets of the managed fund are heritable property, investments and debtors. The assets are the property of Perth & Kinross Council and are subject to the Accounting Code of Practice. The Income and Expenditure Account of the Common Good is detailed on page 84 of the Annual Accounts.

Perth & Kinross Council's share of the assets and liabilities of Tayside Contracts Joint Committee which is jointly administered and controlled with Dundee City Council and Angus Council has been included in the Group Accounts using the equity method for an associate due to the Council having significant influence rather than joint control over the entity. The Council's investment in Tayside Contracts for 2020/21 is 42.3% (2019/20 35.6%). Copies of Tayside Contracts Joint Committee's individual accounts are published separately, and can be obtained from Head of Financial Services, Tayside Contracts, 1 Soutar Street, Dundee, DD3 8SS.

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

In addition the CIPFA Code requires the realignment of accounting policies for entities included within the Group Accounts. The pension liability at 31 March 2021 for Horsecross Arts Ltd of £1,138,000 has been included within the Group Reserves balance at 31 March 2021.

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

2. Nature of Combination

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

3. Financial Impact of Consolidation and Going Concern

The effect of inclusion of the Subsidiaries and Associates listed above in the Group Balance Sheet is to increase both reserves and net assets by £15,483,000 (2019/20 £10,773,000 increase).

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

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

| | 2020/21 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Council Financing and Investment Income & Expenditure | 24,836 | 23,269 |
| Subsidiaries | (37) | (65) |
| Charitable Trusts | (534) | 121 |
| Common Good | (10) | (22) |
| Total Group CI&ES Financing and Investment Income & Expenditure | <u>24,255</u> | <u>23,303</u> |

5. Group Balance Sheet - Investments

| | 2020/21 £'000 | 2019/20 £'000 |
|-------------------------------|------------------|------------------|
| Council Investments | 161,577 | 139,395 |
| Charitable Trusts Investments | 2,611 | 2,203 |
| Common Good Investments | 2,057 | 2,003 |
| Total Group Investments | <u>166,245</u> | <u>143,601</u> |

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

| | 2020/21 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Net Debtors Balance - Note 28 to the Financial Statements | 41,599 | 27,854 |
| Subsidiary Debtors | 1,670 | 733 |
| Charitable Trust | | |
| Debtors | 250 | 220 |
| Inter-company elimination | (222) | (216) |
| Common Good | | |
| Debtors | 305 | 192 |
| Inter-company elimination | (305) | (179) |
| Total Group Debtors | <u>43,297</u> | <u>28,604</u> |

7. Group Balance Sheet – Short term Creditors

| | 2020/21 £'000 | 2019/20 £'000 |
|---|------------------|------------------|
| Net Creditors Balance - Note 29 to the Financial Statements | (68,866) | (59,141) |
| Charitable Trust | | |
| Creditors | (9) | (6) |
| Inter-company elimination | 222 | 216 |
| Common Good | | |
| Creditors | (127) | (95) |
| Inter-company elimination | 305 | 179 |
| | <u>(68,475)</u> | <u>(58,847)</u> |
| Subsidiary Creditors | <u>(3,421)</u> | <u>(3,199)</u> |
| Total Group Creditors | <u>(71,896)</u> | <u>(62,046)</u> |

8. Group Balance Sheet - Pension Liability

| | 2020/21 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Net Pensions Liability at 31 March - Note 18 to the Financial Statements | (105,334) | (121,432) |
| Subsidiaries | <u>(12,978)</u> | <u>(7,887)</u> |
| Group Pension Liability at 31 March | <u>(118,312)</u> | <u>(129,319)</u> |

9. Group Cash Flow Statement

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

The impact of the inclusion of Live Active Leisure Ltd., Horsecross Arts Ltd. and Culture Perth & Kinross Ltd. within the Group Cash Flow Statement is to increase the movement in the net cash position by £10,352,000 (2019/20, increase of £10,052,000). A cash increase of £7,690,000 represents the Council's 100% share of Live Active Leisure Ltd., a cash increase of £853,000 represents the Council's 100% share of Horsecross Arts Ltd and a cash increase of £1,809,000 represents the Council's 100% share of Culture Perth & Kinross Ltd.

10. Group Cash Flow – Investing Activities

| | 2020/21 £'000 | 2019/20 £'000 |
|------------------------------|------------------|------------------|
| Council Investing Activities | (100,509) | (147,487) |
| Subsidiaries | <u>(1,397)</u> | <u>239</u> |
| | <u>(101,906)</u> | <u>(147,248)</u> |

11. Group Cash Flow – Financing Activities

| | 2020/21 £'000 | 2019/20 £'000 |
|------------------------------|------------------|------------------|
| Council Financing Activities | 21,922 | 167,978 |
| Subsidiaries | <u>0</u> | <u>0</u> |
| | <u>21,922</u> | <u>167,978</u> |

12. Related Party Transactions

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

| | Balance Due | | Balance Due | |
|-------------------------------|--------------------------|------------------------|--------------------------|------------------------|
| | From 31.3.21 £'000 | To 31.3.21 £'000 | From 31.3.20 £'000 | To 31.3.20 £'000 |
| Tayside Valuation Joint Board | 18 | 0 | 8 | 0 |

REMUNERATION REPORT FOR FINANCIAL YEAR 2020/21

1. Introduction

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

2. Audit of Remuneration Report

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

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

3. Remuneration of Senior Councillors

- 3.1 The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either, the Leader of the Council, the Civic Head (Provost), Senior Councillors or Councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure.
- 3.2 When determining the level of remuneration for Councillors the Scottish Ministers considered the recommendations of the former Scottish Local Authority Remuneration Committee (SLARC). SLARC was an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors. The Committee was stood down in February 2013.
- 3.3 The Regulations set out the salary that is to be paid to the Leader of the Council in accordance with bandings also set out in the Regulations. The Regulations also permit the Council to remunerate one Civic Head, which in the case of Perth & Kinross Council is the Provost and set out the maximum salary that may be paid to that Civic Head. For 2020/21 the maximum salary for the Leader of Perth & Kinross Council is £35,713 and the Council has agreed that the Civic Head be paid 75% of the salary of the Leader, which for 2020/21 is a maximum of £26,785. Please refer to Table 1.
- 3.4 In addition to the Leader of the Council and Civic Head, Regulations also set out the maximum number of Senior Councillors the Council may have; the maximum yearly amount that may be paid to a Senior Councillor (75% of the total yearly amount payable to the Leader of the Council) and the maximum yearly amount payable by the Council for all Senior Councillors. Perth & Kinross Council may have a maximum of 14 Senior Councillors with a maximum salary of £26,785 and a maximum yearly amount payable for all Senior Councillors of £312,471 in 2020/21 (excluding the Council Leader, Civic Head, Conveners and Vice Conveners of Joint Boards). The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. Perth & Kinross Council's policy in 2020/21 was to pay Senior Councillors up to 90% of the maximum of £26,785 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-Convenor 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-Convenor is a member. Joint Board Conveners and Vice-Conveners are considered to be Senior Councillors for remuneration disclosure purposes. In financial year 2020/21, no Councillors from Perth & Kinross Council served as Convener or Vice Convenor of a Joint Board.
- 3.6 During 2020/21 Perth & Kinross Council had a maximum of 10 Senior Councillors at any one time and a total of 11 Senior Councillors during the year for the purposes of the Remuneration Report. Details are provided in Table 1. Together with the Leader of the Council and the Provost, the total remuneration including taxable expenses paid to these Councillors was £300,756. The individual amounts payable to the Leader of the Council, the Provost and the Senior Councillors of Perth & Kinross Council in 2020/21 are set out in Table 1. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those Councillors who elect to become Councillor Members of the pension scheme.

Table 1: Remuneration of Senior Councillors, Conveners and Vice-Conveners of Joint Boards for Financial Year 2020/21

| Name and Post Title | Salary, Fees & Allowances 2020/21 £ | Taxable Expenses 2020/21 (Note 1) £ | Total Remuneration 2020/21 £ | Total Remuneration 2019/20 £ |
|--|--|--|---------------------------------|---------------------------------|
| D Murray Lyle Council Leader, Convener Strategic Policy & Resources Committee | 35,713 | 7 | 35,720 | 35,005 |
| Dennis Melloy Provost (Civic Head) | 26,785 | 7 | 26,792 | 26,245 |
| Chris Ahern Convener Licensing Committee | 23,985 | 7 | 23,992 | 23,525 |
| Henry Anderson Convener Local Review Body (to 27/12/2020) | 17,989 | 11 | 18,000 | 12,207 |
| Kathleen Baird Convener Licensing Board | 23,985 | 7 | 23,992 | 23,475 |
| Peter Barrett Convener Housing & Communities Committee (to 24/09/19) | n/a | n/a | n/a | 11,400 |
| Bob Brawn Convener Housing & Communities Committee | 23,985 | 7 | 23,992 | 12,172 |
| Dave Doogan Leader of the Opposition (to 19/02/20) | n/a | n/a | n/a | 17,669 |
| Eric Drysdale Convener Audit Committee | 23,985 | 7 | 23,992 | 23,546 |
| Angus Forbes Convener Environment & Infrastructure Committee | 23,985 | 0 | 23,985 | 23,468 |
| Grant Laing Leader of the Opposition | 23,985 | 11 | 23,996 | 23,562 |
| Rosalind McCall Convener Planning & Development Management Committee | 23,985 | 7 | 23,992 | 23,481 |
| Sheila McCole Convener Scrutiny Committee | 23,985 | 7 | 23,992 | 2,656 |
| Caroline Shiers Convener Lifelong Learning Committee | 23,985 | 0 | 23,985 | 23,468 |
| Lewis Simpson Convener Local Review Body (from 27/01/2021) | 4,326 | 0 | 4,326 | 11,393 |
| TOTAL (Note 2) | 300,678 | 78 | 300,756 | 293,272 |

Notes:

- (1) Taxable Expenses relate to meals provided by the Council. Only those expenses incurred whilst undertaking a Senior Councillor role are included.
- (2) After adjusting for the salaries of the Leader of the Council and the Civic Head (Provost), the total salaries paid to Senior Councillors in 2020/21 was £238,180 which compares with the maximum under Regulations of £312,471.

- 3.7 The arrangements for political decision-making structures within Perth & Kinross Council as at 31 March 2021, which encompassed the salaries of all Elected Members including the Council Leader, Civic Head and Senior Councillors, were agreed at the meeting of the full Council on 17 May 2017 (Report No. 17/81 refers) and are available on the Council's website.
- 3.8 The Council paid the following salaries and expenses to all Councillors (including those listed in Table 1 above) in financial year 2020/21:

Table 2: Remuneration Paid to Councillors 1 April 2020 to 31 March 2021

| Type of Remuneration | 2020/21 £ | 2019/20 £ |
|----------------------|----------------|----------------|
| Salaries | 774,276 | 779,644 |
| Taxable Expenses | 185 | 1,546 |
| Total | 774,461 | 781,190 |

- 3.9 The annual return of Councillors' salaries and expenses for 2020/21 is available for any member of the public to view at Perth & Kinross Council, 2 High Street, Perth; libraries and local area offices during normal working hours when these buildings re-open to the public. It is also available on the Council's website at Councillors Expenses and members of the public can request a copy from the Council's Communication's Team.
- 3.10 The information in the annual return of Councillors' salaries and expenses for 2020/21 differs from the information presented within the Remuneration Report as the Remuneration Report excludes the payment of expenses which are not subject to taxation such as receipted car mileage expenses; expenditure on public transport and subsistence expenses.

4. Remuneration of Senior Employees

- 4.1 The Council is required to publish the remuneration of Senior Employees as defined by the disclosure regulations. Senior Employees are defined with reference to their management authority; to the political restriction placed upon their post under section 2(1) (a), (b) or (c) of the Local Government Housing Act 1989 and with reference to their reporting relationship to the Council's 'Head of Paid Service' or Chief Executive. The disclosure requirements also include any employee whose annual remuneration is £150,000 or more. No employee of Perth & Kinross Council was remunerated at this level in 2020/21.
- 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 2020/21:
- The Chief Executive as the statutory head of paid service.
 - The Depute Chief Executive (post removed November 2020) as the officer responsible for the management of the authority to the extent that they may direct or control the major activities of the authority either solely or collectively.
 - The Executive Director (Education & Children's Services) as the Council's chief education officer, the Head of Legal and Governance Services as the Council's statutory monitoring officer; the Head of Finance as the Council's proper officer for financial administration and the Council's statutory Chief Social Work Officer.
 - The Executive Director (Communities), the Chief Operating Officer and the Chief Officer of the Perth & Kinross Health & Social Care Partnership, that are officers who are directly accountable to the Council's head of paid service and/or are directly accountable to the Council or any committee or sub-committee.
- 4.3 The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities.
- 4.4 The remuneration of Senior Employees of Perth & Kinross Council and its Subsidiaries for 2020/21 is detailed in table 3 below:

**Table 3: Remuneration of Senior Employees of the Council and its Subsidiaries for Financial Year 2020/21
(Job titles as at 31 March 2021)**

| Name and Post Title | Salary, Fees & Allowances 2020/21 £ | Compensation for Loss of Office £ | Total Remuneration 2020/21 £ | Total Remuneration 2019/20 £ |
|---|---|--|---------------------------------------|---------------------------------------|
| Karen Reid Chief Executive (to 31/01/2021) (Notes 1, 2 and 3) | 126,142 | n/a | 126,142 | 139,042 |
| Barbara Renton Executive Director (Communities) and Interim Chief Executive (from 01/02/2021) | 122,200 | n/a | 122,200 | 109,459 |
| James Valentine Depute Chief Executive (to 31/07/2020) (Note 4) | 50,869 | n/a | 50,869 | 123,926 |
| Gordon Paterson Chief Officer, Perth & Kinross Health & Social Care Partnership | 120,426 | n/a | 120,426 | 108,024 |
| Sheena Devlin Executive Director (Education & Children's Services) and Chief Education Officer | 120,426 | n/a | 120,426 | 108,024 |
| Karen Donaldson Chief Operating Officer | 112,921 | n/a | 112,921 | n/a |
| Jacqueline Pepper Depute Director (Education & Children's Services) and Chief Social Work Officer | 97,796 | n/a | 97,796 | 94,948 |
| Lisa Simpson Head of Legal & Governance Services | 95,872 | n/a | 95,872 | 93,840 |
| Stewart MacKenzie Head of Finance | 92,017 | n/a | 92,017 | 89,592 |
| Nick Williams Horsecross Arts Limited – Chief Executive | 65,845 | n/a | 65,845 | 21,667 |
| Michael Griffiths Horsecross Arts Limited – Interim Chief Executive (left 30 June 2019) | n/a | n/a | n/a | 15,250 |

| Name and Post Title | Salary, Fees & Allowances 2020/21 £ | Compensation for Loss of Office £ | Total Remuneration 2020/21 £ | Total Remuneration 2019/20 £ |
|--|--|--------------------------------------|---------------------------------|---------------------------------|
| Paul Cromwell Live Active Leisure – Chief Executive | 78,534 | n/a | 78,534 | 75,954 |
| Helen Smout Culture Perth & Kinross Limited – Chief Executive | 63,200 | n/a | 63,200 | 61,360 |
| TOTAL | 1,146,248 | 0 | 1,146,248 | 1,041,086 |

Notes:

(1) The substantive salary for the Chief Executive is laid down in COSLA Circular CO/150.

(2) Salary, fees and allowances include a Returning Officer fee of £1,366.

(3) Salary, fees and allowances include a sum of £9,737 for pay in lieu of holiday accrued but not taken before leaving.

(4) Salary, fees and allowances include a sum of £9,282 for pay in lieu of holiday accrued but not taken before leaving.

4.5 Election fees are included with senior employee salaries. No other taxable benefits or bonuses were received by the above-named senior employees of Perth & Kinross Council in 2020/21.

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 2020/21 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 2020/21

| Remuneration Bands | Number of Employees | |
|--------------------|---------------------|------------|
| | 2020/21 | 2019/20 |
| £50,000-£54,999 | 175 | 143 |
| £55,000-£59,999 | 83 | 104 |
| £60,000-£64,999 | 43 | 36 |
| £65,000-£69,999 | 25 | 18 |
| £70,000-£74,999 | 7 | 2 |
| £75,000-£79,999 | 1 | 3 |
| £80,000-£84,999 | 4 | 4 |
| £85,000-£89,999 | 10 | 15 |
| £90,000-£94,999 | 5 | 3 |
| £95,000-£99,999 | 2 | 0 |
| £100,000-£104,999 | 0 | 0 |
| £105,000-£109,999 | 0 | 3 |
| £110,000-£114,999 | 1 | 0 |
| £115,000-£119,999 | 0 | 0 |
| £120,000-£124,999 | 3 | 1 |
| £125,000-£129,999 | 1 | 0 |
| £130,000-£134,999 | 0 | 0 |
| £135,000-£139,999 | 0 | 1 |
| Total | <u>360</u> | <u>333</u> |

5.2 There is a large majority of teaching staff in the £50,000 - £54,999 and £55,000 - £59,999 pay bands, 137 and 67 teaching staff respectively. The increase in numbers in the £65,000 - £69,999 pay band and the £70,000 - £74,999 pay band also includes 19 and 4 senior teaching staff respectively. The remainder of the numbers in these bands comprise Single Status employees.

5.3 The reduction in the £85,000 - £89,999 pay band reflects the increase in the next two higher pay bands.

5.4 The movement from the pay band £105,000 – £109,999 to £120,000 - £124,999 mainly reflects Chief Officer regradings and the reduction at £135,000 - £139,999 is due to the departure of the Chief Executive during the year.

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

| (a) Exit package cost band (including special payments) | (b) Number of compulsory redundancies | | (c) Number of other departures agreed | | (d) Total number of exit packages by cost band (b) + (c) | | (e) Total cost of exit packages in each band | |
|--|--|---------|--|---------|---|---------|---|------------------|
| | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 £'000 | 2019/20 £'000 |
| £0 - £20,000 | 0 | 0 | 58 | 73 | 58 | 73 | 5 | 39 |
| £20,001 - £40,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £40,001 - £60,000 | 0 | 0 | 0 | 2 | 0 | 2 | 0 | 95 |
| £60,001 - £80,000 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 65 |

| (a) Exit package cost band (including special payments) | (b) Number of compulsory redundancies | | (c) Number of other departures agreed | | (d) Total number of exit packages by cost band (b) + (c) | | (e) Total cost of exit packages in each band | |
|--|--|----------|---|-----------|---|-----------|---|------------------|
| | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 £'000 | 2019/20 £'000 |
| £80,001 - £100,000 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 95 |
| Over £100,000 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 113 |
| Total | 0 | 0 | 58 | 78 | 58 | 78 | 5 | 407 |

- 5.5 The costs included within Table 5 are all non-recurring and include payments to individual officers and to the relevant Superannuation Fund.
- 5.6 All of the individual exit packages included within table 5 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 facilitated the delivery of an ambitious and challenging transformation / modernisation programme.

6. Remuneration by Subsidiary Bodies of Perth & Kinross Council

- 6.1 Councillors and senior employees of Perth & Kinross Council serve as board members; officials and technical advisors to subsidiary bodies of the Council. In 2020/21, the Head of Legal & Governance Services served as a proper officer to the Tayside and Central Scotland Transport Partnership (TACTRAN). No remuneration was paid to Councillors or Senior Employees of Perth & Kinross Council by subsidiary bodies of the Council in 2020/21.

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 2020/21

| Actual Pensionable pay | Contribution Rate 2020/21 |
|---|------------------------------|
| On earnings up to and including £22,200 | 5.5% |
| On earnings above £22,201 and up to £27,100 | 7.25% |
| On earnings above £27,101 and up to £37,200 | 8.5% |
| On earnings above £37,201 and up to £49,600 | 9.5% |
| On earnings above £49,601 | 12% |

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

7.8 Pension Entitlements of Senior Councillors

The pension entitlements of Senior Councillors of Perth & Kinross Council for the year to 31 March 2021 are shown in table 6 below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Table 6: Pension Entitlements of Senior Councillors for Financial Year 2020/21

| Name and Post Title | In-year pension contributions | | Accrued Pension Benefits | | | |
|--|-------------------------------|---------------|--------------------------|------------|---------|------------|
| | 2020/21 | 2019/20 | | 2020/21 | 2019/20 | Difference |
| | £ | £ | | £'000 | £'000 | £'000 |
| Murray Lyle Council Leader, Convener Strategic Policy & Resources Committee | 6,071 | 5,940 | Pension Lump Sum | 7 2 | 6 2 | 1 0 |
| Dennis Melloy Provost (Civic Head) | 4,553 | 4,455 | Pension Lump Sum | 9 2 | 8 2 | 1 0 |
| Chris Ahern Convener Licensing Committee | 4,077 | 3,990 | Pension Lump Sum | 2 0 | 1 0 | 1 0 |
| Henry Anderson Convener Local Review Body (to 27/12/2020) | 3,058 | 3,493 | Pension Lump Sum | n/a | 4 0 | n/a |
| Kathleen Baird Convener Licensing Board | 4,077 | 3,990 | Pension Lump Sum | 3 0 | 2 0 | 1 0 |
| Peter Barrett Convener Housing & Communities Committee (to 24/09/19) | n/a | 3,458 | Pension Lump Sum | n/a n/a | 5 2 | 0 0 |
| Bob Brawn Convener Housing & Communities Committee | 4,077 | 3,493 | Pension Lump Sum | 2 0 | 1 0 | 1 0 |
| Dave Doogan Leader of the Opposition (to 19/02/20) | n/a | 2,992 | Pension Lump Sum | n/a n/a | 3 0 | 0 0 |
| Eric Drysdale Convener Audit Committee | 4,077 | 3,990 | Pension Lump Sum | 2 0 | 1 0 | 1 0 |
| Angus Forbes Convener Environment & Infrastructure Committee | 4,077 | 3,990 | Pension Lump Sum | 2 0 | 1 0 | 1 0 |
| Grant Laing Leader of the Opposition | 4,077 | 3,990 | Pension Lump Sum | 3 0 | 3 0 | 0 0 |
| Rosalind McCall Convener Planning & Development Management Committee | 4,077 | 3,990 | Pension Lump Sum | 2 0 | 1 0 | 1 0 |
| Sheila McCole Convener Scrutiny Committee | 4,077 | 3,074 | Pension Lump Sum | 2 0 | 1 0 | 1 0 |
| Caroline Shiers Convener Lifelong Learning Committee | 4,077 | 3,990 | Pension Lump Sum | 5 2 | 5 1 | 0 1 |
| Lewis Simpson Convener Local Review Body (from 27/01/2021) | 3,228 | 3,458 | Pension Lump Sum | 6 2 | 5 2 | 1 0 |
| TOTAL | 53,603 | 58,293 | | | | |

Notes:

- (1) The pension benefits shown relate to the benefits that the individual has accrued because of their total local government service, including any service with a Council subsidiary body, and not just their current appointment. Councillors have only been eligible to join the Local Government Pension Scheme since May 2007.

7.9 Pension Entitlements of Senior Employees

The pension entitlements of senior employees of Perth & Kinross Council and its subsidiaries for the year to 31 March 2021 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 2020/21 (Post titles as at 31 March 2021)

| Name and Post Title | In-year pension contributions | | Accrued Pension Benefits (Note 1) | | | |
|--|-------------------------------|----------------|-----------------------------------|------------|------------|------------|
| | 2020/21 | 2019/20 | | 2020/21 | 2019/20 | Difference |
| | £ | £ | | £'000 | £'000 | £'000 |
| Karen Reid Chief Executive (to 31/01/2021) | 19,557 | 22,784 | Pension Lump Sum | 29 1 | 26 1 | 3 0 |
| Barbara Renton Executive Director (Communities) and Interim Chief Executive (from 01/02/2021) | 20,715 | 18,364 | Pension Lump Sum | 28 8 | 24 7 | 4 1 |
| James Valentine Depute Chief Executive (to 31/07/2020) | 7,070 | 20,876 | Pension Lump Sum | 47 104 | 58 109 | -11 -5 |
| Gordon Paterson Chief Officer, Perth & Kinross Health & Social Care Partnership | 20,472 | 18,364 | Pension Lump Sum | 56 103 | 49 92 | 7 11 |
| Sheena Devlin Executive Director (Education & Children's Services) and Chief Education Officer | 20,472 | 18,364 | Pension Lump Sum | 63 115 | 55 103 | 8 12 |
| Karen Donaldson Chief Operating Officer | 19,197 | n/a | Pension Lump Sum | 51 91 | n/a n/a | n/a n/a |
| Jacqueline Pepper Depute Director of Education & Children's Services and Chief Social Work Officer | 16,625 | 16,141 | Pension Lump Sum | 26 25 | 24 25 | 2 0 |
| Lisa Simpson Head of Legal & Governance Services | 16,298 | 15,824 | Pension Lump Sum | 11 0 | 9 0 | 2 0 |
| Stewart MacKenzie Head of Finance | 15,643 | 15,187 | Pension Lump Sum | 42 64 | 39 63 | 3 1 |
| Nick Williams Horsecross Arts Limited – Chief Executive | 11,194 | 3,683 | Pension Lump Sum | 2 0 | 0 0 | 2 0 |
| Michael Griffiths (Note 2) Horsecross Arts Limited – Interim Chief Executive (left 30 June 2019) | n/a | n/a | Pension Lump Sum | n/a n/a | 0 0 | 0 0 |
| Paul Cromwell Live Active Leisure – Chief Executive | 13,351 | 12,912 | Pension Lump Sum | 20 12 | 18 11 | 2 1 |
| Helen Smout Culture Perth & Kinross Limited - Chief Executive | 10,744 | 10,431 | Pension Lump Sum | 21 22 | 20 22 | 1 0 |
| TOTAL | 191,338 | 172,930 | | | | |

Notes:

- (1) Accrued pension benefits include total benefits accumulated during all membership of the Local Government Pension Scheme and not just service in their current role.
- (2) Michael Griffiths opted out of the pension scheme.

Signed:

Barbara Renton
Interim Chief Executive

Perth & Kinross Council

Councillor Murray Lyle
Leader of the Council

Perth & Kinross Council

GLOSSARY

ACCOUNTING PERIOD

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

ACCRUALS

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

BEACON METHOD (ADJUSTED VACANT POSSESSION METHOD)

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

CAA

Capital Adjustment Account

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL RECEIPT

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

CONTINGENT LIABILITY

A contingent liability is either:

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

CORPORATE & DEMOCRATIC CORE

The corporate and democratic core comprises all the activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

CREDITOR

Amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the Council by the end of that accounting period.

CRR

Capital Receipts Reserve

CURRENT VALUE

The measurement of operational assets used for the delivery of Council services. Property, plant and equipment is measured on the basis of service potential using existing use value for assets where an active market exists, existing use value-social housing for operational Council dwellings or depreciated replacement cost for assets where there is no market and/or the asset is specialised.

DBFM

Design Build Finance Maintain - A Non-Profit Distribution (NPD) model to Design, Build, Finance, and Maintain infrastructure which requires the private sector to take a fixed rate of return. The DBFM agreement provides the Council with the right to receive services in return for an annual payment (unitary charge) which comprises the costs of construction, finance, and maintenance, and for the provision of any agreed additional services, for the duration of the agreement.

DISCOUNTED CASH FLOW METHOD

Quantifies the cash-generating potential, stated at present value, of the housing operation taking into account the estimated future income and expenditure streams.

DEBTOR

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the Council by the end of that period.

EXISTING USE VALUE FOR SOCIAL HOUSING (EUV-SH)

Is the estimated amount for which a property should exchange on the date of valuation, between a willing buyer and a willing seller in an arm's length transaction.

FAIR VALUE

Fair value is the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

FIAA

Financial Instruments Adjustment Account

IMPAIRMENT

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NON-DISTRIBUTED COSTS

These are overheads which cannot be directly allocated to a specific area of activity and as such are not apportioned to services.

PPE

Property, Plant & Equipment

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLb)

An agency of HM Treasury, which provides loans mainly for capital purposes of one year or more to authorities at interest rates of up to 2% above those at which the UK Government can itself borrow at.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

