

## PERTH AND KINROSS COUNCIL

8 October 2014

## AUDITED STATEMENT OF ACCOUNTS 2013/14

## Report by the Head of Finance

**PURPOSE OF REPORT**

This report presents the Council's Audited Statement of Accounts for the financial year 2013/14.

**1. BACKGROUND / MAIN ISSUES**

- 1.1 The Unaudited Statement of Accounts for 2013/14 was circulated to Members prior to its submission to the Controller of Audit in June 2014.
- 1.2 The Unaudited Statement of Accounts for 2013/14 was submitted to the Controller of Audit on 26 June 2014. In consultation with the Council's Auditors, a small number of minor adjustments have subsequently been identified and reflected within the Audited Statement of Accounts. None of these adjustments affected the General Fund Balance of the Council. In addition there were a small number of presentational adjustments to the notes that accompany the financial statements.
- 1.3 There is a requirement to consider the Audited Statement of Accounts at Council within two months of receipt of an audit certificate. The audit of the Council's accounts for 2013/14 was finalised on 17 September 2014 with the receipt of the unqualified Audit Certificate.
- 1.4 In accordance with International Standard on Auditing (ISA) 260, the Council's External Auditors produced their "Report to those Charged with Governance on the Audit of Perth & Kinross Council" on 11 September 2014. This report was submitted to the meeting of the Audit Committee on 17 September 2014 (report 13/466 refers) for detailed consideration.
- 1.5 The Statement of Accounts is prepared in accordance with the CIPFA 2013 Code of Practice on Local Authority Accounting ("the Code"). The foreword to the audited Statement of Accounts interprets the results for the financial year.
- 1.6 The Report to Members and the Controller of Audit for 2013/14 is due to be received from the Council's External Auditors by 31 October 2014. It is recommended that this be submitted to the Council meeting on 17 December 2014 and it is proposed that it is also submitted to a future meeting of the Audit Committee for further consideration.

## 2. AUDIT CERTIFICATE

- 2.1 The audit opinion is included on pages 92 and 93 of the Audited Statement of Accounts and is unqualified.

## 3. CONCLUSION AND RECOMMENDATIONS

- 3.1 The Unaudited Statement of Accounts was submitted to the Controller of Audit on 26 June 2014 and the Council received the Audit Certificate on 17 September 2014.

- 3.2 It is recommended that the Council:

- 1) Notes the content of this report.
- 2) Consider the External Auditors' Report to Members and the Controller of Audit at the Council Meeting on 17 December 2014.

### Author(s)

Name	Designation	Contact Details
Alison O'Brien	Corporate Accounting Manager	<a href="mailto:AOBrien@pkc.gov.uk">AOBrien@pkc.gov.uk</a> 01738 475516
John Symon	Head of Finance	<a href="mailto:jasymon@pkc.gov.uk">jasymon@pkc.gov.uk</a> 01738 475504

If you or someone you know would like a copy of this document in another language or format, (on occasion only, a summary of the document will be provided in translation), this can be arranged by contacting (*Alison O'Brien – 01738475516*)



Council Text Phone Number 01738 442573

## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

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

### 1. Strategic Implications

#### 1.1. Corporate Plan

1.1.1. The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

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

1.1.2 This report relates to all of these objectives.

### 2. Resource Implications

#### 2.1. Financial

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

## 2.2. Workforce

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

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

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

## 3. **Assessments**

### 3.1. Equality Impact Assessment

3.1.1. 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.

3.1.2. 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.

### 3.2. Strategic Environmental Assessment

3.2.1. The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.

3.2.2. 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.

### 3.3. Sustainability

3.3.1. 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.

3.3.2. The information contained within this report has been considered under the Act. However, no action is required as the Act does not apply to the matters presented in this report.

#### **4. Consultation**

##### **4.1 Internal**

4.1.1 The Chief Executive and all Executive Directors 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 – Perth & Kinross Council Statement of Accounts 2013/14:  
Audited





**PERTH & KINROSS COUNCIL**

**STATEMENT OF ACCOUNTS**

**2013/14**

**AUDITED**

## CONTENTS

	Page
EXPLANATORY FOREWORD BY THE HEAD OF FINANCE	1
THE ACCOUNTING STATEMENTS:	
MOVEMENT IN RESERVES STATEMENT	9
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	10
BALANCE SHEET	11
CASH FLOW STATEMENT	12
STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS	13
NOTES TO THE CORE FINANCIAL STATEMENTS	
Note 1 Accounting Policies	14
Note 2 Accounting Standards that have been issued but have not yet been adopted	22
Note 3 Critical Judgements in Applying Accounting Policies	22
Note 4 Assumptions made about the future and other major sources of estimation uncertainty	22
Note 5 Adjustments between Accounting Basis and Funding Basis under Regulations	23
Note 6 Transfer to/from General Fund Reserves	24
Note 7 Central Services	26
Note 8 Other Expenditure	26
Note 9 Other Operating Income	26
Note 10 Financing and Investment Income and Expenditure	27
Note 11 Taxation and Non Specific Grant Incomes	27
Note 12 Material Items of Income and Expense	27
Note 13 Premiums and Discounts on Debt Rescheduling Written Down	27
Note 14 General Grants, Bequests and Donations	28
Note 15 Amounts Reported for Resource Allocation Decisions	29
Note 16 Agency Services	31
Note 17 External Audit Costs	31
Note 18 Termination Benefits	31
Note 19 Post Employment Benefits	32
Note 20 Related Parties	36
Note 21 Leases	37
Note 22 Property, Plant and Equipment	38
Note 23 Heritage Assets	42
Note 24 Investment Properties	43
Note 25 Intangible Assets	44
Note 26 Assets Held for Sale	44
Note 27 Long Term Debtors	44
Note 28 Inventories	45
Note 29 Debtors	45
Note 30 Creditors	45
Note 31 Provisions Other than Bad and Doubtful Debts	46
Note 32 Usable Reserves	46
Note 33 Unusable Reserves	46
Note 34 Impairment Losses	49
Note 35 Grants	49
Note 36 Capital Expenditure and Capital Financing	49
Note 37 Public Finance Initiatives and Similar Contracts	50
Note 38 Authorisation of Statement of Accounts	52
Note 39 Contingent Assets and Liabilities	52
Note 40 Financial Instruments	53
Note 41 Devolved School Management (DSM) Schools & School Boards	58
Note 42 Operating Activities	58
Note 43 Investing Activities	58
Note 44 Financing Activities	58
Note 45 Cash and Cash Equivalents	58
Note 46 Trust Funds	59
Note 47 Events after the Balance Sheet Date	59

HOUSING REVENUE ACCOUNT	60
Statement of Movements on the Housing Revenue Account Balance	61
Notes to the Housing Revenue Account	62
COUNCIL TAX INCOME ACCOUNT	63
Notes to the Council Tax Income Account	64
NON DOMESTIC RATE INCOME ACCOUNT	65
Notes to the Non Domestic Rate Income Account	66
CHARITABLE TRUSTS	67
COMMON GOOD	68
Notes to the Common Good Accounts	69
GROUP ACCOUNTS	
Group Movement in Reserves Statement	70
Group Comprehensive Income and Expenditure Statement	71
Group Balance Sheet	72
Group Cash Flow Statement	73
Reconciliation of the Single Entity (Surplus)/Deficit for the Year to the Group (Surplus)/Deficit	74
NOTES TO THE GROUP ACCOUNTS	
Note 1 Combining Entities	75
Note 2 Nature of Combination	76
Note 3 Financial Impact of Consolidation and Going Concern	76
Note 4 Group Comprehensive Income & Expenditure Statement – Financing and Investment Income & Expenditure	76
Note 5 Group Balance Sheet – Investments	76
Note 6 Group Balance Sheet – Debtors	76
Note 7 Group Balance Sheet – Creditors	77
Note 8 Pension Liability	77
Note 9 Group Cash Flow Statement	77
Note 10 Group Cash Flow – Investing Activities	77
Note 11 Group Cash Flow – Financing Activities	77
Note 12 Additional Disclosure	78
Note 13 Related Party Transactions	78
ANNUAL GOVERNANCE STATEMENT 2013/14	79
REMUNERATION REPORT FOR FINANCIAL YEAR 2013/14	83
INDEPENDENT AUDITOR’S REPORT	92
GLOSSARY	94

## EXPLANATORY FOREWORD BY THE HEAD OF FINANCE

### 1. Introduction

The Annual Statement of Accounts demonstrates the Council's stewardship of the public funds with which it is entrusted. The Council's Accounting Statements are in respect of the year ended 31 March 2014 and have been compiled in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 ('the Code') and are set out on pages 9 to 12. Pages 14 to 22 set out the accounting policies adopted by the Council in the preparation of the Accounts to ensure that they present a 'true and fair view' of the results and financial position of the Council. An explanation of the main technical terms used in the Accounts is included on pages 92 to 93.

### 2. The Financial Statements

#### Core Financial Statements

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

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

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

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

#### Supplementary Financial Statements

The supplementary financial statements are as follows:

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

### 3. Revenue Budget 2013/14 – Review of Financial Performance

The Council's Comprehensive Income and Expenditure Statement for financial year 2013/14 is set out on page 10. It should be noted that the classification of Services in this statement complies with that prescribed by the Service Reporting Code of Practice for Local Authorities and differs from the management structure of the Council. (Information on the Council's financial performance based on the management structure is shown in Note 15 on page 29). The major differences are that Education Services excludes expenditure on Children's Services which is reported in the accounts under Social Work Services; that Cultural and Related Services includes expenditure on the Council's Arts & Heritage, Libraries & Archives, Outdoor Services and Recreation Activities and that Environmental Services includes expenditure on Flood Prevention.

The Council approved the General Fund Final Revenue Budget and Council Tax charge for financial year 2013/14 on 14 February 2013 (see - [Final Revenue Budget 2013/14](#)). Expenditure is monitored on a monthly basis and was formally reported, for both revenue and capital budgets, to the Council's Strategic Policy and Resources Committee in September and November 2013 and February and April 2014. Expenditure is reported to Committee on a projected outturn basis (estimated expenditure to 31 March 2014) with the Chief Executive and Executive Directors being responsible and accountable to the Council for managing within the approved budget for their Service and within the limits of the Council's Approved Budget Flexibility Scheme. The ongoing financial management of the Council is focussed upon identifying and taking corrective action to address budget variances throughout the course of the financial year and the foreword to the accounts aims to highlight and summarise the main factors behind the most significant of these variances. The pattern of expenditure reported within the financial statements is subsequently used in developing the Council's future budget strategy. Copies of individual revenue and capital monitoring reports can be obtained using the following link - [Revenue and Capital Monitoring Reports 2013/14](#).

Under the Council's Revenue Budget Flexibility Scheme the Chief Executive and Executive Directors are permitted, with the prior approval of Council, to carry forward budget under spends of up to 2.5% of the value of their net Service budget into the following financial year. The scheme limits the carry forward of budget over spends to 1% of the value of net Service budgets. The carry forward, under the Budget Flexibility Scheme, of managed under spends totalling £4,413,000 from 2013/14 to 2014/15 is reflected within the results for 2013/14 below. The Council's financial planning has been greatly facilitated by this approach to the management of resources over the medium term.

The following table summarises the movement on the Council's General Fund balance in 2013/14 including the main variances from budget reflected in the Comprehensive Income and Expenditure Statement. The budget figures are based on the updated 2013/14 General Fund Revenue Management Budget approved by the Council's Strategic Policy and Resources Committee on 23 April 2014 and the 2013/14 Housing Revenue Account Budget. The updated General Fund Revenue Management Budget assumed a net contribution from balances of £6,552,000 and the Housing Revenue Account assumed a break even position.

In summary, the General Fund Balance increased by £6,322,000 and the Housing Revenue Account Balance increased by £107,000 as shown in the Movement in Reserves Statement on page 9. This reflects a positive variance of £12,874,000 from the budgeted contribution from General Fund Balances of £6,552,000 in 2013/14. This variance can be summarised as follows:

	Actual Net Expenditure £000	Budgeted Net Expenditure £000	Variance £000
Education & Children's Services	144,318	148,357	(4,039)
Social Work Services	77,418	79,987	(2,569)
Roads & Transport Services	15,903	15,839	64
Planning & Development Services	5,245	5,815	(570)
Environmental Services	24,111	26,045	(1,934)
Housing Services (General Fund)	10,382	11,442	(1,060)
Cultural & Related Services	18,288	18,950	(662)
Financing & Investment Income & Expenditure	22,731	22,731	0
Council Tax Income	(67,083)	(65,567)	(1,516)
Other Items (Net)	(257,635)	(257,047)	(588)
<b>Movement on the General Fund Balance</b>	<b>(6,322)</b>	<b>6,552</b>	<b>(12,874)</b>

The major factors underlying each of the variances are considered in more detail below:

#### Education & Children's Services (net under spend of £4,039,000)

Devolved School Management Budget (net under spend of £1,261,000):

The net under spend on the Council's Devolved School Management (DSM) Budget was £1,261,000. The DSM budget is an element of the overall budget for Education Services and constitutes those funds directly managed by school head teachers. The net under spend is carried forward as an earmarked reserve to meet future expenditure within DSM schools.

Expenditure within schools on teaching staff and support staff was less than budget by £872,000 due to staff turnover and proactive workforce planning measures throughout the year. There was also an under spend on repairs and maintenance within property costs and other under spends amounting to £95,000.

Additional income of £294,000 from secondments, pupils' contributions to school activities and school lets further contributed towards the final under spend on the DSM budget.

Non Devolved Budget (net under spend of £2,778,000):

Expenditure on administrative and support staff was £888,000 less than budget due to vacancies, staff turnover and proactive workforce planning measures undertaken to deliver staff cost savings as part of the Service's transformation and future years' revenue budget strategy.

There were under spends on property costs of £560,000 due to savings on property recharges (energy, water and maintenance) and the Investment in Learning Unitary Charge. Supplies and services under spends of £459,000 reflected the delivery of planned savings to support budget flexibility proposals in 2014/15 including funding towards the Perth City Campus and the Evidence to Success project, which focuses on early intervention measures for children and young people. The Council also received additional grant funding of £138,000 from a number of organisations, including Creative Scotland and SportScotland that will be utilised in future years. The remaining net under spend of £733,000 is derived from additional income from a number of sources including charging, kids clubs, music tuition, arts development and catering income.

Social Work Services (net under spend of £2,569,000)

Within Older People's Services there was a net under spend of £1,289,000 which was delivered by service redesign, slippage and the early delivery of approved savings. This under spend was partially offset by over spends on the national care home contract, additional pressures during winter and increased levels of placements.

Across the remainder of Social Work Services there were net under spends in Learning Disabilities of £266,000 due primarily to service redesign, staff slippage and the receipt of additional income; in Community Safety of £165,000 due in the main to staff slippage and additional income and in other Community Care Services of £76,000 due to the receipt of additional income. In support services there was a net under spend of £100,000 on Strategic Support and Commissioning due, in the main, to the receipt of additional income and in Finance and Support a net under spend of £673,000 due to the early delivery of approved savings and staff slippage.

Roads and Transport Services (net over spend of £64,000)

There was an over spend of £515,000 due, in the main to, routine and cyclical maintenance and emergency and remedial work and a shortfall in income from depot charges of £250,000 pending the review of the Minute of Agreement with Tayside Contracts.

These over spends were partially offset by savings of £531,000 on winter maintenance due to the mild winter and a net surplus on the Car Park Trading Account of £104,000 due to delays in the improvement works at South Inch Car Park. Other net savings across the Service of £66,000 contributed to the final position on this activity.

Planning and Development Services (net under spend of £570,000)

The under spend within Planning and Development Services arose primarily to an increase of £172,000 in planning fee income, a rephasing of £149,000 in relation to the Super Connected Perth City Broadband project, staff slippage of £59,000 and the rephasing of £111,000 of the budget for the Events programme. Other net under spends of £79,000 contributed to the final under spend.

Environmental Services (net under spend of £1,934,000)

A reprofiling of the vehicle replacement programme has resulted in an under spend of £300,000 on borrowing costs. Other net under spends including staff slippage and additional income delivered a further £165,000 of savings in 2013/14.

In relation to property functions, there was an under spend of £1,469,000. The major factors contributing to this under spend were savings of £245,000 on staff costs; the refund of £290,000 for non-domestic rates on mothballed Council properties; savings on property maintenance of £397,000 due primarily to slippage on the upgrade of a number of houses held on the General Fund and savings of £252,000 on energy costs due to reduced consumption. In addition there were under spends of £117,000 on water and energy conservation budgets, net additional income of £86,000 from professional fees and miscellaneous under spends of £82,000.

Housing Services (General Fund) (net under spend of £1,060,000)

Additional income of £101,000 was received in relation to the provision of hostel accommodation, there was an under spend of £52,000 on bed and breakfast accommodation as the bed and breakfast reduction plan was further implemented and there was an under spend of £56,000 on homeless accommodation. Additionally the budget of £221,000 for the claw back of Housing Benefit payments was not required

In addition the Council received £630,000 of additional income in relation to Discretionary Housing Payments which was not utilised in 2013/14. Options for the potential use of this funding are currently being considered.

Cultural and Related Services (net under spend of £662,000)

There is net under spend of £662,000 on Cultural and Related Services due to additional staff slippage, reduced third party payments and additional income.

#### Council Tax Income (net increase in income of £1,516,000)

Financial year 2013/14 witnessed improved collection levels and improved sheriff officer performance relating to the collection of Council Tax debt for both the current year and previous years. As a result a review of collection levels in future years has increased the Council Tax Income Account by £1,738,000 relative to the budget. In addition there continues to be growth in the number of Band D equivalent properties across the Council area resulting in an increase in Council Tax income of £194,000 in excess of budget. However this additional income is partially offset by increases in Council Tax discounts and exemptions of £416,000, particularly in relation to previous years.

#### Other Items (net under spend of £588,000)

The Contingency Budget was not utilised in 2013/14 generating an under spend of £250,000. The Council received additional income of £290,000 from its share of the Tayside Contracts surplus for financial year 2013/14 due to increased activity by Tayside Contracts which generated a larger surplus available to be distributed to the constituent Councils. Other net savings of £48,000 contributed to the final under spend in this area.

#### **4. General Fund Balance at 31 March 2014**

The General Fund Balance at 31 March 2014 is shown on the Movement in Reserves Statement on page 9 as £48,041,000 and the Housing Revenue Account Balance as £907,000.

There are a number of commitments totalling £34,801,000 against the General Fund Balance at 31 March 2014 which are explained in more detail in note 6 on page 24 of the notes to the financial statements.

Therefore the uncommitted General Fund Balance as at 31 March 2014 (excluding the Housing Revenue Account) was £13,240,000 as follows:

	General Fund £'000	Housing Revenue Account £'000	Total £'000
General Fund Balance as at 31 March 2014	(48,041)	(907)	(48,948)
Commitments (see note 6 on page 24)	34,801	0	34,801
Uncommitted Balances	<u>(13,240)</u>	<u>(907)</u>	<u>(14,147)</u>

The General Fund Balance as at 31 March 2014 is £5,124,000 more than the balance projected in the Reserves Strategy approved by Council in February 2014 - [Reserves Strategy - February 2014](#). The level of General Fund Balance was higher than projected due primarily to the additional Council Tax Income following a review of collection levels, further Service under spends across the Council and movements on the levels of earmarked Reserves.

#### **5. Other Funds and Usable Reserves**

The balance on each of the following funds and usable reserves at 31 March 2014 was Capital Fund £15,832,000; Renewal and Repair Fund £412,000; Insurance Fund £3,410,000; Capital Receipts Reserve £1,833,000 and Capital Grants Unapplied £102,000. These Reserves are held for revenue expenditure purposes with the exception of the Capital Receipts Reserve and Capital Grants Unapplied which are held for capital purposes.

#### **6. Capital Budget 2013/14 – Review of Financial Performance**

A summary of the Council's capital expenditure is reflected within Note 36 to the Core Financial Statements shown on page 49. Gross capital expenditure in 2013/14, including Capital Financed from Current Revenue (CFCR), was £57,963,000. This total comprises £16,485,000 on the Council's Housing Revenue Account (HRA) and £41,478,000 on the Council's Composite (General Fund) Programme. No further expenditure was incurred on assets held by the Council under Public Private Partnership (PPP) arrangements during the year.

The capital expenditure was funded through borrowing, sales of assets, various grants, other miscellaneous capital receipts, and directly from the General Fund and HRA Revenue Budgets. The Council borrows from various sources, the most significant being the Public Works Loan Board (PWLB). As at 31 March 2014, the Council had long-term borrowing relating to the funding of capital expenditure of £196,893,000 (measured at par value), and other long term liabilities of £129,158,000 relating to assets held under PPP arrangements.

The Capital Financing Requirement (CFR) reflects the Council's underlying requirement to borrow for capital purposes. The CFR as at 31 March 2014 was £383,170,000, which compares to total capital financing liabilities (above) of £326,051,000. The difference in funding is met from internal balances.

During the year, the overall CFR increased by £19,017,000. Within this total, the actual amount which related to expenditure directly incurred by the Council reflected an increase of £22,741,000, with the difference (£3,724,000) relating to principal repayments in respect of PPP arrangements. Actual new borrowing undertaken from the Public Works Loan Board (PWLB) was £5,000,000, being a loan for 50 years and from another local authority was £5,000,000 for three years. In addition, there were repayments of previous loans amounting to £13,161,000. The effect of all these transactions together was to reduce total borrowings by £3,161,000, as well as to lengthen the maturity profile of outstanding debt at the end of the year. In addition, the liability under the PPP agreements reduced during the year by the annual repayment of principal of £3,724,000.

Expenditure on the Composite Programme included £9,254,000 on Education projects. Within this total, £7,857,000 was spent on the Primary Upgrade Programme, including £3,730,000 for an extension to the primary school in Invergowrie, £1,037,000 for upgrading Kinnoull Primary School and £1,023,000 for the upgrade of Inchture Primary School. A further £997,000 was spent on the Secondary Upgrade Programme for non Investment in Learning schools, of which £328,000 was spent at Perth Academy and £298,000 at Perth High School. A total of £16,140,000 was spent on Roads & Transport projects, including £7,571,000 on Structural Maintenance and £3,809,000 on Bridge Refurbishments and Strengthening. There was also expenditure of £346,000 on Road Safety measures, mostly related to school routes and a further £1,245,000 on the renewal programmes for street lighting, traffic signals and footways. The remaining General Fund expenditure of £16,084,000 included expenditure on various cemetery, park and countryside improvements (£1,317,000); vehicle replacements (£3,057,000); a number of Economic Development & Regeneration projects (£2,467,000); Community Facilities (£2,541,000); various Community Care projects (£1,503,000) and on upgrading the Council's property fabric including energy efficiency schemes, fire alarms and lighting (£2,523,000). Other capital expenditure related to various Flood Prevention, Waste & Recycling and Information Technology projects.

Expenditure on the Housing Revenue Account Investment Plan was primarily focused upon the provision of new affordable housing (£4,064,000), increasing the stock of housing (£1,498,000) and Heating & Energy Efficiency Schemes (£5,370,000). The remaining £5,553,000 was spent on various programmes including replacement windows, doors, kitchens and bathrooms and affordable housing initiatives.

## **7. Material Assets and Liabilities**

In terms of the normal activities of the Council, there were no material assets acquired or liabilities incurred that were unusual in scale.

## **8. Post-Employment Benefits**

The Council is required to account for pension benefits earned by employees in the current year and the associated pension assets and liabilities. Full details and an analysis of the Council's estimated pension assets and liabilities are contained in Note 19 to the Statement of Accounts.

The actuary to the Tayside Pension Fund (the Fund) has estimated that Perth and Kinross Council has a net retirement pension liability of £265,998,000 at 31 March 2014 (£189,092,000 at 31 March 2013). The main reason for the increase in the Council's net liability was an updating of the key assumptions underpinning the funding of the Pension Fund. The key assumptions used by the actuary are set with reference to market conditions at 31 March 2014 and relate to inflationary increases (both Retail Price Index and Consumer Price Index), salary increases, pension increases and the discount rate. The deficit on the Pension Reserve has increased following an upward revision in longevity assumptions in relation to both current and future pensioners and as a result of assumed inflation and salary/pension increases. The net liability is reflected within the Council's Balance Sheet and is offset by the Council's Pension Reserve.

The net pension liability of £265,998,000 represents the best estimate of the current value of pension benefits which will have to be funded by Perth and Kinross Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2014.

## **9. Material / Unusual Charges or Credits to the Accounts**

There were no material or unusual charges or credits included within the Statement of Accounts, having regard for the normal activity of the Council.

## **10. International Financial Reporting Standards**

These financial statements have been prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union and as interpreted or adapted for the public sector context as set out in Note 1 of the Accounting Policies.

## **11. Revenue Budget 2014/15 and 2015/16**

The Council approved the Provisional General Fund Revenue Budget for 2014/15 at a special meeting of the Council on 14 February 2013 (see - [2014/15 Provisional Revenue Budget - February 2013](#)). The Updated 2014/15 Final General Fund Revenue Budget was approved at the special meeting of the Council on 13 February 2014 along with the Provisional Revenue Budget for 2015/16 (see - [2014/15 Final Revenue Budget and 2015/16 Provisional Revenue Budget - February 2014](#)). The Final 2014/15 Net General Fund Revenue Budget is £331,012,000. As in previous years, it is anticipated that the Revenue Budget ultimately reflected within the 2014/15 Statement of Accounts will differ from this figure as a result of both adjustments to the management budget approved by the Council during the course of the financial year and additional funding announcements by the Scottish Government.

The Council has identified a number of significant financial risks in preparing future years' Revenue Budgets including inflationary pressures and uncertainty over future funding levels. These risks are reflected in the management of the Council's Revenue Reserves as set out in Reserves Strategy approved by the Council on 13 February 2014 (see - [Reserves Strategy - February 2014](#)).

In addition to the risks arising from the uncertainties over external influences such as inflation and interest rates the Council's financial planning takes account of risks inherent in managing other influences on service delivery. Although the Revenue Budget for 2014/15 makes allowance for the anticipated costs of service delivery there are inevitably uncertainties inherent in budget preparation. These include unanticipated increases in demand for services; on going and prospective legislative change; national policy influences and the challenges faced in delivering proposed savings and efficiencies. Services will be

asked to contain unbudgeted cost pressures wherever possible. The 2014/15 Housing Revenue Account (HRA) Budget and Rent Levels were agreed at the meeting of the Housing and Health Committee on 29 January 2014 (see - [HRA Revenue Budget 2014/15 – January 2014](#)). The Gross HRA Revenue Budget for 2014/15 amounts to £26,192,000 and continues to be predicated on meeting the operating costs of managing the Council's Housing stock and ensuring the delivery of the Council's Housing Business Plan as submitted to the Scottish Government and agreed with Perth and Kinross Tenant's Federation.

The Council's budget continues to support the delivery of a challenging Transformation Programme to facilitate the modernisation of a number of key services across the Council.

## **12. Capital Budget 2014/15 to 2020/21**

The Council approved the Composite Capital Budget 2020/21 at a special meeting of the Council on 13 February 2014 (see - [Capital Budget 2020/21 - February 2014](#)). This augmented the Composite Capital Budget 2013/14 to 2019/20 that was approved by the Strategic Policy and Resources Committee on 12 February 2014 (see - [Composite Capital Budget 2013/14 to 2019/20 - February 2014](#)). The approved Gross Capital Budget for the 7 year period amounted to £304,225,000.

The Council's capital expenditure plans, as reflected within the above budget, include expenditure on the major refurbishment and expansion of various schools to address increasing school rolls and revised standards for school accommodation as well as provision for a new school campus in North Perth. Also included are planned improvements to the roads network, including the A9/A85 Road Junction Improvements and the Gleneagles Station Access Improvements, as well as flood prevention measures in Almondbank (subject to Scottish Government approval and funding). The Council has also made provision for the redevelopment of several parks and public spaces, as well as the redevelopment of Perth Theatre and other City Centre improvements. Waste reduction and recycling also feature in the Council's planned expenditure, together with improvements to its property portfolio and the development and expansion of its rural business unit infrastructure. Ongoing expenditure on the school estate; road safety measures; street lighting and Council vehicle fleet operations are also planned to continue. These expenditure plans are funded through a combination of grants, receipts and new borrowing and are considered, prudent, affordable and sustainable in the long-term.

The Housing Revenue Account (HRA) Investment Programme 2014/15 to 2018/19 was approved by the Council's Housing and Health Committee on 29 January 2014 (see - [HRA Budget - January 2014](#)). The Approved Gross HRA Capital Budget for the 5 year period amounts to £61,397,000. Capital expenditure on the Housing Revenue Account continues to focus mainly upon increasing the provision of affordable housing and the enhancement of the Council's existing housing stock, particularly in respect of central heating, energy efficiency, rewiring and security to ensure the delivery of the Council's Housing Standard.

Both the Composite Capital Programme and the Housing Investment Programmes are funded by a combination of borrowing, capital receipts, grants, and contributions from the respective Revenue Budgets. The Capital Financing Requirement is estimated to peak at £478,944,000 in 2016/17, before reducing to £450,620,000 by the end of the 7 year period. The annual cost of servicing this borrowing and PPP liabilities is contained within the Council's Revenue Budget strategy and remains affordable, prudent and sustainable.

## **13. Contingencies / Write Offs / Impairments**

In order to mitigate against irrecoverable bad debts the Council had created impairments for bad and doubtful debts which have been added to over a number of years. At 31 March 2014 the Council had impairments as follows – Sales Ledger (£562,209); Community Charge (£1,329,497); Council Tax (£12,106,772); Statutory Additions (£4,486,587); Housing Benefit Overpayments (£693,202); Irrecoverable Rents (£3,287,959) and other miscellaneous impairments (£575,986).

The Strategic Policy and Resources Committee approved the write off of bad debts at its meeting on 11 June 2014 in relation to Sales Ledger (£410,435); Council Tax (£711,614); Non Domestic Rates (£581,101); Irrecoverable HRA Rents (£77,921); Homeless Services (£192,370); Housing Benefit Overpayments (£44,508) and Car Park Trading Account income (£106,755) (see - [Debt Write Off Report - June 2014](#)). Although these amounts have been written off for accounting purposes, every effort will be made to collect the outstanding debt wherever legally possible. The Committee also approved the write off of obsolete stock to the value of £3,000.

The Council is required to carry out regular revaluations of its fixed assets. The main purpose of this exercise is to ensure that the fair market value of the assets is included on the Balance Sheet. The revaluation of the assets may lead to a reduction in value known as impairment. Impairment is not charged to the General Fund but is reflected in the Capital Adjustment Account. There was a £6.013m net loss following the revaluation of properties during the year, the majority of which has been assessed as a revaluation loss rather than a loss attributed to deterioration in the anticipated level of the performance of the properties. Of the net loss, there was an impairment loss of £0.711m relating to an individual property which will no longer be used for service provision. The remainder of the total loss (£5.302m) is attributed to the revaluation of a wide range of operational properties, however the future service potential of these remains unchanged.

As set out in Note 39 to the Core Financial Statements, the Council has identified a contingent asset in relation to the Business Rates Incentivisation Scheme. A number of contingent liabilities have also been identified including future and historic insurance claims; Common Good fixed assets; casual & supply staff; annual leave entitlement and a potential tax liability. In each case, the Council cannot presently ascertain the value of its potential liability.

## **14. Impact of the Current Economic Climate**

Despite the recovery within the UK economy, economic conditions will continue to have a significant impact upon Council services. Examples of this include ongoing real terms reductions in funding from the Scottish Government and increased demand for Council services. These issues are anticipated to continue into 2014/15 and beyond. There are also continued implications from reductions in Capital receipts due to the economic environment.

Additionally, while interest rates have been held at a very low level for a number of years there is the possibility of increases in borrowing costs in the future.

## 15. Group Accounts

In accordance with the Code, the 2013/14 Group Accounts Statements are included on pages 70 to 74. The basis for consolidation is set out in the Notes to the Group Accounts Statements on pages 75 to 78.

The effect of consolidation is to increase the Council's net assets by £1,941,000 resulting in a Group Balance Sheet showing net assets of £83,855,000 at 31 March 2014 as set out on page 72. This position reflects the Council's share of the pension liabilities of the Associate included within the Group Balance Sheet.

In relation to Tayside Contracts, the Head of Legal Services has been instructed to engage with his counterparts from Angus Council and Dundee City Council to review the Minute of Agreement to ensure that it is still fit for purpose and meets the requirements of both Tayside Contracts and the three constituent Councils.

## 16. 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	2013/14	2012/13	PURPOSE
Uncommitted General Fund Reserve as a proportion of Annual Budgeted Net Expenditure	4.0%	4.1%	Reflects the level of funding available to manage financial risk / unplanned expenditure.
Movement in the Uncommitted General Fund Balance	£1,115,000	(£1,731,000)	Reflects the extent to which the Council has increased / (decreased) its Uncommitted General Fund Reserve.
Council Tax – In Year Collection Rate	97.2%	96.6%(restated)	Demonstrates the Council's effectiveness in collecting council tax debt.
Ratio of Council Tax Income to Overall Level of Funding	20.7%	21.1%	This reflects the Council's capacity to vary expenditure by raising Council Tax Income.
Final Net Service Expenditure compared to Budgeted Net Service Expenditure (see Cost of Services – Page 10)	(£11,128,000)	(£9,419,000)	Measurement of how final expenditure compares with the budgeted position and is a reflection on the effectiveness of financial management.
Actual Contribution to / from Unallocated General Fund Balance compared to budget	Budget £6,552,000 Actual (£6,322,000)	Budget £5,138,000 Actual (£5,017,000)	Further measure of the effectiveness of financial management.
Capital Financing Requirement	£383,170,000	£364,153,000	Measurement of requirement to borrow for capital purposes.
External Debt Levels	£326,051,000	£332,936,000	Actual borrowing for capital investment purposes.
Capital Financing Requirement Ratio	85.1%	91.4%	Measurement of prudence in relation to borrowing levels – borrowing only to invest in capital. This measure provides confirmation of borrowing only for capital investment purposes.
Ratio of Financing Costs to Net Revenue Stream	7.0%	5.0%	Measurement of the Council's ability to fund borrowing costs.

## 17. Workforce Management

Financial pressures, demand for Council services, changing demographics and public service reform continue to drive efficiencies, service redesign and rationalisation which in turn determine workforce requirements. A corporate approach to workforce planning ensures that the Council maintains a balanced and skilled workforce. This involves creating opportunities for young people to join our workforce, developing and nurturing talent to meet future requirements.

Since 2009, the Council has implemented a range of workforce management measures which are designed to make the best use of opportunities to reshape the workforce on an on-going basis, enable service redesign and deliver a leaner workforce while avoiding compulsory redundancies as far as possible. This approach recognises the importance of managing staff costs in delivering the Council's Medium Term Financial Plan (see - [Medium Term Financial Plan - October 2013](#)). It also recognises and values the contribution of our employees, as described within Our People Strategy 2010-15 ([Our People Strategy - December 2010](#)).

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

maximise productivity. Engaged employees feel a stronger commitment to the organisation that employs them and this results in higher performance and lower absenteeism. The Council also recognises that to meet the financial challenges, it is reliant on the innovation and creativity of our employees as we explore opportunities through public service reform to transform our services.

In 2013/14 the average days lost to sickness absence per full time equivalent (fte) employee was 8.9 days (9.3 days in 2012/13) – a 4.3% reduction on 2012/13. This represented 4% of working time per fte employee (4.2% in 2012/13).

In addition the Council has earmarked £9.183m within Reserves to fund workforce management measures over the medium term.

#### **18. Post Balance Sheet Events**

No significant events occurred between the Balance Sheet date and the date the Head of Finance signed the accounts which would have a material impact on the 2013/14 Statement of Accounts.

#### **19. Acknowledgements**

I would like to thank both my Finance and Service colleagues for their support and co-operation in the effective management of the Council's finances during the 2013/14 financial year.



J A Symon ACA  
Head of Finance  
17 September 2014

## MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Fund £'000	Renewal & Repair Fund £'000	Insurance Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Restated</b>										
<b>Balance at 1 April 2012</b>	(36,702)	(800)	(10,372)	(517)	(1,083)	(2,905)	(1,015)	(53,394)	(70,563)	(123,957)
<u>Movement in reserves during 2012/13</u>										
(Surplus) or deficit on the provision of services	78	(3,684)	0	0	0	0	0	(3,606)	0	(3,606)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(23,896)	(23,896)
<b>Total Comprehensive Income and Expenditure</b>	78	(3,684)	0	0	0	0	0	(3,606)	(23,896)	(27,502)
Adjustments between accounting basis & funding basis under regulations	(9,707)	4,952	0	0	0	773	330	(3,652)	3,652	0
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	(9,629)	1,268	0	0	0	773	330	(7,258)	(20,244)	(27,502)
Transfers to/(from) Other Statutory Reserves	4,612	(1,268)	(2,427)	34	(951)	0	0	0	0	0
(Increase)/decrease in 2012/13	(5,017)	0	(2,427)	34	(951)	773	330	(7,258)	(20,244)	(27,502)
<b>Balance at 31 March 2013</b>	(41,719)	(800)	(12,799)	(483)	(2,034)	(2,132)	(685)	(60,652)	(90,807)	(151,459)
<u>Movement in reserves during 2013/14</u>										
(Surplus) or deficit on the provision of services	3,843	(1,707)	0	0	0	0	0	2,136	0	2,136
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	67,409	67,409
<b>Total Comprehensive Income and Expenditure</b>	3,843	(1,707)	0	0	0	0	0	2,136	67,409	69,545
Adjustments between accounting basis & funding basis under regulations (note 5)	(14,983)	2,080	0	0	0	299	583	(12,021)	12,021	0
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	(11,140)	373	0	0	0	299	583	(9,885)	79,430	69,545
Transfers to/(from) Other Statutory Reserves	4,818	(480)	(3,033)	71	(1,376)	0	0	0	0	0
(Increase)/decrease in 2013/14	(6,322)	(107)	(3,033)	71	(1,376)	299	583	(9,885)	79,430	69,545
<b>Balance at 31 March 2014 carried forward</b>	(48,041)	(907)	(15,832)	(412)	(3,410)	(1,833)	(102)	(70,537)	(11,377)	(81,914)

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

<i>Restated</i> 2012/13	2013/14				
<i>Actual</i> <i>Net</i> <i>Expenditure</i> <i>£'000</i>	Notes	Actual Gross Expenditure £'000	Actual Income £'000	Actual Net Expenditure £'000	Budgeted Net Expenditure £'000
<b>COUNCIL SERVICES</b>					
142,545		150,574	(6,256)	144,318	148,357
74,698		93,853	(16,435)	77,418	79,987
20,149		21,707	(5,804)	15,903	15,839
5,599		11,068	(5,823)	5,245	5,815
11,412		48,273	(37,891)	10,382	11,442
18,550		19,341	(1,053)	18,288	18,950
19,353		27,988	(3,877)	24,111	26,045
2,322	7	4,050	(1,579)	2,471	2,531
18,274	8	4,915	(492)	4,423	4,564
3,098		4,464	0	4,464	4,514
682		19	0	19	19
(3,182)		22,379	(24,713)	(2,334)	(2,227)
313,500		408,631	(103,923)	304,708	315,836
(975)	9			(1,597)	(1,365)
23,755	10			22,731	22,731
(339,886)	11			(323,706)	(322,190)
(3,606)				2,136	15,012
<b>(Surplus) or Deficit on Provision of Services</b>					
1,201				4,647	4,647
0				1,465	1,465
(25,097)				61,297	61,297
(23,896)				67,409	67,409
(27,502)				69,545	82,421
<b>Total Comprehensive Income and Expenditure</b>					

## BALANCE SHEET

<u>31 March 2013</u> £'000		Notes	<u>31 March 2014</u> £'000
623,871	Property, Plant & Equipment	22	636,720
20,638	Heritage Assets	23	24,059
16,224	Investment Property	24	16,428
54	Intangible Assets	25	28
2,445	Assets Held for Sale	26	2,525
<u>569</u>	Long Term Debtors	27	<u>657</u>
<b>663,801</b>	<b>Long Term Assets</b>		<b>680,417</b>
27,427	Short Term Investments		15,088
717	Assets Held for Sale	26	0
565	Inventories	28	516
22,333	Short Term Debtors	29	27,264
<u>9,014</u>	Cash and Cash Equivalents	45	<u>4,740</u>
<b>60,056</b>	<b>Current Assets</b>		<b>47,608</b>
(16,953)	Short Term Borrowing	40	(12,764)
(46,133)	Short Term Creditors	30	(50,771)
<u>(539)</u>	Provisions	31	<u>(961)</u>
<b>(63,625)</b>	<b>Current Liabilities</b>		<b>(64,496)</b>
(2,063)	Provisions	31	(1,168)
(188,210)	Long Term Borrowing	40	(189,035)
(318,250)	Other Long Term Liabilities	19,37	(391,412)
<u>(250)</u>	Capital Grants Receipts in Advance	35	<u>0</u>
<b>(508,773)</b>	<b>Long Term Liabilities</b>		<b>(581,615)</b>
<u><b>151,459</b></u>	<b>NET ASSETS</b>		<u><b>81,914</b></u>
60,652	Usable Reserves		70,537
90,807	Unusable Reserves	33	11,377
<u><b>151,459</b></u>	<b>TOTAL RESERVES</b>		<u><b>81,914</b></u>

The unaudited accounts were issued on 26 June 2014 and the audited accounts were authorised for issue on 17 September 2014.

  
 J A Symon ACA  
 Head of Finance  
 17 September 2014

## CASH FLOW STATEMENT

<i>Restated</i> 2012/13		Notes	2013/14
£'000			£'000
3,606	<b>Net surplus/(deficit) on the provision of services</b>		(2,136)
44,497	Adjustments to net surplus or deficit on the provision of services for non cash movements		48,294
(15,116)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(15,051)
<u>32,987</u>	Net cash flows from Operating Activities		<u>31,107</u>
(24,257)	Investing Activities	43	(28,205)
(7,667)	Financing Activities	44	(7,176)
<u>1,063</u>	Net increase or (decrease) in cash and cash equivalents		<u>(4,274)</u>
7,951	Cash and cash equivalents at the beginning of the reporting period		9,014
<u><u>9,014</u></u>	Cash and cash equivalents at the end of the reporting period	45	<u><u>4,740</u></u>

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF 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. In this Authority, that officer is the Head of Finance.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

### The Responsibilities of the Head of Finance

The Head of Finance is responsible for the preparation of the Council's statement of 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 this statement of accounts, the Head of Finance has:

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

The Head of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts presents a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2014.



J A Symon ACA  
Head of Finance  
17 September 2014

# NOTES TO THE CORE FINANCIAL STATEMENTS

## 1. Accounting Policies

### General

The Statement of Accounts has been prepared in accordance with proper accounting practices as required by the Local Authority Accounts (Scotland) Regulations 1985 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 2013/14 and the Service Reporting Code of Practice (SeRCOP) 2013/14, supported by International Financial Reporting Standards (IFRS). The Statement of Accounts is intended to present a true and fair view of the financial position and transactions of the authority and has 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, not simply when cash payments are made or received.

In particular:

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

### Cash and Cash Equivalents

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

### Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events or conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### Charges to Revenue for Non-Current Assets

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

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

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

## Contingent Assets and Liabilities

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

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

## Employee Benefits

### Benefits Payable During Employment

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

### Termination Benefits

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

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

### Post Employment Benefits

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

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

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

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

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the Tayside Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 4.5% which is based on the indicative rate of return on the high quality corporate bond index (i Boxx AA).

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

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

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

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

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

#### Discretionary Benefits

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

#### **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 is 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 is 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.

#### **Financial Liabilities**

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

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

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

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

### **Financial Assets**

Financial assets are loans and receivables that have fixed or determinable payments but are not quoted in an active market.

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

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

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

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

### **Government Grants and Contributions**

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

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

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

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

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

### **Heritage Assets**

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Heritage Assets include museum and gallery collections and works of art. These assets are held by the Council in pursuit of its overall objectives in relation to the maintenance of the heritage.

#### 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-minimus level for which items will be recognised within the balance sheet. The exclusion of individual items having a value of less than £10,000 does not impact upon the characteristics of the financial statements and a summary of the main collections and applicable accounting treatment is as follows.

#### Art Collection

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

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

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

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

#### History Collection

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

#### Natural History Collection

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

#### Heritage Assets – General

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

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

The Council Heritage Service Collecting Policy provides guidance on the collection, disposal or lending of heritage assets.

### **Intangible Assets**

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Where expenditure on intangible assets qualifies as

capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

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

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

### **Inventories**

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

### **Investment Properties**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

### **Leases**

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

#### The Council as Lessee

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

#### The Council as Lessor

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

### **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SerCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

### **Property, Plant and Equipment**

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

#### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not

add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred.

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- all other assets – fair value, determined by the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

#### Impairment

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

Where impairment losses are identified, they are accounted for by:

- 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 (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

#### Depreciation

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

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

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

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

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

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

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

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

#### **Provisions**

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

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

## **Reserves**

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

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

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

## **VAT**

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

## **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.

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

For 2013/14, the accounting standards that require to be reported relate to:

- IFRS 13 Fair Value Measurement
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IAS 32 Financial Instruments: Presentation
- Annual Improvements to IFRSs 2009-2011 Cycle.

## **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 37 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 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are in respect of the Council's Net Pensions Liability and Property and Plant and Equipment.

### Uncertainty

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

#### Effect if Actual Results Differ from Assumptions

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a reduction in the pension liability of £16,608,000. However, the assumptions interact in complex ways. During 2013/14, the Council's actuaries advised that the net pension's liability had increased by £76,906,000 following an updating of assumptions.

#### Uncertainty

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

#### Effect if Actual Results Differ from Assumptions

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £335,000 for every year that useful lives had to be reduced.

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

	Usable Reserves				Total	Restated 2012/13
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied Account		
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Adjustments involving the Capital Adjustment Account</u>						
Depreciation and impairment on non-current assets	(23,170)	(5,706)	0	0	(28,876)	(26,905)
Revaluation Losses on Property, Plant & Equipment	(6,013)	0	0	0	(6,013)	(1,021)
Movements in Fair Value of Investment Properties	376	0	0	0	376	(356)
Amortisation of Intangible Assets	(26)	0	0	0	(26)	(38)
Capital grants and contributions credited to the Comprehensive Income & Expenditure Statement	10,835	1,434	0	0	12,269	13,502
Amounts of non current assets written off on disposal as part of the gain/loss	(1,119)	(382)	0	0	(1,501)	(1,108)
<u>Items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</u>						
Statutory provision for repayment of debt	12,988	2,554	0	0	15,542	15,685
Capital expenditure charged to the General Fund and HRA balances	4,430	4,076	0	0	8,506	6,448
<u>Adjustments involving the Capital Receipts Reserve</u>						
Transfer of sale proceeds credited as part of the gain/loss on disposal	1,720	899	(2,619)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	2,918	0	2,918	2,410
<u>Adjustments involving the Capital Grants Unapplied Account</u>						
	0	0	0	583	583	330
<u>Adjustments involving the Financial Instruments Adjustment Account</u>						
	467	121	0	0	588	591
<u>Adjustments involving the Pensions Reserve</u>						
Employer's pensions contributions and direct payments to pensioners payable in the year	15,776	1,125	0	0	16,901	16,330
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(30,489)	(2,021)	0	0	(32,510)	(30,797)
<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	(758)	(20)	0	0	(778)	1,277
<b>Total Adjustments</b>	<b>(14,983)</b>	<b>2,080</b>	<b>299</b>	<b>583</b>	<b>(12,021)</b>	<b>(3,652)</b>

## 6. Transfer to/from General Fund Reserves

	Balance as at 1 April 2013 £'000	Transfers In £'000	Transfers Out £'000	Balance as at 31 March 2014 £'000
Devolved School Management Scheme (DSM)	(1,230)	(1,261)	1,230	(1,261)
Car Parking	(1,997)	(104)	0	(2,101)
Budget Flexibility	(5,307)	(4,413)	5,307	(4,413)
Equal Pay Strategy	(1,000)	0	500	(500)
Council Tax Income on second homes/long term empty properties	(1,992)	(1,113)	480	(2,625)
Developers Contributions: Commuted Sums & Infrastructure	(1,701)	(826)	331	(2,196)
Developers Contributions: Affordable Housing	(794)	(278)	129	(943)
Energy Efficiency Fund	(227)	(111)	107	(231)
Financial Assistance (Mod)	(140)	(20)	0	(160)
Zero Waste Fund Resources contribution to Loan Charges	(93)	0	54	(39)
Investment in Improvement Funds	(1,022)	(54)	0	(1,076)
Investment in Learning Programme	(135)	0	0	(135)
Contaminated Land	(123)	(39)	0	(162)
City Centre Projects	(1,200)	0	0	(1,200)
Insurance Fund	(1,000)	0	1,000	0
Revenue Grants	(630)	(944)	630	(944)
Microsoft Migration Project	(190)	0	190	0
Minibus Replacement Strategy	(283)	0	0	(283)
Workforce Management Strategy	(4,000)	(4,893)	0	(8,893)
Community Safety / Wellbeing Initiatives	(353)	0	134	(219)
Planning Appeals and Public Inquiries	(177)	(100)	0	(277)
Crematorium Abatement Levy	(100)	(100)	0	(200)
Essential Maintenance & Compliance Works	(860)	0	0	(860)
Funding of Additional Capital Expenditure	(3,600)	0	200	(3,400)
Flood Fund	(220)	0	0	(220)
Scottish Government Funding	(1,113)	0	1,113	0
Ryder Cup	0	(500)	0	(500)
Kinross Curling Trust	0	(125)	0	(125)
Perth Office Programme	0	(710)	0	(710)
Public Service Network	0	(700)	0	(700)
Local Government Elections	0	(53)	0	(53)
Letham Community Sports Club	0	(85)	0	(85)
Tayside Contracts	0	(290)	0	(290)
Earmarked Balances at 31 March 2014	<u>(29,487)</u>	<u>(16,719)</u>	<u>11,405</u>	<u>(34,801)</u>
Total transfers out		11,405		
Total transfers in		(16,719)		
Net Increase in Earmarked Commitments in 2013/14		<u>(5,314)</u>		

### Purpose of Earmarked General Fund Balances

**Devolved School Management Scheme (DSM)** – the amount shown is the accumulated sum available to be carried forward at 31 March 2014 under the approved scheme for managing these budgets. The purposes for which the earmarked amount can be used and the procedures for its management and control are detailed in the Council's approved DSM scheme.

**Car Parking** – this balance is the accumulated surplus at 31 March 2014 which is restricted in its application under the Road Traffic Regulation Act 1984 and any proposals to utilise these resources will require approval by the Strategic Policy and Resources Committee.

**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.

**Equal Pay Strategy** - in common with many other local authorities, the Council has recognised its potential liability under the Equal Pay Act 1970 in respect of inherited national and local pay structures which, in some instances, differentiated between male and female employees undertaking work of equal value.

**Council Tax Income on Second Homes/Long term empty properties for affordable housing** - the Council has previously agreed to reduce the level of Council Tax Discounts on Second Homes and Long Term Unoccupied Dwellings to 10% to create funding to support the development of affordable housing within the Perth & Kinross area in partnership with Registered Social Landlords. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process and reviewed annually as part of the Revenue Budget setting process.

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

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

**Financial Assistance (Mod)** – at its meeting on 9 February 2006 the Council approved the creation of a recurring budget to fund its anticipated contribution to the Mod.

**Zero Waste Fund Resources contribution to Loan charges** - the Council approved the transfer to Reserves of Zero Waste Fund resources in 2008/09 and 2009/10. These resources are to be utilised in funding loan charges over the subsequent years in respect of additional waste strategy projects which are being promoted by the Environment Service.

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

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

**Contaminated Land** – under spends in financial years 2011/12; 2012/13 and 2013/14 have been earmarked to fund future remediation work to comply with the Council's statutory duty. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

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

**Insurance Fund** – These resources were utilised in 2013/14 as a contribution to the Insurance Fund.

**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.

**Microsoft Migration Project** – These resources were utilised in 2013/14 to assist schools migrating to a Microsoft Infrastructure and joining the Council network.

**Minibus Replacement Strategy** – following a rephrasing of the Council's minibus replacement programme the approved funding was not required as originally anticipated. The future application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Workforce Management Strategy** – in the context of implementing its Workforce Management Strategy the Council may incur additional non recurring expenditure. It is considered prudent to earmark resources to deal with these costs should they materialise. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Community Safety / Wellbeing Initiatives** – reduced requisitions in 2011/12 from Tayside Fire and Rescue Board and Tayside Joint Police Board allowed the identification of resources to support preventative initiatives linked to community well being and safety. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Planning Appeals and Public Inquiries** – under spends in financial year 2013/14 and previous years have been earmarked to fund future planning appeal and public inquiry expenses. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Crematorium Abatement Levy** – under spends in financial year 2012/13 and 2013/14 were approved for the future investment at Perth Crematorium to comply with mercury abatement legislation. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Essential Maintenance and Compliance Works at 2 High St and Carpenter House** – these resources were earmarked in reserves to fund works on these buildings. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Funding of Additional Capital Expenditure** – these resources were earmarked in reserves to fund investment in Perth Theatre. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Flood Fund** – these resources are earmarked in reserves to fund residents of Perth & Kinross's uninsured losses from future flooding events.

**Scottish Government Funding** – these resources have been returned from Tayside Joint Police Board and were utilised in 2013/14 to offset a reduction in Government funding.

**Ryder Cup** - these resources are earmarked in reserves to fund expenditure on Ryder Cup promotion and infrastructure in 2014/15. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Kinross Curling Trust** - these resources are earmarked in reserves to fund the refurbishment of Kinross Curling Rink in 2014/15. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

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

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

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

**Letham Community Sports Hub** – these resources are earmarked in reserves to support the project at Seven Acres Park. The application of these resources will be reported to the Strategic Policy & Resources Committee through the revenue monitoring process.

**Tayside Contracts** – these resources are earmarked in reserves for Education and Children's Services to offset the additional cleaning and catering contract costs in respect of Tayside Contracts increased costs from implementing the Living Wage.

## 7. Central Services

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

	2013/14 £'000	2012/13 £'000
Local Tax Collection	896	769
Registration of Births, Deaths and Marriages	210	99
Electoral Registration /Elections	663	715
Licensing	158	63
Emergency Planning	25	72
General Grants and Financial Assistance	519	604
	<u>2,471</u>	<u>2,322</u>

## 8. Other Expenditure

Other Expenditure is detailed as follows. In 2013/14 Valuation services were provided by a joint board on behalf of Perth & Kinross, Angus and Dundee City Councils.

	2013/14 £'000	2012/13 £'000
Fire & Rescue	0	6,662
Police	0	8,713
Valuation	1,162	1,102
Commercial Property	2,746	1,364
Irrecoverable Costs of Support to Outside Bodies	239	231
Harbour	276	202
Total	<u>4,423</u>	<u>18,274</u>

The harbour at Perth is a commercial port. Income from harbour dues during the year amounted to £95,000 (2012/13 £94,000), and the net deficit was £276,000 (2012/13 net deficit £202,000).

## 9. Other Operating Income

	2013/14 £'000	2012/13 £'000
Gains on the Disposal of Non Current Assets	(1,118)	(529)
Share of Tayside Contracts surplus	(479)	(446)
Total	<u>(1,597)</u>	<u>(975)</u>

## 10. Financing and Investment Income and Expenditure

	2013/14	<i>Restated</i> 2012/13
	£'000	£'000
Interest payable and similar charges	16,176	16,535
Pensions interest cost and expected return on pensions assets	8,416	9,045
Interest receivable and similar income	(450)	(1,036)
Income and expenditure in relation to investment properties and changes in their fair value	(1,411)	(789)
Total	<u>22,731</u>	<u>23,755</u>

## 11. Taxation and Non Specific Grant Incomes

	2013/14	2012/13
	£'000	£'000
Council Tax Income	(67,083)	(71,830)
Non Domestic Rates	(50,759)	(47,170)
Non Ringfenced Government Grants	(193,595)	(207,384)
Capital Grants and Contributions	(12,269)	(13,502)
Total	<u>(323,706)</u>	<u>(339,886)</u>

## 12. Material Items of Income and Expense

There have been no material items of income and expenditure during 2013/14 which are not disclosed on the face of the Comprehensive Income and Expenditure Statement.

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

The Code requires that any premiums or discounts arising from debt rescheduling should be written off in the year they were incurred, except in limited circumstances where they would qualify as a 'modification' of debt. During 2013/14, there were no such debt modifications.

The net amount of premium and discount debited to the General Fund and HRA for transactions prior to 1 April 2012 (as permitted by statutory guidance) from the Financial Instruments Adjustment Account (FIAA) was £574,823 (2012/13 £577,571).

#### 14. General Grants, Bequests and Donations

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

During 2013/14 a total of £10,413,000 (2012/13 £10,613,000) was paid out in support of these organisations ranging from remission of hall rents of a few pounds to the contribution towards the operational and other costs of Live Active Leisure Limited of £3,556,000 (2012/13 £3,648,000). Details of grants are shown below.

	2013/14 £'000	2013/14 £'000	2012/13 £'000	2012/13 £'000
<b>Education Services</b>				
- Service Level Agreements with Voluntary Organisations		450		425
<b>Social Work Services</b>				
- Service Level Agreements with Voluntary Organisations		3,336		3,718
<b>Housing Services (General Fund)</b>				
- Churches Action for the Homeless	440		441	
- Perth and Kinross Community Mediation	55		55	
<i>Sub Total Housing (General Fund)</i>		495		496
<b>Planning &amp; Development Services</b>				
- Visit Scotland	132		161	
- Perth & Kinross Countryside Trust	55		70	
- Perth & Kinross Heritage Trust	83		83	
<i>Sub Total Planning &amp; Development</i>		270		314
<b>Cultural &amp; Related Services</b>				
- Live Active Leisure Limited	3,556		3,648	
- Horsecross Arts Ltd: Perth Concert Hall	1,225		957	
- Horsecross Arts Ltd: Perth Repertory Theatre	451		352	
- Pitlochry Festival Theatre	189		189	
- Perth & Kinross Sports Council	16		17	
<i>Sub Total Cultural &amp; Related</i>		5,437		5,163
<b>Central Services</b>				
- Citizens Advice Bureau	149		149	
- Perthshire Women's Aid	54		49	
- Other	222		299	
<i>Sub Total Central Services</i>		425		497
		<u>10,413</u>		<u>10,613</u>

## 15. Amounts Reported for Resource Allocation Decisions

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

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

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

<b>Segmental Analysis 2013/14</b>	Education & Children's Services £'000	Housing & Community Care £'000	The Environment Service £'000	Total £'000
Fees, charges and other service income	(5,586)	(44,076)	(12,076)	(61,738)
Government Grants and contributions	(1,634)	(34,001)	(1,496)	(37,131)
<b>Total Income</b>	<b>(7,220)</b>	<b>(78,077)</b>	<b>(13,572)</b>	<b>(98,869)</b>
Employee expenses	104,930	40,386	23,191	168,507
Other service expenses	59,766	102,866	32,087	194,719
Support Service Recharges	5,258	4,513	1,498	11,269
<b>Total Operating Expenses</b>	<b>169,954</b>	<b>147,765</b>	<b>56,776</b>	<b>374,495</b>
<b>Net Cost of Services</b>	<b>162,734</b>	<b>69,688</b>	<b>43,204</b>	<b>275,626</b>

	2013/14 £'000
<b>Reconciliation to Net Cost of Services in Group Comprehensive Income and Expenditure Statement</b>	
Cost of Services in Service Analysis	275,626
Add services not included in main analysis	2,242
Add amounts not reported to management	26,840
Net cost of services in Comprehensive Income and Expenditure Statement	304,708
Group operating results	1,083
Net cost of services in Group Comprehensive Income and Expenditure Statement	305,791

<b>Reconciliation to Subjective Analysis 2013/14</b>	Service Analysis	Services not in Analysis	Not reported to management	Group Results in Cost of Services	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(61,738)	(1,874)	12	(27,826)	(91,426)	(1,128)	(92,554)
Surplus or deficit on associates and joint ventures	0	0	0	154	154	0	154
Interest and Investment Income	0	0	0	0	0	(600)	(600)
Income from council tax	0	0	0	0	0	(67,083)	(67,083)
Government grants and contributions	(37,131)	(126)	(3,066)	0	(40,323)	(256,624)	(296,947)
<b>Total Income</b>	<b>(98,869)</b>	<b>(2,000)</b>	<b>(3,054)</b>	<b>(27,672)</b>	<b>(131,595)</b>	<b>(325,435)</b>	<b>(457,030)</b>
Employee expenses	168,507	14,108	7,906	0	190,521	9,055	199,576
Other service expenses	194,719	(9,866)	(12,927)	28,755	200,681	(359)	200,322
Support Service Recharges	11,269	0	0	0	11,269	0	11,269
Depreciation, amortisation and impairment	0	0	34,915	0	34,915	0	34,915
Interest payments	0	0	0	0	0	16,287	16,287
Gain on disposal of non-current assets	0	0	0	0	0	(1,117)	(1,117)
<b>Total Operating Expenses</b>	<b>374,495</b>	<b>4,242</b>	<b>29,894</b>	<b>28,755</b>	<b>437,386</b>	<b>23,866</b>	<b>461,252</b>
<b>(Surplus) / Deficit on the provision of services (Group Comprehensive I&amp;E)</b>	<b>275,626</b>	<b>2,242</b>	<b>26,840</b>	<b>1,083</b>	<b>305,791</b>	<b>(301,569)</b>	<b>4,222</b>

<b>Segmental Analysis 2012/13</b>	<i>Education &amp; Children's Services</i>	<i>Housing &amp; Community Care</i>	<i>The Environment Service</i>	<i>Total</i>
	£000	£000	£000	£000
Fees, charges and other Service income	(5,097)	(44,240)	(10,986)	(60,323)
Government Grants and contributions	(1,637)	(36,715)	(1,116)	(39,468)
<b>Total Income</b>	<b>(6,734)</b>	<b>(80,955)</b>	<b>(12,102)</b>	<b>(99,791)</b>
Employee expenses	103,976	39,435	23,829	167,240
Other Service expenses	58,658	106,454	29,912	195,024
Support Service Recharges	5,892	4,631	3,430	13,953
<b>Total Operating Expenses</b>	<b>168,526</b>	<b>150,520</b>	<b>57,171</b>	<b>376,217</b>
<b>Total Net Cost of Services</b>	<b>161,792</b>	<b>69,565</b>	<b>45,069</b>	<b>276,426</b>

2012/13  
£'000

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

Cost of Services in Service Analysis	276,426
Add services not included in main analysis	17,520
Add amounts not reported to management	19,554
Net cost of services in Comprehensive Income and Expenditure Statement	313,500
Group operating results	1,278
Net cost of services in Group Comprehensive Income and Expenditure Statement	314,778

<b>Reconciliation to Subjective Analysis 2012/13</b>	<i>Service Analysis</i>	<i>Services not in Analysis</i>	<i>Not reported to management</i>	<i>Group Results in Cost of Services</i>	<i>Net Cost of Services</i>	<i>Corporate Amounts</i>	<i>Total</i>
Restated	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges and other service income	(60,323)	397	(2,056)	(11,029)	(73,011)	(1,222)	(74,233)
Surplus or deficit on associates and joint ventures	0	0	0	1,003	1,003	0	1,003
Interest and Investment Income	0	0	0	0	0	(1,248)	(1,248)
Income from council tax	0	0	0	0	0	(71,830)	(71,830)
Government grants and contributions	(39,468)	(458)	(238)	0	(40,164)	(268,056)	(308,220)
<b>Total Income</b>	<b>(99,791)</b>	<b>(61)</b>	<b>(2,294)</b>	<b>(10,026)</b>	<b>(112,172)</b>	<b>(342,356)</b>	<b>(454,528)</b>
Employee expenses	167,240	12,950	4,345	0	184,535	20,706	205,241
Other service expenses	195,024	4,631	(10,461)	11,304	200,498	217	200,715
Support Service Recharges	13,953	0	0	0	13,953	0	13,953
Depreciation, amortisation and impairment	0	0	27,964	0	27,964	0	27,964
Interest payments	0	0	0	0	0	16,852	16,852
Gain on disposal of non-current assets	0	0	0	0	0	(519)	(519)
<b>Total Operating Expenses</b>	<b>376,217</b>	<b>17,581</b>	<b>21,848</b>	<b>11,304</b>	<b>426,950</b>	<b>37,256</b>	<b>464,206</b>
<b>(Surplus) / Deficit on the provision of services (Group Comprehensive I&amp;E)</b>	<b>276,426</b>	<b>17,520</b>	<b>19,554</b>	<b>1,278</b>	<b>314,778</b>	<b>(305,100)</b>	<b>9,678</b>

## 16. Agency Services

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

	2013/14 Income	2013/14 Expenditure	2012/13 Income	2012/13 Expenditure
	£'000	£'000	£'000	£'000
<u>Education Services</u>				
Provision of Pupil Support				
Assistants to other local authorities	136	136	92	92
<u>Roads and Transport Services</u>				
Receipts from other local authorities for cross boundary bus services	29	29	26	26
<u>Central Services</u>				
Income from Scottish Water	418	418	363	363
Totals	<u>583</u>	<u>583</u>	<u>481</u>	<u>481</u>

## 17. External Audit Costs

In 2013/14 Perth and Kinross Council incurred the following fees relating to external audit services provided in accordance with the Code of Audit Practice:

	2013/14 £'000	2012/13 £'000
Fees payable to Audit Scotland	281	283
less Rebate	0	(17)
Net Fee Payable	<u>281</u>	<u>266</u>

## 18. Termination Benefits

The Council terminated the contracts of a number of employees in 2013/14, incurring liabilities of £2,002,000 (£1,149,000 in 2012/13). These were in relation to 135 officers (40 in 2012/13) from all Services across the Council throughout 2013/14 and will deliver significant recurring savings in excess of £2,300,000 on an annual basis.

## 19. Post-Employment Benefits

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

A revised IAS19 standard applies to accounting periods beginning on or after 1 January 2013. The main changes are:

- Removal of the expected return on assets, to be replaced by a net interest cost comprising interest income on the assets and interest expense on the liabilities, which are both calculated with reference to the discount rate.
- Some labelling changes to the Comprehensive Income and Expenditure Charge e.g. "Service Cost" now includes what was previously described as the "Current Service Cost" plus the "Past Service Cost" plus any "Curtailments" plus any "Settlements".
- Administration expenses are now accounted for within the Comprehensive Income and Expenditure Statement; previously this was a deduction to the actual and expected return on assets.

The Council's Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Cash Flow Statement and relevant notes have been restated in 2012/13 for this amendment to IAS19. There is no impact on the General Fund Balances. This impact has also been reflected in the 2012/13 restated Council's Group Accounts.

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

### **Pensions Schemes Accounted for as Defined Contribution Schemes**

#### ***Teachers***

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

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

In 2013/14, the Council paid £7,567,806 to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.9% of pensionable pay. The figures for 2012/13 were £7,632,226 and 14.9%. There were no contributions remaining payable at the year-end. Additional payments relating to added year's benefits, which the Council has inherited from predecessor authorities or awarded itself, together with related increases, amounted to £256,308 (2012/13 £271,325).

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

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

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

#### **Benefits**

- It is a defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level to balance the pensions liability with investment assets.
- The pensions accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The scheme's normal retirement age is 65. Pensions are increased annually in line with changes to the Pensions (Increases) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

#### **Governance**

- The Tayside Pension Fund is operated under the regulatory framework for the LGPS in Scotland and the governance of the scheme is the responsibility of the Tayside Pension Fund Committee. This committee is comprised solely of elected members of Dundee City Council. 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 schedule bodies) such as Perth & Kinross Council, community admission bodies and transferee admission bodies. Admission agreements are generally assumed to be open-ended. However, either party can voluntarily terminate the admission agreement by giving an appropriate period of notice to the other parties. Any deficit arising from the cessation valuation will usually be levied on the departing admission body as a capital payment.

#### Principal Risks

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

#### Discretionary Post-employment Benefits

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

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

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

#### 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 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

	2013/14 £'000	2012/13 <i>Restated</i> £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- Service Cost	24,094	21,752
Financing and Investment Income and Expenditure		
- Net Interest on the Defined Liability	8,150	8,825
Administration Expenses	266	220
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	<u>32,510</u>	<u>30,797</u>
Remeasurement of the net defined benefit liability comprising:		
Expected return on pension fund assets in excess of interest	(14,482)	(51,699)
Changes in demographic assumptions (there is no comparator for demographic assumptions for 2012/13)	18,616	<i>n/a</i>
Changes in financial assumptions	57,525	22,308
Experience gain / (loss) on defined benefit obligation	(362)	4,294
Total Post Employment Benefit Charged / (Credited) to the Comprehensive Income & Expenditure Statement	<u>61,297</u>	<u>(25,097)</u>
Movement in Reserves Statement		
- Reversal of net charges made to the surplus or deficit on the Provision of Services for post-employment benefits in accordance with the code	<u>(32,510)</u>	<u>(30,797)</u>
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to Tayside Pension Fund	<u>16,901</u>	<u>16,330</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 2014	31 March 2013
	£'000	£'000
Present Value of the Defined Benefit Obligation	769,231	654,031
Present Value of Unfunded Obligation	28,348	27,518
Closing Defined Benefit Obligation	<u>797,579</u>	<u>681,549</u>
Fair Value of Pension Fund Assets (Bid Value)	<u>(531,581)</u>	<u>(492,457)</u>
<b>Net Liability in Balance Sheet</b>	<b><u>265,998</u></b>	<b><u>189,092</u></b>

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

	31 March 2014	31 March 2013
	£'000	£'000
Opening Defined Benefit Obligation	681,549	618,534
Current Service Cost	22,050	21,070
Interest Cost	30,368	28,155
Change in Financial Assumptions	57,525	22,308
Change in Demographic Assumptions (there is no comparator for demographic assumptions in 2012/13)	18,616	n/a
Experience Loss / (Gain) on Defined Benefit Obligation	(362)	4,294
Estimated Benefits Paid Net of Transfers In	(17,565)	(16,703)
Past Service Costs (including Curtailments)	2,044	682
Contributions by Scheme Participants	5,161	5,017
Unfunded Pension Payments	(1,807)	(1,808)
Closing Defined Benefit Obligation	<u>797,579</u>	<u>681,549</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 2014	31 March 2013
	£'000	£'000
Opening Fair Value of Scheme Assets	492,457	418,812
Interest on Assets	22,218	19,330
Return on Assets Less Interest	14,482	51,699
Administration Expenses	(266)	(220)
Contributions by Employer Including Unfunded	16,901	16,330
Contributions by Scheme Participants	5,161	5,017
Estimated Benefits Paid Plus Unfunded Net of Transfers In	(19,372)	(18,511)
Closing Fair Value of Scheme Assets	<u>531,581</u>	<u>492,457</u>

Perth & Kinross Council's share of Tayside Pension Fund's assets at 31 March 2014 comprised:

	31 March 2014		31 March 2013	
	£'000	%	£'000	%
Equities	377,423	71%	349,645	71%
Gilts	26,579	5%	34,472	7%
Other Bonds	69,105	13%	54,170	11%
Property	47,842	9%	44,321	9%
Cash	10,632	2%	9,849	2%
Total	<u>531,581</u>	<u>100%</u>	<u>492,457</u>	<u>100%</u>

A further breakdown of the assets as at 31 March 2014 is as follows:

	31 March 2014	
Equities		
Consumer	12%	
Financials	12%	
Industrials	8%	
Energy and Utilities	4%	
Materials	2%	
Healthcare	4%	
Information Technology	4%	
Telecommunications	1%	
Pooled Investments	24%	
		71%
Gilts		
Government Bonds		5%
Other Bonds		
Corporate Bonds	12%	
Venture Capital / Partnerships	1%	
		13%
Property		
Retail	3%	
Commercial	4%	
Alternatives and Cash	2%	
		9%
Cash		
Forward Foreign Exchange Contracts		2%
Total		100%

There are no comparators for the further breakdown of assets as at 31 March 2013.

#### 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 2011 and rolled forward to 31 March 2014.

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

	2013/14	2012/13
Mortality Assumptions:		
Longevity at 65 for Current Pensioners:		
- Men	21.0	20.6
- Women	23.3	22.9
Longevity at 65 for Future Pensioners:		
- Men	23.2	21.9
- Women	25.6	24.5
Rate of Inflation CPI	2.9%	2.6%
Rate of Inflation RPI	3.7%	3.4%
Rate of Increase in Salaries	5.1%	4.8%
Rate of Increase in Pensions	2.9%	2.6%
Rate for Discounting Scheme Liabilities	4.5%	4.5%
Take-up of Option to Convert Annual Pension into Retirement Lump Sum	50.0%	50.0%

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The net liability of £265,998,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2015 is £16,316,000.

### Sensitivity Analysis

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

Adjustment to discount rate	+0.1%	0.0%	-0.1%
- Present value of total obligation as at 1 April 2014	£780,971,000	£797,579,000	£814,556,000
- Projected Service cost (2014/15)	£23,911,000	£24,633,000	£25,378,000
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
- Present value of total obligation as at 1 April 2014	£806,443,000	£797,579,000	£788,865,000
- Projected Service cost (2014/15)	£25,081,000	£24,633,000	£24,193,000
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
- Present value of total obligation as at 1 April 2014	£805,492,000	£797,579,000	£789,414,000
- Projected Service cost (2014/15)	£24,942,000	£24,633,000	£24,339,000
Adjustment to mortality age rating assumption	+0.1%	0.0%	-0.1%
- Present value of total obligation as at 1 April 2014	£768,312,000	£797,579,000	£827,129,000
- Projected Service cost (2014/15)	£23,744,000	£24,633,000	£25,532,000

## 20 Related Parties

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

### Scottish Government

The Scottish Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills). Grants received from government departments are set out in the subjective analysis in Note 15 on amounts reported to decision makers.

### Tayside Valuation Joint Board

The Tayside Valuation Joint Board provides services on behalf of Perth & Kinross, Angus and Dundee Councils. The Council does not have any direct control or influence over the board and the amount payable to this body is detailed within Note 8.

### Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in the Remuneration Report. During 2013/14, two councillors had an interest in businesses from which the Council commissioned works and services to the value of £23,706, and £22,235 respectively. Contracts were entered into in full compliance with the Council's standing orders and the Councillors' Code of Conduct.

### Live Active Leisure Ltd

This organisation provides leisure services within the area served by the Council. A grant was provided in 2013/14 amounting to £3,556,000 (2012/13 £3,648,000). 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 2013/14 amounting to £1,676,000 (2012/13 £1,309,000). 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 2013/14 amounted to £20,982,000 (2012/13 £21,097,000). The Joint Committee is jointly administered and controlled with Dundee City Council and Angus Council.

## 21 Leases

### Council as Lessee

The Council has previously acquired grounds maintenance and waste disposal vehicles by entering into contract hire agreements. The Council also operates a Lease Car Scheme which is available to eligible employees and lease rental payments are recovered from employees. The vehicle contract hire and car leasing agreements are due to expire during the financial years 2014/15 to 2018/19.

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 is 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:

	2013/14 £'000	2012/13 £'000
Not later than one year	836	784
Later than one year and not later than five years	1,921	1,906
Later than five years	1,007	1,109
	<u>3,764</u>	<u>3,799</u>

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

	2013/14 £'000	2012/13 £'000
Minimum lease payments	847	947
Sublease payments receivable	(20)	(23)
	<u>827</u>	<u>924</u>

### Council as Lessor

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

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

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

	2013/14 £'000	2012/13 £'000
Not later than one year	1,362	1,408
Later than one year and not later than five years	4,214	4,502
Later than five years	50,424	51,724
	<u>56,000</u>	<u>57,634</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 2012/13 and 2013/14.

## 22 Property, Plant and Equipment

Movements on Fixed Assets 2013/14 in respect of Property, Plant & Equipment are shown below:

<b>Movements in 2013/14</b>	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 2013	73,759	453,967	33,414	178,302	12,277	751,719
Additions	12,378	8,883	5,842	16,580	2,009	45,692
Revaluation increases recognised in the Revaluation Reserve	0	5,725	0	0	0	5,725
Revaluation decreases recognised in the Revaluation Reserve	0	(18,481)	0	0	0	(18,481)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	0	244	0	0	0	244
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	0	(5,600)	0	0	0	(5,600)
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Derecognition - disposals	(492)	(170)	(2,675)	0	0	(3,337)
Asset reclassifications	2,658	(9,554)	0	0	0	(6,896)
As at 31 March 2014	88,303	435,014	36,581	194,882	14,286	769,066
<u>Depreciation</u>						
As at 1 April 2013	(14,061)	(29,145)	(21,614)	(67,433)	(4,379)	(136,632)
Depreciation charge for 2013/14	(5,573)	(10,433)	(4,795)	(7,243)	(807)	(28,851)
Depreciation written out to the Revaluation Reserve - revaluation gain	0	643	0	0	0	643
Depreciation written out to the Revaluation Reserve - revaluation loss	0	6,422	0	0	0	6,422
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	0	237	0	0	0	237
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	0	217	0	0	0	217
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0
Derecognition - disposals	110	5	2,591	0	0	2,706
Asset reclassifications	0	1,134	0	0	0	1,134
As at 31 March 2014	(19,524)	(30,920)	(23,818)	(74,676)	(5,186)	(154,124)
Net Book Value at 31 March 2014	68,779	404,094	12,763	120,206	9,100	614,942

**Movements in 2013/14**

	Sub total b/fwd £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	PFI Assets Included in PPE £'000
<b><u>Gross Book Value</u></b>					
As at 1 April 2013	751,719	604	8,194	760,517	132,700
Additions	45,692	85	12,186	57,963	35
Revaluation increases recognised in the Revaluation Reserve	5,725	0	0	5,725	0
Revaluation decreases recognised in the Revaluation Reserve	(18,481)	0	(2,989)	(21,470)	0
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	244	0	0	244	0
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(5,600)	0	(398)	(5,998)	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(1,666)	0	(1,666)	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(713)	0	(713)	0
Derecognition - disposals	(3,337)	(65)	0	(3,402)	0
Asset reclassifications	(6,896)	2,558	4,014	(324)	0
As at 31 March 2014	<b>769,066</b>	<b>803</b>	<b>21,007</b>	<b>790,876</b>	<b>132,735</b>
<b><u>Depreciation</u></b>					
As at 1 April 2013	(136,632)	(14)	0	(136,646)	(10,176)
Depreciation charge for 2013/14	(28,851)	(25)	0	(28,876)	(3,199)
Depreciation written out to the Revaluation Reserve - revaluation gain	643	0	36	679	0
Depreciation written out to the Revaluation Reserve - revaluation loss	6,422	0	575	6,997	0
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	237	0	0	237	0
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	217	0	0	217	0
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	202	0	202	0
Derecognition - disposals	2,706	7	0	2,713	0
Asset reclassifications	1,134	(202)	(611)	321	0
As at 31 March 2014	<b>(154,124)</b>	<b>(32)</b>	<b>0</b>	<b>(154,156)</b>	<b>(13,375)</b>
Net Book Value at 31 March 2014	<b>614,942</b>	<b>771</b>	<b>21,007</b>	<b>636,720</b>	<b>119,360</b>

### Comparative Movements in 2012/13

	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 2012	62,908	448,759	31,706	167,325	11,565	722,263
Additions	7,496	10,008	5,733	10,977	712	34,926
Revaluation increases recognised in the Revaluation Reserve	0	3,543	0	0	0	3,543
Revaluation decreases recognised in the Revaluation Reserve	0	(7,621)	0	0	0	(7,621)
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	0	3,878	0	0	0	3,878
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	0	(5,052)	0	0	0	(5,052)
Derecognition - disposals	(436)	(35)	(4,025)	0	0	(4,496)
Asset reclassifications	3,791	487	0	0	0	4,278
As at 31 March 2013	<u>73,759</u>	<u>453,967</u>	<u>33,414</u>	<u>178,302</u>	<u>12,277</u>	<u>751,719</u>
<u>Depreciation</u>						
As at 1 April 2012	(9,627)	(21,407)	(21,076)	(60,773)	(3,689)	(116,572)
Depreciation charge for 2012/13	(4,528)	(10,483)	(4,531)	(6,660)	(690)	(26,892)
Depreciation written out to the Revaluation Reserve - revaluation gain	0	761	0	0	0	761
Depreciation written out to the Revaluation Reserve - revaluation loss	0	1,098	0	0	0	1,098
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	0	582	0	0	0	582
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	0	223	0	0	0	223
Derecognition - disposals	94	0	3,993	0	0	4,087
Asset reclassifications	0	81	0	0	0	81
As at 31 March 2013	<u>(14,061)</u>	<u>(29,145)</u>	<u>(21,614)</u>	<u>(67,433)</u>	<u>(4,379)</u>	<u>(136,632)</u>
Net Book Value at 31 March 2013	<u>59,698</u>	<u>424,822</u>	<u>11,800</u>	<u>110,869</u>	<u>7,898</u>	<u>615,087</u>

**Comparative Movements in 2012/13**

	Sub total b/fwd £'000	Surplus Assets £'000	Assets Under Construction £'000	Total PPE £'000	PFI Assets Included in PPE £'000
<b>Gross Book Value</b>					
As at 1 April 2012	722,263	756	5,983	729,002	132,700
Additions	34,926	34	7,180	42,140	0
Revaluation increases recognised in the Revaluation Reserve	3,543	(30)	0	3,513	0
Revaluation decreases recognised in the Revaluation Reserve	(7,621)	(90)	0	(7,711)	0
Revaluation increases recognised in the Surplus/Deficit on the Provision of Services	3,878	0	0	3,878	0
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	(5,052)	(419)	(2)	(5,473)	0
Derecognition - disposals	(4,496)	0	(81)	(4,577)	0
Asset reclassifications	4,278	353	(4,886)	(255)	0
As at 31 March 2013	<u>751,719</u>	<u>604</u>	<u>8,194</u>	<u>760,517</u>	<u>132,700</u>
<b>Depreciation</b>					
As at 1 April 2012	(116,572)	(70)	(2)	(116,644)	(6,977)
Depreciation charge for 2012/13	(26,892)	(13)	0	(26,905)	(3,199)
Depreciation written out to the Revaluation Reserve - revaluation gain	761	70	0	831	0
Depreciation written out to the Revaluation Reserve - revaluation loss	1,098	6	0	1,104	0
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation gain	582	0	0	582	0
Depreciation written out to the Surplus/Deficit on the Provision of Services - revaluation loss	223	4	2	229	0
Derecognition - disposals	4,087	0	0	4,087	0
Asset reclassifications	81	(11)	0	70	0
As at 31 March 2013	<u>(136,632)</u>	<u>(14)</u>	<u>0</u>	<u>(136,646)</u>	<u>(10,176)</u>
Net Book Value at 31 March 2013	<u>615,087</u>	<u>590</u>	<u>8,194</u>	<u>623,871</u>	<u>122,524</u>

**Capital Commitments**

At 31 March 2014, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost £9.800m. Similar commitments at 31 March 2013 were £14.369m. The total commitment is made up of the following:

	2013/14 £'000	2012/13 £'000
Education Projects	3,663	9,721
Roads & Bridges Improvement Schemes	3,166	2,441
Flood Prevention	0	104
Dalcrue Landfill site	0	25
Other Environmental Improvements	184	898
Fleet Vehicles	788	26
Provision and Upgrade of Commercial Sites	698	0
Other Capital Projects	1,301	1,154
	<u>9,800</u>	<u>14,369</u>

## Valuation of Assets

### Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant and equipment are based on market prices at date of acquisition.

	Council Dwellings £'000	Other Land and Buildings £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	58,122	12,844	118	71,084
Values at fair value as at:				
31 March 2014	0	84,995	200	85,195
31 March 2013	0	45,712	425	46,137
31 March 2012	0	176,047	60	176,107
31 March 2011	0	45,930	0	45,930
31 March 2010	30,181	69,486	0	99,667
Total Cost or Valuation	88,303	435,014	803	524,120

### Changes in Estimates

The Council made no material changes to accounting estimates for Property, Plant and Equipment in 2013/14.

## 23 Heritage Assets

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

	2013/14 Art Collection £'000	2013/14 War Memorials £'000	2013/14 Total £'000	2012/13 Art Collection £'000	2012/13 War Memorials £'000	2012/13 Total £'000
Cost or Valuation						
Balance at 1 April	20,592	46	20,638	19,529	46	19,575
Revaluations	3,421	0	3,421	1,063	0	1,063
Balance at 31 March	24,013	46	24,059	20,592	46	20,638

### Art Collection

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

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

Council curators within the Heritage Service have commenced a five year rolling programme of valuation for the Fine and Applied Art collections. As at 31 March 2014, all oil paintings, watercolours and drawings including J D Fergusson works, and the Margaret Morris Archives, have been valued and are included within the above Art Collection reconciliation. Items and collections having significant value will be added to the Council balance sheet as the valuation programme progresses.

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

## Additions and Disposals of Heritage Assets

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

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

#### Art Collection

##### Fine and Applied Art

The Fine Art collection owes its existence largely to the 1926 bequests of local patrons Robert Hay Robertson and Robert Brough, although the first painting entered the collection as early as 1785.

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

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

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

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

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

The Council Heritage Service Collecting Policy provides guidance on the collection, disposal or lending of heritage assets.

## 24 Investment Properties

	2013/14	2012/13
	£'000	£'000
Rental income from investment property	(1,128)	(1,222)
Direct operating expenses arising from investment property	93	77
Net gain	<u>(1,035)</u>	<u>(1,145)</u>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or to undertake repairs, maintenance or enhancement.

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

	2013/14	2012/13
	£'000	£'000
Balance at start of year	16,224	17,292
Disposals:	(95)	(355)
Net gain/(losses) from fair value adjustments	376	(356)
Reclassifications: (to)/from Property, Plant and Equipment	(77)	(357)
Balance at end of year	<u>16,428</u>	<u>16,224</u>

## 25 Intangible Assets

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

	2013/14 Other Assets  £'000	2012/13 Other Assets  £'000
Balance at start of year		
Gross carrying amount	136	57
Accumulated amortisation	<u>(82)</u>	<u>(44)</u>
Net carrying amount at start of year	54	13
 Additions: Purchases	 0	 79
 Amortisation for the period	 (26)	 (38)
 Net carrying amount at end of year	 <u>28</u>	 <u>54</u>
Comprising:		
Gross carrying amounts	136	136
Accumulated amortisation	<u>(108)</u>	<u>(82)</u>
	<u>28</u>	<u>54</u>

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

In addition to the above, previous year additions relate to the purchase of software licences which will provide future benefit to the Council, these will be amortised over the three year licence term, which commenced in 2012/13.

## 26 Assets Held for Sale

	Current		Non Current	
	2013/14 £'000	2012/13 £'000	2013/14 £'000	2012/13 £'000
Balance outstanding at start of year	717	190	2,445	2,930
Assets newly classified as held for sale:				
- Property, Plant and Equipment	0	0	80	542
Revaluation Losses	0	0	0	(237)
Assets sold	(717)	(73)	0	(190)
Transfers from non-current to current	0	600	0	(600)
Balance outstanding at year end	<u>0</u>	<u>717</u>	<u>2,525</u>	<u>2,445</u>

## 27 Long Term Debtors

	2013/14 £'000	2012/13 £'000
Other Entities & Individuals	837	763
Impairment	<u>(180)</u>	<u>(194)</u>
Total	<u>657</u>	<u>569</u>

## 28 Inventories

	Consumables & Maintenance Materials	
	2013/14 £'000	2012/13 £'000
Balance outstanding at start of year	565	571
Purchases	2,891	2,985
Recognised as an expense in the year	(2,937)	(2,980)
Written off balances	(3)	(11)
Balance outstanding at end of year	<u>516</u>	<u>565</u>

## 29 Debtors

	2013/14	2013/14	2012/13	2012/13
	£'000	£'000	£'000	£'000
	Gross	Net	Gross	Net
Scottish Government		9,758		6,798
Central Government		2,762		2,899
Other Local Authorities		53		68
NHS Bodies		438		177
Other Entities & Individuals	14,822		12,374	
less Impairment	<u>(8,862)</u>		<u>(7,728)</u>	
		5,960		4,646
Trade	6,065		5,841	
less Impairment	<u>(562)</u>		<u>(672)</u>	
		5,503		5,169
Council Tax & Community Charge	16,226		16,827	
less Impairment	<u>(13,436)</u>		<u>(14,251)</u>	
		2,790		2,576
Total		<u>27,264</u>		<u>22,333</u>

## 30 Creditors

	2013/14 £'000	2012/13 £'000
Scottish Government	(107)	(238)
Central Government	(5,188)	(5,585)
Other Local Authorities	(1,045)	(2,095)
NHS Bodies	(15)	(2)
Public Corporations and Trading Funds	(230)	(292)
Other Entities and Individuals	(20,973)	(15,297)
Trade Creditors	(23,213)	(22,624)
Total	<u>(50,771)</u>	<u>(46,133)</u>

### 31 Provisions Other than Bad and Doubtful Debts

#### Self Insured/Uninsured Losses

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

The provision provides for an estimate of all liabilities likely to be incurred by the Council in respect of self-insured and uninsured losses in respect of incidents that have arisen prior to 1 April 2014.

#### Education

The Council's provision for an estimated liability in respect of an employment tribunal claim has been used in 2013/14 with the balance written back.

#### Equal Pay Claims

The Council has made provision for Equal Pay Claims as at 31 March 2014.

#### Department of Works and Pensions (DWP)

The Council's provision for an estimated liability in respect of 2012/13 potential errors in Housing Benefit and Council Tax Benefit claims has been reversed in 2013/14.

	Self Insured/ Uninsured Losses £'000	Education £'000	Equal Pay Claims £'000	DWP £'000	Total £'000
Balance as at 1 April 2013	1,559	200	763	80	2,602
Additional provisions made in 2013/14	97	0	0	0	97
Amounts used in 2013/14	(290)	(96)	0	0	(386)
Unused amounts reversed in 2013/14	0	(104)	0	(80)	(184)
Balance as at 31 March 2014	<u>1,366</u>	<u>0</u>	<u>763</u>	<u>0</u>	<u>2,129</u>
Balance Sheet Disclosure:					
Less than 12 months	198	0	763	0	961
Over 12 months	1,168	0	0	0	1,168
	<u>1,366</u>	<u>0</u>	<u>763</u>	<u>0</u>	<u>2,129</u>

### 32 Usable Reserves

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

### 33 Unusable Reserves

	2013/14 £'000	2012/13 £'000
Revaluation Reserve	(71,470)	(78,563)
Capital Adjustments Account	(224,072)	(219,313)
Financial Instruments Adjustment Account	12,787	13,375
Pensions Reserve	265,998	189,092
Employee Statutory Adjustment Account	5,380	4,602
Total Unusable Reserves	<u>(11,377)</u>	<u>(90,807)</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.

	2013/14 £'000	2012/13 £'000
Balance at 1 April	(78,563)	(80,823)
Upward revaluation of assets	(9,825)	(5,407)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	15,937	6,608
	<u>(72,451)</u>	<u>(79,622)</u>
Difference between fair value depreciation and historical cost depreciation	915	1,047
Accumulated gains on assets sold or scrapped	66	12
Amount written off to the Capital Adjustment Account	981	1,059
	<u>(71,470)</u>	<u>(78,563)</u>
Balance at 31 March	<u>(71,470)</u>	<u>(78,563)</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.

	2013/14 £'000	2012/13 £'000
Balance at 1 April	(219,313)	(209,307)
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	28,876	26,905
Revaluation losses on Property, Plant and Equipment	6,013	1,021
Amortisation of intangible assets	26	38
Amounts of non current assets written off on disposal as part of the gain/loss	1,501	1,108
	<u>(182,897)</u>	<u>(180,235)</u>
Adjusting amounts written out of the Revaluation Reserve	(981)	(1,059)
	<u>(183,878)</u>	<u>(181,294)</u>
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(2,918)	(2,410)
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	(12,269)	(13,502)
Application of grants to capital financing from Capital Grants Unapplied Account	(583)	(330)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(15,542)	(15,685)
Capital expenditure charged against the general fund and HRA balances	(8,506)	(6,448)
	<u>(223,696)</u>	<u>(219,669)</u>
Movements in the fair value of the Investment Properties	(376)	356
	<u>(224,072)</u>	<u>(219,313)</u>
Balance at 31 March	<u>(224,072)</u>	<u>(219,313)</u>

### Financial Instruments Adjustment Account

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

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

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

Accordingly, the balance on the FIAA as at 31 March 2014 in respect of the above provisions will be charged to the General Fund and HRA over the next 41 years. The movements on the FIAA during the year are shown below:

	2013/14 £'000	2012/13 £'000
Balance at 1 April	13,375	13,966
Proportion of discounts incurred in previous financial years credited against the General Fund & HRA Balance in accordance with statutory requirements in the year	10	16
Proportion of premiums incurred in previous financial years charged against the General Fund & HRA Balance in accordance with statutory requirements in the year	(584)	(594)
Difference on restatement of Stepped Interest Rate Loans	(14)	(13)
Balance at 31 March	<u>12,787</u>	<u>13,375</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 in 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.

	2013/14 £'000	<i>Restated</i> 2012/13 £'000
Balance at 1 April	189,092	199,722
Actuarial Gains or Losses on Pensions Assets and Liabilities	61,297	(25,097)
Reversal of Items Relating to Retirement Benefits Debited or Credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	32,510	30,797
Employer's Pensions Contributions and Direct Payments to Pensioners Payable in the Year	(16,901)	(16,330)
Balance at 31 March	<u>265,998</u>	<u>189,092</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.

	2013/14 £'000	2012/13 £'000
Balance at 1 April	4,602	5,879
Settlement or cancellation of accrual made at the end of the preceding year	(4,602)	(5,879)
Amounts accrued at the end of the current year	5,380	4,602
Balance at 31 March	<u>5,380</u>	<u>4,602</u>

### 34 Impairment Losses

There was a £6.013m net loss following the revaluation of properties during the year, the majority of which has been assessed as a revaluation loss rather than a loss attributed to deterioration in the anticipated level of the performance of the properties. Of the net loss, there was an impairment loss of £0.711m relating to an individual property which will no longer be used for service provision. The remainder of the total loss (£5.302m) is attributed to the revaluation of a wide range of operational properties, however the future service potential of these remains unchanged.

### 35 Grants

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14.

	2013/14 £'000	2012/13 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Scottish Government	10,142	13,249
Scottish Government Directorates (Historic Scotland, NHS)	1,000	61
Other Scottish Government Bodies	302	0
Developer Contributions	250	36
Other Third Party Contributions	575	156
	<u>12,269</u>	<u>13,502</u>
<b>Credited to Services</b>		
Scottish Government	5,863	7,025
Scottish Government Directorates (Historic Scotland, NHS)	690	334
Scottish Enterprise	0	30
Sport Scotland	414	411
Local Authority	27	92
Other Scottish Government Bodies	362	388
Other Third Party Contributions	524	418
	<u>7,880</u>	<u>8,698</u>

The Council has received a contribution that has yet to be recognised as income as it has conditions attached that may require the monies to be returned to the funder in 2014/15. The balance at the year end is as follows:

	2013/14 £'000	2012/13 £'000
<b>Capital Grants Received in Advance</b>		
Third Party Contributions - Developer	0	250
	<u>0</u>	<u>250</u>

### 36 Capital Expenditure and Capital Financing

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

	2013/14 £'000	2012/13 £'000
Capital Financing Requirements b/fwd	364,153	359,999
<u>Capital Expenditure</u>		
Property, Plant and Equipment	57,963	42,219
Revenue Expenditure funded from Capital	3,066	2,587
	<u>61,029</u>	<u>44,806</u>
	<u>425,182</u>	<u>404,805</u>
<u>Sources of Finance</u>		
Capital Receipts	2,629	2,430
Government Grants and Contributions	15,335	16,089
Revenue Contributions	8,506	6,448
Loans Fund Principal Repayments	15,542	15,685
	<u>42,012</u>	<u>40,652</u>
Closing Capital Financing Requirement c/fwd	<u>383,170</u>	<u>364,153</u>
Movement	19,017	4,154
<u>Analysed as:</u>		
Increase/(Decrease) in need to borrow	22,741	7,795
Net assets acquired under PPP contract	(3,724)	(3,641)
	<u>19,017</u>	<u>4,154</u>

### 37 Public Finance Initiatives and Similar Contracts

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

The unitary charge for 2013/14 for the office accommodation was £2,624,000 (2012/13 £2,594,000).

The unitary charge for 2013/14 for the car park was £403,000 (2012/13 £401,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2014/15 for the office accommodation will be £2,680,000 and for the car park £408,000.

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. St John's Primary School 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 St John's Secondary School Campus were brought into operation during 2009/10. The Council will make unitary charge payments until the contract ends in 2042, at which time the campuses will be handed back to the Council at no cost. The estimated capital value of the scheme is £127,687,000.

The unitary charge for 2013/14 for the campuses operating in the year was £14,736,000 (2012/13 £14,246,000).

Future agreed payments will increase in line with inflation. The unitary charge payments for 2014/15 for all school campuses will be £15,081,000.

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

	2013/14 £'000	2012/13 £'000
Net Book Value at 1 April 2013	122,524	125,723
Additions	35	0
Depreciation	(3,199)	(3,199)
Net Book Value at 31 March 2014	<u>119,360</u>	<u>122,524</u>

Movements in Public Private Partnership Liabilities during the year were:

	2013/14 £'000	2012/13 £'000
Liabilities at 1 April 2013	132,882	136,523
Amounts repaid in year	(3,724)	(3,641)
Liabilities at 31 March 2013	<u>129,158</u>	<u>132,882</u>
Disclosed in the Balance Sheet as:		
Long Term Liabilities	125,414	129,158
Creditors	3,744	3,724
Liabilities at 31 March 2014	<u>129,158</u>	<u>132,882</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	3,744	6,796	5,758	777	1,094	18,169
Due in 2 to 5 years	16,192	24,924	24,693	4,454	6,617	76,880
Due in 6 to 10 years	22,493	25,024	34,969	11,110	12,798	106,394
Due in 11 to 15 years	18,807	17,323	36,264	16,882	17,107	106,383
Due in 16 to 20 years	21,235	13,016	39,824	16,096	24,639	114,810
Due in 21 to 25 years	29,731	7,489	45,447	12,075	35,155	129,897
Due in 26 to 30 years	16,956	1,188	25,379	7,864	20,650	72,037
Total	<u>129,158</u>	<u>95,760</u>	<u>212,334</u>	<u>69,258</u>	<u>118,060</u>	<u>624,570</u>

These figures are based on the actual cash amount estimated to be payable and not on prices at 31 March 2014.

### 38 Authorisation of Statement of Accounts

The Unaudited Statement of Accounts were authorised for issue by the Head of Finance on 26 June 2014 and the audited Statement of Accounts were authorised for issue on 17 September 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### 39 Contingent Assets and Liabilities

#### Contingent Assets

The Business Rates Incentivisation Scheme (BRIS), which was originally introduced by the Scottish Government from 1 April 2012, set an annual target for non-domestic rates income for individual councils. Where Council's exceed this target they are permitted to retain 50% of the excess.

The Scottish Government issued Finance Circular 5/2012 on 27 November 2012 which advised that due to delays in settling a number of valuation appeal cases the amount of income being collected by Councils was artificially inflated in 2012/13. The Scottish Government has deemed this situation to be a "significant event" with the impact being that the BRIS targets would be reviewed. Finance Circular 6/2014 which was issued by the Scottish Government on 7 July 2014 advised that Perth and Kinross Council were due £148,000 from the Scheme with payment being made by netting off this amount from the contribution to the Non Domestic Rates Pool in 2014/15.

#### Contingent Liabilities

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

There is a contingent liability relating to Municipal Mutual Insurance (MMI), who were the insurers for Tayside Regional Council (TRC). Following a Supreme Court judgement in November 2012 a scheme of arrangement has been put in place where MMI will seek to recover, from the scheme members or successors, 15% of all claims paid out since 1993 on policies taken out by TRC (less an overall total reduction of £50,000). Perth and Kinross Council is one of the successor bodies of TRC. It is not currently clear whether the remaining assets of the TRC Insurance Fund will be sufficient to meet any liability.

The Council previously identified a potential issue in terms of fixed assets included in the Council Balance Sheet which should, potentially, be included in the Balance Sheet of the Common Good Funds instead. Property titles are being reviewed when land and/or buildings are declared surplus to operational needs and, until all property titles for all former burghs are reviewed, there remains the possibility that some assets may require to be transferred between the Council and Common Good balance sheets.

The Council has identified a potential liability in respect of casual and supply staff that may be entitled to employee benefits, such as occupational sick pay and maternity pay, similar to those available to permanent staff. At this time, it is not possible to determine the number of individuals involved. Therefore, no reliable estimate of the cost of providing retrospective access to these benefits can be made.

The Council may have a contingent liability for arrears of holiday pay due on overtime. This may result in awarding employees additional holiday entitlement based on regular overtime and other enhancements.

The Council has identified a potential issue relating to the tax treatment of Councillors' expenses when travelling between home and Council offices. National guidance provided by the Scottish Local Authorities Remuneration Committee (SLARC) advised that such journeys were not taxable on the strength of Councillors having two places of work, their home, where they conduct some Council business and the Council chambers. Her Majesty's Revenues and Customs may not agree with this guidance. If the taxable treatment of Councillors' expenses changes, then arrears of taxation may fall due by the Council as the employer.

The Council operates its 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 Superannuation 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 include Tayside and Central Scotland Transport Partnership, Live Active Leisure Ltd, Horsecross Arts Limited, Perth & Kinross Countryside Trust, Perth & Kinross Society for the Blind and Perth Citizens' Advice Bureau.

The Council has a potential liability in respect of a claim intimated to it for loss of profit on the part of a contractor. At this stage it is impossible to assess the chance of success of such a claim.

## 40 Financial Instruments

The Code requires 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 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Borrowings</b>						
Financial liabilities at amortised cost	189,035	188,210	12,764	16,953	201,799	205,163
<b>Total borrowings</b>	<b>189,035</b>	<b>188,210</b>	<b>12,764</b>	<b>16,953</b>	<b>201,799</b>	<b>205,163</b>
<b>Investments</b>						
Loans and receivables	780	1,205	20,087	36,441	20,867	37,646
<b>Total investments</b>	<b>780</b>	<b>1,205</b>	<b>20,087</b>	<b>36,441</b>	<b>20,867</b>	<b>37,646</b>

Lender Option Borrower Option (LOBO) borrowings of £39.85m have been included in long term borrowing as at 31 March 2014 but have a call date in the next 12 months.

The above long term figures are based on the 2013 Code which states that in undertaking Effective Interest Rate (EIR) calculations the maturity period for a LOBO should be taken as being the contractual period to maturity.

### Financial Instruments Gains / Losses

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

2013/14	Financial Liabilities		Financial Assets		Total 2013/14	Total 2012/13
	Liabilities measured at amortised cost	Loans and receivables	Available-for- sale assets	Fair value through Comprehensive Income & Expenditure Statement		
	£'000	£'000	£'000	£'000		
Interest expense	8,442	0	0	0	8,442	8,882
Interest payable and similar charges	8,442	0	0	0	8,442	8,882
Interest income	0	(450)	0	0	(450)	(1,036)
Interest and investment income	0	(450)	0	0	(450)	(1,036)
Gains on revaluation	0	21	0	0	21	(15)
Surplus arising on revaluation of financial assets	0	21	0	0	21	(15)
<b>Net (gain)/loss for the year</b>	<b>8,442</b>	<b>(429)</b>	<b>0</b>	<b>0</b>	<b>8,013</b>	<b>7,831</b>

### 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 2014 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.

The rates quoted in this valuation were obtained by the Council's treasury management consultants from the market on 31 March 2014, using bid prices where applicable.

The calculations are made with the following assumptions:

- For Public Works Loans Board (PWLB) debt, the discount rates used are the rates for new borrowing as per rate sheet number 126/14.
- 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 2014		31 March 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Public Works Loans Board (PWLB)	150,298	162,061	158,538	178,740
Lender Option Borrower Option (LOBO)	44,875	45,264	44,885	47,639
Local Authority Bonds	5,001	4,860	0	0
Short term borrowing	1,335	1,336	1,450	1,450
Other (Special Loans)	290	288	290	289
Financial Liabilities	201,799	213,809	205,163	228,118

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.

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

	31 March 2014		31 March 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Cash (including petty cash)	4,740	4,742	9,014	9,014
Deposits with Banks and Building Societies	15,088	15,097	27,427	27,571
Icelandic Deposit	201	201	211	211
Loans to Others	838	836	994	994
Financial Assets	20,867	20,876	37,646	37,790

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

#### Nature and Extent of Risks Arising from Financial Instruments

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

## (i) Credit Risk

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

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

	Amounts at 31 March 2014	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2014	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with banks and other financial institutions	24,894	0	0	0
Loans to Others	838	0	0	195
Bonds and other securities	0	0	0	0
Customers	18,210	6.7	6.7	1,220
<b>Total</b>	<b>43,942</b>	<b>-</b>	<b>-</b>	<b>1,415</b>

The Council's overall exposure to credit risk in relation to its deposits in banks and other financial institutions of £24.894m above cannot be assessed generally, as the risk of non-payment of the principle sums or interest is specific to each individual institution. Experience indicates that any such non-payment is rare, and there is no evidence that any risk of default existed at 31 March 2014. The repayment profile of these deposits, including loans to others, is shown below:

	31 March 2014 £000	31 March 2013 £000
Less than three months	17,174	22,823
Three to six months	7,519	10,177
Six months to one year	-	7,037
More than one year	1,039	1,205
<b>Total</b>	<b>25,732</b>	<b>41,242</b>

### Loans to Others

The Council initiates a legal charge on property where, for example, clients require assistance with payment of care fees, but cannot pay immediately until such time as their property is sold. The total amount outstanding as at 31 March 2014 in this category is £643,000, and experience of default is negligible.

Also included within Loans to others is a loan to Pitlochry Festival Theatre of £200,000, which was made in 2011/12 and is repayable over 12 years. The purpose of the loan was to assist with the Theatre's cashflow. As this loan is interest free, it is therefore deemed to be a 'soft loan' under the Code, and has been impaired to reflect its net present value (£195,000), and is carried in the accounts and table above at this value using the effective Interest Rate method. However, as the loan remains subject to uncertainty, a full provision has been made in the accounts for non-repayment.

### Debtors

The Council does not generally allow credit for customers, such that £12.509m of the £18.210m balance is past its due date for payment.

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

	31 March 2014 £000	31 March 2013 £000
Less than three months	9,422	8,347
Three to six months	154	101
Six months to one year	398	1,013
More than one year	2,535	3,425
<b>Total</b>	<b>12,509</b>	<b>12,886</b>

## (ii) Liquidity Risk

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

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

Loans outstanding	On 31 March 2014	On 31 March 2013
	£'000	£'000
Public Works Loans Board	148,693	156,854
Market debt	43,200	43,200
Local Authority Bonds	5,000	0
Temporary borrowing	1,335	1,450
Local bonds	290	290
Bank Overdraft	4,903	3,634
<b>Total</b>	<b>203,421</b>	<b>205,428</b>
Less than 1 year	15,689	18,535
Between 1 and 2 years	19,661	9,161
Between 2 and 5 years	24,984	29,484
Between 5 and 10 years	34,426	44,426
Between 10 and 15 years	10,480	7,980
Over 15 years	98,181	95,842
<b>Total</b>	<b>203,421</b>	<b>205,428</b>

In the over 15 years category there are £38.2m 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 reduce 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 increase interest expense charged to the Comprehensive Income and Expenditure Statement 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 the majority of 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 those 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 2014.
- The fair value of fixed rate financial assets will rise if interest rates fall. This will not impact on the Balance Sheet for liabilities held at amortised cost, but will impact on the disclosure note for fair value.

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

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

According to this assessment strategy, at 31 March 2014, 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	454
Increase in interest receivable on variable rate investments	(554)
Impact on Comprehensive Income and Expenditure Statement	<u>(100)</u>
Share of overall impact credited to the HRA	(21)

The impact of a 1% fall in interest rates would have been an estimated cost of £447,000 to the Council as a result of a reduction in investment income, whilst it would be unlikely that the lenders of the market loans borrowed would pass on the reduction in rates payable. However, there would be a small reduction of £10,000 payable on other small loan balances.

#### Foreign Exchange Risk

With the exception of the deposit held in an Icelandic bank (see below), the Council has no financial assets or liabilities denominated in foreign currencies and thus have no exposure to loss arising from movements in exchange rates.

#### Price Risk

The Council does not invest in equities or other tradable instruments, therefore it is not exposed to gains or losses on movements in their price.

#### Icelandic Banks Disclosure Note

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks Heritable and Kaupthing Singer & Friedlander went into administration. At that time, Perth & Kinross Council had £1 million deposited with Glitnir as follows:

Bank	Date Deposited	Original Maturity date	Amount Deposited	Interest Rate	Debtor as at 31 March 2014
Glitnir	19 March 2008	19 December 2008	£1,000,000	6.0%	£200,735

Since October 2010, the management of the affairs of Glitnir is being undertaken by the Winding-Up Board under Icelandic law. Consequently, the funds deposited with Glitnir by local authorities in the UK have been subject to the receivership process and court action in Iceland. The court action was concluded by the Icelandic Supreme Court in the autumn of 2011. The Winding-Up Board then made a distribution to the priority creditors in March 2012. As the cash balances held by Glitnir at that time were held in a variety of currencies, the repayment was made in a mix of five different currencies.

Of the amount paid-out, approximately 19% of each claim was paid in Icelandic Krona (ISK). However, due to ongoing currency controls put in place by the Icelandic Central Bank, this element of the distribution has had to be retained in Iceland. Accordingly, Glitnir paid this element of the claims into a ring-fenced (escrow) account held in Landensbankin in Iceland, where it is still held and earning interest at 4.2% until such time as the currency controls are lifted and it can be returned to the UK.

The carrying value of the Icelandic debtor in the accounts was increased by £7,607 to reflect the accrued interest up to 31 March 2014. In addition the amount of ISK was converted to a sterling equivalent value using the prevailing exchange rate on that day, and compared to the debtor balance held in the accounts, with the difference debited as an exchange rate loss (£54). This loss was due to an unfavourable movement in the exchange rate over the year.

In addition, in May 2014, the Winding-Up Board of Glitnir has made a claim for an overpayment against the Council. This arises as a result of a ruling of the Icelandic Supreme Court in October 2013 which outlined which exchange rates should be applied when determining any distribution of funds in cases of bankruptcy. Applying these exchange rates retrospectively shows that a net overpayment has arisen, amounting to £18,073 at current exchange rates, and this is the subject of the claim by the Winding-Up Board. Whilst negotiations are continuing on this claim, full provision for the potential overpayment has been included in the accounts.

As a result of all the movements outlined above, the carrying value of the funds held in Iceland amount to £200,735 as at 31 March 2014.

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

The accumulated balance on the General Fund at 31 March 2014 includes net surplus funds of £1,261,000 (31 March 2013 £1,230,000) in respect of schools participating in the Devolved School Management scheme. There are a number of schools with surpluses totalling £1,398,000 and a number of schools carrying forward deficits amounting to £137,000. These surpluses and deficits are earmarked in 2014/15 for the individual schools concerned.

#### 42. Operating Activities

The cash flows for operating activities include the following items:

	2013/14 £'000	2012/13 £'000
Interest received	(790)	(851)
Interest paid	16,066	16,415
	<u>15,276</u>	<u>15,564</u>

#### 43. Investing Activities

	2013/14 £'000	2012/13 £'000
Purchase of property, plant and equipment, investment property and intangible assets	(55,432)	(41,196)
Purchase of short-term and long-term investments	(20,088)	(32,927)
Proceeds from the sale of of property, plant and equipment, investment property and intangible assets	2,619	1,636
Proceeds of short-term and long-term investments	32,427	34,728
Other receipts for investing activities	12,269	13,502
	<u>(28,205)</u>	<u>(24,257)</u>

#### 44. Financing Activities

	2013/14 £'000	2012/13 £'000
Cash receipts of short and long-term borrowing	42,048	57,479
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	(3,724)	(3,641)
Repayments of short and long-term borrowing	(45,500)	(61,505)
	<u>(7,176)</u>	<u>(7,667)</u>

#### 45. Cash and Cash Equivalents

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

	2013/14 £'000	2012/13 £'000
Cash held by officers	36	38
Bank current accounts	(4,901)	(3,634)
Short-term deposits with banks	9,605	12,610
	<u>4,740</u>	<u>9,014</u>

## 46 Trust Funds

Perth & Kinross Council administers a number of Charitable Funds of varying sizes. The Income and Expenditure Account and Balance Sheet are detailed on page 67.

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

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

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

	31 March 2014	31 March 2013
	£'000	£'000
Education Trust - Financial Assistance		
Net assets	860	862
Net Incoming Resources before other recognised gains and losses	1	0
Education Trust - Endowments		
Net assets	61	63
Net Incoming Resources before other recognised gains and losses	(3)	(3)
Other Charitable Trusts		
Net assets	1,927	1,853
Net Incoming Resources before other recognised gains and losses	5	17
<b>TOTAL Net Assets</b>	<b>2,848</b>	<b>2,778</b>
<b>TOTAL Net Incoming Resources before other recognised gains and losses</b>	<b>3</b>	<b>14</b>

Detailed Accounts for the Charities are available from the Head of Finance, 2 High St, Perth, PH1 5PH.

## 47 Events after the Balance Sheet Date

The Council has incurred a Post Balance Sheet Event in respect of the Business Rates Incentivisation Scheme (BRIS). Finance Circular 6/2014 which was issued by the Scottish Government on 7 July 2014 advised that Perth and Kinross Council is due £148,000 from the Scheme with payment being made by netting off this amount from the contribution to the Non Domestic Rates Pool in 2014/15. This amount has not been included in the 2013/14 accounts.

## HOUSING REVENUE ACCOUNT

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

<u>2012/13</u>		<u>2013/14</u>		
<i>£'000</i>		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
	<b>Income</b>			
(21,976)	Dwelling Rents	(22,925)		
200	less Voids	<u>194</u>		
			(22,731)	
(793)	Non-Dwelling Rents	(719)		
207	less Voids	<u>188</u>		
			(531)	
(1,918)	Other Income		(1,451)	
<u>(24,280)</u>	<b>Total Income</b>		<u>(1,451)</u>	(24,713)
	<b>Expenditure</b>			
8,029	Repairs & Maintenance		8,036	
6,991	Supervision & Management		7,316	
4,894	Depreciation, impairment and revaluation losses on non current assets		5,706	
177	Movement in the Impairment of Debtors		225	
1,007	Other expenditure		1,096	
<u>21,098</u>	<b>Total Expenditure</b>		<u>1,096</u>	22,379
<u>(3,182)</u>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>			<u>(2,334)</u>
291	HRA services' share of Corporate and Democratic Core			412
44	HRA share of other amounts included in the whole authority Net Cost of services (but not allocated to specific services)			0
<u>(2,847)</u>	<b>Net Cost of HRA Services</b>			<u>(1,922)</u>
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
(572)	Gain on sale of HRA Non-Current Assets			(517)
1,543	Interest payable and similar charges			1,655
(12)	Interest and investment income			(12)
153	Net Interest on the net defined benefit liability/ (asset)			523
(1,949)	Capital Grants and Contributions Receivable			(1,434)
<u>(3,684)</u>	<b>(Surplus) for the year on HRA services</b>			<u>(1,707)</u>

## STATEMENT OF MOVEMENTS ON THE HOUSING REVENUE ACCOUNT BALANCE

The Statement of Movement on the Housing Revenue Account balance reconciles the Housing Revenue Account to the HRA balance, an earmarked element of the Council's General Fund Balance.

<u>2012/13</u> £'000		<u>2013/14</u> £'000	<u>2013/14</u> £'000
(800)	Balance on the HRA at the end of the Previous Year		(800)
(3,684)	(Surplus)/Deficit for the year on the HRA Income and Expenditure Account	(1,707)	
<u>4,952</u>	Adjustments between Accounting Basis and Funding Basis Under Statute	<u>2,080</u>	
<u>1,268</u>	Net Decrease before Transfers to or from Reserves	373	
(1,268)	Transfer from Reserves	<u>(480)</u>	
0	Increase in Year on the HRA		(107)
<u>(800)</u>	Balance on the HRA at the end of the Current Year		<u>(907)</u>

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

<u>2012/13</u> £'000		<u>2013/14</u> £'000	<u>2013/14</u> £'000
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
572	Gain on sale of HRA fixed assets	517	
(4,658)	Depreciation and impairment of fixed assets	(5,706)	
(236)	Revaluation Losses on Property Plant and Equipment	0	
1,949	Capital Grants and Contributions Receivable	1,434	
8	Employee Holiday accrual	(20)	
(1,557)	Net charges made for retirement benefits in accordance with IAS 19	(2,021)	
<u>(3,922)</u>			<u>(5,796)</u>
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		
1,123	Employer's contributions payable to the Pension Fund and retirement benefits payable direct	1,125	
117	Financing costs - variance between Code and Statutory guidance	121	
2,530	Loans fund principal	2,554	
<u>5,104</u>	Capital expenditure funded by the HRA	<u>4,076</u>	
8,874			7,876
<u>4,952</u>	<b>Net additional amount required by statute to be debited to the HRA Balance for the year</b>		<u>2,080</u>

## NOTES TO THE HOUSING REVENUE ACCOUNT

1. <b>Housing Stock</b> at 31 March 2014	No. of Dwellings 31 March 2014	<i>No. of Dwellings</i> <i>31 March 2013</i>
Sheltered accommodation	496	495
Detached/Semi-Detached/Terraced	3,504	3,510
High Rise Flats	135	137
Tenement Flats/Other Flats/Maisonettes	3,265	3,234
Total	7,400	7,376

2. <b>Rent Arrears</b> at 31 March 2014	Gross Arrears 31 March 2014		<i>Gross Arrears</i> <i>31 March 2013</i>	
	£'000	% of Income	£'000	% of Income
Houses	1,789	7.9	1,411	6.4
Other Subjects	99	13.3	182	22.9
Totals	1,888	8.1	1,593	7.0

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

In 2013/14 an impairment of £1,335,478 has been provided in the Balance Sheet an increase of £224,559. from the impairment in 2012/13.

## 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.

2012/13		2013/14	
£'000		£'000	£'000
83,474	<b>Gross Charge</b>		83,999
(2,691)	Deduct - Exemptions		(2,776)
(113)	Disabled Relief		(109)
(7,011)	Discounts and Reductions		(7,037)
0	Council Tax Reduction Scheme		(6,867)
73,659	<b>Net Council Tax</b>		67,210
	Deduct -		
(7,129)	Council Tax Benefits	0	
7,101	less Government Grants	0	0
(6)	Ministry Of Defence Properties	(6)	
6	Contribution Received	6	0
(1,561)	Impairment of Bad and Doubtful Debts		(1,082)
72,070	<b>Total Council Tax Income</b>		66,128
(240)	Adjustments for prior years for Council Tax and Community Charge		955
71,830	<b>Total Council Tax / Community Charge Income to Comprehensive I&amp;E Statement</b>		67,083

## NOTES TO THE COUNCIL TAX INCOME ACCOUNT

### 1. CALCULATION OF THE COUNCIL TAX BASE

	A	B	C	D	E	F	G	H	2013/14 TOTAL	2012/13 TOTAL
No. of Properties	8,969	14,604	11,595	10,221	11,282	7,061	5,672	668	70,072	69,467
Exemptions	(653)	(684)	(474)	(286)	(244)	(120)	(87)	(28)	(2,576)	(2,455)
Disabled Relief	59	31	(5)	40	(51)	0	(66)	(8)	0	0
Discounts	(1,484)	(1,910)	(1,312)	(1,065)	(898)	(447)	(307)	(64)	(7,487)	(7,456)
Effective No. of Properties	6,891	12,041	9,804	8,910	10,089	6,494	5,212	568	60,009	59,556
Ratio	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9		
Band D Equivalents	4,594	9,365	8,714	8,910	12,331	9,380	8,687	1,136	63,117	62,458
Contributions in lieu									6	6
TOTAL									63,123	62,464
Provision for non-payment at 2.5% (2012/13 - 2.5%)									(1,578)	(1,562)
COUNCIL TAX BASE									61,545	60,902

### 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 2013/14 are set out below:

Valuation Band	Property Valuation Range	Fraction of band D	2013/14 Actual Charge	2012/13 Actual Charge
A	£0 - £27,000	6/9	£772.00	£772.00
B	£27,001 - £35,000	7/9	£900.67	£900.67
C	£35,001 - £45,000	8/9	£1,029.33	£1,029.33
D	£45,001 - £58,000	9/9	£1,158.00	£1,158.00
E	£58,001 - £80,000	11/9	£1,415.33	£1,415.33
F	£80,001 - £106,000	13/9	£1,672.67	£1,672.67
G	£106,001 - £212,000	15/9	£1,930.00	£1,930.00
H	Over £212,000	18/9	£2,316.00	£2,316.00

## NON DOMESTIC RATE INCOME ACCOUNT

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

2012/13		2013/14	
£'000		£'000	£'000
68,299	<b>Gross Rate Levied</b>		68,530
	Deduct:		
(2,386)	Rate Rebates	(2,426)	
0	Interest on Overpaid Rates	0	
(14,364)	Reliefs, Charities etc.	(14,817)	
(200)	Impairment for Bad and Doubtful Debts	(232)	
			(17,475)
	Adjustments to Previous Years:		
(682)	Gross Rate Levied	(3,975)	
(7)	Rate Rebates	202	
(228)	Reliefs, Charities etc.	(64)	
(317)	Impairment for Bad and Doubtful Debts and Abatements	(970)	
			(4,807)
50,115	<b>Net Non Domestic Rate Income</b>		46,248
(50,276)	Contribution to National Non Domestic Rate Pool	(46,417)	
47,331	Contribution from National Non Domestic Rate Pool	50,928	
(2,945)	Net contribution from/(to) National Non Domestic Rate Pool		4,511
47,170	<b>Total Non Domestic Rate Income to Comprehensive I &amp; E Statement</b>		50,759
161	Discretionary Relief funded by the Council		169

## 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 2013/14 was 46.2p (2012/13 45.0p).

The Small Business Bonus Scheme, introduced from 1 April 2008, provides relief to businesses based on their combined rateable value. From 1 April 2010 the combined rateable value threshold has been set at £25,000 with relief available on all individual properties with a rateable value of £18,000 or less. Subject to eligibility, this provides relief of between 25% and 100%. This scheme replaced the Small Business Rates Relief Scheme.

A supplement of 0.9p (2012/13 for 0.8p) was charged on properties with a rateable value of over £35,000 (£35,000 for 2012/13) to contribute towards the additional cost of the scheme.

### 2. RATEABLE SUBJECTS AND VALUES

<i>No. of Subjects at 1 April 2012</i>	<i>Rateable Value £'000 at 1 April 2012</i>		<i>No. of Subjects at 1 April 2013</i>	<i>Rateable Value £'000 at 1 April 2013</i>
1,659	39,720	Shops	1,663	38,908
99	1,806	Public Houses	98	1,702
905	15,859	Offices (including banks)	925	15,984
234	10,216	Hotels etc.	229	10,092
1,479	20,942	Industrial Subjects etc.	1,525	21,145
1,387	9,141	Leisure, Entertainment, Caravans etc.	1,402	9,064
169	3,401	Garages and Petrol Stations	161	3,355
56	940	Cultural	56	948
425	1,377	Sporting Subjects	425	1,343
130	14,135	Education and Training	128	14,131
406	7,146	Public Service Subjects	400	7,123
4	0	Communications	3	0
29	717	Quarries, Mines etc.	28	717
3	4,120	Petrochemical	3	4,120
250	1,749	Religious	248	1,741
118	6,061	Health, Medical	117	6,964
702	1,524	Other	711	1,532
74	3,079	Care Facilities	72	3,009
22	90	Advertising	21	87
27	4,570	Undertaking	33	7,612
<u>8,178</u>	<u>146,593</u>	Total	<u>8,248</u>	<u>149,577</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 2014.

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2014

	2013/14 £'000	2013/14 £'000	2012/13 £'000
<b>INCOMING RESOURCES</b>			
Incoming resources from generated funds:			
Investment Income	89		100
<b>Total Incoming Resources</b>		89	100
<b>RESOURCES EXPENDED</b>			
Costs of generating funds:			
Costs of generating voluntary income	5		5
Investment management costs	14		16
Charitable activities	59		62
Governance costs	6		3
Other Resources Expended	2		0
<b>Total Resources Expended</b>		86	86
<b>Net Incoming Resources Before Other Recognised Gains &amp; Losses</b>		3	14
<b>OTHER RECOGNISED GAINS</b>			
Gain/(Loss) on Investment assets		67	216
<b>Net Movement in Funds for the Year</b>		70	230
<b>RECONCILIATION OF FUNDS</b>			
Total Funds Brought Forward at 1 April 2013		2,778	2,548
<b>TOTAL FUNDS CARRIED FORWARD AT 31 MARCH 2014</b>		<u>2,848</u>	<u>2,778</u>

### BALANCE SHEET AS AT 31 MARCH 2014

	31 March 2014 £'000	31 March 2014 £'000	31 March 2013 £'000
<b>FIXED ASSETS</b>			
Investments		2,457	2,390
<b>CURRENT ASSETS</b>			
Debtors	6		12
Investments - Amounts due by Perth & Kinross Council Loans Fund	393		377
<b>LIABILITIES</b>			
Creditors: amounts falling due within one year	(8)		(1)
<b>NET CURRENT ASSETS</b>		391	388
<b>NET ASSETS</b>		<u>2,848</u>	<u>2,778</u>
<b>TOTAL FUNDS</b>		<u>2,848</u>	<u>2,778</u>

#### Notes to Charitable Trusts

1. The market value of Investments at 31 March 2014 was £2,457,000 (31 March 2013 £2,390,000).
2. The unaudited accounts were issued on 26 June 2014 and the audited accounts were authorised for issue on 17 September 2014.

  
 J A Symon ACA  
 Head of Finance  
 17 September 2014

## 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 2014.

### INCOME AND EXPENDITURE ACCOUNT FOR YEAR TO 31 MARCH 2014

	2013/14 £'000	2013/14 £'000	2012/13 £'000
<b>EXPENDITURE</b>			
Grants to Voluntary Organisations	106		115
Christmas Lighting	80		98
Property Costs	27		27
Supplies & Services	10		10
		223	250
<b>INCOME</b>			
Rents, Fees, Charges etc.	260		218
Interest on Loans	6		6
Gain on Disposal of Assets	173		0
Other	5		6
		444	230
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>		221	(20)
Balance Brought Forward		1,795	1,815
Balance Carried Forward		2,016	1,795

### BALANCE SHEET AS AT 31 MARCH 2014

	31 March 2014 £'000	31 March 2014 £'000	31 March 2013 £'000
<b>FIXED ASSETS</b>		4,523	5,249
<b>CURRENT ASSETS</b>			
Debtors	26		11
Investments	297		297
Revenue Advances to Perth & Kinross Council			
Loans Fund	1,960		1,728
	2,283		2,036
<b>CURRENT LIABILITIES</b>			
Creditors and Accruals	(30)		(23)
<b>NET CURRENT ASSETS</b>		2,253	2,013
<b>TOTAL NET ASSETS</b>		6,776	7,262
<b>RESERVES</b>			
Revenue		2,016	1,795
Capital		386	386
Capital Adjustment Account		67	60
Revaluation Reserve		4,307	5,021
		6,776	7,262

The unaudited accounts were issued on 26 June 2014 and the audited accounts were authorised for issue on 17 September 2014.

  
 J A Symon ACA  
 Head of Finance  
 17 September 2014

## 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 13	Income 2013/14	Expenditure 2013/14	Balance at 31 March 14
	£'000	£'000	£'000	£'000
Perth City	1,359	244	211	1,392
Aberfeldy	84	0	4	80
Alyth	21	0	0	21
Auchterarder	314	22	4	332
Blairgowrie	21	3	3	21
Coupar Angus	2	0	0	2
Crieff	4	2	1	5
Kinross	(17)	173	0	156
Pitlochry	7	0	0	7
<b>TOTAL</b>	<u>1,795</u>	<u>444</u>	<u>223</u>	<u>2,016</u>

3. **Common Good Fixed Assets**

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

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

## GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Housing Revenue Account	Capital Fund	Renewal & Repair Fund	Insurance Fund	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	TOTAL Authority Reserves	Authority's share of subsidiaries	Authority's share of associates & joint ventures	TOTAL Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Restated</b>													
<b>Balance at 1 April 2012</b>	<b>(36,702)</b>	<b>(800)</b>	<b>(10,372)</b>	<b>(517)</b>	<b>(1,083)</b>	<b>(2,905)</b>	<b>(1,015)</b>	<b>(53,394)</b>	<b>(70,563)</b>	<b>(123,957)</b>	<b>(15,608)</b>	<b>240,919</b>	<b>101,354</b>
<u>Movement in reserves during 2012/13</u>													
(Surplus) or deficit on the provision of services	78	(3,684)	0	0	0	0	0	(3,606)	0	(3,606)	83	13,201	9,678
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(23,896)	(23,896)	(1,276)	11,254	(13,918)
<b>Total Comprehensive Income and Expenditure</b>	<b>78</b>	<b>(3,684)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,606)</b>	<b>(23,896)</b>	<b>(27,502)</b>	<b>(1,193)</b>	<b>24,455</b>	<b>(4,240)</b>
Adjustments between accounting basis & funding basis under regulations	(9,707)	4,952	0	0	0	773	330	(3,652)	3,652	0	0	0	0
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>(9,629)</b>	<b>1,268</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>773</b>	<b>330</b>	<b>(7,258)</b>	<b>(20,244)</b>	<b>(27,502)</b>	<b>(1,193)</b>	<b>24,455</b>	<b>(4,240)</b>
Transfers to/(from) Other Statutory Reserves	4,612	(1,268)	(2,427)	34	(951)	0	0	0	0	0	0	0	0
(Increase)/decrease in 2012/13	<b>(5,017)</b>	<b>0</b>	<b>(2,427)</b>	<b>34</b>	<b>(951)</b>	<b>773</b>	<b>330</b>	<b>(7,258)</b>	<b>(20,244)</b>	<b>(27,502)</b>	<b>(1,193)</b>	<b>24,455</b>	<b>(4,240)</b>
<b>Balance at 31 March 2013</b>	<b>(41,719)</b>	<b>(800)</b>	<b>(12,799)</b>	<b>(483)</b>	<b>(2,034)</b>	<b>(2,132)</b>	<b>(685)</b>	<b>(60,652)</b>	<b>(90,807)</b>	<b>(151,459)</b>	<b>(16,801)</b>	<b>265,374</b>	<b>97,114</b>
Balances transfer (note 1)	0	0	0	0	0	0	0	0	0	0	0	(261,253)	(261,253)
<b>Balance at 1 April 2013 restated</b>	<b>(41,719)</b>	<b>(800)</b>	<b>(12,799)</b>	<b>(483)</b>	<b>(2,034)</b>	<b>(2,132)</b>	<b>(685)</b>	<b>(60,652)</b>	<b>(90,807)</b>	<b>(151,459)</b>	<b>(16,801)</b>	<b>4,121</b>	<b>(164,139)</b>
<u>Movement in reserves during 2013/14</u>													
(Surplus) or deficit on the provision of services	3,843	(1,707)	0	0	0	0	0	2,136	0	2,136	690	1,396	4,222
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	67,409	67,409	2,949	5,704	76,062
<b>Total Comprehensive Income and Expenditure</b>	<b>3,843</b>	<b>(1,707)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,136</b>	<b>67,409</b>	<b>69,545</b>	<b>3,639</b>	<b>7,100</b>	<b>80,284</b>
Adjustments between accounting basis & funding basis under regulations	(14,983)	2,080	0	0	0	299	583	(12,021)	12,021	0	0	0	0
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	<b>(11,140)</b>	<b>373</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>299</b>	<b>583</b>	<b>(9,885)</b>	<b>79,430</b>	<b>69,545</b>	<b>3,639</b>	<b>7,100</b>	<b>80,284</b>
Transfers to/(from) Other Statutory Reserves	4,818	(480)	(3,033)	71	(1,376)	0	0	0	0	0	0	0	0
(Increase)/decrease in 2013/14	<b>(6,322)</b>	<b>(107)</b>	<b>(3,033)</b>	<b>71</b>	<b>(1,376)</b>	<b>299</b>	<b>583</b>	<b>(9,885)</b>	<b>79,430</b>	<b>69,545</b>	<b>3,639</b>	<b>7,100</b>	<b>80,284</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>(48,041)</b>	<b>(907)</b>	<b>(15,832)</b>	<b>(412)</b>	<b>(3,410)</b>	<b>(1,833)</b>	<b>(102)</b>	<b>(70,537)</b>	<b>(11,377)</b>	<b>(81,914)</b>	<b>(13,162)</b>	<b>11,221</b>	<b>(83,855)</b>

Note 1

On 1 April 2013 police and fire & rescue services transferred to the Scottish Government. The transferred balances are detailed within the Group Balance Sheet.

## GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

<i>Restated 2012/13 Actual Net Expenditure £'000</i>		2013/14	Actual Income	Actual Net Expenditure £'000
	Note	Actual Gross Expenditure £'000	£'000	
<b>SERVICES</b>				
142,545		150,574	(5,942)	144,632
74,698		93,853	(16,435)	77,418
20,149		21,707	(5,804)	15,903
5,599		11,068	(5,823)	5,245
11,412		48,273	(37,891)	10,382
18,713		30,355	(11,323)	19,032
19,353		27,988	(3,877)	24,111
2,322		4,050	(1,579)	2,471
18,274		4,915	(492)	4,423
3,098		4,464	0	4,464
682		19	0	19
(3,182)		22,379	(24,713)	(2,334)
86		86	0	86
26		250	(465)	(215)
(366)		16,559	(16,465)	94
1,369		846	(786)	60
<b>314,778</b>		<b>437,386</b>	<b>(131,595)</b>	<b>305,791</b>
(520)				(1,127)
35,306	4			23,264
(339,886)				(323,706)
<b>9,678</b>				<b>4,222</b>
1,649				5,354
0				1,465
(15,567)				69,236
0				7
<b>(13,918)</b>				<b>76,062</b>
<b>(4,240)</b>				<b>80,284</b>

## GROUP BALANCE SHEET

31 March 2013	<i>Transfer of Balances (Note 1)</i>		<i>Adjusted Opening Balance</i>		Notes	31 March 2014
	<i>Fire &amp; Rescue</i>	<i>Police</i>	<i>1 April 2013</i>			£'000
£'000	£'000	£'000	£'000			£'000
645,788			645,788	Property, Plant & Equipment		657,717
20,638			20,638	Heritage Assets		24,059
16,224			16,224	Investment Property		16,428
54			54	Intangible Assets		28
2,445			2,445	Assets Held for Sale		2,525
569			569	Long Term Debtors		657
<u>685,718</u>			<u>685,718</u>	<b>Long Term Assets</b>		<u>701,414</u>
30,114			30,114	Short Term Investments	5	17,842
717			717	Assets Held for Sale		0
1,273			1,273	Inventories		1,485
27,010			27,010	Short Term Debtors	6	31,037
16,809			16,809	Cash and Cash Equivalents		12,308
<u>75,923</u>			<u>75,923</u>	<b>Current Assets</b>		<u>62,672</u>
(17,295)			(17,295)	Short Term Borrowing		(13,160)
(50,314)			(50,314)	Short Term Creditors	7	(54,069)
(755)			(755)	Provisions		(1,169)
<u>(68,364)</u>			<u>(68,364)</u>	<b>Current Liabilities</b>		<u>(68,398)</u>
(93)			(93)	Long Term Creditors		(43)
(2,161)			(2,161)	Provisions		(1,265)
(190,011)			(190,011)	Long Term Borrowing		(190,959)
(263,535)	60,303	200,950	(2,282)	Liabilities in associates and joint ventures		(3,261)
(334,341)			(334,341)	Other Long Term Liabilities		(416,305)
(250)			(250)	Capital Grants Receipts in Advance		0
<u>(790,391)</u>	<u>60,303</u>	<u>200,950</u>	<u>(529,138)</u>	<b>Long Term Liabilities</b>		<u>(611,833)</u>
<u>(97,114)</u>	<u>60,303</u>	<u>200,950</u>	<u>164,139</u>	<b>NET ASSETS</b>		<u>83,855</u>
60,652			60,652	Usable Reserves		70,537
90,807			90,807	Unusable Reserves		11,377
(258,613)	60,303	200,950	2,640	Group Reserves		(7,683)
<u>10,040</u>			<u>10,040</u>	Charitable and Common Good Reserves		<u>9,624</u>
<u>(97,114)</u>	<u>60,303</u>	<u>200,950</u>	<u>164,139</u>	<b>TOTAL RESERVES</b>		<u>83,855</u>

### Note 1

On 1 April 2013 Police and Fire & Rescue Services transferred to the Scottish Government. Police Services are now delivered through the Scottish Police Authority and the Police Service of Scotland (Police Scotland), and Fire & Rescue Services through the Scottish Fire & Rescue Service. Consequently the opening balance sheet has been adjusted to reflect the assets, liabilities and reserves transferred on 1 April.

The unaudited accounts were issued on 26 June 2014 and the audited accounts were authorised for issue on 17 September 2014.



J A Symon ACA  
Head of Finance  
17 September 2014

## GROUP CASH FLOW STATEMENT

<u>Restated</u> <u>2012/13</u>		<u>Notes</u>	<u>2013/14</u>
£'000			£'000
(9,678)	<b>Net deficit on the provision of services</b>		(4,222)
59,667	Adjustments to net deficit on the provision of services for non cash movements		51,721
(14,969)	Adjustments for items included in the net deficit on the provision of services that are investing and financing activities		(14,972)
<u>35,020</u>	Net cash flows from Operating Activities		<u>32,527</u>
(25,528)	Investing Activities	10	(29,001)
(8,258)	Financing Activities	11	(8,027)
<u>1,234</u>	Net increase or (decrease) in cash and cash equivalents		<u>(4,501)</u>
15,575	Cash and cash equivalents at the beginning of the reporting period		16,809
<u>16,809</u>	Cash and cash equivalents at the end of the reporting period		<u>12,308</u>

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

<i>Restated</i> <u>2012/13</u> £'000		<u>2013/14</u> £'000
(3,606)	(Surplus)/Deficit on the single entity Comprehensive I & E Statement for the year	2,136
	Add:	
(210)	● Managed Funds - Charitable Trusts & Common Good	(291)
13,066	● Associates	166
83	● Subsidiaries	690
346	● Joint Ventures	1,521
<u>9,678</u>	Deficit for the year on the Group Comprehensive I & E Statement	<u>4,222</u>



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 £1,941,000 (2012/13 £12,680,000).

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

## 4. Group CI&E Statement – Financing and Investment Income & Expenditure

	2013/14	<i>Restated</i> 2012/13
	£'000	£'000
Council Financing and Investment Income & Expenditure	22,731	23,755
Subsidiaries	(54)	(81)
Charitable Trusts	(156)	(316)
Common Good	(6)	(6)
Tayside Contracts Joint Committee	643	266
Associates	106	11,688
	<u>23,264</u>	<u>35,306</u>

## 5. Group Balance Sheet - Investments

	2013/14	2012/13
	£'000	£'000
Council Investments	15,088	27,427
Charitable Trusts Investments	2,457	2,390
Common Good Investments	297	297
Total Group Investments	<u>17,842</u>	<u>30,114</u>

## 6. Group Balance Sheet - Debtors (net of provisions)

	2013/14	2012/13
	£'000	£'000
Net Debtors Balances - Note 29 to the Core Financial Statements	27,264	22,333
Subsidiary Debtors	978	655
Charitable Trusts Debtors	6	12
Common Good Debtors	26	11
Tayside Contracts Joint Committee Debtors	2,763	3,999
Total Group Debtors	<u>31,037</u>	<u>27,010</u>

## 7. Group Balance Sheet – Creditors

	2013/14 £'000	2012/13 £'000
Net Creditors Balance - Note 30 to the Core Financial Statements	(50,771)	(46,133)
Charitable Trust Creditors	385	376
Common Good Creditors	1,930	1,705
	<u>(48,456)</u>	<u>(44,052)</u>
Subsidiary Creditors	(1,966)	(1,940)
Tayside Contracts Joint Committee Creditors	(3,647)	(4,322)
Total Group Creditors	<u><u>(54,069)</u></u>	<u><u>(50,314)</u></u>

## 8. Pension Liability

	2013/14 £'000	2012/13 £'000
Net Pensions Liability at 31 March - Note 19 to the Core Financial Statements	(265,998)	(189,092)
Subsidiaries	(7,536)	(4,096)
Tayside Contracts Joint Committee	(17,357)	(11,996)
Group Pension Liability at 31 March	<u><u>(290,891)</u></u>	<u><u>(205,184)</u></u>

## 9. Group Cash Flow Statement

There has been no impact on the Group Cash Flow Statement from the inclusion of the Tayside Valuation Joint Board. Cash transactions between the Joint Board and the Council are already included within the Council's Cash Flow Statement and there were no dividend transactions.

The impact of the inclusion of Tayside Contracts Joint Committee; Live Active Leisure Ltd. and Horsecross Arts Ltd. within the Group Cash Flow Statement is to increase the movement in the net cash position by £7,568,000 (2012/13, increase of £7,795,000). A cash reduction of £861,000 represents the Council's 35.5% share of Tayside Contracts Joint Committee, a cash increase of £7,989,000 represents the Council's 100% share of Live Active Leisure Ltd. and a cash increase of £440,000 represents the Council's 100% share of Horsecross Arts Ltd.

## 10. Group Cash Flow – Investing Activities

	2013/14 £'000	2012/13 £'000
Council Investing Activities	(28,205)	(24,257)
Subsidiaries	(122)	(697)
Tayside Contracts	(674)	(574)
	<u><u>(29,001)</u></u>	<u><u>(25,528)</u></u>

## 11. Group Cash Flow – Financing Activities

	2013/14 £'000	2012/13 £'000
Council Financing Activities	(7,176)	(7,667)
Subsidiaries	54	81
Tayside Contracts	(905)	(672)
	<u><u>(8,027)</u></u>	<u><u>(8,258)</u></u>

## 12. Additional Disclosure

In 2012/13 the aggregate of the Associates gross liabilities exceeded 15% of the Group. In addition the Police Board gross liabilities exceeded 25% of the group in 2012/13. In 2013/14 only the Valuation Joint Board has been disclosed.

	Combined Associates		Police Board	
	2013/14	2012/13	2013/14	2012/13
	£'000	£'000	£'000	£'000
Grants and Contributions Received	(786)	(32,708)	0	(23,681)
Surplus/(Deficit) for the Year	0	(1,165)	0	(1,329)
Property, Plant & Equipment	35	27,262	0	17,602
Current Assets	189	8,385	0	5,990
Current Liabilities	(196)	(10,286)	0	(6,596)
Long Term Liabilities	(3,289)	(288,896)	0	(217,946)

The main liability due after more than one year is in relation to the Associates' obligations in respect of defined benefit pension schemes. These have been accounted for under IAS19 "Employee Benefits" in accordance with The Code of Practice. The Council share of the pension liabilities included above is £3,289,000 (2012/13 £286,085,000).

## 13. Related Party Transactions

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

	Balance Due		Balance Due	
	From	To	From	To
	31.3.14	31.3.14	31.3.13	31.3.13
	£'000	£'000	£'000	£'000
Tayside Valuation Joint Board	0	0	58	0
Tayside Joint Police Board	0	0	2,102	2

## **ANNUAL GOVERNANCE STATEMENT 2013/14**

### **1. Scope of Responsibility**

- 1.1 Perth & Kinross Council has to ensure that it conducts its business in accordance with the law and proper standards. It must ensure that public money is safeguarded, properly accounted for, and used appropriately. The Council has a legal duty to keep accounts and to follow proper accounting practices.
- 1.2 To fulfil these duties, the Council has to put in place arrangements for the governance of its affairs, including arrangements for the management of risk.
- 1.3 This statement explains the way Perth & Kinross Council complies with national standards for good corporate governance and meets the requirements of relevant legislation and current good practice.
- 1.4 Perth & Kinross Council's Local Code of Corporate Governance can be found on the Council's [website](#) or a copy can be obtained from the Head of Legal Services at Perth & Kinross Council, 2 High Street, Perth, PH1 5PH.
- 1.5 This statement must also cover the organisations that are included in the Council's Group Accounts.

For Live Active Leisure Ltd and Horsecross Arts Ltd, reliance has been placed upon the unaudited financial statements of the companies. In addition assurance has been placed on internal control information taken from the Council's contract with Live Active Leisure Ltd and the Service Agreement with Horsecross Arts Ltd.

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

These, together with written assurances, provide comfort that no material weaknesses have been identified within their internal financial control systems.

### **2. The Governance Framework**

- 2.1 The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 It is made up of the systems and processes, cultures and values by which the Council is directed and controlled. It also includes the way in which the Council accounts to, engages with and leads the community.
- 2.3 The governance framework is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable assurance of effectiveness. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised, and to manage them efficiently, effectively and economically.

### **3. Perth & Kinross Council's Structure**

- 3.1 Perth & Kinross Council is made up of 41 councillors who are elected by the residents they represent. The Council has 13 committees and a number of sub committees, each with specific remits. The Council and its committees meet to consider business regularly according to a published schedule.
- 3.2 The Chief Executive is the Head of Paid Service for the Council. The Council's officers are formed into four Services, led by the Chief Executive and three Executive Directors. One of the Executive Directors also acts as Depute Chief Executive. Each Service is split into functional areas led by Heads of Service.

### **4. Perth & Kinross Council's Governance Framework**

- 4.1 The Council's Scheme of Administration set out the role of committees in decision-making and the delegated decision-making powers of individual officers. The Chief Executive or any Executive Director is able to make any urgent decision provided all such decisions outwith their normal delegated powers are reported to the next available meeting of the Council or relevant Committee.
- 4.2 The Chief Executive and Executive Directors meet regularly as the Executive Officer Team. Individual Services have their own Service Management Teams. Depute Directors and Heads of Service also meet as the Corporate Management Group which has a key role in the development and implementation of Council strategy and policy.
- 4.3 The Council's high level strategic objectives and priorities are set out in its [Corporate Plan](#) for 2013-18 which was approved by Council on 27 February 2013. It sets out a vision and describes how the Council will achieve the outcomes contained in the Single Outcome Agreement with the Scottish Government. Outcomes and performance indicators within the Single Outcome Agreement are monitored every month by exception by the Executive Officer Team.
- 4.4 As part of the Perth and Kinross Community Planning Partnership the Council works to deliver local services with other public sector organisations in the area. Its objectives are set out in the Community Plan/Single Outcome Agreement 2013-23. The Council's performance monitoring arrangements are linked to those of the Community Planning Partnership.

- 4.5 The Council has set out areas of corporate improvement activity around prevention, people, partnership, performance and building the community asset base. Corporate improvement actions are led and monitored by the Corporate Management Group.
- 4.6 Individual Service Plans (Business Management & Improvement Plans) set out detailed actions and outcomes for each Service and include performance indicators.
- 4.7 Monthly training sessions, by means of delayed opening, are held to update staff about Council policies and procedures and key legislation. All new employees undergo a compulsory induction programme that covers key roles and procedures. There is an annual employee review and development process. Regular team briefings are held and on-line training courses are available. This ensures that policies and procedures are communicated throughout the Council.
- 4.8 The Council maintains a register of Corporate Business Risks which are monitored by the Executive Officer Team on a monthly basis via the Performance and Risk Report. Similarly, Service risks are identified and managed within each Service. The risks associated with each major project undertaken by the Council are identified and managed through appropriate project management arrangements and reports are produced for each project deemed to be of high risk or of a value greater than £500,000 and submitted on a monthly basis to a sub-group of the Corporate Management Group.
- 4.9 The Council has a Transformation Programme and Services also carry out Best Value Reviews, which are designed to ensure continuous improvement in the economy, efficiency and effectiveness of services. The annual service planning process ensures that Services meet the needs of customers, and that targets for quality improvements are set and monitored.
- 4.10 Annual budgets are set by the Council, and each budget is allocated to a named budget holder. The responsibilities of budget holders in financial management are included in the Council's Financial Regulations and training has been provided to budget holders. Budgets are monitored regularly. The Council's financial performance is monitored regularly by the Executive Officer Team and the Strategic Policy & Resources Committee.
- 4.11 The Council publishes an Annual Report on its performance against the objectives set out within the Corporate Plan and Community Plan/Single Outcome Agreement. The Council also publishes an "at-a-glance" [scorecard](#) on its website showing the Council's performance against its key performance indicators. Service Business management and Improvement Plans, which include performance indicators, flow from the Corporate Plan priorities, and feed into the targets contained within Team Plans. Service Management Teams regularly review the performance of their Service and the Executive Officer Team monitors performance each month on an exception basis. Service performance is reported to the Executive Officer Team and then to relevant committees, every six months.
- 4.12 Performance is also discussed on a regular basis between the Chief Executive and each Executive Director as part of the annual appraisal process. The Chief Executive also carries out monthly one-to-one meetings with each Executive Director. This process is replicated at Service level.
- 4.13 The Council has a published process for dealing with complaints from members of the public. There are also appropriate arrangements for employees to report concerns about possible wrong-doing in the Council and particular arrangements for them to report concerns about fraud or corruption.
- 4.14 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. The Council continues to embed its locality planning approach by broadening its opportunities to engage more widely by developing locality leadership models.
- 4.15 The Council's Chief Financial Officer is a key member of the team and helps to develop and implement strategy and to resource and deliver the Council's strategic objectives sustainably and in the public interest. The Chief Financial Officer is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and aligned with the Council's financial strategy.
- 4.16 The Council believes that the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government Framework.
- 4.17 The Council's Internal Audit team reports directly to senior management on the adequacy of system controls and, where necessary, makes recommendations for improvement. A report is produced following each completed audit and is discussed with the appropriate level of management within the Council. Each report contains a Management Action Plan that details the action agreed for each audit finding, the priority, accountable manager and agreed implementation date. Audit reports are considered by the Audit Committee.
- 4.18 A risk-based internal audit plan is prepared annually in a process which reviews all the significant activities and systems that contribute to the achievement of the Council's objectives. Audits are prioritised based on the resources available and a combination of the significance of the activity or system in relation to the Council's objectives; the likely consequences of a failure of control; the degree of change in the activity or system; the assessed strength of the internal controls in place.
- 4.19 The Council has arrangements in place for the management of information risk including an information security policy and standards. This area continues to be developed to ensure that the Council has in place the correct protective measures and training to ensure against breaches of the Data Protection Act.

4.20 The Council is a partner in the Tayside Procurement Consortium with Dundee and Angus Councils. The aims of this consortium include maximising efficiency and collaboration and delivering and demonstrating real cash savings across the public sector. The Council continues to embed a robust contract governance system to enable the Council to successfully monitor and manage its major contracts and to help resolve any disputes.

## 5. Review of Effectiveness

- 5.1 The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. This review is informed by the work of the Executive Officer Team, senior managers and the internal auditors who have a responsibility for the development and maintenance of the governance environment. Comments made by external auditors and other agencies and inspectorates are also taken into account.
- 5.2 The Council is responsible for ensuring that its financial management is adequate and effective and that there is a sound system of internal control that is regularly reviewed. As such, it agrees the Financial Regulations, which form an integral part of the Corporate Rules. It also approves and sets the Annual Budget, which provides the framework for budget setting and good budgetary control.
- 5.3 The Strategic Policy & Resources Committee receives regular financial monitoring information as part of the budgetary control framework.
- 5.4 The Scrutiny Committee and the Strategic Policy & Resources Committee perform the overview and scrutiny role in relation to all matters pertaining to the governance of the Council, including review of the Corporate Rules, its political arrangements and rules of procedure. The Audit Committee approves the annual audit plan and receives the annual audit report.
- 5.5 Internal Audit completed and issued 24 planned audits during the period covered by this statement.
- 5.6 The Council's Corporate Governance arrangements include clearly defined roles and responsibilities for all Chief Officers and statutory officers, including the Chief Executive, the Chief Social Worker, the Monitoring Officer and the Section 95 Officer (Chief Financial Officer).
- 5.7 The Council's corporate rules include Standing Orders and Financial Regulations. All proposals of a significant nature are assessed for legality and financial impact prior to a decision being made. Mechanisms are in place to ensure that the Council implements new legislation.
- 5.8 The Council has designated the Executive Director (Environment) as the Senior Information Risk Officer and an information security management forum meets on a regular basis.

## 6. Significant Governance Issues

- 6.1 The Annual Internal Audit report for 2013/14, notes that reasonable reliance can be placed on the Council's systems of internal control for 2013/14, subject to management implementation of the agreed actions detailed in Internal Audit reports and summarised within section 2 of the report.
- 6.2 The exceptions and reservations highlighted have been, or will be, addressed through the actions set out below. However, the areas highlighted are not considered to affect the acceptable level of assurance.

Issue No	Issue Identified	Source of Evidence	Action
1	The Information Management system requires further development.	Executive Officer Team & Audit Scotland Report: Review of Data Management (August 2013).	The Information Management strategy is under review and this will be completed by the end of June 2014. Actions to address aspects of the strategy will be monitored by the Policy and Governance Group.
2	Housing Benefit accuracy performance is below target and as a result subsidy was lost in 2012-13.	Audit Scotland Report: Audit of housing and council tax benefit (December 2013) and letter of 6 February 2014 from Russell Frith, Assistant Auditor General.	Updates based on the latest Housing Benefit performance information will be provided to the EOT and the Audit Committee for quarter 4 of 2013-14 and quarter 1 of 2014-15 by 31 July 2014.
3	The governance of ALEOs (External Organisations) requires improvement.	Audit Scotland Report & EOT Action.	The Following the Public Pound Code and strategy is being reviewed in conjunction with all Services and this will be completed by the end of July 2014. The Policy & Governance Group will review the Code and address any action points that require implementation.
4	The Capital Planning and Delivery process requires improvement.	Audit Scotland – Major Capital Investment follow up report and Internal Audit Capital Programme Report 13-19.	A number of recommendations arising from the Internal Audit report have not as yet been fully implemented. Actions to address these issues are expected to be implemented by December 2014 and will be monitored by the Audit Committee.

Issue No	Issue Removed	Source Of Evidence	Reason for Removal
1	Further improvement in the provision of internal audit services is required.	Internal Audit Update Report 2013-2014 & Audit Scotland May 2014	Internal Audit presented a report to the June 2014 Audit Committee which reports that the 2013-2014 audit plan has been completed. This report also provides evidence in regard to improved working practices. This can be evidenced by Audit Scotland removing Internal Audit from their Assurance & Improvement Plan

6.3 The Governance Framework has been in place for the financial year ended 31 March 2014 and up to the date of approval of the Annual Report and statement of accounts. Procedures are in place to ensure that there is continuous improvement.

6.4 It is our view that as far as possible the Council has established an acceptable level of internal control, risk management and corporate governance framework on which it will develop and improve.

Signed:

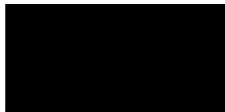



---

Bernadette Malone  
Chief Executive

Perth & Kinross Council

Date: 17 September 2014




---

Ian Miller  
Leader of the Council

Perth & Kinross Council

Date: 17 September 2014

## **REMUNERATION REPORT FOR FINANCIAL YEAR 2013/14**

### **1. Introduction**

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

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

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

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

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

- 3.1 The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of Councillors for the purposes of remuneration arrangements, as either, the Leader of the Council, the Civic Head (Provost), Senior Councillors or Councillors. The Leader of the Council and the Civic Head cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a Councillor who holds a significant position of responsibility in the Council's political management structure.
- 3.2 When determining the level of remuneration for Councillors the Scottish Ministers considered the recommendations of the former Scottish Local Authority Remuneration Committee (SLARC). SLARC was an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors. The Committee was stood down in February 2013.
- 3.3 The Regulations set out the salary that is to be paid to the Leader of the Council in accordance with bandings also set out in the Regulations. The Regulations also permit the Council to remunerate one Civic Head, which in the case of Perth & Kinross Council is the Provost, and set out the maximum salary that may be paid to that Civic Head. For 2013/14 the maximum salary for the Leader of Perth & Kinross Council is £32,795 and the Council has agreed that the Civic Head be paid 75% of the salary of the Leader, which for 2013/14 is a maximum of £24,596. 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 £24,596 and a maximum yearly amount payable for all Senior Councillors of £286,958 in 2013/14 (excluding the Council Leader, Civic Head, Conveners and Vice Conveners of Joint Boards and the Tayside Community Justice Authority). The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. Perth & Kinross Council's policy in 2013/14 was to pay Senior Councillors up to 90% of the maximum of £24,596 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 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 2013/14, Councillors from Perth & Kinross Council served as Convener of the Tayside Valuation Board and Vice-Convenor of the Tayside Community Justice Authority. The remuneration paid by the Council to these Councillors in their roles as Convener and Vice-Conveners was not recharged by the Council to the Tayside Valuation Board or the Tayside Community Justice Authority.
- 3.6 During 2013/14 Perth & Kinross Council had 12 Senior Councillors and 2 Councillors serving as Conveners and Vice-Conveners of Joint Boards and the Community Justice Authority who are treated as Senior Councillors for the purposes of the Remuneration Report. Together with the Leader of the Council and the Provost, the total remuneration including taxable expenses paid to these Councillors was £363,726. The individual amounts payable to the Leader of the Council, the Provost, Senior Councillors of Perth & Kinross Council and Conveners and Vice-Conveners of Joint Boards and the Tayside Community Justice Authority in 2013/14 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 1a: Remuneration of Existing Senior Councillors, Conveners and Vice-Conveners of Joint Boards and Vice Convener of the Tayside Community Justice Authority for Financial Year 2013/14**

Name and Post Title	Salary, Fees & Allowances 2013/14	Taxable Expenses 2013/14 (Note:1)	Total Remuneration 2013/14	Total Remuneration 2012/13
	£	£	£	£
Ian Miller Council Leader & Convener Strategic Policy and Resources	32,795	159	<b>32,954</b>	<i>31,722</i>
Elizabeth Grant Provost (Civic Head)	24,596	0	<b>24,596</b>	<i>23,970</i>
Henry Anderson Convener Licensing Board	22,074	137	<b>22,211</b>	<i>19,712</i>
Robert Band Convener Lifelong Learning	22,074	179	<b>22,253</b>	<i>22,365</i>
Jack Coburn Convener Licensing	22,074	54	<b>22,128</b>	<i>19,624</i>
Dave Doogan Convener Housing & Health	22,074	119	<b>22,193</b>	<i>19,706</i>
Alan Grant Convener Environment	22,074	0	<b>22,074</b>	<i>21,619</i>
Tom Gray Convener Development Management Committee	22,074	101	<b>22,175</b>	<i>19,656</i>
John Kellas Convener Enterprise & Infrastructure	22,074	156	<b>22,230</b>	<i>21,756</i>
Murray Lyle Convener Local Review Body	22,074	48	<b>22,122</b>	<i>19,662</i>
Elspeth MacLachlan Convener Tayside Valuation Board	20,497	120	<b>20,617</b>	<i>18,106</i>
Archibald MacLellan Vice Convener Tayside Community Justice Authority	19,472	30	<b>19,502</b>	<i>19,100</i>
Douglas Pover Convener Community Safety	22,074	145	<b>22,219</b>	<i>19,706</i>
Mac Roberts Leader Largest Opposition Party	22,074	81	<b>22,155</b>	<i>19,679</i>
Alexander Stewart Convener Scrutiny	22,074	35	<b>22,109</b>	<i>21,654</i>
Barbara Vaughan Convener of Audit Committee	22,074	114	<b>22,188</b>	<i>19,717</i>
<b>TOTAL (Note: 2)</b>	<b>362,248</b>	<b>1,478</b>	<b>363,726</b>	<i>337,754</i>

Notes:

- (1) Taxable Expenses relate to meals taken on Council premises.
- (2) After adjusting for the salaries of the Leader of the Council, Civic Head (Provost) and Convenors and Vice Convenors of Joint Boards and the Community Justice Authority, the total salary paid to Senior Councillors in 2013/14 was £264,888 which compares with the maximum under Regulations of £286,958.
- (3) The Council has identified a potential issue relating to the tax treatment of Councillors' expenses when travelling between home and Council offices as detailed further in note 39 on page 52.

**Table 1b: Remuneration of Former Senior Councillors, Conveners and Vice-Conveners of Joint Boards for Financial Year 2012/13**

Name and Post Title	Salary, Fees & Allowances 2013/14	Taxable Expenses 2013/14	Total Remuneration 2013/14	Total Remuneration 2012/13
	£	£	£	£
John Hulbert Provost (Civic Head) to 02/05/12	0	0	0	2,163
Kathleen Baird Convener Scrutiny to 02/05/12	0	0	0	2,036
Peter Barrett Convener Housing & Health to 02/05/12	0	0	0	2,045
George Hayton Vice Convener Strategic Policy & Resources to 02/05/12	0	0	0	2,036
Alastair Munro Vice Convener of Joint Fire Board From 11/06/12 to 31/03/13	0	0	0	16,445
Peter Mulheron Convener Licensing to 02/05/12	0	0	0	2,025
William Robertson Convener Community Safety Committee to 02/05/12	0	0	0	2,019
Lewis Simpson Vice Convener Tayside Valuation Joint Board to 02/05/12	0	0	0	1,712
William Wilson Convener Development Control to 02/05/12	0	0	0	2,050
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,531</b>

3.7 The arrangements for political decision making structures within Perth & Kinross Council as at 31 March 2014, which encompassed the salaries of all Elected Members including the Council Leader, Civic Head and Senior Councillors were agreed at the meeting of the full Council on 23 May 2012 (Report 12/193 refers) and are available on the Council's website at [Political Decision Making Structures](#) . Prior to this the arrangements were governed by Report 07/330 considered at the full Council on 16 May 2007.

3.8 The Council paid the following salaries and expenses to all Councillors (including those listed in Table 1 above) in financial year 2013/14:

**Table 2: Remuneration Paid to Councillors 1 April 2013 to 31 March 2014**

Type of Remuneration	2013/14 £	2012/13 £
Salaries	764,505	760,685
Taxable Expenses	2,740	2,792
Total	<u><u>767,245</u></u>	<u><u>763,477</u></u>

3.9 The annual return of Councillors' salaries and expenses for 2013/14 is available for any member of the public to view at the Council Headquarters Building at 2 High Street, Perth; Council libraries and Council local area offices during normal working hours and is also available on the Council's website at [Councillors Allowances](#)

The information in the annual return of Councillors' salaries and expenses for 2013/14 differs from the information presented within the Remuneration Report as the Remuneration Report excludes the payment of expenses which are not subject to taxation such as car mileage expenses; expenditure on public transport and subsistence expenses.

#### 4. Remuneration of Senior Employees

4.1 The Council is required to publish the remuneration of Senior Employees as defined by the disclosure regulations. Senior Employees are defined with reference to their management authority; to the political restriction placed upon their post under section 2(1) (a), (b) or (c) of the Local Government Housing Act 1989 and with reference to their reporting relationship to the Council's 'Head of Paid Service' or Chief Executive. The disclosure requirements also include any employee whose annual remuneration is £150,000 or more. No employee of Perth & Kinross Council was remunerated at this level in 2013/14.

- 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 2013/14:
- The Chief Executive as the Statutory Head of Paid Service.
  - The Depute Chief Executives and Executive Directors as officers responsible for the management of the authority to the extent that they may direct or control the major activities of the authority either solely or collectively.
  - The Head of Legal Services as the Council's statutory monitoring officer; the Head of Finance as the Council's proper officer for financial administration and the Depute Director (Education and Children's Services) as the Council's statutory Chief Social Work officer.
  - The Head of Democratic Services who reports directly to the Council's Chief Executive.
- 4.3 The salary of senior employees is set by reference to national arrangements. 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 2013/14 is detailed in table 3 below:

**Table 3: Remuneration of Senior Employees of the Council for Financial Year 2013/14**

<b>Name and Post Title</b>	<b>Salary, Fees &amp; Allowances 2013/14</b> £	<b>Total Remuneration 2013/14</b> £	<b>Total Remuneration 2012/13</b> £
Bernadette Malone Chief Executive (Note 1)	122,898	<b>122,898</b>	<i>125,431</i>
James Irons Depute Chief Executive (Retired 30/06/12) Executive Director (Environment)	0	<b>0</b>	<i>27,881</i>
David Burke Depute Chief Executive & Executive Director (Housing & Community Care) (to 30/09/13)	112,641	<b>112,641</b>	<i>110,044</i>
John Fyffe Depute Chief Executive & Executive Director (Education & Children's Services)	112,641	<b>112,641</b>	<i>110,044</i>
John Walker Executive Director (Housing & Community Care) (from 01/10/13)	53,720	<b>53,720</b>	<i>0</i>
William Atkinson Depute Director (Education & Children's Services)	86,619	<b>86,619</b>	<i>85,761</i>
James Valentine Executive Director (Environment)	107,445	<b>107,445</b>	<i>106,380</i>
Ian Innes Head of Legal Services	84,885	<b>84,885</b>	<i>84,045</i>
John Symon Head of Finance (from 01/07/12)	84,885	<b>84,885</b>	<i>63,034</i>
Stewart MacKenzie Acting Head of Finance (to 30/06/12)	0	<b>0</b>	<i>22,487</i>
Gillian Taylor Head of Democratic Services	77,937	<b>77,937</b>	<i>77,166</i>

Name and Post Title	Salary, Fees & Allowances 2013/14	Total Remuneration 2013/14	Total Remuneration 2012/13
	£	£	£
Colin McMahon Horsecross Arts Limited – Chief Executive (from 21/10/13)	30,493	30,493	0
Jacqueline McKay Horsecross Arts Limited – Chief Executive (to 31/10/13)	38,704	38,704	28,882
Jane Spiers Horsecross Arts Limited – Chief Executive (to 02/09/12)	0	0	26,943
James Moyes Live Active Leisure – Chief Executive	70,415	70,415	70,209
<b>TOTAL</b>	<b>983,283</b>	<b>983,283</b>	<b>938,307</b>

Note 1:

The substantive salary for the Chief Executive is laid down in COSLA Circular CO/146. The Chief Executive's remuneration in 2012/13 included a fee of £3,751 for acting as Returning Officer for the Local Government Elections (Scotland) 2012.

4.5 No other taxable benefits or bonuses were received by the above named Senior Employees of Perth & Kinross Council in 2013/14.

**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 whose annual remuneration in 2013/14 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 2013/14**

Remuneration Bands	Number of Employees	
	2013/14	2012/13
£50,000-£54,999	61	53
£55,000-£59,999	32	20
£60,000-£64,999	6	6
£65,000-£69,999	3	5
£70,000-£74,999	1	3
£75,000-£79,999	12	11
£80,000-£84,999	2	2
£85,000-£89,999	2	3
£90,000-£94,999	0	0
£95,000-£99,999	1	0
£100,000-£104,999	0	0
£105,000-£109,999	1	2
£110,000-£114,999	2	1
£115,000-£119,999	0	0
£120,000-£124,999	1	0
£125,000-£129,999	0	1
Total	<u>124</u>	<u>107</u>

**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	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14 £'000	2012/13 £'000
£0 - £20,000	2	1	98	26	100	27	565	190
£20,001 - £40,000	0	0	20	2	20	2	571	63
£40,001 - £60,000	0	0	10	4	10	4	479	209
£60,001 - £80,000	0	0	3	3	3	3	194	206
£80,001 - £100,000	0	0	1	1	1	1	81	90
Over £100,000	0	0	1	3	1	3	112	391
<b>Total</b>	<b>2</b>	<b>1</b>	<b>133</b>	<b>39</b>	<b>135</b>	<b>40</b>	<b>2,002</b>	<b>1,149</b>

- 5.2 The costs included within table 5 above are all non recurring and include payments to individual officers and to the relevant Superannuation Fund.
- 5.3 All of the individual exit packages included within table 5 above have been subject to a full business case outlining the implications for the Council. In terms of the financial assessment for each business case, the maximum pay back period should be around two years. The departure of the individuals included in the above table has delivered significant recurring savings to the Council and also allowed the Council to deliver on a challenging transformation / modernisation programme.

#### 6. Remuneration by Subsidiary Bodies of Perth & Kinross Council

- 6.1 Councillors and Senior Employees of Perth & Kinross Council serve as Board members; officials and technical advisors to subsidiary bodies of the Council. In 2013/14, the Head of Legal Services and Head of Democratic Services served as proper officers to the Tayside and Central Scotland Transport Partnership (TACTRAN). No remuneration was paid to Councillors and Senior Employees of Perth & Kinross Council by subsidiary bodies of the Council in 2013/14.

#### 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 For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. The scheme's normal retirement age for both councillors and employees is 65.
- 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 2013/14

Full Time Equivalent (FTE) Pensionable pay	Contribution Rate 2013/14
On earnings up to and including £19,800	5.5%
On earnings above £19,800 and up to £24,200	7.25%
On earnings above £24,200 and up to £33,200	8.5%
On earnings above £33,200 and up to £44,200	9.5%
On earnings above £44,200	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 appertaining to employment. If a person works part-time their contribution rate is worked out on a whole time pay rate for the job, with actual contributions paid on actual pay earned.

- 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 accrual rate guarantees a pension based on 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of final pensionable salary and years of pensionable service).
- 7.7 The value of accrued benefits have been calculated on the basis of the age at which the person will first become entitled to receive a pension on their retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their local government service, and not just their current appointment.

## 7.8 Pension Entitlements of Senior Councillors

The pension entitlements of Senior Councillors of Perth & Kinross Council for the year to 31 March 2014 are shown in table 6 below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

**Table 6a: Pension Entitlements of Senior Councillors, Conveners and Vice-Conveners of Joint Boards and Vice-Conveners of the Tayside Community Justice Authority for Financial Year 2013/14**

Name and Post Title	In-year pension contributions			Accrued Pension Benefits		
	For Year to 31/03/2014 £	For Year to 31/03/2013 £		For Year to 31/03/2014 £	For Year to 31/03/2013 £	Difference from 31/03/2013 £
Ian Miller Council Leader & Convener Strategic Policy and Resources	5,845	5,686	Pension Lump Sum	3,780 2,526	3,157 2,497	623 29
Elizabeth Grant Provost (Civic Head)	0	0	Pension Lump Sum	0 0	0 0	0 0
Henry Anderson Convener Licensing Board	3,934	3,527	Pension Lump Sum	699 0	297 0	402 0
Robert Band Convener Lifelong Learning	3,934	3,998	Pension Lump Sum	2,765 1,738	2,124 1,674	641 64
Jack Coburn Convener Licensing	0	0	Pension Lump Sum	0 0	0 0	0 0
Dave Doogan Convener Housing & Health	3934	0	Pension Lump Sum	364 0	0 0	364 0
Alan Grant Convener Environment	0	0	Pension Lump Sum	0 0	0 0	0 0
Tom Gray Convener Development Management Committee	3,934	3,527	Pension Lump Sum	1,384 0	920 0	464 0
John Kellas Convener Enterprise & Infrastructure	3,934	3,891	Pension Lump Sum	2,627 1,753	2,205 1,744	422 9
Murray Lyle Convener Local Review Body	3,934	3,527	Pension Lump Sum	2,065 1,380	1,663 1,316	402 64
Elspeth Maclachlan Convener Tayside Valuation Board	3,653	3,244	Pension Lump Sum	1,998 1,293	1,622 1,245	376 48
Archibald MacLellan Vice Convener Tayside Community Justice Authority	3,470	3,430	Pension Lump Sum	3,277 1819	2,654 1,774	623 45
Douglas Pover Convener Community Safety	3,934	3,527	Pension Lump Sum	699 0	297 0	402 0
Mac Roberts Leader Largest Opposition Party (Note 2)	3,934	3,527	Pension Lump Sum	5,639 10,691	4,867 10,134	772 557
Alexander Stewart Convener Scrutiny	3,934	3,891	Pension Lump Sum	6,553 13,533	6,029 13,215	524 318
Barbara Vaughan Convener of Audit Committee	0	0	Pension Lump Sum	0 0	0 0	0 0
<b>TOTAL</b>	<b>48,374</b>	<b>41,775</b>				

### Notes:

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

- (2) The Lump Sum for Councillor Roberts has been restated for 31 March 2013 due to an incorrect calculation of transferred benefits.

**Table 6b: Pension Entitlements of Former Senior Councillors, Conveners and Vice-Conveners of Joint Boards for Financial Year 2012/13.**

Name and Post Title	In-year pension contributions			Accrued Pension Benefits		
	For Year to 31/03/2014 £	For Year to 31/03/2013 £		For Year to 31/03/2014 £	For Year to 31/03/2013 £	Difference from 31/03/2013 £
John Hulbert Provost (Civic Head) to 02/05/12	0	389	Pension Lump Sum	n/a n/a	n/a n/a	n/a n/a
Kathleen Baird Convener Scrutiny to 02/05/12	0	363	Pension Lump Sum	n/a n/a	n/a n/a	n/a n/a
Peter Barrett Convener Housing & Health to 02/05/12	0	363	Pension Lump Sum	n/a n/a	n/a n/a	n/a n/a
George Hayton Vice Convener Strategic Policy & Resources to 02/05/12	0	363	Pension Lump Sum	n/a n/a	n/a n/a	n/a n/a
Alistair Munro Vice Convener of Joint Fire Board From 11/06/12 to 31/03/13	0	2,950	Pension Lump Sum	n/a n/a	248 0	n/a n/a
William Robertson Convener Community Safety to 02/05/12	0	363	Pension Lump Sum	n/a n/a	n/a n/a	n/a n/a
Lewis Simpson Vice Convener Tayside Valuation Board to 02/05/12	0	308	Pension Lump Sum	n/a n/a	n/a n/a	n/a n/a
<b>TOTAL</b>	<b>0</b>	<b>5,099</b>				

Notes:

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

## 7.9 Pension Entitlements of Senior Employees

The pension entitlements of Senior Employees of Perth & Kinross Council and its Subsidiaries for the year to 31 March 2014 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 for Financial Year 2013/14**

Name and Post Title	In-year pension contributions			Accrued Pension Benefits		
	For Year to 31/03/2014 £	For Year to 31/03/2013 £		For Year to 31/03/2014 £	For Year to 31/03/2013 £	Difference from 31/03/2013 £
Bernadette Malone Chief Executive	22,122	22,578	Pension Lump Sum	43,139 97,929	40,809 97,235	2,330 694
James Irons Depute Chief Executive (Retired 30/06/12) Executive Director (Environment)	0	5,019	Pension Lump Sum	n/a n/a	58,223 156,468	n/a n/a
David Burke Depute Chief Executive & Executive Director (Housing & Community Care) (To 30/09/13)	20,275	19,808	Pension Lump Sum	58,521 147,402	55,337 144,003	3,184 3,399
John Fyffe Depute Chief Executive & Executive Director (Education & Children's Services)	20,275	19,808	Pension Lump Sum	55,944 139,671	52,820 136,451	3,124 3,220
John Walker Executive Director (Housing & Community Care) (From 01/10/13) (Note 2)	9,670	n/a	Pension Lump Sum	36,867 86,342	n/a n/a	n/a n/a

Name and Post Title	In-year pension contributions			Accrued Pension Benefits		
	For Year to 31/03/2014 £	For Year to 31/03/2013 £		For Year to 31/03/2014 £	For Year to 31/03/2013 £	Difference from 31/03/2013 £
William Atkinson Depute Director (Education & Children's Services)	15,591	15,437	Pension Lump Sum	44,711 112,477	42,838 111,363	1,873 1,114
James Valentine Executive Director (Environment)	19,340	19,148	Pension Lump Sum	40,878 95,773	38,700 94,824	2,178 949
Ian Innes Head of Legal Services	15,279	15,128	Pension Lump Sum	43,124 108,150	41,296 107,080	1,828 1,070
John Symon Head of Finance	15,279	12,607	Pension Lump Sum	24,883 57,672	23,095 56,680	1,788 992
Stewart MacKenzie Acting Head of Finance (to 30/06/12)	0	4,048	Pension Lump Sum	n/a n/a	21,852 53,163	n/a n/a
Gillian Taylor Head of Democratic Services	14,029	13,890	Pension Lump Sum	33,758 82,354	32,138 81,540	1,620 814
Colin McMahon Horsecross Arts Limited – Chief Executive (from 21/10/13)	5,489	0	Pension Lump Sum	473 0	n/a n/a	n/a n/a
Jacqueline McKay (Note 3) Horsecross Arts Limited – Chief Executive (to 31/10/13)	6,839	4,800	Pension Lump Sum	12,238 21,930	450 n/a	n/a n/a
Jane Spiers Horsecross Arts Limited - Chief Executive (to 02/09/12)	0	4,850	Pension Lump Sum	n/a n/a	21,234 52,712	n/a n/a
James Moyes Live Active Leisure - Chief Executive	12,628	12,215	Pension Lump Sum	33,580 83,201	31,348 80,470	2,232 2,731
<b>TOTAL</b>	<b>176,816</b>	<b>169,336</b>				

Notes:

- (1) The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their local government service, including any service with a Council subsidiary body, and not just their current employment.
- (2) Pension Figures quoted relate to the full pension and lump sum entitlements of the post holder.
- (3) Previously accrued benefits were transferred to Tayside Pension Fund prior to leaving date.

Signed:



Bernadette Malone  
Chief Executive

Perth & Kinross Council

Date: 17 September 2014



Ian Miller  
Leader of the Council

Perth & Kinross Council

Date: 17 September 2014

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

I certify that I have audited the financial statements of Perth & Kinross Council and its group for the year ended 31 March 2014 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statements, Comprehensive Income and Expenditure Statements, Balance Sheets, and Cash Flow Statements, the authority-only Housing Revenue Account, the Statement of Movement on the Housing Revenue Account Balance, the Council Tax Income Account, the Non Domestic Rate Account, Charitable Trusts, Common Good and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the 2013/14 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the Head of Finance and auditor**

As explained more fully in the Statement of Responsibilities, the Head of Finance is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the statement of accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2013/14 Code of the state of the affairs of the group and of the body as at 31 March 2014 and of the income and expenditure of the group and the body for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2013/14 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.

### **Opinion on other prescribed matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and

- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I am required to report by exception**

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement does not comply with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.



Stephen Boyle  
Assistant Director of Audit  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow G2 1BT

17 September 2014

## **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.

### **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

### **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.

### **FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

### **FIAA**

Financial Instruments Adjustment Account

### **IMPAIRMENT**

A reduction in the value of a fixed asset to below its carrying amount on the Balance Sheet.

### **MATERIALITY**

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

### **NET BOOK VALUE**

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

### **NON-DISTRIBUTED COSTS**

These are overheads which cannot be directly allocated to a specific area of activity and as such are not apportioned to services.

**PPE**

Property, Plant & Equipment

**PRIOR YEAR ADJUSTMENT**

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**PROVISION**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

**PUBLIC WORKS LOAN BOARD (PWLB)**

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

**REVENUE EXPENDITURE**

The day-to-day expenses of providing services.