

The Moray Council
Annual Accounts
for the year ended 31 March 2016



moray
council

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Council Members and Wards (continued)

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Council Members and Wards (continued)

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Local Authority Functions

The Moray Council is directly responsible for the provision of the following services:

- Social Work
- Housing

- Strategic Planning and Development
- Local Planning and Development Control
- Industrial Development
- Roads, Highways and Bridges
- Harbours
- Car Parks
- Parks and Open Spaces
- Environmental Protection
- Trading Standards

- Education
- Libraries & Museums
- Public Halls
- Recreational Activities

- Community Councils
- Registrar Service
- Emergency Planning
- Licensing

The Council administers a number of trust funds, acting as either sole trustee or as one of several trustees and also administers the Common Good Funds in the Moray area.

The Grampian Valuation Joint Board serves the Grampian area and provides the following services in Moray:

- Electoral Registration and the Valuation of Land and Property

In addition to the above the Council participates in the following partnerships/joint venture:

- Transport – The Highlands and Islands Transport Partnership

- Criminal Justice – Northern Community Justice Authority

- Procurement – Scotland Excel

- Information Technology solutions for Educational Services – SEEMIS Group LLP

The Moray Community Planning Partnership and sub groups:

- Community Engagement Group
- Communities and Sustainability Partnership
- Children and Young People's Partnership
- Moray Economic Partnership
- Health and Social Care Partnership
- Public Protection Partnership
- Employability Moray

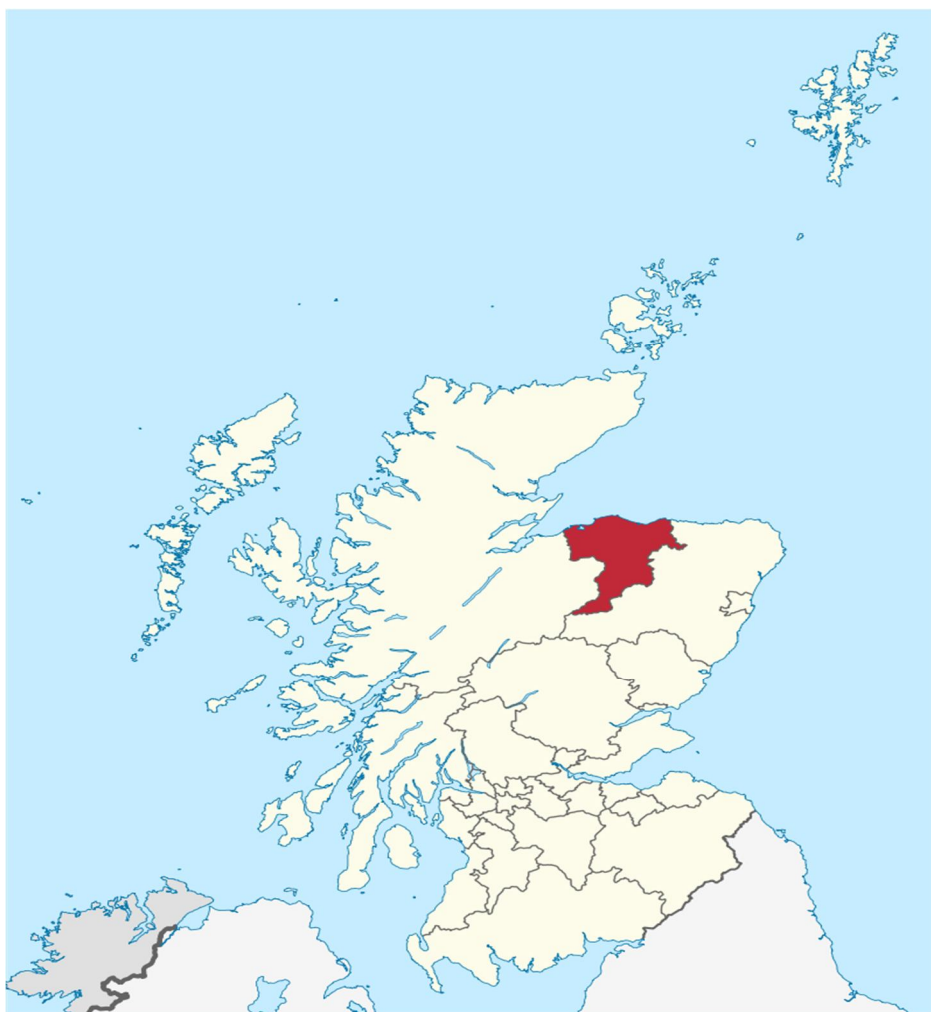
- Moray Integration Joint Board

Management Commentary

Introduction

The Moray Council is responsible for providing a wide range of services to the local population of over 93,000 people including: education, social care, waste management, housing and the local roads infrastructure. Elections are held every five years to appoint the 26 Councillors, whom form the membership of the Council and are supported by the Chief Executive and three Corporate Directors to establish priorities for service delivery and continuous improvement. The Chief Executive and Directors are supported by a workforce of around 4,000 people and a range of contracts with both the private sector and the third sector, to deliver local services.

Moray Council is a largely rural authority covering a land mass of 2,238 sq km. It also has a long coastline on the Moray Firth with a variety of harbours fishing villages and world class beaches. There is one main commercial harbour at Buckie and the main centre of population is Elgin which is home to more than one quarter of the people living in Moray. Other towns of between 5,000 and 10,000 are located at Forres, Buckie, Lossiemouth and Keith.

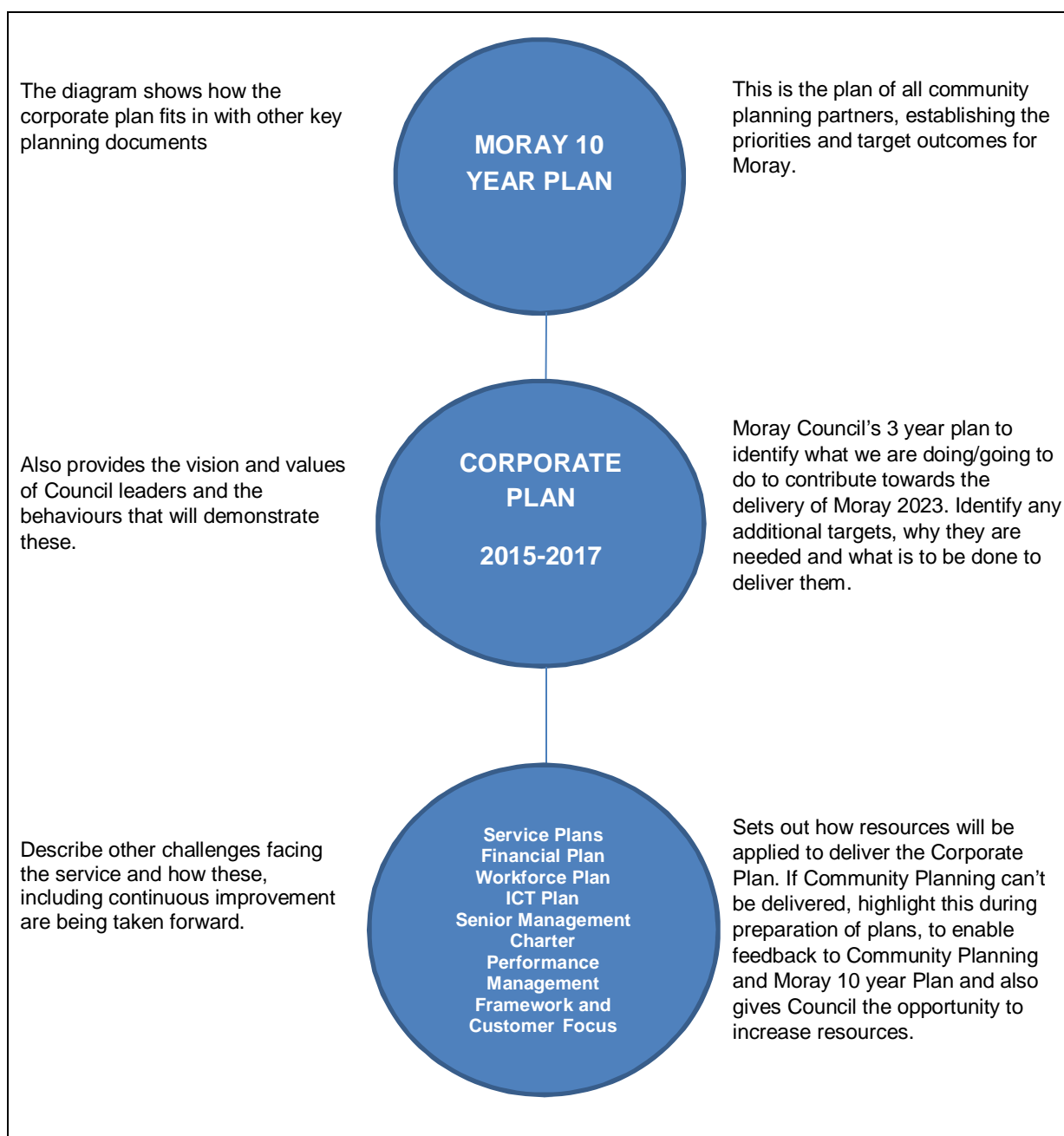


The Council's Administration is a minority group of 11 councillors (9 Independent and 2 Scottish Conservative and Unionists) the SNP Group also has 11 members, Scottish Labour 2, another Scottish Conservative and Unionist and another Independent councillor.

Strategy and Objectives

Working in partnership with other public sector agencies is key to the effective delivery of local services. The Council is the lead public agency in Moray for community planning and, in this regard, led an extensive amount of work to identify the priorities for public services in Moray for the 10 years ahead. Extensive evidence was used to prepare the plan, drawing on consultations with communities, performance information and data to highlight particular areas of need. The 10 year plan, Moray 2023, was used by the Council to prepare a Council corporate plan for 2015 to 2017. That document identified the key planning documents for the Council as follows:

Management Commentary (continued)



The Council's vision, values and priorities are set out in the Corporate Plan as follows:

Vision – “Everyone in Moray has a role to play in making Moray a great place to live and work. At the Moray Council we are working with public, private, community and voluntary sectors to identify what we can do together to make life better for everyone, especially those in need”. Underpinning this vision are five priorities:

1. Sustainable economic development
2. Ambitious and confident children and young people
3. Healthier citizens
4. Adults living healthier, sustainable independent lives
5. Safer communities

A number of targets have been agreed to measure our success in delivering against these priorities over the next 10 years and the Community Planning Board has established six partnership groups to take responsibility for the targets.

Management Commentary (continued)

The Corporate Plan recognises that the financial backdrop presents an extremely challenging environment for the changes the Council aims to implement and outlines the key elements that will support the improvement agenda as:

1. Customer focus
2. Community Engagement
3. Workforce Culture
4. Technology/Digital Services
5. Governance

Progress Against the Corporate Plan Targets During 2015/16

Sustainable economic development

There were a number of successes during the year. Buckie Harbour was identified as a contingency port for the Beatrice offshore renewables field and agreement to acquire a significant swathe of land for development as an Industrial Estate at March Road in Buckie, all reflected in the new 2015 Local Development Plan. Tourism in the area continued to grow with visitor numbers up by 6.5%, Keith Conservation Area Regeneration Scheme was successfully delivered and the £86 million Elgin Flood Alleviation Scheme was delivered on time and under budget. Development of affordable housing continued to progress well with 96 units delivered and master planning for an additional 4000 houses to the North and South of Elgin also completed. Waste management took a great step forward with agreement in principle to develop a joint Energy from Waste plant in partnership with Aberdeen City and Aberdeenshire Councils. Broadband coverage in the area also improved, rising to 83%, the highest connection rate in the Highlands and Islands region. Work began on improvements in the local rail infrastructure to support more frequent local services. Meanwhile, the Council's Dial - a - Bus service continued to flourish and expand, the innovation underpinning this activity being recognised through the Campbell Christie Public Service Award received in December 2015.

Although performance overall was positive in a number of areas during 2015/16 with our population continuing to grow and a strong showing in terms of business start - ups, viewed as a piece this was a challenging year in terms of economic development in Moray. A number of key projects in the Corporate Plan failed to come to fruition including the Spaceport – for which the Ministry of Defence refused permission to participate in the bidding process- further delays in funding for the Moray Offshore Renewables Limited (MORL) field which hindered progress in development of Buckie Harbour.

Reductions in the local government grant settlement also acted as an inhibitor to anticipated development activity with the result that, since the year end, it has been acknowledged that the Council is not in a position to provide capital funding to support Corporate Plan priorities such as the Elgin Public Design Charrette projects and development of Barmuckity as a Business Park for Elgin.

It is clear that the Council's ability to act as a lead funding agency in driving sustainable economic development in Moray will require review during 2016/17, particularly in areas where the Council has no direct statutory role. Whilst work has commenced to develop a bid for a City Deal type bid for Moray which would help to ease current capital funding constraints in support of this priority, it is too early to assess prospects of success and meantime a funding gap will remain.

Ambitious and confident children and young people

Over the past year the Education and Social Care department have developed a "Schools for the Future" policy as a response to the Sustainable Education Review and this policy was piloted in the Forres Area School Group (ASG) with plans now in place to implement the policy from school session 2016/17. As a result of the pilot in Forres, important work will be taken forward in that ASG to consider school zoning arrangements. Financial close has been achieved in relation to the Elgin High School replacement project with works commencing in late March 2016. A complete review of school zoning has taken place in Elgin which has resulted in a new school zone being established in the south eastern area of the town. Statutory consultation has been undertaken in line with the 2010 Act in order to establish a new school which will initially open in temporary accommodation from August 2016. Statutory consultations have also been on-going for secondary school zones and for the Council's School Admissions Policy. Work continues on refurbishment of four of Moray's largest primary schools with this work scheduled for completion in 2017.

The Community Planning Partnership (CPP) has established a new partnership group, Employability Moray, which will lead forward the CPP's employability strategy including its approach to developing Scotland's young workforce. Good progress has been made to date with all secondary schools having received additional funds to create capacity to lead

Management Commentary (continued)

this agenda forward and additional Skills Development Scotland support being secured to roll out career management skills in Moray. The Moray Chamber of Commerce is taking a lead role in this area, working closely with education officers and schools. Education Scotland carried out a thematic review of senior phase pathways in Moray in November/December 2016 which highlighted good practice and further areas for development in terms of how we support young people through their senior phase of learning. This review highlighted particularly good employer engagement with schools.

Throughout 2015/16 training has been rolled out to all practitioners from Education and Health who will carry out the Named Person role from August 2015 as the government initiative entitled “Getting It Right For Every Child” (GIRFEC) is fully implemented. Significant progress has also been made on children’s planning and procedures have been piloted for Named Person cover arrangements during school holiday periods. Locality Management Groups (LMGs) have been reformed locally as the natural next steps in the implementation of GIRFEC and this will give professionals an opportunity to focus on data and intelligence at a local level to ensure a preventative approach is taken and to ensure resources are appropriately targeted where they are required.

Our fourth Early Years conference was again over-subscribed in February 2016 and good progress has continued to be made in response to the national Early Years Collaborative programme. Very early scoping work has been undertaken in preparation for plans to increase the entitlement to early learning and childcare by 2020 and this will be a major focus of our work over the coming years. Our early Learning and Childcare centres continue to receive positive inspection evaluations from both Education Scotland and the Care Inspectorate.

Moray’s Corporate Parenting Board is up and running and a successful training event was held in February 2016. Plans are well underway to adopt the “Family Firm” approach when supporting our young people post formal education. Our Fostering and Adoption, Placement Services and Supported Lodgings services have also, once again, received very positive inspection ratings over the course of the past year. A “bridging” Integrated Children’s Services Plan has been developed ahead of preparing the next three year plan required legislatively from 2017 onwards. Within Integrated Children’s Services, a new Protecting Children Team has been created to bring together the previous Child Protection and Youth Justice teams. This combined skill set will be central to supporting our most vulnerable young people in Moray.

A three year Additional Support Needs (ASN) funding arrangement has been agreed to allow time to work on a longer term authority wide ASN strategy to respond to the huge increase in the number of young people with additional support needs. This work is now underway.

Despite significant capacity concerns in the central team, post inspection support has continued to be provided to one secondary and three primary schools. Within schools, staffing remains a huge concern with a number of posts having to be re-advertised four times. In addition, there has been an increase in Head Teacher vacancies and some of these have also been re-advertised due to the low number of applicants. Over the course of the session four new schools went to paired headship arrangements and a revised Federation policy is now in place with other work also on-going in relation to leadership and management arrangements in Moray’s primary schools. Teacher staffing concerns across the north and north east of Scotland resulted in the Northern Alliance group of directors organising a Teacher Numbers Summit, attended by the local Elected Members and addressed by the Cabinet Secretary for Education and Lifelong Learning in September 2015.

For the first time, the department has developed one overarching strategic plan for its services to cover the period from 2016 to 2019. The key priority areas within the plans are;

- GIRFEC
- Curriculum for Excellence
- Lifelong Learning and Employability
- Leisure
- Resources
- Leadership

Heads of Service will use these priority areas to inform their own team plans and priorities over the next three year period.

Management Commentary (continued)

Healthier citizens

During 2015/16, approaches and strategies to support this outcome have been developed in partnership with community planning partners. The Alcohol and Drug Partnership have focussed on a recovery orientated system with significant drive in place to continue to take this forward. Alcohol related problems remain a significant challenge for the area and a number of efforts are underway across the partnership to raise the profile and allow the population to better engage, the Council services playing a leading role in supporting this. Commissioned services through community care contribute to a high performing pathway of care for those experiencing substance misuse related problems, valued by both service users and key stakeholders involved in the delivery of care and treatment. The Moray Alcohol and Drug Partnership service redesign supports the reduction of adults drinking above safe guidance limits via the following actions:

- Introduction of a structured community rehabilitation programme; covering both intensive support, through to supporting the person to re-engage in the community;
- Investment in the adult drug/alcohol service increased, thus improved assessment; care planning and outcome reporting processes to ensure that the person receives the most appropriate intervention at the right time and place.
- Co-ordination of consistent alcohol awareness campaigns and initiatives to all population groups e.g. Operation Avon and Safer Streets.

Other aspects of supporting an improvement in the health of our citizens are:

- Better management of the Core Paths network and improvements that it will make it more accessible to a wide range of users.
- The Smarter Choices Smarter Places programme with an aim to introduce a Moray-wide programme of activities that provides opportunities for active travel for all is well established. The programme offers a variety of schemes to target vulnerable and sedentary population groups. All schemes are monitored to assess the impact.
- Activity continues with partner providers to promote free/low cost opportunities for physical activity for families, working age and older people population groups via the Fit Life Membership Scheme.
- A formal review and update of the Council's Fostering and Adoption Smoking Policy has been completed. Families wishing to foster or adopt will be offered smoking protection; prevention and cessation guidance and support.
- Kick Butt, a local smoking prevention and prevention programme co-designed with school aged children is delivered across all Area School Groups, It is currently under review so to incorporate the changing needs of young people and enable and support them to make informed choices on wider health and wellbeing issues e.g. mental health and wellbeing, relationships etc.

Staff from the Council alongside the third sector, private and NHS have been developing a framework for engaging with communities to ensure key messages about health and wellbeing are common place, an ethos is supported across the workforce in relation to health improvement being everyone's business and a need for staff to take every opportunity to intervene with relevant advice and information as the opportunity presents. In terms of impact this is acknowledged as difficult to measure over any short period of time. Moray has a positive profile for the population in terms of health and wellbeing; however in relation to tackling inequalities and those most in need there is further work to be done. Under the new arrangements for adult health and social care, the role of the Integration Joint Board as a statutory partner in the Community Planning arrangements will allow a broad based approach to population health with the aim of considering the financial targeting and shifting of resources to support this activity, particularly around those most in need. The joint board's strategic plan sets out as a priority the emphasis on wellbeing and activities will continue to be promoted through partnership collaboration to support this as we move forward.

Adults living healthier, sustainable independent lives

During 2015/16, Learning Disability Services continued to promote the independence of people who use services. There was a particular focus on promoting alternatives to day service provision through self-directed support or employment related activity. This achieved a reduction in numbers attending traditional day services. As with the Healthier Citizen interventions, the increase in recovery approaches support an assets based way of working with people, enabling people to achieve independent living and resilience, the more mainstream this model becomes the more equipped the workforce are to support this outcome.

Management Commentary (continued)

The community care team have been working with partners to develop a system that eases the activity of matching people with need with providers of care and this plan is being taken forward.

During 2015/16 the Council workforce in Adult Community Care has been transitioning to the integrated arrangements and the Moray Integration Joint Board was approved by the Scottish Parliament on 6th February 2016. This service has been working closely throughout 2015/16 with NHS Grampian staff, to develop joint care arrangements in readiness for becoming one team. The key focus of the strategic plan developed by the Moray Integration Joint Board is to promote independent living and good health and wellbeing. The Council workforce and councillors have been involved along with other partners in developing this plan, considering ways in which further emphasis can be placed to support independent living. A number of experiments are under development to push the opportunities further in promoting this. These include consideration of models of care that de-medicalise the health and care system. There is an aim to spread the Moray Partners in Care model of care across the workforce, this has a fundamental ethos in promoting independent living and taking a strength based approach to assessment and care.

The shift to preventing and strength based approaches are noted as longer term strategies to help protect services for those with complex needs and most in need, addressing the inequalities challenge. Financially the prevention and wellbeing approach is geared to ensuring that people retain their independence and that the impact supports the system to be sustainable.

Housing has continued to be a key partner in assisting independent living and is a key stakeholder in the new arrangements going forward under integration.

Safer communities

During the year the strength of the Community Safety Partnership has grown with a developing emphasis on early intervention and prevention and our performance framework has shown a positive improvement in a number of key areas. The Community Safety Hub has undergone a review and has led to greater levels of information sharing and judicious use of shared resources to tackle Community Safety issues across Moray.

Antisocial Behaviour has continued to fall in the majority of measured areas both in the short and long term, however dog fouling remains an issue of concern to communities with reporting showing an upward trend. Road safety remains an area of concern and whilst serious injuries in both adults and children have reduced, adult fatalities have shown a slight increase with 5 last year. Proactive work in this area has continued in a preventative way and the re-establishment of the Moray Road Safety Group will enhance this work moving forward.

Home and Fire Safety has continued to improve with reductions in fires, falls and domestic accidents. Increased numbers of Home Fire Safety Visits have occurred and the Hub process has allowed greater opportunity for an early intervention with the more vulnerable members of our communities.

Domestic Abuse has reduced very slightly in the past year which is a reversal on the previous upward trends and is a very positive indicator. The new Domestic Abuse Strategic Framework will allow the partnership to continue to deliver a program supporting social awareness and behavioural change whilst promoting positive relationships, equality and gender roles.

We will continue to address levels of violence across Moray and focus on the impact that alcohol and drugs has on such incidents. The partnership provides for alcohol/drugs interventions and support to be offered to those affected.

In the next year the Community Safety Strategy will be renewed. This process will take account of progress made and areas where improvements are required allowing better focus of the resource available to enhance prevention and early intervention whilst continuing to encourage local responsibility in dealing with these issues and continue to respond in the most effective manner available across the partnership.

Management Commentary (continued)

Customer focus

Over the last year our new Customer Focus Strategy and Charter were approved by committee. The importance of customer focus was raised with staff through our in house staff magazine "Connect" and through our Human Resources update bulletin. The Council's best value audit from 2014/15 said that we should increase the momentum of our approach to customer focus by

- using the Strategy to drive an improved culture of customer focus across the Council
- using customer satisfaction results more systematically to improve services

Over the next year we intend to promote a Council wide customer satisfaction survey. This will give a general picture of how the public rate our services. We have also committed all services to carry out a formal self- assessment of how well they engage with their customers. A team has been set up to assist with the self -assessment process using a recognised industry model. This assessment should give us a Council wide view of how well each service is performing and which areas we need to focus on for future improvement.

Community Engagement

During the year the Council worked with partners and representatives from local community groups to identify how engagement with communities could be improved. The result of this work was to recognise the importance of engagement as a continuous process and to establish a six point improvement plan for the year ahead. Implementation of the improvement plan is well advanced and includes better coordination of partnership resources, a standardised survey and greater use of social media as well as more traditional formats, such as information at libraries and other public service points.

We have developed an innovative engagement programme which increases both the Community Planning Partnership and the Council's presence online. The improvements also aim to achieve greater transparency and promotion of planned consultations with the community through the calendar, widely encouraging participation through promotion at our local services points and seeking invitations to attend community groups to discuss and influence our priorities in the years ahead.

Community Asset Transfers continue to be promoted by the Council, with two transfers completed in 2015/16, 3 new applications received and 13 expressions of interest in hand.

Workforce Culture

The Council has well established workforce planning in place with the rolling plan and strategy being reviewed and approved on an annual basis. This has included surveying employees for their views and a programme of employee engagement work to respond to these. This is now well embedded and in response to issues in the 2013 survey, work to investigate and then improve workforce culture began. In April 2015, the Council set out a plan aimed at creating a positive workforce culture where morale is good, people are proud to work for The Moray Council and would recommend it to others. In support of this, eight specific aims were developed. The work has been led by a joint councillor/ trade union/officer group. This has resulted in revised policies and guidance, an employee charter and improved communications around culture issues. The 2015 employee survey showed improvements across virtually all areas, for example a 22% point increase against leadership and a 16% point increase in satisfaction with communications. Where results showed scope for improvement focussed work has commenced with these services and specific actions are being taken forward by managers to respond to the issues in order to continue to improve workforce culture.

Technology/Digital Services

The Council has long established robust arrangements in place to match its ICT resources to support the delivery of Council priorities. The Council has committed to an agile approach to ICT development, which recognises the rapid evolution of technology and the different ways in which the public would like to interact with the Council. Success in this area is seen as a key to the future sustainability of many Council services and includes the promotion of a shift towards more people choosing to communicate via digital means. During the year online services have been developed for Housing including accepting a Council tenancy, dealing with rent balance and payments and checking position on the waiting list. The Council website now delivers services such as applying for a taxi licence, reporting various issues (e.g. anti-social behaviour, damaged equipment, dog fouling) and uses mapping technology to provide information about play parks and winter gritting will be added soon. Engaging with customers has provided feedback

Management Commentary (continued)

that 83% find the new website easy to use and information on it quick and simple to find. The developments have seen a 30% increase in views on the web site, a 6% reduction in visits and an 8% reduction to the calls into the Council contact centre. This provides a strong basis for future development of online services that customers will choose to use and that are more efficient for the Council to provide.

Governance

This was a transition year for the merger of adult social care services with local health care services. The Council's Health and Social Care Services Committee met for the last time in February 2016. The new Moray Integration Joint Board (IJB) consists of three councillors and three non-executive board members from NHS Grampian. The Council agreed the governance arrangements for the transfer of social care services to the IJB and will receive annual reports from the Chief Officer of the local joint service provision.

Core Service Delivery

The Council uses an extensive range of measures to monitor its performance during the year and keeps this information up to date on its website for public information. The Council publishes a Public Performance Report annually in October.

Some highlights from the data currently available are provided below.

Education

Moray's performance in national literacy and numeracy measures is a similar position to last year where our leavers are performing slightly above the national average at level 4, but lower at level 5. In 2015, school leavers in Moray are attaining better than the virtual comparators (set by the government as an initial benchmark for the new system of pupil assessment) for our least able 20% and our middle 60%, although we are lower than the national picture for both. The highest 20% of school leavers performed better than the virtual comparator and the national figure.

There has also been an upward trend in increasing the post-school participation for our young people over the past three years with Moray performing above both the virtual and national average, with a figure of 94.41% in a positive destination. The authority has embedded its raising attainment strategy and will continue to focus on raising attainment as a priority within Moray and also mindful of this as a key measure in the National Improvement Framework; this is being complemented by the Learning and Teaching Strategy and a series of guidelines to support assessment, moderation and tracking and monitoring in our schools. This will focus on raising the expectations for all young people across our schools as we support and challenge them to do their very best.

Following a large increase (10%) in the uptake of primary school meals in 2014/15 to 64% the figure has remained the same in 2015/16. The uptake by children in Primary 1 to 3, for whom meals are free, is 78% and for P4 to P7 the figure is 53%.

Targeted investment has limited the extent of ongoing deterioration in the overall condition of the school estate. However, whilst there has been an increase in floor area rated as 'B' or better, there are still only 11 of the Council's 53 schools in that category

Looked After Children

The proportion of children looked after by the local authority that are out of area remain within target for the fourth consecutive quarter. However the proportion of children looked after in a family placement, or are accommodated in a residential placement have shown recent increases. Overall for the year they remain within target. There are concerns in relation to the timescales for completing reviews of care plans and the unit cost of care purchased for residential care is higher than our comparator authorities. The Council aims to tackle this issue in the longer term through its prevention activities and in the medium term through investment in new local residential provision and in the short term by continuing to work with families and foster carers. A new local residential facility for 6 children was opened in December 2015.

Management Commentary (continued)

Community Care

Supporting people with multiple disabilities, particularly autism and Learning Disability has been challenging for the service, but the skills and confidence of team members has continued to grow in this regard. Managing the growth in demand for support in this area against the backdrop of limited budgets was a major difficulty during this financial year. This growth in demand has arisen from a combination of the numbers of young people transferring into Adult Services, the numbers of Older People with an LD increasing, and the growth in demand for complex care arising from behaviour which challenges services. During the year, 8 young people moved from Integrated Children's Services to Adult Services. These young people were requiring continuing support due to Autism, a Learning Disability, a Mental Health problem or a physical Disability. The post of Transition Social Worker proved an invaluable means of supporting young people with varied needs through their early years of adulthood, without the need for prescriptive definition.

Services for Older People experienced particular difficulty in securing sufficient care at home services this year, with a particularly challenging time in quarter 3. This led to an increase in numbers of Older People delayed in Hospital. All providers worked together to improve this situation for the last quarter of the financial year. Efficiencies in the management of Homecare resulted in an underspend in internal provision, that balanced additional spend with external Partners. The numbers of people entering Residential Care remained relatively constant despite demographic growth.

Welfare Services

The Council provides a range of welfare support services and the largest volume of financial support relates to Housing Benefit and the Council Tax Reduction Scheme. The transition to Universal Credit commenced in November and will gradually impact on the volume of households receiving Housing Benefit over the next few years. The implementation of the Benefit Cap by the Department for Work and Pensions has had an impact with more people presenting as requiring support from the Scottish Welfare Fund. In February 2016 The Scottish Government announced that the 32 local authorities would be lead partners for European funded "Strategic Interventions" for Poverty and Social Inclusion for the 2014 to 2020 period. For this, the Scottish Government have indicatively allocated £540,000 of European funding to Moray at a funding rate of 50% - giving a potential total investment of £1,080,000. The Council has agreed to prepare a bid in relation to the funding available for consideration in 2016/17.

Libraries and Leisure

This is the first full year of the "Fit Life" membership scheme and year on year usage of Council leisure facilities has increased by 11.9%. The analysis of admissions shows 117,392 Fit Life members and 70,563 pay on entry.

A group, comprising councillors and officers, has been established to consider next steps in the Leisure Review and the Council's Sports Development Officer has been seconded on a part time basis to consider the future options for leisure service delivery in Moray.

Library facilities continue to be well used and 424,137 items were borrowed from the libraries service during 2015/16 in comparison with 422,524 in the previous year and 568,158 visits were made to Moray's libraries during the year in comparison with 555,291 in 2014/15.

Roads and Infrastructure

Our roads remain in relatively good condition and are currently ranked 9th in Scotland. The Council has indicated that as part of its budget strategy, road condition will be targeted at a level equivalent to the average in Scotland in order to achieve financial savings over the next few years.

The winter season was again relatively mild and the Council's need to respond to snow events was less than in previous years. However, slightly unusual late weather patterns resulted in the Council gritting much later in the season than anticipated. Total budget spend within winter maintenance was 9% lower than in 2014/15.

In order to meet the rising cost of energy charges and to meet our own challenging carbon reduction targets the Council is investing £5.5m on a spend to save initiative to replace 17,600 streetlights with lower carbon LED lanterns over the next five years. This is projected to save the Council £20m over 20 years, and reduce annual energy use by around 50 per cent.

The Council has completed its ambitious programme of five major flood alleviation schemes across Moray with the Elgin Scheme now operational. It protects around 600 homes and 200 businesses. Aside from reducing flood risk,

Management Commentary (continued)

multiple benefits included remediating contaminated land, urban landscape improvements, sports and recreation opportunities and a new 6km flood bank cycleway, encouraging active travel and enhancing road safety.

Waste Management

The Council continues to improve on its recycling rate with an unaudited figure of 57.4% for 2015/16 (54.4% in 2014/15). We progressed the rollout of the Intervention Campaign which takes the message to residents but also looks at capturing more material by making it as easy as possible for residents to participate. Ongoing campaigns and liaison with community groups have assisted our efforts in achieving targets.

The overall amount of waste dropped, indicating that the ongoing Intervention Campaign is having a positive effect on waste minimisation. We have a target of reducing residual waste by 875t per year and last year we exceeded the target by 666t. We rolled out a very successful play to the majority of schools using the local Out of Darkness Theatre Company which was very well received and praised by both pupils and teachers alike.

The Council signed a partnership agreement with Aberdeen City and Aberdeenshire Councils to commit to deliver a joint Energy from Waste facility to be located in Aberdeen City. The new facility expected to be operational in 2021 will take all of the waste that normally goes to landfill and generate heat and electricity.

Housing

During the year the Council met two important targets resulting in its housing stock meeting the Scottish Housing Quality Standard and the National Home Energy Rating standard. It also completed 96 new build properties against an annual target of 50. Repairs were completed within target timescales and average days to re-let void properties reduced to 29 against an annual target set of 35 days.

Development Services

The new Local Development Plan was adopted in July 2015, two months ahead of schedule. The Council's approach to longer term planning for housing land was recognised in winning an award in the Scottish Awards for Quality in Planning. Work continued on Keith and Elgin CARS schemes improving the appearance of the town centres and encouraging economic activity. Development management were involved in a number of major applications for housing and for the proposed new warehousing and co-operation for Macallan as well as the public inquiry for Hill of Towie wind farm. Building Standards have commenced work on the transition to e-building standards which will commence in August 2016.

Financial Performance for 2015/16

The Council's finances are separated between General Services and Housing. Housing refers solely to operating the Council's estate of just over 6,000 houses for rent and other housing services, such as support for the homeless and housing benefits are part of General Services.

General Services

Revenue Income The total level of revenue support from the Scottish Government is determined by Scottish Ministers in discussion with COSLA as part of the spending review process which normally takes place every two years but the timing of spending reviews is linked to the similar process carried out by the UK Government. Since 2013/14 these reviews have taken place annually.

Within General Services, total revenue support is made up of 3 components: Specific ring-fenced Grants, Non-Domestic Rate Income (NDRI) and General Revenue Grant (GRG). The Council's revenue grants from the government fund around 78% of expenditure with 14% coming from the Council Tax and the remaining 8% from charges for services. Council Tax has been frozen at 2008 levels following the Concordat between the Scottish Government and Scottish Local Authorities in 2008/09. Therefore, increases in income from Council Tax are limited to growth in the number of households. Band D Council Tax in Moray is £1,135.

Management Commentary (continued)

General Services Revenue Expenditure

The Council at a Special Meeting on 12 February 2015 approved a budget of £197.9 million net of charges for General Services for 2015/16. This anticipated the use of £0.8 million from the General Reserve. During the year, a further £0.6 million additional budget from reserves was approved and used during the year. At 31 March 2016, there was an actual net contribution to the General Reserve of £0.1 million which brought the balance to £23.8 million including earmarked or ring fenced amounts for specific purposes.

The main reasons for movement in what was budgeted to be used in 2015/16 and the actual position at 31 March 2016 is detailed below:

	£'000	£'000
Budgeted use of reserves		(797)
Additional budget approved and allocated in year		(601)
Transfer to ear-marked reserves		(21)
		<u>(1,419)</u>
Service underspend	2,346	
Additional Savings	613	
Western Link Road abortive costs	(2,603)	
Unspent provisions	1,540	
Income retained under Business Rates Incentivisation Scheme	137	
Loans underspend	59	
Devolved School Management carried forward into 2016/17	<u>(571)</u>	<u>1,521</u>
Net Contribution to General Reserve at 31 March 2016		<u>102</u>

Housing Revenue Account - Revenue

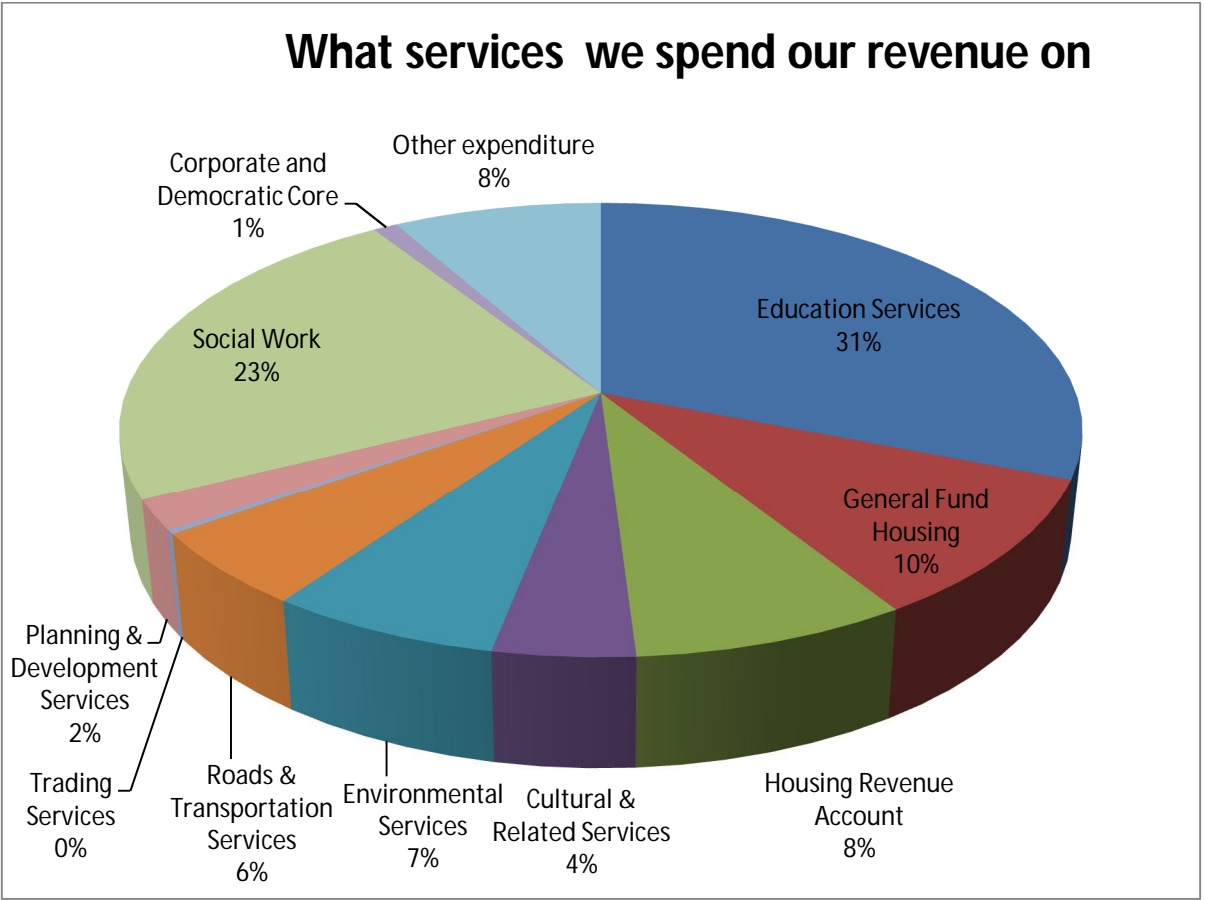
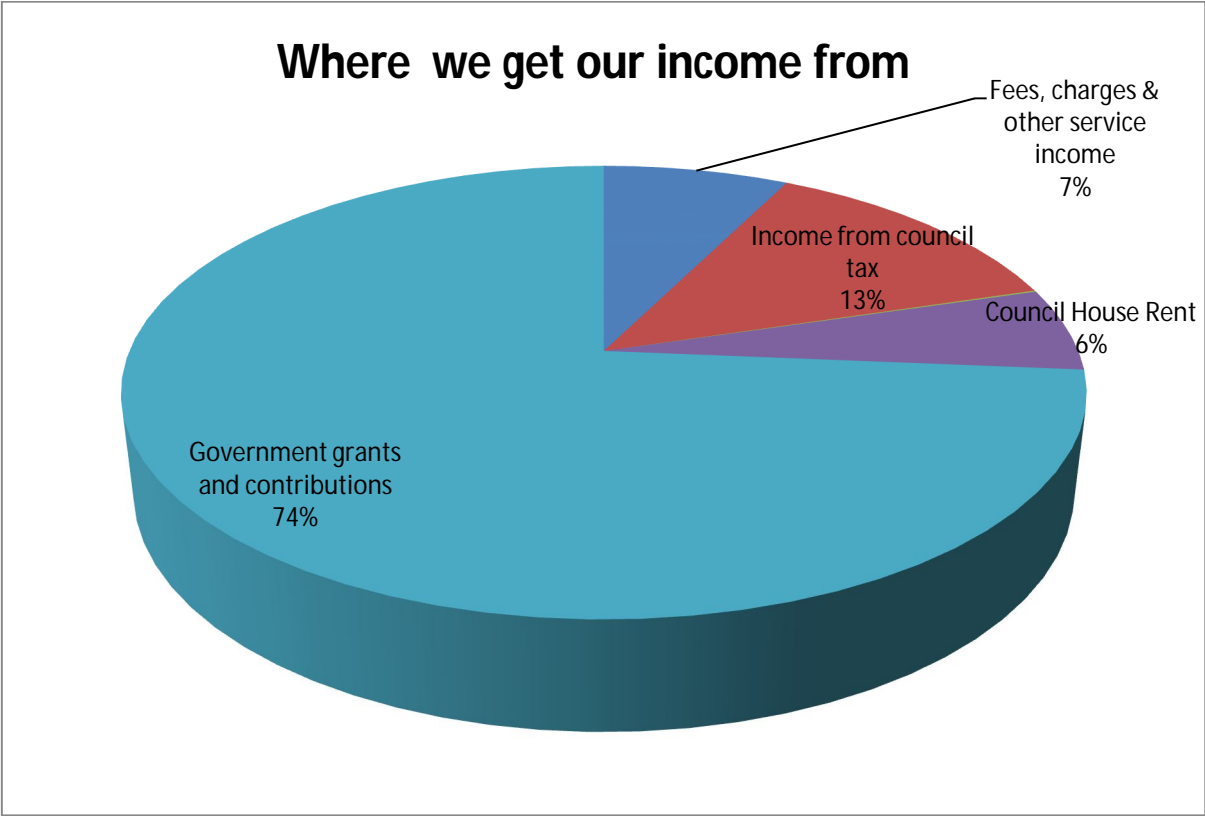
The Council approved expenditure of £16.5 million for 2015/16, to be funded from rents, government grant and other income. As shown in the Movement on the Housing Revenue Account Statement, there was a deficit of £0.3 million, decreasing the Housing Revenue Account balance to £1.3 million.

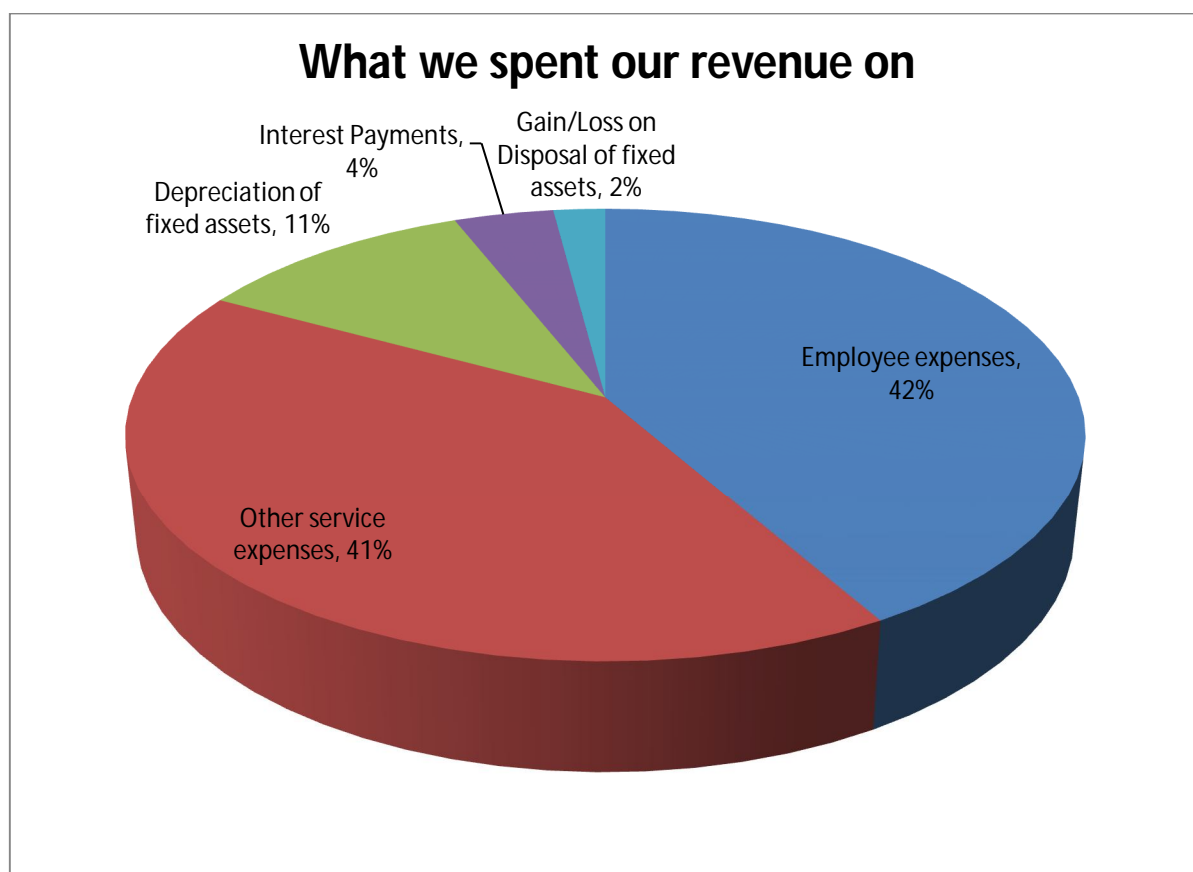
The £0.3 variance was mainly as a result of £0.3 million underspend in supervision and management costs, £0.6 million overspend in repairs and maintenance which was partly offset by grant income and insurance recoveries £0.3 million, £0.1 million underspend from reduced debtors provision and £0.4million overspend in the revenue contribution to capital expenditure which was done partly to reduce borrowing costs and partly to reduce the amounts carried forward in reserves.

Business Model

Income generation is largely fixed by the government which sets the Council's grant which is of 74% of overall income and effectively controls the level of Council Tax. A relatively small proportion of income, 7%, comes from fees and charges for services and a further 6% from Council House rents. The Council's financial strategy is to balance need and affordability of service to minimise the risk of exclusion and isolation. In terms of expenditure the model is driven by a combination of legislative requirements, government priorities and local priorities.

Analysis of Overall Income and Expenditure (both General Services and Housing Revenue Account)





Financial Strategy

The Council has responded effectively to the budget pressures it has faced over the past five years and it is recognised that each year it becomes more difficult to reduce costs without impacting on services and to contribute to the outcome targets in the Council's 10 year plan.

Given the limitations in respect of increasing Council Tax and the government's austerity programme, the Council recognises that it is in the midst of fundamental change, driven by significant cut in government funding. This leaves the Council with three areas to balance its budget: efficiency measures, reduce service provision, or increase direct charges for services. The Council has been successful in its application of these methods, reducing its annual net operating costs by £24 million since 2010.

An updated financial strategy was agreed by the Council's Administration Group at the start of the year and is summarised as follows:

It is clear that the current arrangements for providing Council services are not sustainable. Therefore, senior managers need to work with councillors to identify all possible options for reducing costs and this will cover: efficiency savings, remodelling services, service cuts and increasing charges. It is proposed that this work be taken forward as a strategy involving:

1. Changes focused on increasing the efficiency of service delivery;
2. Sustainable services;
3. Communication and consultation; and
4. Continue to review and amend underlying assumptions.

There will be some overlap between the four strands of the strategy, as the second strand will incorporate service remodelling, which may include the application of more efficient service delivery and some elements of service reduction.

Management Commentary (continued)

In December 2015, the Council received details of its 2016/17 Revenue Support Grant from the government and the amount had reduced by £5M compared with the grant for the previous year. The Administration Group responded by announcing that they did not wish to reduce service provision any further and that they would be proposing an 18% increase in Council Tax to the Council. The Scottish Government subsequently announced measures to deter local authorities from increasing Council Tax and the local proposal was withdrawn. The Council's strategy is now to focus on engagement with all stakeholders: government, communities, partners and staff, whilst also continuing to implement efficiency savings and identify further savings. It is likely that the Council will increase Council Tax by any amount permitted by the government in future years. Meantime, the Council agreed a number of non-recurring savings and is using reserve funds to meet the estimated £6M shortfall in income against expenditure in 2016/17.

Capital Expenditure

Total capital expenditure in 2015/16 was £46.2 million. Significant additions are major flood schemes completed £9.6 million, school building improvements £8.3 million and Council dwellings completed and under construction £12.3 million. The General Services Capital Programme for 2015/16, including balances carried forward from 2014/15 amounted to £36.5 million. Expenditure for the year was £32.8 million, representing a net underspend of £3.7 million. The schools programme underspent by £1.2 million because of delays, the new dredger was not completed until April 2016 adding £1.1million to the underspend, land purchases for the industrial portfolio were delayed £0.9 million, the flood alleviation schemes overspent £1.0 million because of timing differences and other underspends across the programme totalled £1.5 million. The Housing Capital Programme amounted to £15.2 million and actual expenditure was £13.4 million. The underspend relates mainly to slippage in the new housing build projects.

Capital expenditure is supported by capital grants from the Scottish Government and £18.9 million of grants were received in 2015/16. Capital receipts generated £0.9 million and £3.3 million was funded from revenue. The balance was funded by borrowing. The level of capital expenditure permitted to local authorities is governed by the provisions of the Prudential Code, which requires that any borrowing is required to be prudent, sustainable and affordable.

The Council has formally recognised that it is currently not compliant with the prudential code as current service provision is not financially sustainable and has agreed to work towards rectifying this position over the next two years. The Council has also agreed to a number of constraints to minimise the potential cost of abortive work due to current the current policy of achieving a satisfactory level of condition for and suitability , being unaffordable.

Pension Assets and Liabilities

The calculation required by International Accounting Standard 19 – Employment Benefits, shown in Note 37 to the accounts, is based on a snapshot valuation of the North East Scotland Local Government Pension Scheme administered by Aberdeen City Council as at 31 March 2016. The requirement to recognise the Council's share of net liabilities of the Aberdeen City Scheme in the balance sheet has resulted in a Pension Reserve debit balance of £97.9 million at 31 March 2016 (£111.7 million at 31 March 2015). However, this negative reserve has no impact on the Council's available reserves, as future actuarial valuations of the Pension Scheme will consider appropriate contributions to meet the commitments of the Scheme. Therefore, the Annual Accounts have been prepared on a going concern basis.

The Teachers' Pension Scheme is administered by the Scottish Government through the Scottish Public Pensions Agency. It is not possible to identify a share of the underlying liabilities in the scheme attributable to the Council's employees.

Risk and Uncertainties

The most significant risk the Council faces at this time is identifying the changes to be made to deal with the financial position:

1. Annual operating costs will need to be reduced by around £14 million by March 2018
2. To bring all assets up to, and then maintained at, a satisfactory level as regards condition and suitability will cost £280 million over the next 10 years. The Council could afford around half of this figure without having to make further reductions to annual operating costs.
3. The Council has £24 million in its General Reserve at 31 March 2016 but £11 million is either earmarked or ring fenced for specific purposes. This leaves a free balance of £14 million which can only be used once and it is anticipated that £6 million will be used to fund the provision of services in 2016/17.

Management Commentary (continued)

From a recent report by the Accounts Commission, it is clear that Moray Council is not alone in terms of the scale of financial challenge, with a number of other local authorities in Scotland reporting similar concerns. Following the recent Scottish Parliamentary elections and the introduction of independent tax raising powers it is possible that the government will review the level of funding provided to Council's.

The next local government elections will be held in May 2017 and the difficult decisions faced by councillors regarding budget cuts will be even more difficult to make in the lead up to those elections.

The Council has had some success in relation to recruiting teachers, but this remains a difficulty and impacts on the department's capacity to develop and implement improvements.

In addressing the financial situation and the existing capacity issues the Council will be mindful of the most vulnerable people for whom it cares and protects.

Future Developments

With its partners the Council reviewed the 10 year plan and prepared a revised, updated and extended plan, Moray 2026. A strategy of continuous engagement with communities has been adopted in 2016 with the aim of more effective engagement in the production of Moray 2027. Thereafter, the board has committed to updating and extending the plan on a biennial basis. The Community Empowerment Act places further requirements on all partners, in relation to locality planning and to be able to respond effectively to participation requests.

The Corporate Management Team will report on an interim review of the Corporate Plan and also aim to undertake a more fundamental review to work with the new Council in May 2017 on a new plan. The new plan will place a greater emphasis on matching resources to the Council's priorities and will, accordingly, incorporate the Council's financial plan.

The Council has embarked on an engagement programme with all stakeholders in relation to its financial situation and is committed to addressing the fact that current service provision is not financially sustainable, over the next two years. The engagement programme is ambitious and aims to give local residents the opportunity to influence the future direction and priorities for all Council services. Meanwhile, work is continuing on in respected of implementing efficiency measures already identified and identifying other additional savings options/ income generation for the Council.

The Corporate Management Team have concluded that a significant shortfall exists in the Council's capacity to consider, oversee and monitor projects and will be seeking Council approval to address this matter. The shortfall impacts on the Council's ability to ensure that resources are matched to the Council's priorities and also to implement transformational change required to establish a sustainable Council and meet the ongoing demands of the government.

In the longer term prevention and early intervention will contribute to better outcomes and lower cost. Continuing to invest in prevention and tackling the related issues of poverty and social inclusion will be challenging for the Council given the shortfall in funding to sustain existing service provision. As part of the Council's next phase of service reviews we will consider how and where resources are invested to identify improved future outcomes which will lead to financial savings. This will likely include disinvestment in some areas to focus on others and robust local data will be central to achieving this.

Councillor Stewart Cree
Leader of the Council

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Roderick D Burns
Chief Executive

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Margaret Wilson
Head of Financial Services

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26 September 2016

Statement of Responsibilities for the Annual Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Council has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Head of Financial Services.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved by the Council at its meeting on 26 September 2016.

Signed on behalf of the Moray Council:

Councillor Stewart Cree
Leader of the Council

26 September 2016

The Head of Financial Services' Responsibilities

The Head of Financial Services is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Accounting Code).

In preparing the Annual Accounts, the Head of Financial Services has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with legislation.
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Head of Financial Services has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Council at the reporting date and the transactions of the Council for the year ended 31 March 2016.

Margaret Wilson CPFA
Head of Financial Services

26 September 2016

Annual Governance Statement - 2015/16

Scope of responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. This includes arrangements for the management of risk.

The Council has approved and adopted a local code of corporate governance. The code reflects the principles of the CIPFA/SOLACE framework '*Delivering Good Governance in Local Government*'. The code is available on our website at www.moray.gov.uk.

This statement explains how the Council complies with the Code.

The purpose of the governance framework

The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled, and the activities used to engage with and lead the community. It 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.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level, and provide reasonable, but not absolute, assurance that policies, aims and objectives can be delivered. The system of internal control 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 of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

A governance framework has been in place for the year ended 31 March 2016 and up to the date of approval of the Annual Report and Accounts.

The governance framework

The key elements of the systems and processes that comprise the Council's governance arrangements are summarised as follows:

Governance Principle 1 - focusing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area.

This principle is about exercising strategic leadership by developing and clearly communicating the authority's purpose, vision and intended outcomes for citizens and service users, ensuring that high quality services are delivered, and that best use is made of Council resources.

The creation and implementation of a vision for the local area, including expected outcomes for the community, is encompassed in 'Moray 2023, a plan for the future'. This plan was developed in conjunction with Community Planning partners and includes a number of key priorities covering the need to grow a diverse and sustainable economy, improving the health of citizens, enhancing opportunities for young people, supporting healthy and sustainable adult lifestyles, and securing safer communities. Each priority is linked to a number of target outcomes and during the year the Community Planning Board considered progress towards achieving these outcomes. Some of the targets were reviewed and refined based on experience. An updated plan designated Moray 2026 with a continuing emphasis on promoting preventative policies, reduced interventions by partners, and enhanced community engagement has been subject to consultation and will be published early in 2016/17.

An Audit Scotland report prepared for the Accounts Commission on the audit of Best Value and Community Planning was received in October 2015. The Commission was encouraged by the Council's progress in aligning its strategic plans, priorities and objectives. A list of six areas for improvement was provided and work to address these areas is underway and will continue through 2016.

Annual Governance Statement - 2015/16 (continued)

Closely linked to the Community Plan is the Council's Corporate Plan for 2015-17. This plan, member led and prepared jointly by the Service Development Group and the Corporate Management Team, describes the vision and values of Council leaders and the behaviours and values that will demonstrate these, and identifies what the Council is doing to contribute to the delivery of the wider community plan. Prevention is also a key theme of this plan which has a focus on early intervention, involving the identification and management of issues which, if not effectively addressed, are likely to require more resource intensive solutions in future years. The Council has identified that focusing on customer needs, engagement with communities, looking at workforce culture and developing digital services are essential to delivering sustainable change, alongside effective financial planning and workforce planning to secure best use of resources.

Governance arrangements developed to check progress on delivery of corporate plan objectives include reports to Council committees, an established performance management framework, and a commitment to equalities and working with partners as appropriate.

Underpinning these plans for the strategic direction of the Council and its partners is a service planning process. This process is adopted by services in setting their priorities again on a three year cycle with annual review and updates in each financial year. Service plans, together with other related documents including the financial plan, workforce plan and ICT plan set out how resources will be applied to meet both corporate and community plan objectives.

Governance Principle 2 - members and officers working together to achieve a common purpose with clearly defined functions and roles.

This principle is about defining roles of elected members and officers, making sure responsibilities are clearly defined, that constructive working relationships are achieved, and ensuring clear relationships between the Council, its partners and the public.

Standing Orders regulate the form and content of Council meetings. An Administrative Scheme is in place outlining the functions delegated to each Committee, and a Scheme of Delegation specifies the limits of powers vested in named senior officers. These, together with the financial regulations, form the suite of constitutional documents that regulate the work of the Council. All of these documents were reviewed, updated and approved by the Council during the year.

Functions and roles of statutory posts including the Head of Paid Service, Monitoring Officer and Chief Financial Officer are clearly defined. Other statutory roles comprise a Chief Officer, responsible jointly to the Chief Executives of the Council and NHS Grampian and managing the recently formed Integrated Joint Board for Health and Social Care, and a Chief Social Work Officer.

The best value audit recommended improvements in political leadership and development, and in managerial leadership and development. For elected members, the corporate management team has worked closely with both the Administration and with opposition groups to support decision making in the context of the need to secure financial savings. For senior managers the leadership development forum established in 2014 has continued to meet with the primary focus being to engender the application of consistent management standards, known as Moray Management Methods, across all Council services and improve understanding and application of corporate objectives.

Governance Principle 3 - promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

High standards of behaviour are essential to good governance. There is an expectation that elected members and senior officers will exercise leadership through exemplary standards of behaviour, and ensure those values are replicated effectively throughout the organisation. This is achieved through promotion of Codes of Conduct, and Registers of Interests which record any potential areas where conflicts of interest might arise. Constitutional documents, together with detailed guidance on the operation of Committees, regulate the conduct of the Council.

Separate Codes of Conduct are in place for both elected members and officers. Conduct issues relating to elected members can be investigated in terms of the in-house complaints process referred to above, or referred to the Standards Commission. Issues relating to actions taken or not taken by senior officers can be addressed internally through established complaints procedures and, if unresolved, be referred to the External Auditor or the Scottish Public Service Ombudsman. No elected members were referred to the Standards Commission during the year. There were no recorded breaches of the Code of Conduct for Employees by senior officers in the period covered by this statement.

Annual Governance Statement - 2015/16 (continued)

During the year a Workforce Culture Group, comprising elected representatives, senior management, and trade union representatives developed an action plan in response to issues raised in the 2015 staff survey. The plan included a range of issues for addressing bullying and harassment. Separately an Integrity Group, developed in partnership with Police Scotland, meets semi-annually with a remit to review and consider the adequacy of systems and processes that link to conduct and behaviours. These cover information security and data protection, security of physical assets including use of financial resources, procurement, staff recruitment protocols and licensing. The work of these groups supports the themes of early intervention, prevention and maintaining a positive culture within the organisation.

Plans also are in place within the period covered by this statement to give consideration to the PREVENT strategy being promoted by national government as a counter terrorism initiative.

Governance Principle 4 - taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

The Council's decision-making processes are well established with major decisions being taken by the Council or one of a number of service committees. In the main, issues are discussed and debated in public (unless exempt under statutory provision). Rules and procedures govern how decisions are made and appropriate legal, financial and other professional advice is considered as part of the decision-making process. Most Council meetings are available on the internet via webcasting. Additionally, the Service Development Group comprising Committee chairs from the Administration facilitates decision-making processes.

Scrutiny is secured through an Audit and Scrutiny Committee, which receives reports on selected Council-wide or service specific scrutiny topics, and on the work of the external and internal auditors. The Committee considers reports on aspects of Council services as part of its programme of work and of other matters of interest on a 'call-in' basis.

The reports placed before all committees make reference to risk and, where appropriate, consideration of risk issues feature extensively during debates in the Council chambers. This strengthens compliance with the governance principle which recognises that a well managed Council is risk aware and makes informed decisions having regard to all risk factors that pertain in any particular set of circumstances. Specifically, at a meeting of the Council on 30 March 2016, the Corporate Director (Corporate Services) affirmed the importance of setting financially sustainable budgets in compliance with statutory provisions together with the Prudential Code for capital expenditure, and reminded members that the current 10 year capital plan was unaffordable.

Separately, the Corporate Risk Register is reviewed and updated every six months, following an evaluation by the Corporate Management Team of the principal risks facing the Council and consideration of the means by which those risks can be controlled. The updated registers are considered by the Policy and Resources Committee. Departmental and operational risk registers are updated annually, with the results used to inform service planning.

Governance Principle 5 - developing the capacity and capability of members and officers to be effective.

This element of governance is designed to ensure that both elected members and officers have the knowledge, skills and capacity to enable them to fulfil their respective roles effectively.

Training and development for elected members is provided mainly in the form of briefing sessions and workshops covering new and emerging issues, these being provided by senior staff from Council departments, the Council's training team, or by representatives from other government agencies and partner bodies. Personal Development Plans have been made available to elected members for recording training received.

For employees, access to training is available in various forms, through professional bodies to which employees belong, and through specialist training teams located within services. The Corporate Services Employee Development Team also provides a programme of training opportunities including an online modular training facility which staff can access. Modules covering Customer Service Excellence; Communication, Complaints, Equalities, Information Governance and Building Personal Resilience have been promoted by senior management as being priority learning opportunities for all staff, with plans also in hand to reinvigorate employee review and development processes.

Annual Governance Statement - 2015/16 (continued)

Governance Principle 6 - engaging with local people and other stakeholders to ensure robust public accountability.

The Council achieves this through timely publication of its annual accounts, of statutory and local performance information, and by publishing the reports of external inspections. An annual Public Performance Report and regular press releases are produced, and a Citizen's Panel is consulted as a means of informing the development of Council services. Protocols are in place to meet requests made under the Freedom of Information Act and to publicise the nature of those requests.

The Council's website promotes public consultations on a wide range of topics which during the year included aspects of social care, leisure and planning policies.

The Community Empowerment Act 2015 places a statutory duty on the Council and its Community Planning partners to engage with communities on the planning and delivery of services and securing local outcomes. The Council has approved a six point improvement plan for community engagement in 2016 designed to give communities a much greater opportunity to participate in and influence the delivery of public services.

Review of effectiveness of governance arrangements

The review of effectiveness of the governance framework including the system of internal control is pursued throughout the year by various means involving:

- **The Council and its committees**

In practice, governance arrangements are monitored throughout the year in various ways: by the Council, through the service committee processes, by the Service Development Group, by the Community Planning Board, and by the Audit and Scrutiny Committee. The Council is also represented on the recently formed Moray Integration Joint Board which has established sub-committees to consider audit and risk issues and clinical governance matters.

- **The Corporate Management Team**

The Corporate Management Team (CMT), which has overall responsibility for good governance arrangements, comprises the Chief Executive, and three Corporate Directors with portfolio responsibilities for Corporate Services, Economic Development Planning and Infrastructure, and Education and Social Care. The CMT meets regularly to consider corporate issues of strategic importance and has a detailed work programme which gives structure and focus to their meetings. The Chief Officer (Health and Social Care Integration) is also a member of the CMT, reflecting the strategic nature of the post.

- **The Corporate Management Team / Senior Management Team**

This is an extended management team comprising the CMT and 10 Heads of Service. The role and remit of this group is to support the formulation and implementation of policies, strategies and plans to achieve local and national outcomes, share and promote good practice from an inter-service perspective, to act with the wider objectives of the Council in mind to ensure the resources are effectively deployed, and assist CMT in keeping under review the governance of the Council.

- **The Head of Legal and Democratic Services**

The Head of Legal and Democratic Services performs the statutory role of Monitoring Officer under the Local Government and Housing Act 1989, which covers the duty to ensure that no enactments, rules of law, or codes of practice are breached, and that the Council is not involved in maladministration or injustice as defined in the Local Government (Scotland) Act 1975. This officer also provides relevant legal advice and support to senior managers and elected members at meetings of the Council or its committees and otherwise as required. The Monitoring Officer reports to Policy and Resources Committee annually on activity in this role.

Annual Governance Statement - 2015/16 (continued)

• The Head of Financial Services (as Chief Financial Officer)

The Head of Financial Services has statutory responsibility for the Council's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973. This officer provides relevant financial advice and support to senior managers and elected members at meetings of the Council or its committees and otherwise as required. Whilst neither the Head of Legal and Democratic Services nor the Head of Financial Services are formal members of the Corporate Management Team both are actively involved in, and are able to influence, decision-making processes. In discharging her responsibilities, the Head of Financial Services complies with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer.

The Head of Financial Services is responsible for ensuring that an effective system of internal financial control is maintained. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. Managers within the Council are responsible for development and maintenance of the system. In particular, the system includes comprehensive budget setting and monitoring arrangements, setting targets to measure financial and other performance, the preparation of regular financial reports indicating actual expenditure against forecasts, and clearly defined capital expenditure guidelines.

The Council is in a group relationship with other entities to the extent that it administers a number of Trust Funds and Common Good Funds. The controls applying to the Council functions also extend to these Group activities.

• The Chief Social Work Officer

The Head of Integrated Children's Services, in a statutory capacity as Chief Social Work Officer, reports annually to the Council on the major policy and service initiatives within Social Work. The latest report, covering the 2014/15 year, concluded that 'Moray's Social Work Service has continued to adapt and improve in what has been, and will continue to be, a very challenging context. Financial constraint, significant legislative and policy change along with continuing progress towards the integration of services for both adults and children all dominate the local service landscape. However, local staff have steadily improved and adapted what they do and have prioritised their resources to meet the growing demands associated with protecting and caring for the most vulnerable members of our community.'

• Internal Audit

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on the control environment comprising risk management, internal control, and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

The Internal Audit Manager is accountable on a day-to-day basis to the Corporate Director (Corporate Services) and to the Audit and Scrutiny Committee. The functions of the Committee are defined in the Council's Scheme of Administration. In relation to audit matters, the Committee:

- Contributes towards making the Council and its committees and services more responsive to the audit function and its purpose;
- Enhances good governance arrangements by promoting internal control and risk management, by supporting an anti-fraud culture, and by the review of revisions to financial procedures;
- Has responsibility for focusing audit resources through agreeing the annual programme of work;
- Monitors delivery of the audit service through receipt of regular reports on work carried out by Internal Audit; and
- Considers the annual opinion provided by the Internal Audit Manager on the adequacy and effectiveness of the control environment.

The work of managers within the Council, of internal audit as described above, and by the external auditors in their annual audit letter and in other reports, informs the effectiveness of the financial control environment as an element of the Council's governance arrangements.

Annual Governance Statement - 2015/16 (continued)

The internal audit plan for the year included a range of audit projects covering main financial systems, other systems operating within services and a number of ad-hoc/unplanned projects with outcomes from work completed being reported to the Audit and Scrutiny Committee.

Governance issues arising from the audit work completed related to audit work on the LEADER programme, which highlighted weaknesses in partnership working that resulted in the Council (as Accountable Body) having to meet costs it was initially believed would be met from EU funding. The Scottish Government who managed the programme on behalf of the EU provided part of the funding deemed ineligible after protracted negotiations. Contract management issues were also evident in relation to works on Council housing where capacity issues impacted on contractor supervision and cost management. Separately, in relation to Social Care self-directed support, financial monitoring arrangements were not operating as intended and audit recommendations were not implemented in a timely manner. The Audit and Scrutiny Committee, chaired by an opposition councillor, supports the work of internal audit and promotes good governance arrangements.

Minor slippage in delivery of the audit plan was reported to the Audit and Scrutiny Committee arising from workload pressures however the planned work on the main financial systems was completed as intended with no material control weaknesses reported during the period covered by this statement. It is the opinion of the Internal Audit Manager that reasonable assurance can be placed on the Council's internal financial control systems in place for the year ended 31 March 2016.

• External Agencies

In addition to the various internal review processes and the financial audit referred to above, aspects of the Council's governance arrangements are considered in various inspection reports produced by the external auditor and by service inspectorates. Supported self-assessment also features in the form of a procurement capability assessment. The main local government audit and inspection agencies also come together as a Local Area Network and their consideration of governance practices as a contribution to securing best value informs an Assurance and Improvement Planning process. The Council responds positively to the recommendations arising from the inspection reports where these provide opportunities to strengthen governance arrangements.

Significant governance issues

Securing good governance has been and remains of prime importance to elected members and senior officers of the Council; a considerable task at a time when budgets are reducing, services are being redesigned, management structures are changing, and a range of national and local priorities require to be addressed.

The key governance challenges going forward will involve:

- Continuing to work closely with community planning partners to deliver the objectives of the 'Moray 2023 plan for the future', specifically refreshing the plan to ensure it remains current but with a continuing emphasis on promoting preventative policies, reduced interventions by partners, and enhanced community engagement and involvement;
- Working towards a sustainable financial plan for the Council for the period beyond the 2017/18 financial year;
- Building on recent improvements in organisational leadership and culture from both a political and managerial perspective and supporting staff through the workforce culture group;
- Ensuring established performance reporting procedures, including customer focus, remain aligned to the community, corporate and service plans; and
- Supporting the Health and Social Care integration processes following the establishment of the Moray Integration Joint Board.

Annual Governance Statement - 2015/16 (continued)

Concluding Remarks

In our respective roles as Leader of the Council and Chief Executive, we are committed to good governance and recognise the contribution it makes to securing delivery of service outcomes in an effective and efficient manner. This annual governance statement summarises the Council's current governance arrangements, and affirms our commitment to ensuring they are regularly reviewed and remain fit for purpose.

While pressure on financial settlements is likely to continue during the incoming period, we will continue to engage with our partners and the wider community to agree plans and outcome targets that are both sustainable and achievable. Taking those forward will be challenging as we look to secure further efficiencies. Good governance will remain essential in delivering services in a way that both meets the needs of communities and discharges statutory best value responsibilities.

.....
Cllr. Stewart Cree
Leader of the Council

26 September 2016

.....
Roderick D Burns
Chief Executive

Remuneration Report

This report has been written to provide details of the Moray Council's remuneration arrangements for its senior councillors and senior employees. This is required under the Local Authority Accounts (Scotland) Amendment Regulations 2014.

All information disclosed in tables 1 to 7 in this Remuneration Report will be audited by the Council's external auditors, PricewaterhouseCoopers LLP. The other sections of the Remuneration Report will be reviewed by PricewaterhouseCoopers LLP to ensure that they are consistent with the financial statements.

Remuneration of Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration and Severance Payments) Amendment Regulations 2015 (SSI No.2015/7). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements as either the Leader of the Council, the Civic Head, Senior Councillors or Councillors. In the Moray Council, at 31 March 2016, the Council has a Leader who is the Political Head of the Council and a Convener who is the Civic Head of the Council. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

The salary that is paid to the Leader of the Council is set out in the above Regulations. For 2015/16 the salary for the Leader of Moray Council was £27,878. The Regulations permit the Council to remunerate one Civic Head and set out the maximum that may be paid to that Civic Head (the Convener). Council policy is to pay at the national maximum which is 75 per cent of the remuneration paid to the Council Leader, namely £20,909.

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a senior councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Moray Council for remuneration of all of its senior councillors shall not exceed £169,358. 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. The Council policy is to remunerate the leader of the largest Opposition Group and Committee Chair persons as senior councillors, each receiving the maximum permitted amount of £20,909.

In 2015/16, The Moray Council had eight senior councillors and the remuneration relating to the financial year 2015/16 totalled £161,429. 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.

In addition to the senior councillors of the Council, the Regulations also set out the remuneration payable to councillors with the responsibility of a Convener or a Vice-Convener of a Joint Board such as a Valuation Joint Board. The Regulations require the remuneration to be paid by the Council of which the convener or vice-convener (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the convener or vice-convener being a member of the Local Government Pension Scheme.

The Convener of the Grampian Valuation Joint Board is a Moray Council councillor. The Council is reimbursed by the Grampian Valuation Joint Board for any additional remuneration paid to the member from being the Convener of that Board. The Convener of Grampian Valuation Joint Board was being paid a senior councillor salary by the Moray Council for his role as chair of the Licensing committee until he stood down on 10 November 2015. He continued in his role as Convener of the Grampian Valuation Joint Board after this date and has been paid an additional allowance which has been reimbursed by the Board.

A Moray Council councillor was appointed as Vice Convener of the Northern Community Justice Authority at the meeting of the Authority on 13 March 2015 and held this post until he was appointed Convener of the Authority from 11 September 2015. He received an allowance for this additional responsibility which has been fully reimbursed to the Council from the Northern Community Justice Authority.

Remuneration paid to senior councillors, the convener and the Leader of the Moray Council are detailed on Table 1 and details of remuneration of all councillors, including senior councillors are shown in Table 2.

Remuneration Report (continued)

Remuneration of Senior Employees

The Local Authority Accounts (Scotland) Amendment Regulations 2014 require remuneration information to be disclosed for senior employees. A senior employee is any employee who meets one or more of the following criteria:

- i) A person who has responsibility for the management of a local authority to the extent that the person has power to direct or control the major activities of the authority whether solely or collectively with other persons.
- ii) A person who holds a post that is politically restricted by reason of section 2(1)(a),(b) or (c) of the Local Government and Housing Act 1989.
- iii) A person whose annual remuneration, including any annual remuneration from a local authority subsidiary body is £150,000 or more.

During 2015/16, the senior employees in the Moray Council were the Chief Executive and three Corporate Directors with portfolio responsibilities for Corporate Services, Education and Social Care and Economic Development, Planning and Infrastructure Services. Remuneration details are shown on Table 3 attached.

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) sets the salaries for the Chief Executives of Scottish Local Authorities. Circular CO/148, issued on 2 October 2015 provides details of salary scales to be paid to Chief Officers for the period 1 April 2015 to 31 March 2017. The salaries of Directors are based on 84 percent of the Chief Executive's salary.

Pension Benefits

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS) and for teachers and former teachers through the Scottish Public Pensions Agency. Details of pension benefits paid are included on Table 4 and Table 5 attached.

Councillors' pension benefits are based on career average pay. For benefits earned up to 31 March 2015, 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 (or indices) between the end of that year and the last day in 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. Benefits earned from 1 April 2015 are based on the same method of calculating career average pay as described below for local government employees.

For local government employees and teachers, up until 31 March 2015 pension benefits accrued are based on final salary. 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. Benefits earned from 1 April 2015 are based on career average. This means that each year the amount of pension built up is based on a proportion of pensionable pay earned in the year. At the end of each scheme year (31 March), the cumulative amount built up is adjusted in line with the cost of living.

The scheme's normal pension age for both councillors and employees is 65 for benefits up to 31 March 2015 and the State Pension Age for benefits built up after 1 April 2015.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all SJC employees.

Remuneration Report (continued)

Pension Benefits (continued)

The member contribution rates for 2015/16 are the same as 2014/15, however the earning bands have changed for 2015/16 and are shown as follows (2014/15 figures are in brackets):

Whole time pay (2014/15 in brackets)	Contribution rate 2015/16	Contribution rate 2014/15
On earnings up to and including £20,500 (£20,335)	5.50%	5.50%
On earnings above £20,500 and up to £25,000 (£20,335 - £24,853)	7.25%	7.25%
On earnings above £25,000 and up to £34,400 (£24,853 - £34,096)	8.50%	8.50%
On earnings above £34,400 and up to £45,800 (£34,096 - £45,393)	9.50%	9.50%
On earnings above £45,800 (£45,393)	12.00%	12.00%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004. Up until 31 March 2015, the accrual rate guarantees a pension based on 1/60th of the final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of the final pensionable salary and years of pensionable service). From 1 April 2015, the accrual rate guarantees a pension of 1/49th (1/57th for teachers) of pensionable pay for each year. At the end of each year the benefits are revalued and increased by inflation.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on 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 consequence of their total local government service, and not just their current appointment.

General Disclosure by Pay Band

The Regulations require information to be provided for the number of persons whose remuneration is £50,000 or more. This information is disclosed in bands of £5,000 and is shown on Table 6.

Exit Packages

Exit packages are payable as a result of the employer's decision to terminate an employee's employment before their retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. Packages include redundancy payments and payments to the pension fund for early retirement. In February 2013, the Council agreed a revised scheme to allow employees to apply for Voluntary Early Retirement or Voluntary Severance if they are employed in a service where jobs may be at risk. The scheme no longer allows for any enhancement to retirement benefits in the form of added years service. Table 7 shows the number of employees who have accepted exit packages over the last two years and the total cost of these packages.

Remuneration Report (continued)

The following tables provide details of the remuneration paid to the Council's senior councillors and senior employees.

TABLE 1: Remuneration of Senior Councillors and Conveners and Vice-Conveners of Joint Boards

Councillor Name and Responsibility	Salary, fees and allowances	Taxable Expenses	Total Remuneration 2015/16	Total Remuneration 2014/15
	£	£	£	£
Senior Councillors				
Stewart Cree: Leader of the Council	27,878	-	27,878	22,606
Allan G Wright: Convener of the Council	20,909	-	20,909	26,171
George Alexander: Chair, Communities from 11 November 2015 (Note1)	8,077	-	8,077	-
Gary Coull: Leader of the largest opposition group from 19 August 2015 (Note 2)	12,889	-	12,889	-
John Cowe: Chair, Economic Development & Infrastructure	20,909	-	20,909	20,905
Gordon Cowie: Chair, Licensing from 11 November 2015 (Note 3)	8,077	-	8,077	-
Lorna Creswell: Chair, Health & Social Care and Integrated Joint Board	20,909	-	20,909	20,775
John A Divers: Vice Convener, Northern Criminal Justice Authority to 10 September 2015 and Convener from 11 September 2015 (Note 4)	20,442	-	20,442	1,024
Gordon McDonald: Chair, Audit and Scrutiny	20,909	-	20,909	20,905
Eric M McGillivray JP: Chair, Communities (Resigned 31 July 2015) (Note 1)	6,989	-	6,989	20,905
Pearl B Paul: Leader of the largest opposition group until 18 August 2015 (Note 2)	8,020	-	8,020	20,905
Ronald H Shepherd JP: Chair, Licensing until 10 November 2015 and Convener of Grampian Valuation Joint Board (Note 3)	20,909	-	20,909	20,905
Anne Skene: Chair, Children & Young People	20,909	-	20,909	20,905
Chris Tuke: Chair, Planning & Regulatory Services	20,909	-	20,909	7,600
Total	238,735	-	238,735	203,606

Remuneration Report (continued)

TABLE 1: Remuneration of Senior Councillors and Conveners and Vice-Conveners of Joint Boards (continued)

Note 1 Councillor McGillivray JP resigned from his post as Chair of the Communities Committee on 31 July 2015. Councillor Alexander was appointed to this role on 11 November 2015.

Note 2 Councillor Paul stepped down from her role as Leader of the largest opposition group on 18 August 2015. Councillor Coull took up this position from 19 August and was paid a senior councillor salary from this date.

Note 3 Councillor Shepherd stood down from his post of Chair of the Licensing Committee on 10 November 2015 and Councillor Cowie was appointed to this role from 11 November 2015. Councillor Shepherd received a senior councillor allowance from the Moray Council for his role as Chair of the Licensing Committee until 10 November and then received a special responsibility allowance for his role as Convener of the Grampian Valuation Joint Board from 11 November 2015. The special responsibility allowance has been fully reimbursed by the Grampian Valuation Joint Board.

Note 4 Councillor Divers was appointed as Vice Convener of the Northern Community Justice Authority at their meeting on 13 March 2015. He continued in this position until 11 September when he was appointed as Convener of the Authority. The allowance for the year for both posts has been fully reimbursed by the Northern Community Justice Authority.

TABLE 2: Remuneration paid to Councillors

The Council paid the following salaries, allowances and expenses to all councillors (including the senior councillors above) during the year.

Type of Remuneration	2015/16	2014/15
	£	£
Salaries	485,386	476,789
Allowances	-	-
Expenses	40,624	42,183
TOTAL	526,010	518,972

Remuneration Report (continued)

TABLE 3: Remuneration of Senior Employees of the Council

Name and Post Title	Salary, fees and allowances	Taxable Expenses	Total Remuneration 2015/16	Total Remuneration 2014/15
	£	£	£	£
Roderick D Burns - Chief Executive	105,803	-	105,803	104,257
Laurence Findlay - Corporate Director (Education and Social Care)	88,804	-	88,804	50,851 (Full year equivalent £87,411)
Rhona Gunn - Corporate Director (Environmental Services) Note 1	90,245	-	90,245	41,791 (Full year equivalent £87,411)
Mark Palmer - Corporate Director (Corporate Services) Note 2	92,120	-	92,120	93,166
TOTAL	376,972	-	376,972	290,065

Note 1 Rhona Gunn was formally appointed to the post of Corporate Director (Environmental Services) on 25 June 2015 having previously served as acting Corporate Director (Environmental Services) from 9 October 2014.

Note 2 Mark Palmer's remuneration includes payments that he received in his role as Returning Officer. Some of the costs are refunded by the Scottish Government.

Remuneration Report (continued)

Pension Benefits

TABLE 4: Senior Councillors

The pension entitlements for senior councillors for the year to 31 March 2016 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

	In-year pension contributions			Accrued pension benefits	
	For the year to 31 March 2016	For the year to 31 March 2015		As at 31 March 2016	Difference from March 2015
	£	£		£000	£000
Senior Councillors					
Stewart Cree: Leader of the Council	5,380	4,363	Pension Lump Sum	4 2	1 -
Allan G Wright: Convener of the Council	4,035	5,051	Pension Lump Sum	4 -	1 -
George Alexander: Chair, Communities from 11 November 2015	1,559	-	Pension Lump Sum	1 -	- -
Gary Coull: Leader of the largest opposition group from 19 August 2015	2,488	-	Pension Lump Sum	3 1	- -
John Cowe: Chair, Economic Development & Infrastructure	4,035	4,035	Pension Lump Sum	1 -	- -
Gordon Cowie: Chair, Licensing from 11 November 2015	1,559	-	Pension Lump Sum	1 -	- -
Lorna Creswell: Chair, Health & Social Care and Integrated Joint Board	4,035	4,010	Pension Lump Sum	2 -	1 -
John A Divers: Vice Convener, Northern Criminal Justice Authority to 10 September 2015 and Convener from 11 September 2015	3,945	198	Pension Lump Sum	1 -	- -
Gordon McDonald: Chair, Audit and Scrutiny	4,035	4,035	Pension Lump Sum	4 2	1 -
Eric M McGillivray JP: Chair: Communities (Resigned 31 July 2015)	1,349	4,035	Pension Lump Sum	In receipt of pension	
Pearl B Paul: Leader of the largest opposition group until 18 August 2015	1,548	4,035	Pension Lump Sum	5 2	1 -
Anne Skene: Chair, Children & Young People	4,035	4,035	Pension Lump Sum	1 -	- -
Chris Tuke: Chair, Planning & Regulatory Services	4,035	1,467	Pension Lump Sum	1 -	- -
TOTAL	42,038	35,264		35	5

Councillor Ronald H Shepherd JP is not a member of the Local Government Pension Scheme.

The pension benefits shown above relate to the benefits that the individual has accrued as a consequence of their total local government service and not just their current appointment.

Remuneration Report (continued)

TABLE 5: Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2016 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

	In-year pension contributions			Accrued pension benefits	
	For the year to 31 March 2016	For the year to 31 March 2015		As at 31 March 2016	Difference from March 2015
	£	£		£000	£000
Roderick D Burns – Chief Executive	20,417	20,122	Pension Lump Sum	48 105	3 1
Laurence Findlay – Corporate Director (Education and Social Care)	17,138	9,814	Pension Lump Sum	18 38	2 -
Rhona Gunn – Corporate Director (Environmental Services)	17,414	8,066	Pension Lump Sum	21 31	4 4
Mark Palmer – Corporate Director (Corporate Services)	18,267	17,981	Pension Lump Sum	31 62	2 1
TOTAL	73,236	55,983		354	17

All senior employees shown in the tables above are members of the Local Government Pension Scheme (LGPS). The accrued pension benefits figures shown above relate to the benefits that the person has accrued as a consequence of their total local government service and not just their current appointment.

TABLE 6: General Disclosure by Pay Band

The following table provides details of the number of people paid by the Council whose remuneration is £50,000 or more. The Table includes the remuneration of the senior employees detailed above.

Remuneration Band	Number of employees	
	2015/16	2014/15
£50,000 - £54,999	59	51
£55,000 - £59,999	24	25
£60,000 - £64,999	2	4
£65,000 - £69,999	-	-
£70,000 - £74,999	13	12
£75,000 - £79,999	-	1
£80,000 - £84,999	-	1
£85,000 - £89,999	1	-
£90,000 - £94,999	3	1
£100,000 - £104,999	-	1
£105,000 - £109,999	1	-
	-	-
Total	103	96

Remuneration Report (continued)

TABLE 7: Exit Packages

The following table shows the number of employees who have been awarded exit packages over the last two years. The information is in rising bands of £20,000 up to £100,000 and bands of £50,000 thereafter. The costs include redundancy costs and payments to the pension fund for early retirement.

Exit Packages						
	2015/16			2014/15		
Banding	Compulsory Redundancies	Other Departures	Total Cost	Compulsory Redundancies	Other Departures	Total Cost
	Number of Employees	Number of Employees	£	Number of Employees	Number of Employees	£
£0 - £20,000	2	-	1,522	8	-	53,528
£20,001 - £40,000	-	1	23,920	1	-	32,622
£80,001 - £100,000	-	-	-	1	-	86,560
Total	2	1	25,442	10	-	172,710

Termination Benefits

During 2015/16 the Council terminated the contracts of 3 employees. The contracts were terminated as a result of either budget savings, the redesign of Council services or Council restructuring. The cost to the Council was £0.025M comprising redundancy payments only (£0.089M 2014/15).

Payments to the pension fund for early retirement are not included in the termination benefits figures above.

Councillor Stewart Cree
Leader of the Council

Roderick D Burns
Chief Executive

26 September 2016

Movement in Reserves Statement

This Statement shows the movement in the year 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 the provision of services' line shows the true economic cost of providing the Council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net Increase /(Decrease) before transfers to other statutory funds' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from other statutory funds undertaken by the Council.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Capital Fund £000	Revenues Statutory Funds £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2014	21,381	1,126	797	68	-	4,018	27,390	340,621	368,011
Movement in Reserves 2014/15									
Surplus or (deficit) on provision of services (accounting basis)	18,692	(2,202)	-	-	-	-	16,490	-	16,490
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	(2,173)	(2,173)
Total Comprehensive Expenditure and Income	18,692	(2,202)	-	-	-	-	16,490	(2,173)	14,317
Adjustments between accounting basis & funding basis under regulations (Note 7)	(15,020)	2,682	(155)	-	163	-	(12,330)	12,330	-
Net Increase /(Decrease) before transfers to Revenues Statutory Funds	3,672	480	(155)	-	163	-	4,160	10,157	14,317
Transfers to / from Revenues Statutory Funds (Note 8)	(9)	(9)	-	-	-	18	-	-	-
Increase / (Decrease) in Year	3,663	471	(155)	-	163	18	4,160	10,157	14,317
Balance at 31 March 2015	25,044	1,597	642	68	163	4,036	31,550	350,778	382,328

Movement in Reserves Statement (continued)

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Capital Fund £000	Revenues Statutory Funds £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2015	25,044	1,597	642	68	163	4,036	31,550	350,778	382,328
Movement in Reserves 2015/16									
(Deficit) on provision of services (accounting basis)	(6,663)	(7,704)	-	-	-	-	(14,367)	-	(14,367)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	119,112	119,112
Total Comprehensive Expenditure and Income	(6,663)	(7,704)	-	-	-	-	(14,367)	119,112	104,745
Adjustments between accounting basis & funding basis under regulations (Note 7)	6,341	7,458	3	1	(72)	-	13,731	(13,731)	-
Net Increase /(Decrease) before transfers to Revenues Statutory Funds	(322)	(246)	3	1	(72)	-	(636)	105,381	104,745
Transfers to / from Revenue Statutory Funds (Note 8)	(9)	(9)	-	-	-	18	-	-	-
Increase / (Decrease) in Year	(331)	(255)	3	1	(72)	18	(636)	105,381	104,745
Balance at 31 March 2016	24,713	1,342	645	69	91	4,054	30,914	456,159	487,073

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost for the year ended 31 March 2016, of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014/15 Restated			2015/16		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
89,306	(1,415)	87,891	92,081	(1,294)	90,787
28,388	(20,487)	7,901	29,747	(21,822)	7,925
19,696	(15,597)	4,099	23,680	(16,757)	6,923
13,069	(3,690)	9,379	12,155	(2,601)	9,554
17,667	(3,170)	14,497	19,928	(3,097)	16,831
15,374	(5,770)	9,604	15,889	(5,677)	10,212
830	(427)	403	784	(464)	320
5,974	(3,528)	2,446	6,462	(3,906)	2,556
65,381	(10,072)	55,309	69,020	(10,258)	58,762
593	-	593	583	-	583
2,614	(34)	2,580	2,795	(35)	2,760
844	(28)	816	157	(50)	107
2,208	(841)	1,367	2,285	(837)	1,448
261,944	(65,059)	196,885	275,566	(66,798)	208,768
		1,799			6,141
		15,349			15,230
		(230,523)			(215,772)
		(16,490)			14,367
		(6,163)			(97,696)
		8,336			(21,416)
		2,173			(119,112)
		(14,317)			(104,745)

* The disclosure of the Building Services section has been revised to more accurately reflect the nature of the service. Comparative year figures for 2014/15 have been amended on the same basis.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services (Unusable Reserves). This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31 March 2015 £000		Notes	31 March 2016 £000
704,574	Property, Plant & Equipment	12	808,122
903	Heritage Assets	13	903
3,843	Investment Property	14	3,550
403	Intangible Assets	15	327
885	Long Term Debtors	16	826
<u>710,608</u>	Long Term Assets		<u>813,728</u>
776	Inventories	17	772
13,116	Short Term Debtors	18	10,979
1,483	Assets held for sale	19	1,253
<u>15,375</u>	Current Assets		<u>13,004</u>
(7,676)	Cash and Cash Equivalents	20	(9,964)
(14,787)	Short Term Borrowing	16	(12,800)
(21,495)	Short Term Creditors	21	(23,989)
<u>(43,958)</u>	Current Liabilities		<u>(46,753)</u>
(456)	Provisions	22	(156)
(152,138)	Long Term Borrowing	16	(160,076)
(35,363)	Other Long Term Liabilities	16	(34,816)
(111,740)	Pensions Liability	37	(97,858)
<u>(299,697)</u>	Long Term Liabilities		<u>(292,906)</u>
<u><u>382,328</u></u>	Net Assets		<u><u>487,073</u></u>

Balance Sheet (continued)

31 March 2015		Notes	31 March 2016
£000			£000
25,044	General Fund Balance	23	24,713
1,597	Housing Revenue Account	23	1,342
642	Capital Receipts Reserve	23	645
68	Capital Grants Unapplied	23	69
163	Capital Fund	23	91
4,036	Revenues Statutory Funds	23	4,054
<u>31,550</u>	Usable Reserves		<u>30,914</u>
111,877	Revaluation Reserve	24	202,768
363,651	Capital Adjustment Account	24	363,897
(7,893)	Financial Instruments Adjustment Account	24	(7,580)
(5,117)	Employee Statutory Adjustment Account	24	(5,068)
<u>(111,740)</u>	Pensions Reserve	24	<u>(97,858)</u>
350,778	Unusable Reserves		456,159
<u>382,328</u>	Total Reserves		<u>487,073</u>

The notes on pages 51 to 101 form part of the financial statements

Margaret Wilson CPFA

Head of Financial Services

26 September 2016

Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Council during the financial year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on the future cash flows by providers of finance (i.e. borrowing) to the Council.

2014/15 £000		2015/16 £000
16,490	Net surplus/(deficit) on the provision of services	(14,367)
37,318	Adjust net surplus on the provision of services for non cash movements	48,512
<u>(39,961)</u>	Adjust for items included in the net surplus on the provision of services that are investing and financing activities	<u>(20,462)</u>
13,847	Net cash flows from Operating Activities	13,683
(18,632)	Investing Activities (Note 26)	(23,376)
6,153	Financing Activities (Note 27)	7,405
<u>1,368</u>	Net increase or (decrease) in cash and cash equivalents	<u>(2,288)</u>
(9,044)	Cash and cash equivalents at the beginning of the financial year	(7,676)
<u><u>(7,676)</u></u>	Cash and cash equivalents at the end of the financial year (Note 20)	<u><u>(9,964)</u></u>

Notes to the Accounts

Note 1 Accounting Policies

General

The Annual Accounts summarise the Council's transactions for the 2015/16 financial year and its position at the year ending 31 March 2016. The Council is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003). These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Accounting policies have been consistently applied except for the policy in relation to heritage assets.

Accruals and Income and Expenditure

Income and Expenditure activities are accounted for in the year in which they take place, not simply when cash payments are made or received.

Where income and expenditure has 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 the debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Business Improvement District Schemes

Business Improvement District (BID) schemes are for the benefit of a particular area that are financed in whole or in part by a BID levy paid by non-domestic rate payers in the BID area. The Council acts as agent for the BID Company and the following amounts only are recognised in the Comprehensive Income and Expenditure Statement:

- A contribution from the Council to the BID project together with BID levy collection costs which are shown as service expenditure within Planning and Development Services.
- Income from services supplied by the Council to the BID project on a paid basis, which are usually accounted for as a trading activity, unless the service is a function of the Council e.g. a planning application, in which case it is accounted for in the same way as other income for that function.

Carbon Reduction Commitment Energy Efficiency Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its second phase which ends on 31 March 2019. The Council is required to purchase and surrender allowances either prospectively or retrospectively, and surrender them on the basis of emissions i.e. carbon dioxide produced as energy is used. Allowances bought prospectively are classified as current Intangible Assets and accounted for according to the Intangible Asset policy. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

Cash and Cash Equivalents

Cash is comprised of cash in hand, bank balances (credit or overdraft) and deposits held on call with banks and financial institutions. Cash equivalents are short-term, highly liquid investments, which mature within 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. The Council also provides banking facilities for the Council controlled Trust Funds and Common Good Funds and for the Grampian Valuation Joint Board. The balances with these bodies are invested in the Council's Loans Fund, are repayable on demand and are treated as cash equivalents.

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.

Note 1 Accounting Policies (continued)

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will be confirmed only 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 liabilities are not recognised in the Balance Sheet but are disclosed by way of a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset the existence of which will be confirmed only by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefit or service potential.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. As the leave year runs from 1 January to 31 December, an accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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 on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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 pension enhancement termination 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.

Post Employment Benefits

There are two pension schemes relevant to the Council, both of which provide their members with defined benefits related to pay on retiral and length of service. The two schemes are as follows:

Teachers' Scheme

The Scottish Teachers' Superannuation Scheme is an unfunded scheme administered by the Scottish Government. It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For this reason, the scheme is accounted for on the same basis as a defined contribution scheme meaning that the pension cost charged to the accounts is the contributions payable for the year. No underlying pension liabilities are accrued.

Note 1 Accounting Policies (continued)

Employee Benefits (continued)

Post Employment Benefits (continued)

Local Government Pension Scheme

The North East Scotland Local Government Pension Scheme is a funded, defined benefit scheme administered by Aberdeen City Council. 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 to 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.

The liabilities of the North East Scotland Local Government Pension Scheme 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 fair value at current prices using a discount rate of 3.5% (based on long-term redemption yields available on AA rated corporate bonds of appropriate duration).

The assets of the North East Scotland Local Government pension scheme 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

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 such an award to any member of staff (including teachers) are accrued in the year of decision to make this award and accounted for using the same policies as are applied to the North East Scotland Local Government Pension Scheme.

Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable that occur between the end of the reporting period (the balance sheet date) and the date when the Annual Accounts are authorised for issue. There are two types of events:

- those that provide evidence of conditions that existed at the balance sheet date - the Annual Accounts are adjusted to reflect such events and
- those that provide evidence of conditions that arose after the balance sheet date - the Annual Accounts are not adjusted to reflect such events, but where non-adjusting events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

Note 1 Accounting Policies (continued)

Exceptional Items and Prior Period Adjustments

Exceptional items are those which are separately identified by virtue of their size or incidence to allow a full understanding of the performance of the Council.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimate do not give rise to a prior period adjustment.

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 and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for prior periods as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Financial Instruments

Financial Assets

The Council's financial assets are loans and receivables which have fixed or determinable payments but are not quoted in an active market.

Most of the Council loans are charged what is deemed to be a market rate of interest and so receivables are initially measured at fair value and carried 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 most of the loans 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 loan agreement.

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 relevant service (for receivables specific to that service) or 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 derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Elements of financial assets that are receivable within 12 months of the Balance Sheet date are included in either short-term investments or cash and cash equivalents dependent upon whether or not the asset satisfies the conditions of a cash or cash equivalent asset.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to 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. For most of the Council's borrowing 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.

Elements of financial liabilities that are repayable within 12 months of the Balance Sheet date are included in short term borrowing.

The Council incurs an early repayment premium or discount when it reschedules the repayment profile of its long term loans. The premiums and discounts are charged to revenue in accordance with the Code and Guidance under section 12(2)(b) of the Local Government in Scotland Act 2003.

Note 1 Accounting Policies (continued)

Government and Non-Government Grants

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition(s) (as opposed to restrictions) that the Council has not satisfied. Where a grant or contribution has been received and conditions remain outstanding at the Balance Sheet date, it is not credited to the Comprehensive Income and Expenditure Statement but is carried in the Balance Sheet as a creditor. Once the condition has been met, the grant or contribution is transferred from creditors and recognised as income in the Comprehensive Income and Expenditure Statement.

Where a capital grant or capital contribution has been recognised in the Comprehensive Income and Expenditure Statement, and the expenditure financed from that grant has been incurred at the Balance Sheet date, the grant or contribution is transferred from the General Fund (or Housing Revenue Account) to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Where a capital grant or capital contribution has been recognised in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant has not been incurred at the Balance Sheet date, the grant or contribution is transferred from the General Fund to the Capital Grants Unapplied Account within the Usable Reserves section of the Balance Sheet and reported in the Movement in Reserves Statement. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The depreciable amount of the asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. The assets are valued at amortised cost i.e. cost less accumulated amortisation and impairment.

Amortisation charged in the Comprehensive Income and Expenditure Statement is not a charge to the General Fund and is transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Note 1 Accounting Policies (continued)

Non Current Assets

Property Plant and Equipment

Recognition

All expenditure on the acquisition, creation, enhancement or replacement of a part of an asset is capitalised providing the asset yields benefit for more than one year to the Council and the services it provides and the cost can be reliably measured.

Where a component is replaced or restored, the carrying amount of the old component is derecognised and the new component reflected in the carrying amount.

Measurement

New assets are measured at cost on an accruals basis. Cost comprises the purchase price and 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. Borrowing costs incurred whilst the asset is under construction are not capitalised. Donated assets are measured at fair value and the difference between the fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement. If the donation is conditional, until the condition is satisfied the gain is held in the Donated Assets Account. Where gains are recognised in the Comprehensive Income and Expenditure Statement, they are reversed out to the Capital Adjustment Account in the Movement in Reserves Statement.

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

Infrastructure assets, community assets and assets under construction – historical cost, net of depreciation where appropriate

Council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
School building – current value, but because of their specialist nature are measured at depreciated replacement cost (DRC) which is used as an estimate of current value

Surplus assets – fair value, estimated at highest and best use from a market participant's perspective

All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for the Headquarters Campus buildings which are too large to be marketed as office accommodation and which are measured at depreciated replacement cost as an estimate of current value.

A 5-year rolling programme of asset revaluations commenced in 2000/2001. Property, plant and equipment is valued on the basis recommended by CIPFA and the valuation report is produced by the Council's Estates Manager who is a Member of the Royal Institute of Chartered Surveyors. The assets are valued on 1 April each year.

Revaluation gains are recognised in the Revaluation Reserve, unless the increase is reversing either a previous impairment loss or a previous revaluation loss charged to the Comprehensive Income and Expenditure Statement in which case the revaluation amount is used first to reverse the previous loss and any excess is treated as a revaluation gain and credited to the Revaluation Reserve.

Revaluation losses are recognised in the Revaluation Reserve up to the credit balance existing in respect of that asset and thereafter 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.

Revaluation gains and losses charged to the Comprehensive Income and Expenditure Statement are not a charge to the General Fund and are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Note 1 Accounting Policies (continued)

Non Current Assets (continued)

Property Plant and Equipment (continued)

Depreciation

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

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Depreciation is calculated using the straight-line method. In the year of acquisition, a full year's depreciation is provided for on all assets except for vehicles, where the calculation is pro-rata based on the month of acquisition. In the year of disposal, no depreciation is charged. Depreciation rates are detailed in Note 12.

Service Revenue Accounts, Central Support Services and the Housing Revenue Account are charged with the annual depreciation charge for assets used.

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.

Depreciation charged in the Comprehensive Income and Expenditure Statement is not a charge to the General Fund and is transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

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 an 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 Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset (land and buildings) will be recovered through a sale rather than through its continued 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. Non-current assets held for sale are not depreciated.

Vehicles, Plant, Furniture and Equipment and 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) and any receipt are written to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

The gain or loss on disposal is not a charge against Council Tax, as the cost of property, plant and equipment is fully provided for under separate arrangements for Capital Financing. The carrying amount of the asset disposal is transferred to the Capital Adjustment Account and the disposal proceeds transferred to the Capital Receipts Reserve and reported in the Movement in Reserves Statement. Any revaluation gains accumulated in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Note 1 Accounting Policies (continued)

Heritage Assets

Heritage assets are assets preserved in trust for future generations because of their cultural, environmental or historical associations. They have historical, artistic, scientific, geophysical or environmental qualities and apply to assets held and maintained for their contribution to knowledge and culture. Heritage assets that are also used to provide services are accounted for as operational assets and included in property plant and equipment.

The heritage assets held by the Council, including its common good and trust funds, comprise the museum and art collections at the Falconer Museum, Tomintoul Museum and the Museum Store, Forres; archives held at the Archives Store, Forres and Aberdeen Archives premises; civic regalia in the care of the Museums Service and a number of monuments, memorials and fountains at various locations throughout Moray.

The following valuation basis shall be used, taking into account the practicalities of obtaining market valuations.

- Fair value: Museums collections and chains of office
- Not valued: Archive material, public space statues, monuments, memorials and fountains.

Heritage assets are deemed to have indeterminate lives and the Council does not consider it appropriate to charge depreciation on these assets.

The collections in the care of the Museums Service form the major part of the heritage assets held by the Council. A rolling programme of valuations of the collections was instigated in 2012/13 to inform fair value and to ensure that the insurance provision is kept up to date.

The Council's policy for the acquisition, presentation, management and disposal of museum and art collections is contained in the Museum's Service "Acquisition and Disposal policy" and for the Council's archives within the Local Heritage Service Collection Policy, both of which are available on the Council's website.

<http://www.moray.gov.uk/downloads/file84004.pdf>
<http://www.moray.gov.uk/downloads/file78995.pdf>

Investment Property

Investment property is property held 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 the production of goods or is held for sale.

Where properties are earning rentals as an outcome of a regeneration policy, they are accounted for as property, plant and equipment.

Investment property is measured initially at cost and thereafter at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment property is measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment applies to gains and losses on disposal.

Gains and losses on revaluation and disposal reflected in the Comprehensive Income and Expenditure Statement are not charges to the General Fund and are transferred to the Capital Adjustment Account and Capital Receipts Reserve and reported in the Movement in Reserves Statement.

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Interests in Companies and Other Entities

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

Note 1 Accounting Policies (continued)

Inventories

Depending on the category of inventory, the values included in the Annual Accounts are either on the basis of the average price or the costs of the last item received. Work in Progress is stated at cost or value of work done. Although the Code recommends different valuation bases for these items, the effect on final valuations is immaterial.

Public Private Partnership (PPP) and Similar Contracts

PPP and similar contracts are agreements to receive services, where responsibility for making available the property, plant and equipment needed to provide those services passes to the PPP contractor. As the Council is deemed to control the services that are provided under its PPP scheme, and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, 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 cost to purchase 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 PPP contractor each year are analysed into five elements:

- fair value of services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost - an interest charge of 8.39% 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 PPP 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 or recognised as additions to Property, Plant and Equipment when the relevant capital works are carried out.

Note 1 Accounting Policies (continued)

Finance 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 and equipment from the lessor to the leasee.

All other leases are classified as operating leases.

Where the lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Lessee

Finance leases are recognised as assets on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception or the present value of minimum lease payments, if lower. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Contingent rents are charged as expenses in the periods in which they are incurred.

The lease payments are apportioned between a finance charge (interest) and a charge for the acquisition of the asset – applied to write down the outstanding liability. The finance charge is calculated so as to produce a constant periodic rate of interest on the remaining outstanding balance of the liability.

Assets recognised under finance leases are accounted for using the same policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets useful economic life (where ownership does not transfer to the Council at the end of the lease period.)

Depreciation, impairment and gains and losses on revaluation charged to the Comprehensive Income and Expenditure Statement are not proper charges to the General Fund and are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The repayment of the liability is a proper charge to the General Fund but does not appear in the Comprehensive Income and Expenditure Statement. The amounts are transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Lessor

Lease asset debtors are recognised as receivable on the Balance Sheet at an amount equal to the net investment in the lease. The lease rentals receivable are treated as repayment of interest and principal and finance income. Finance income is calculated to produce a constant periodic rate of return on the net investment.

Operating Leases

All leases which are not finance leases are operating leases.

Lessee

Lease payments under operating leases are recognised as an expense of the service benefitting from the use of the leased asset on a straight line basis over the lease term.

Lessor

Assets subject to operating leases are retained in the Balance Sheet and are accounted for using the same policies applied generally to such assets.

Income is recognised on a straight line basis over the lease term.

Loans Fund

A Loans Fund is maintained under powers contained in the Local Government (Scotland) Act 1975. All loans raised by the Council are paid into the Fund and all advances to finance capital expenditure are made from the Fund except for capital projects financed directly from Revenue Accounts. The basis of recharging for loans is by half-yearly instalments on an annuity basis.

Loans Fund interest and expenses have been charged to the Comprehensive Income and Expenditure Statement in accordance with the Code.

Note 1 Accounting Policies (continued)

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/16* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early, impairment losses and depreciation relating to surplus assets which are not classified as held for sale and revenue expenditure involved in holding surplus assets.

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.

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires a financial settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance the Council may be involved in a court case that could eventually result in the payment of compensation.

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 be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Bad and Doubtful Debts

Amounts owed to the Council have been reviewed and provision has been made for possible non-collection of bad or doubtful debts. All debts greater than 12 months old have been provided for in full. For debt aged between 6 months and 12 months old, other than those relating to Council Tax arrears and Non Domestic Rates collected on behalf of the Scottish Government, provision of 50% has been made. No provision has been made on debt less than 12 months old relating to Council Tax arrears and Non Domestic Rates collected on behalf of the Scottish Government.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes. 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 or 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, retirement, and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

Usable Reserves

These relate to funds available to the Council and represent specific amounts set aside for future policy purposes or earmarked purposes and include General Fund, Housing Revenue Account Balance, Insurance Fund, Repairs and Renewals Fund, Capital Grants Unapplied, Capital Fund and Capital Receipts Reserve.

Note 1 Accounting Policies (continued)

Usable Reserves (continued)

The **General Fund Balance** is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise.

The **Housing Revenue Account Balance** reflects the statutory obligation to maintain a revenue account for local authority Council housing provision in accordance with Part VI of the Local Government and Housing Act 1989.

The **Insurance Fund** is to meet any future uninsured losses in the event of damage by fire to school buildings.

The **Repairs and Renewals Fund** is to meet any future uninsured expenditure in the event of a flood.

The **Capital Grants Unapplied** holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

The **Capital Fund** is used to directly finance future capital expenditure.

The **Capital Receipts Reserve** holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.

Unusable Reserves

These relate to accounting entries which the Council is required to disclose and do not represent funds available for use.

The **Capital Adjustment Account** was introduced on 1 April 2007 and reflects the difference between the cost of non current assets consumed and the capital financing set aside to pay for them.

The **Revaluation Reserve** was introduced on 1 April 2007 and reflects the difference between depreciated historical cost and carrying value of non current assets.

The **Pensions Reserve** was introduced on 1 April 2003 and reflects the future requirement to meet pension costs.

The **Financial Instruments Adjustment Account** was introduced on 1 April 2007 and reflects the difference between the statutory value and accounting value of an asset or liability.

The **Employee Statutory Adjustment Account** was introduced on 1 April 2009 to reflect the cost of holiday entitlements and other leave earned by employees but not taken before the year-end which employees can carry forward into the next financial year, as explained more fully in the Accounting Policy on Employee Benefits on page 52.

Value Added Tax (VAT)

VAT is included in the Comprehensive Income and Expenditure Statement only to the extent that it is irrecoverable. The net amount due to or from HM Revenue and Customs in respect of VAT is included as part of debtors or creditors

Note 2 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted.

The Code requires the Council to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- Amendments to IAS19 Employee Benefits (Defined Benefit Plans:Employee contributions) (November 2013)
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations) (May 2014)
- Annual Improvements to IFRSs 2010-2012 Cycle & 2012-2014 Cycle
- Amendment to IAS 16 Property, Plant & Equipment and IAS 38 Intangible Assets (clarification of Acceptable Methods of Depreciation and Amortisation) (May 2014)
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative) (March 2014)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

The Code requires implementation from 1 April 2016 and there is, therefore, no impact on the 2015/16 Financial Statements.

The above amendments are not anticipated to have a material impact on the information provided in the Financial Statements. However, in the 2016/17 year the comparator for 2015/16 Comprehensive Income and Expenditure Statement and the Movements in Reserves Statement must reflect the new formats and reporting requirements.

Note 3 Critical Judgments 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:

- 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.
- The Council has entered into a Public Private Partnership (PPP) for the provision of educational buildings, their maintenance and related facilities. The Council has considered the tests under IFRIC 12 and concluded this is a service concession.

Note 4 Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2016 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Note 4 Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty (continued)

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
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	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.814M for every year that useful lives had to be reduced.
Pension Liability	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.	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 decrease in the pension liability of approximately £8.401M.
Arrears	At 31 March 2016, the Council had a balance of sundry debtors for £18.0M. (before provision for impairment) A review of the most significant debts, Council tax, suggested that an impairment of 100% on debts greater than 12 months old was appropriate.	A deterioration in collection rates might require an impairment of Council tax debt which is less than 12 months old. An impairment of 1% of current year debt would amount to approximately £0.018M.

Note 5 Material Items of Income and Expenditure

Where material items of Income and Expenditure are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the Code requires that the nature and amount of these items are disclosed in a note to the accounts. During 2015/16 the following items, which all relate to capital expenditure, are regarded as material:

Nature	£M
Ongoing construction of the flooding defences schemes across Moray.	
Elgin scheme	7.763
Schools for the future: four schools refurbishment	5.943
Phase 4-6 of the construction of new Council houses. Ninety Six dwellings were completed during the year and a further eighty two dwellings were under construction at 31 March 2016	10.036

Note 6 Events After The Reporting Period

The unaudited Annual Accounts were issued on 29 June 2016 and the audited Annual Accounts were authorised for issue by Margaret Wilson, Head of Financial Services on 26 September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2014/15	Usable Reserves				
	General Fund	HRA	Capital Receipts Reserve	Capital Grants Unapplied	Capital Fund
	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements,					
Pensions costs (transferred from the Pensions Reserve)	5,887	265	-	-	-
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(211)	(100)	-	-	-
Holiday pay (transferred to the Employee Statutory Adjustment Account)	161	(23)	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(12,440)	6,121	-	-	-
Council tax collected transferable to the HRA under statute	(325)	325	-	-	-
Total Adjustment to Revenue Resources	(6,928)	6,588	-	-	-
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(580)	(1,323)	1,903	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(6,970)	(520)	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(378)	(2,060)	-	-	-
Interest earned on Capital Reserves (transferred from revenue to Capital Reserves)	(1)	(3)	4	-	-
Council tax collected transferable to the HRA under statute, not used in year (transferred to Capital Fund)	(163)	-	-	-	163
Total Adjustments between Revenue and Capital Resources	(8,092)	(3,906)	1,907	-	163
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(2,062)	-	-
Total Adjustments to Capital Resources	-	-	(2,062)	-	-
Total Adjustments	(15,020)	2,682	(155)	-	163

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2015/16

	Usable Reserves				
	General Fund £000	HRA £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Capital Fund £000
Adjustments to the Revenue Resources					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements,					
Pensions costs (transferred from the Pensions Reserve)	7,199	335	-	-	-
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(211)	(102)	-	-	-
Holiday pay (transferred to the Employee Statutory Adjustment Account)	(74)	25	-	-	-
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	10,668	11,400	-	-	-
Council tax collected transferable to the HRA under statute	(437)	437			
Total Adjustment to Revenue Resources	17,145	12,095	-	-	-
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(678)	(935)	1,613	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(10,034)	(687)	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	(3,175)	-	-	-
Interest earned on Capital Reserves (transferred from revenue to Capital Reserves)	(1)	(3)	3	1	-
Council tax collected transferable to the HRA under statute, not used in year (transferred to Capital Fund)	(91)	163	-	-	(72)
Total Adjustments between Revenue and Capital Resources	(10,804)	(4,637)	1,616	1	(72)
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(1,613)	-	-
Total Adjustments to Capital Resources	-	-	(1,613)	-	-
Total Adjustments	6,341	7,458	3	1	(72)

Note 8 Transfers to/from Statutory Funds and Earmarked portions of the General Fund

This note sets out the amounts set aside from the General Fund and HRA balances in Statutory Funds to provide financing for future expenditure plans and the amounts posted back from Statutory Funds to meet General Fund and HRA expenditure in 2015/16.

Statutory Funds

	Repairs & Renewals Fund	Insurance Fund	Total
	£000	£000	£000
Balance at 1st April 2014	2,651	1,367	4,018
Transfers In 2014/15	12	6	18
Balance at 31st March 2015	<u>2,663</u>	<u>1,373</u>	<u>4,036</u>
Transfers In 2015/16	12	6	18
Balance at 31st March 2016	<u>2,675</u>	<u>1,379</u>	<u>4,054</u>

Earmarked portions of the General Fund

Portions of the General Fund are earmarked for specific purposes as described below. Underspends or overspends against budget for these activities are transferred in or out of the earmarked funds at the year end.

	General Services	Devolved School Management	Central Energy Efficiency Fund	Other Funds	Total
	£000	£000	£000	£000	£000
Balance at 1st April 2014	19,730	1,430	162	59	21,381
Transfers Out 2014/15	-	(404)	-	-	(404)
Transfers In 2014/15	4,000	-	6	61	4,067
Balance at 31st March 2015	<u>23,730</u>	<u>1,026</u>	<u>168</u>	<u>120</u>	<u>25,044</u>
Transfers Out 2015/16	-	(454)	(45)	-	(499)
Transfers In 2015/16	102	-	-	66	168
Balance at 31st March 2016	<u>23,832</u>	<u>572</u>	<u>123</u>	<u>186</u>	<u>24,713</u>

Devolved School Management (DSM). This ring fenced balance is a consolidation of the balances held by schools that are retained for the specific purpose of investing in services delivered at each individual school. The DSM scheme enables a policy of retaining resources at each school rather than returning the balances to a corporate fund. This policy aims to encourage schools to plan financially over the medium term.

Central Energy Efficiency Fund. The purpose of this fund was to provide initial investment to finance Energy Efficient Measures designed to generate long-term revenue savings. The requirement to maintain this fund ended on 31 March 2016 and the balance on the fund will be used during 2016/17 to finance planned energy efficiency measures.

Other Funds. These funds are grants and contributions unspent at the reporting year end which have restrictions on their use. The majority of these funds are unspent monies to be used to upgrade/maintain Sanquhar Loch in Forres and insurance premium discounts set aside to fund an insurance risk review.

Note 9 Other Operating Expenditure

	2014/15 £000	2015/16 £000
Movement on revaluation of held for sale assets recognised in the Provision of Services	-	86
Losses on disposal of non-current assets	1,799	6,055
	<u>1,799</u>	<u>6,141</u>

Note 10 Financing and Investment Income and Expenditure

	2014/15 £000	2015/16 £000
Interest payable and similar charges	11,643	11,789
Net interest on the net defined benefit liability	4,000	3,369
Interest receivable and similar income	(205)	(247)
Income & Expenditure in relation to investment properties	(8)	(9)
Movement on revaluation of Investment Property	(81)	328
	<u>15,349</u>	<u>15,230</u>

Note 11 Taxation and Non-Specific Grant Income

	2014/15 £000	2015/16 £000
Council tax income	35,026	35,447
Non domestic rates	34,637	36,926
Non-ring fenced Government grants	122,802	124,550
Capital grants and contributions	38,058	18,849
	<u>230,523</u>	<u>215,772</u>

Note 12 Property, Plant and Equipment

Comparative Movements in 2014/15:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or valuation								
At 1 April 2014	181,628	312,378	37,820	129,369	1,785	2,539	91,980	757,499
Additions	7,660	6,608	2,753	16,831	49	-	22,489	56,390
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(935)	4,670	-	-	-	122	-	3,857
Revaluation (decreases) recognised in the Surplus on the Provision of Services	(4,769)	(1,143)	-	-	-	(16)	-	(5,928)
Derecognition – disposals	-	(2,722)	(1,593)	-	(130)	-	-	(4,445)
Assets reclassified (to)/ from Held for Sale	(740)	(78)	-	-	-	75	-	(743)
Other movements in cost or valuation	4,172	1,822	23	24,663	(849)	214	(30,045)	-
At 31 March 2015	187,016	321,535	39,003	170,863	855	2,934	84,424	806,630
Accumulated Depreciation and Impairment								
At 1 April 2014	16,729	20,337	23,352	23,447	316	52	-	84,233
Depreciation charge	4,639	9,647	3,360	4,706	20	21	-	22,393
Depreciation written out to the Revaluation Reserve	-	(2,306)	-	-	-	-	-	(2,306)
Depreciation written out to the Surplus on the Provision of Services	-	(273)	-	-	-	(6)	-	(279)
Derecognition – disposals	-	(389)	(1,509)	-	(13)	-	-	(1,911)
Assets reclassified (to) Held for Sale	(66)	(8)	-	-	-	-	-	(74)
Other movements in depreciation and impairment	-	34	-	-	(34)	-	-	-
At 31 March 2015	21,302	27,042	25,203	28,153	289	67	-	102,056

Note 12 Property, Plant and Equipment (Continued)

Movement in 2015/16:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or valuation								
At 1 April 2015	187,016	321,535	39,003	170,863	855	2,934	84,424	806,630
Additions	11,707	3,798	3,232	16,770	1	9	10,384	45,901
Revaluation increases recognised in the Revaluation Reserve	70,070	6,574	-	-	-	90	-	76,734
Revaluation (decreases) recognised in the Surplus on the Provision of Services	(8,708)	(480)	-	-	-	(51)	-	(9,239)
Derecognition – disposals	-	(3,372)	(1,893)	(867)	-	(274)	(1,801)	(8,207)
Assets reclassified (to) Held for Sale	(1,071)	-	-	-	-	(138)	-	(1,209)
Other movements in cost or valuation	4,307	3,274	-	71,403	-	(246)	(78,738)	-
At 31 March 2016	263,321	331,329	40,342	258,169	856	2,324	14,269	910,610
Accumulated Depreciation and Impairment								
At 1 April 2015	21,302	27,042	25,203	28,153	289	67	-	102,056
Depreciation charge	6,070	10,011	3,296	6,962	20	19	-	26,378
Depreciation written out to the Revaluation Reserve	(18,800)	(2,136)	-	-	-	(26)	-	(20,962)
Depreciation written out to the Surplus on the Provision of Services	(2,502)	(356)	-	-	-	-	-	(2,858)
Derecognition – disposals	-	(149)	(1,829)	(143)	-	(5)	-	(2,126)
Assets reclassified (to) Held for Sale	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2016	6,070	34,412	26,670	34,972	309	55	-	102,488
Net Book Value								
at 31 March 2015	165,714	294,493	13,800	142,710	566	2,867	84,424	704,574
at 31 March 2016	257,251	296,917	13,672	223,197	547	2,269	14,269	808,122

Note 12 Property, Plant and Equipment (Continued)

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:-

Council Dwellings - up to 50 years

Other Land and Buildings - Buildings up to 65 years, land is not depreciated

Vehicles, Plant, Furniture & Equipment - 3 to 12 years

Infrastructure - up to 40 years

Community Assets - up to 40 years

Surplus Assets - Buildings up to 60 years, land is not depreciated

Capital Commitments

At 31 March 2016, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years budgeted to cost £7.729M. Similar commitments at 31 March 2015 were £20.664M. The major commitments are:

	2015/16 £000
Schools Refurbishment	5,681
HRA Council House New Build	2,048
	<u>7,729</u>

Effect of Changes in Estimates

The Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current or fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out by the Council's Estates Manager in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Council Dwellings are valued at current value based on existing use value-social housing (EUV-SH). Land and Buildings are valued at current value based on existing use value (EUV) for assets where there is an active market. Where there is no market based evidence of current value because of the specialist nature of the asset or the asset is rarely sold, value is based on depreciated replacement cost (DRC). Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost as a proxy for current values. Surplus assets are valued at fair value based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	-	14,899	40,342	258,169	856	263	14,269	328,798
valued at current value as at:								
01 April 2015	263,321	40,638	-	-	-	569	-	304,528
01 April 2014	-	25,686	-	-	-	236	-	25,922
01 April 2013	-	203,053	-	-	-	494	-	203,547
01 April 2012	-	20,256	-	-	-	762	-	21,018
01 April 2011	-	26,797	-	-	-	-	-	26,797
Total cost or valuation	<u>263,321</u>	<u>331,329</u>	<u>40,342</u>	<u>258,169</u>	<u>856</u>	<u>2,324</u>	<u>14,269</u>	<u>910,610</u>

Note 13 Heritage Assets

This note details the movement in Heritage Assets during 2015/16.

	Museums Collections
	£000
Valuation at 1 April 2014	903
Revaluations	-
At 31 March 2015	903
Valuation at 1 April 2015	903
Revaluations	-
At 31 March 2016	903

It is not practicable to value/revalue all Heritage Assets at once and a rolling programme of valuations commenced at the end of 2012/13 to inform fair value and to ensure that insurance valuations are kept up to date. The amount included above for the museums collections is based on insurance valuations.

The following table shows assets that may be regarded as Heritage Assets, but which have not been included in the Balance Sheet as the Council considers that obtaining valuations would involve disproportionate cost and that reliable cost or valuation information cannot be obtained for these items. This is because of the diverse nature of assets held, the number of assets held and the lack of comparable market values. The Code therefore permits such assets to be excluded from the Balance Sheet.

Assets excluded from Heritage Assets	Estimated number of assets 31 March 2016
Archive Material	circa 1,000,000
Monuments and Fountains	12
War Memorials	45

Note 14 Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2014/15 £000	2015/16 £000
Rental income from investment property	8	9
Net gain	<u>8</u>	<u>9</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 repairs, maintenance or enhancement.

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

	2014/15 £000	2015/16 £000
Balance at start of the year	3,762	3,843
Additions	-	35
Net gains/(losses) from fair value adjustments	81	(328)
Balance at end of the year	<u>3,843</u>	<u>3,550</u>

Note 15 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets are purchased licences.

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme and has purchased allowances during 2015/16 of £0.234m (£0.234m 2014/15) which are required to be classified as intangible assets.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the software suites used by the Council are:

	Licences £000
Expected Useful Life	
5 years	934

The carrying amount of licences is amortised on a straight line basis. The amortisation of £0.076M charged to revenue in 2015/16 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. (£0.076M 2014/15)

The disposal of Carbon Reduction Allowances is recognised as the allowances are surrendered (£0.234m 2015/16).

The movement on Intangible Assets during the year is as follows:-

	2014/15 £000	2015/16 £000
Balance at start of year:		
Gross carrying amount	934	1,281
Accumulated amortisation	(802)	(878)
Net carrying amount at start of year	<u>132</u>	<u>403</u>
 Purchases	 347	 234
Amortisation for the period	(76)	(76)
Disposals	-	(234)
Net carrying amount at end of year	<u>403</u>	<u>327</u>
 Comprising:		
Gross carrying amounts	1,281	1,281
Accumulated amortisation	(878)	(954)
	<u>403</u>	<u>327</u>

Note 16 Financial Instruments

Categories of Financial Instruments

Financial Instruments included in the Balance Sheet comprise borrowings and creditors, investments and debtors.

The Financial Instruments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long - Term		Current	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Debtors				
Loans and receivables	885	826	-	-
Financial assets carried at contract amounts	-	-	13,116	10,979
Total Debtors	885	826	13,116	10,979
Borrowings				
Financial liabilities at amortised cost	152,138	160,076	14,787	12,800
Total Borrowings	152,138	160,076	14,787	12,800
Other Long Term Liabilities				
Other long term liabilities	2,480	2,567	-	-
Finance lease liabilities	32,883	32,249	-	-
Total Other Long Term Liabilities	35,363	34,816	-	-
Creditors				
Financial liabilities carried at contract amount (including finance lease and PPP liabilities)	-	-	21,495	23,989
Total Creditors	-	-	21,495	23,989

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement are made up as follows

	2014/15			2015/16		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest Expense	11,692	-	11,692	11,705	-	11,705
Impairment losses		92	92		110	110
Total expense in Surplus or Deficit on the Provision of Services	11,692	92	11,784	11,705	110	11,815
Interest income	-	(204)	(204)	-	(247)	(247)
Total income in Surplus or Deficit on the Provision of Services	-	(204)	(204)	-	(247)	(247)
Net (gain)/loss for the year	11,692	(112)	11,580	11,705	(137)	11,568

Note 16 Financial Instruments (continued)

Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets held by the Council are classified as loans and receivables and long-term debtors and creditors and are carried in the Balance Sheet at amortised cost.

The fair values are calculated as follows:

	2014/15		2015/16	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets				
Loans and receivables:				
Short term debtors	13,116	13,116	10,979	10,979
Long term debtors	885	885	826	826
Total	14,001	14,001	11,805	11,805

At 31 March 2016 the Council's financial assets show the carrying value equal to fair value, the same as the previous year. This is mainly due to a large proportion of the amount being short term financial assets (£10.724M) and the remaining balance being long term loans which have market rates of return.

	2014/15		2015/16	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities				
Financial Liabilities held at amortised cost:-				
Short term Creditors	21,495	21,495	23,989	23,989
Short Term Borrowing	14,787	14,787	12,800	12,800
Other Long Term liabilities	2,480	2,480	2,567	2,567
Long term borrowing	152,138	256,665	160,076	241,627
PPP and Finance Lease liabilities	32,883	58,344	32,249	54,646
Total	223,783	353,771	231,681	335,629

The fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans with the Public Works Loan Board (PWLb) which are not based on market terms. It also includes the Education Services Public Private Partnership 30 year finance lease.

Fair Value Disclosure of PWLB Loans

The fair value of PWLB loans of £186.653M measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

As the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, a supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £160.076M would be valued at £184.423M. However, if the Council sought to repay the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that would not be paid/giving a discount for the reduced interest income that would be avoided. This exit price for the PWLB loans including the penalty charge would be £210.749M.

Note 17 Inventories

2014/15	Balance outstanding at 1st April	Purchases	Recognised as an expense in the year	Balance outstanding at 31st March
	£000	£000	£000	£000
Building Services	192	709	(719)	182
Fleet Services	204	2,604	(2,595)	213
Road Maintenance	229	449	(462)	216
Other	154	1,273	(1,264)	163
Client Services Work in Progress	32	-	(30)	2
Total	811	5,035	(5,070)	776

2015/16	Balance outstanding at 1st April	Purchases	Recognised as an expense in the year	Balance outstanding at 31st March
	£000	£000	£000	£000
Building Services	182	686	(674)	194
Fleet Services	213	2,475	(2,457)	231
Road Maintenance	216	314	(343)	187
Other	163	1,346	(1,350)	159
Client Services Work in Progress	2	-	(1)	1
Total	776	4,821	(4,825)	772

Note 18 Short Term Debtors

	2014/15 £000	2015/16 £000
Central Government Bodies	6,226	3,821
Other Local Authorities	92	80
NHS Bodies	662	692
Public Corporations	2	2
Other entities and individuals	6,134	6,384
	13,116	10,979

Note 19 Assets Held for Sale

	Current Assets 2014/15 £000	Current Assets 2015/16 £000
Balance outstanding at 1 April	1,983	1,483
Assets newly classified as held for sale:		
Property, Plant and Equipment	743	1,209
Revaluation gains/(losses)	-	(86)
Assets declassified as held for sale:		
Property, Plant and Equipment	(75)	-
Assets sold	(1,168)	(1,353)
Balance outstanding at 31 March	1,483	1,253

Note 20 Cash and Cash Equivalents

Cash equivalents will include short term deposits on deposit for less than 3 months.

Cash and Cash Equivalents as at 31 March

	2014/15 £000	2015/16 £000
Cash Held by the Council	21	21
Bank Current/ Call Accounts	(1,773)	(4,294)
	<u>(1,752)</u>	<u>(4,273)</u>
Amounts Owed to Other Bodies	(5,924)	(5,691)
Total Cash & Cash Equivalents	<u>(7,676)</u>	<u>(9,964)</u>

Note 21 Short Term Creditors

	2014/15 £000	2015/16 £000
Central government bodies	3,553	6,206
Other local authorities	2,235	2,322
NHS bodies	324	307
Public corporations and trading funds	263	322
Other entities and individuals	15,120	14,832
Total	<u>21,495</u>	<u>23,989</u>

Note 22 Provisions

	Equal Pay £000	Flood £000	Total £000
Balance as at 1 April 2015	156	300	456
Settlements made/provision released in 2015/16	-	(300)	(300)
Balance as at 31 March 2016	<u>156</u>	<u>-</u>	<u>156</u>

The Council has recognised a provision in respect of equal pay claims from employees. The remaining claims are being managed in accordance with the strategy agreed by the Corporate Management Team.

In June 2015, the compensation claim relating to flood alleviation works, against which provision had been made in 2013/14, was agreed and the provision released.

The Council believes that the amounts provided represent the best estimate of the total liability.

Note 23 Usable Reserves

The movements on the Usable Reserves are detailed in the Movement in Reserves Statement and in Notes 7 and 8. A summary of the Reserves is also shown on the Balance Sheet.

Note 24 Unusable Reserves

2014/15 £000		2015/16 £000
111,877	Revaluation Reserve	202,768
363,651	Capital Adjustment Account	363,897
(7,893)	Financial Instruments Adjustment Account	(7,580)
(5,117)	Employee Statutory Adjustment Account	(5,068)
(111,740)	Pensions Reserve	(97,858)
350,778	Total Reserves	456,159

Revaluation Reserve

The Revaluation Reserve contains gains made by the Council arising from increases in the value of its Property, Plant and Equipment, Heritage Assets and Intangible Assets. The balance is reduced when assets with accumulated gains are:-

- revalued 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.

2014/15 £000		2015/16 £000
109,374	Balance at 1 April	111,877
7,512	Upward revaluation of assets	100,743
(1,349)	Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(3,047)
6,163	Surplus or deficit on revaluation on non-current assets not posted to the Surplus on the provision of Services	97,696
(2,421)	Difference between fair value depreciation and historical cost depreciation	(5,014)
(1,239)	Accumulated gains on assets sold or scrapped	(1,791)
(3,660)	Amount written off to the Capital Adjustment Account	(6,805)
111,877	Balance at 31 March	202,768

Note 24 Unusable Reserves (continued)

Capital Adjustment Account

The Capital Adjustment Account absorbs the 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 an 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 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2014/15 £000		2015/16 £000
341,682	Balance at 1 April	363,651
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(22,393)	Charges for depreciation and impairment of non-current assets	(26,378)
(5,649)	Revaluation losses on Property, Plant and Equipment	(6,467)
(76)	Amortisation of Intangible Assets	(76)
(3,702)	Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	(7,668)
<u>(31,820)</u>		<u>(40,589)</u>
3,660	Adjusting amounts written out of the Revaluation Reserve	6,805
<u>(28,160)</u>	Net written out amount of the cost of non-current assets consumed in the year	<u>(33,784)</u>
	Capital financing applied in the year:	
2,062	Use of the Capital Receipts Reserve to finance new capital expenditure	1,613
38,058	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	18,849
-	Application of grants to capital financing from the Capital Grants Unapplied Account	
7,490	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	10,721
2,438	Capital expenditure charged against the General Fund and HRA balances	3,175
<u>50,048</u>		<u>34,358</u>
81	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(328)
<u>363,651</u>	Balance 31 March	<u>363,897</u>

Note 24 Unusable Reserves (continued)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs 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 premiums paid on early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with the statutory arrangements for spreading the burden on Council Tax. In the Council's case this period of the unexpired term that is outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2016 will be charged to the General Fund over the next 37 years.

2014/15 £000		2015/16 £000
(8,204)	Balance at 1 April	(7,893)
309	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	309
2	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	4
<u>(7,893)</u>	Balance at 31 March	<u>(7,580)</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.

2014/15 £000		£000	2015/16 £000
(4,979)	Balance at 1 April		(5,117)
4,979	Settlement or cancellation of accrual made at the end of the preceding year	5,117	
<u>(5,117)</u>	Amounts accrued at the end of the current year	<u>(5,068)</u>	
(138)	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		49
<u>(5,117)</u>	Balance at 31 March		<u>(5,068)</u>

Note 24 Unusable Reserves (continued)

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 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 pension 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.

2014/15		2015/16
£000		£000
(97,252)	Balance at 1 April	(111,740)
(8,336)	Remeasurements (liabilities & assets)	21,416
(18,681)	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	(20,172)
12,529	Employer's pensions contributions and direct payments to pensioners payable in the year	12,638
<u>(111,740)</u>	Balance at 31 March	<u>(97,858)</u>

Note 25 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2014/15 £000	2015/16 £000
Interest Received	(204)	(246)
Interest Paid	11,622	11,813

Note 26 Cash Flow Statement - Investing Activities

	2014/15 £000	2015/16 £000
Purchase of property, plant and equipment, investments, property and intangible assets	57,219	45,337
Other payments for investing activities	-	69
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,903)	(1,613)
Other receipts from investing activities	(36,684)	(20,417)
Net cash flows from investing activities	<u>18,632</u>	<u>23,376</u>

Note 27 Cash Flow Statement - Financing Activities

	2014/15 £000	2015/16 £000
Cash receipts of short-term and long-term borrowing	(26,000)	(21,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	622	600
Repayment of short and long-term borrowing	20,105	15,023
Other payments/(receipts) for financing activities	(880)	(2,028)
Net cash flows from financing activities	<u>(6,153)</u>	<u>(7,405)</u>

Note 28 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 Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Members on the basis of budget reports analysed across directorates. 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, revaluation and impairment losses in excess of the balance on the Revaluation Reserve 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 the current service cost of benefits accrued in the year

Directorate Income and Expenditure 2014/15 Restated

	Children & Young People's Services £000	Health & Social Care £000	General Services Housing* £000	Planning & Regulatory Services £000	Economic Development & Infrastructure £000	Policy & Resources £000	Housing Revenue Account £000	Total £000
Fees, charges & other service income	(2,570)	(10,402)	(2,589)	(1,616)	(10,931)	(698)	(15,597)	(44,403)
Government grants	(1,871)	(433)	(1,364)	(304)	(64)	(16,620)	-	(20,656)
Total Income	(4,441)	(10,835)	(3,953)	(1,920)	(10,995)	(17,318)	(15,597)	(65,059)
Employee expenses	65,560	18,301	1,540	4,102	12,028	3,812	2,197	107,540
Other service expenses	32,738	32,437	2,925	1,944	18,071	18,864	6,837	113,816
Support Service Recharges	4,397	1,172	412	629	1,105	1,493	972	10,180
Total operating expenses	102,695	51,910	4,877	6,675	31,204	24,169	10,006	231,536
Cost of Services	98,254	41,075	924	4,755	20,209	6,851	(5,591)	166,477

* The disclosure of the Building Services section has been revised to more accurately reflect the nature of the service as allocable to other services.

Comparative year figures for 2014/15 have been amended on the same basis. As a result, Fees, charges and other service income has been reduced by £7.223M, Government grants by £0.002M, Employee expenses by £3.733M, Other service expenses by £3.320M and Support Service Recharges by £0.172M in the 2014/15 disclosure.

Directorate Income and Expenditure 2015/16

	Children & Young People's Services £000	Health & Social Care £000	General Services Housing £000	Planning & Regulatory Services £000	Economic Development & Infrastructure £000	Policy & Resources £000	Housing Revenue Account £000	Total £000
Fees, charges & other service income	(2,771)	(10,664)	(2,804)	(1,839)	(9,209)	(705)	(16,757)	(44,749)
Government grants	(1,912)	(390)	(2,069)	(300)	(140)	(17,238)	-	(22,049)
Total Income	(4,683)	(11,054)	(4,873)	(2,139)	(9,349)	(17,943)	(16,757)	(66,798)
Employee expenses	67,257	17,844	1,603	4,104	11,102	3,568	2,104	107,582
Other service expenses	34,429	34,164	3,874	2,320	18,010	19,558	7,764	120,119
Support Service Recharges	4,835	1,307	426	736	1,133	1,586	891	10,914
Total operating expenses	106,521	53,315	5,903	7,160	30,245	24,712	10,759	238,615
Cost of Services	101,838	42,261	1,030	5,021	20,896	6,769	(5,998)	171,817

Note 28 Amounts Reported for Resource Allocation Decisions (continued)

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014/15 £000	2015/16 £000
Cost of Services in Service Analysis	166,477	171,817
Add amounts not reported to management	42,937	49,589
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(12,529)	(12,638)
Net Cost of Services in Comprehensive Income and Expenditure Statement	196,885	208,768

Reconciliation to Subjective Analysis 2014/15

	Service Analysis £000	Not reported to management £000	Not included in C I & I £000	Allocation of Recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(44,403)	-	-	(565)	(44,968)	-	(44,968)
Interest and investment income	-	-	-	-	-	(213)	(213)
Income from Council Tax	-	-	-	-	-	(35,026)	(35,026)
Government grants and contributions	(20,656)	-	-	-	(20,656)	(195,497)	(216,153)
Total Income	(65,059)	-	-	(565)	(65,624)	(230,736)	(296,360)
Employee expenses	107,540	14,819	(12,529)	8,397	118,227	4,000	122,227
Other service expenses	113,816	-	-	2,520	116,336	-	116,336
Support Service recharges	10,180	-	-	(10,352)	(172)	-	(172)
Depreciation, amortisation and impairment	-	28,118	-	-	28,118	(81)	28,037
Interest Payments	-	-	-	-	-	11,643	11,643
Loss on Disposal of Non Current Assets	-	-	-	-	-	1,799	1,799
Total operating expenses	231,536	42,937	(12,529)	565	262,509	17,361	279,870
Net Cost of Services	166,477	42,937	(12,529)	-	196,885		
(Surplus) on provision of services							(16,490)

Note 28 Amounts Reported for Resource Allocation Decisions (continued)

Reconciliation to Subjective Analysis 2015/16

	Service Analysis £000	Not reported to management £000	Not included in C I & E £000	Allocation of Recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(44,750)	-	-	(309)	(45,059)	-	(45,059)
Interest and investment income	-	-	-	-	-	(256)	(256)
Income from Council Tax	-	-	-	-	-	(35,447)	(35,447)
Government grants and contributions	(22,049)	-	-	-	(22,049)	(180,325)	(202,374)
Total Income	(66,799)	-	-	(309)	(67,108)	(216,028)	(283,136)
Employee expenses	107,583	16,754	(12,638)	8,804	120,503	3,369	123,872
Other service expenses	120,119	-	-	2,419	122,538	-	122,538
Support Service recharges	10,914	-	-	(10,914)	-	-	-
Depreciation, amortisation and impairment	-	32,835	-	-	32,835	328	33,163
Interest Payments	-	-	-	-	-	11,789	11,789
Loss on Disposal of Non Current Assets	-	-	-	-	-	6,141	6,141
Total operating expenses	238,616	49,589	(12,638)	309	275,876	21,627	297,503
Net Cost of Services	171,817	49,589	(12,638)	-	208,768		
Deficit on the provision of services							14,367

Note 29 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Annual Accounts, certification of grant claims and contribution towards the cost of national performance studies and statutory reports:-

	2014/15 £000	2015/16 £000
Fees payable in respect of external audit services carried out by the appointed auditor for the year. audit fee	241	235
Total	241	235

Note 30 Grant Income

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

	2014/15 £000	2015/16 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	122,802	124,550
National non domestic rates	34,637	36,926
Capital Grant and Contributions	38,058	18,849
Total	195,497	180,325
Credited to services		
Housing Benefits	15,970	16,558
Private Sector Housing Grant	1,364	463
Other Grants	3,404	5,747
Contributions		
NHS Grampian - Resource Transfer	5,371	5,750
Other Contribution	552	605
Donations	4	3
Total	26,665	29,126

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver.

The balances at the year end are as follows:

	2014/15 £000	2015/16 £000
Grants received in Advance		
Capital Grants	2,228	2,312
Other Grants	956	997
Total	3,184	3,309

Note 31 Related Parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have potential to control or influence the Council, or to be controlled or influenced by the Council.

Central Government has effective control over the Council. It is responsible for providing the statutory framework within which the Council operates, and provides the majority of its funding.

Central Government funding in 2015/16 was as follows:

	2014/15	2015/16
	£000	£000
Revenue Support Grant and Non Domestic Rate income	157,439	161,476
Scottish Government Grants	20,643	21,939

Government grants and contributions are included in the subjective analysis in note 28. The amounts outstanding at the year-end are included in creditors and are shown in Note 30.

Members of the Council have direct control over the Council's financial and operating policies. During 2015/16 no works or services were commissioned from companies in which any member had a noted interest. Details of members expenses are included in the Remuneration Report.

NHS Grampian, mainly through Resource Transfer, funds various projects in partnership with the Council.

	£000	£000
Funding received amounted to	5,371	5,750

The amount receivable and included in debtors at 31 March 2016 was £0.692M (£0.662M at 31 March 2015).

	£000	£000
European Union Funding received	15	151

The amount receivable and included in debtors at 31 March 2016 was £nil (£0.931M at 31 March 2015).

The Council co-funds services delivered by Grampian Valuation Joint Board consisting of representatives from Aberdeen City Council, Aberdeenshire Council and the Moray Council.

	£000	£000
Grampian Valuation Joint Board	593	583

The amount receivable and included in debtors at 31 March 2016 is £nil (£nil at 31 March 2015).

The Council provided material financial assistance to the following body:

	£000	£000
Moray Leisure Limited	753	1,045

The Council participates in the following partnerships:

The Highlands and Islands Transport Partnership - contribution	46	46
Scotland Excel - contribution	64	66
SEEMIS Group LLP - contribution	65	77
Northern Community Justice Authority - receipt	866	850

Note 32 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 finance leases and 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 in an 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.

	2014/15 £000	2015/16 £000
Opening Capital Financing Requirement	228,990	235,679
Capital Investment:		
Property, Plant and Equipment (incl. Held for Sale)	56,390	45,936
Intangible Assets	347	234
Sources of finance:		
Capital receipts	(2,062)	(1,613)
Government grants and other contributions	(38,058)	(18,849)
Sum set aside from revenue:		
Direct revenue contributions	(2,438)	(3,175)
Loans fund principal	(7,490)	(10,721)
Closing Capital Financing Requirement	<u>235,679</u>	<u>247,491</u>
	2014/15 £000	2015/16 £000
Explanations of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	6,689	11,812
Increase in Capital Financing Requirement	<u>6,689</u>	<u>11,812</u>

Note 33 Leases

Council as Lessee

Operating Leases

The Council rents land and buildings under the terms of operating leases.

The Council has also entered into a short term rental agreement for photocopiers.

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

	2014/15 £000	2015/16 £000
Not later than one year	170	216
Later than one year and not later than five years	284	277
Later than five years	1,368	1,317
	<u>1,822</u>	<u>1,810</u>

The future minimum sublease payments expected to be received by the Council are £0.159M (£0.186M in 2014/15).

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to minimum lease payments was £0.241M (£0.170M in 2014/15).

Council as Lessor

Operating Leases

The Council leases out various properties, predominately industrial units.

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

	2014/15 £000	2015/16 £000
Not later than one year	761	849
Later than one year and not later than five years	2,340	2,504
Later than five years	23,338	27,064
	<u>26,439</u>	<u>30,417</u>

Note 34 Impairment Losses

During 2015/16, the Council has impairment losses of £nil (2014/15 £nil) in relation to its Property, Plant and Equipment.

Note 35 Public Private Partnership

Education Services PPP Scheme

2011/12 was the first year of a 30 year PPP contract for the construction, maintenance and operation of two schools in Keith and Elgin. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if the facilities are unavailable or performance is below minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the schools. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council has rights to terminate the contract only if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

Property, Plant and Equipment

The assets used to provide services at the two Schools are recognised on the Council's Balance Sheet and are included in the Property, Plant and Equipment assets detailed in Note 12. Details are shown below:

	2014/15 £000	2015/16 £000
Cost or valuation		
At 1 April	42,828	42,828
Additions	-	46
At 31 March	42,828	42,874
Accumulated Depreciation		
At 1 April	2,006	4,046
Depreciation charge	2,040	2,043
At 31 March	4,046	6,089
Net Book Value	38,782	36,785

Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2016 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Reimbursement of Capital Services	Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2016/17	924	634	2,758	4,316
Payable within 2 to 5 years	3,697	2,660	10,489	16,846
Payable within 6 to 10 years	4,621	3,306	11,831	19,758
Payable within 11 to 15 years	4,621	4,760	10,327	19,708
Payable within 16 to 20 years	4,621	7,308	7,867	19,796
Payable within 21 to 25 years	4,621	11,034	4,261	19,916
Payable within 26 to 30 years	915	3,181	267	4,363
Total	24,020	32,883	47,800	104,703

Note 35 Public Private Partnership (continued)

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the contractor for capital expenditure incurred is as follows:

	2014/15	2015/16
	£000	£000
Balance outstanding at start of year	34,028	33,483
Payments during the year	(545)	(600)
Balance outstanding at year-end	33,483	32,883

Note 36 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are member of the Scottish Teachers' Superannuation 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 member's pensionable salaries.

The scheme is a defined benefit scheme and is administered by the Scottish Government through the Scottish Public Pension Agency (SPPA). As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the scheme Actuary at a level to meet the cost of pensions as they accrue. It is not possible, however, for the Council to identify a share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of the annual accounts it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension during the year ending 31 March 2016, the Council's own contributions equate to approximately 0.86%.

In 2015/16 the amount payable to the Scottish Government in respect of teachers' retirement benefits was £5.525M of which £0.746M was outstanding at 31 March 2016. The amount payable represents 14.9% of pensionable pay from 1 April to 31 August 2015 plus 17.2% of pensionable pay from 1 September 2015 to 31 March 2016. The figures for 2014/15 were £5.063M, £0.688M and 14.9%.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 37.

Note 37 Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two schemes, the North East Scotland Local Government Pension Scheme which is administered by Aberdeen City Council and the Teachers' Scheme which is administered by the Scottish Government through the Scottish Public Pensions Agency (SPPA). Both Schemes are defined benefit schemes. Up until 31 March 2015 pension benefits accrued are based on final salary. 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. Benefits earned from 1 April 2015 are based on career average salary. The Local Government Pension Scheme, administered by Aberdeen City Council - this is funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets over a period of time.

Note 37 Defined Benefit Pension Schemes (continued)

There are also arrangements in place for the award of discretionary post retirement benefits upon early retirement. This is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.

The North East Scotland Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Committee. The Committee is comprised of nine elected members of Aberdeen City Council. Policy is determined in accordance with the Pensions Fund Regulations. With the introduction of the Pension Board the Joint Investment Advisory Committee was disbanded.

Following the introduction of The Local Government Pension Scheme (Governance) (Scotland) Regulations 2015, the Pension Fund took the opportunity to review its governance arrangements. To comply with these regulations the Pension Fund implemented a Pension Board with representation from Unions and Employers from the 1 April 2015.

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 amounts required by statute as described in the accounting policy note.

Discretionary Post-retirement Benefits

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

Transactions Relating to Post-employment Benefits

In relation to the Local Government Pension Scheme, 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 required to be made against Council Tax is based on 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		Discretionary Benefits	
	£000	2015/16 £000	£000	2015/16 £000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current Service Cost	14,234	16,563	-	-
Settlements and Curtailment Cost	212	-	-	-
Administration Expenses	235	240	-	-
	<u>14,681</u>	<u>16,803</u>	<u>-</u>	<u>-</u>
Financing and Investment Income and Expenditure				
Net Interest Expense	3,248	2,848	752	521
	<u>17,929</u>	<u>19,651</u>	<u>752</u>	<u>521</u>
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services				

Note 37 Defined Benefit Pension Schemes (continued)

	Local Government Pension Scheme		Discretionary Benefits	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets	(10,481)	4,667	-	-
Actuarial gains and losses arising on changes in financial assumptions	49,024	(25,543)	1,606	(540)
Actuarial (losses) arising from changes in demographic changes	(6,720)	-	(283)	-
Other	(22,992)	-	(1,818)	-
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	26,760	(1,225)	257	(19)
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post post employment benefits in accordance with the Code	(17,929)	(19,651)	(752)	(521)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	11,480	11,602		
Retirement benefits payable to pensioners			1,049	1,036

Assets and Liabilities Recognised in the Balance Sheet

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

Current Service Cost: The increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

Net Interest on the Net Defined Benefit Liability: The change during the year in the net defined benefit liability that arises from the passage of time - charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. It is the difference between the interest (increase) in the value of the liabilities as the benefits are one year closer to being paid and the interest on pension assets based on assets held at the start of the year. The calculation is based on the discount rate in force at the beginning of the year.

Remeasurements: This comprises the Return on Plan Assets (excluding amounts included in the Net Interest on the Net Defined Benefit Liability) and Actuarial Gains and Losses which are changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions - charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

Contributions Paid to the Pension Fund: Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Note 37 Defined Benefit Pension Schemes (continued)

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

	Local Government Pension Scheme		Discretionary Benefits	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Present value of the defined benefit obligation	(482,964)	(479,414)	(16,945)	(15,890)
Fair value of plan assets	388,169	397,446	-	-
Net liability arising from defined benefit obligation	(94,795)	(81,968)	(16,945)	(15,890)

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Local Government Pension Scheme		Discretionary Benefits	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Opening balance at 1 April	439,284	482,964	17,737	16,945
Current service cost	14,234	16,563	-	-
Interest cost	19,128	15,297	752	521
Contributions from scheme participants	3,554	3,634	-	-
Remeasurement gains and (losses):				
Actuarial (losses) arising from changes in demographic changes	(6,720)	-	(283)	-
Actuarial gains/(losses) arising from changes in financial assumptions	49,024	(25,543)	1,606	(540)
Other	(22,992)	-	(1,818)	-
Gains on curtailment	212	-	-	-
Benefits paid	(12,760)	(13,501)	(1,049)	(1,036)
Closing balance at 31 March	482,964	479,414	16,945	15,890

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Local Government Pension Scheme		Discretionary Benefits	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Opening fair value of scheme assets	359,769	388,169	-	-
Interest Income	15,880	12,449	-	-
Remeasurement gains:				
The return on plan asset, excluding the amount in the net interest expense	10,481	(4,667)	-	-
Contributions from employer	11,480	11,602	1,049	1,036
Contributions from employees into the scheme	3,554	3,634	-	-
Benefits paid	(12,760)	(13,501)	(1,049)	(1,036)
Other - administration expenses	(235)	(240)	-	-
Closing fair value of scheme assets	388,169	397,446	-	-

Note 37 Defined Benefit Pension Schemes (continued)

Local Government Pension Scheme assets comprised:

Fair value of scheme assets

	Quoted Prices in Active Markets £000	Prices not Quoted in Active Markets £000	Total £000
31 March 2015			
U.K Equities	139,743	-	139,743
Overseas Equities	163,031	-	163,031
U.K Government Bonds	9,704	-	9,704
Other Government Bonds	14,362	-	14,362
Other U.K Bonds	1,552	-	1,552
Other non U.K Bonds	6,598	-	6,598
Property	-	27,560	27,560
Private Equity	-	13,198	13,198
Global Infrastructure	-	1,164	1,164
Cash Instruments	-	11,257	11,257
Total Assets	334,990	53,179	388,169
	Quoted Prices in Active Markets £000	Prices not Quoted in Active Markets £000	Total £000
31 March 2016			
U.K Equities	136,324	-	136,324
Overseas Equities	155,004	-	155,004
U.K Government Bonds	25,437	-	25,437
Other Government Bonds	18,283	-	18,283
Other U.K Bonds	1,590	-	1,590
Other non U.K Bonds	7,551	-	7,551
Property	-	33,783	33,783
Private Equity	-	15,500	15,500
Global Infrastructure	-	1,192	1,192
Cash Instruments	-	2,782	2,782
Total Assets	344,189	53,257	397,446

Note 37 Defined Benefit Pension Schemes (continued)

Basis for Estimating Assets and Liabilities

Liabilities are valued on an actuarial basis using the projected unit method and assets are measured at their fair value. An estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rates, salary levels etc.

The most recent actuarial valuation was carried out as at 31 March 2014 and has been updated by Mercer Limited, independent actuaries to the North East Scotland Pension Fund, to take account of the requirements of IAS 19 in order to assess the liabilities of the Pension Funds as at 31 March 2016.

The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits	
	2014/15	2015/16	2014/15	2015/16
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.1	22.1	22.1	22.2
Women	24.7	24.7	24.7	24.8
Longevity at 65 for future pensioners:				
Men	24.3	24.4		
Women	27.5	27.6		
Rate of inflation	2.00%	2.00%	2.00%	2.00%
Rate of increase in salaries	3.50%	3.50%	3.50%	3.50%
Rate of increase in pensions	2.00%	2.00%	2.00%	2.00%
Rate for discounting scheme liabilities	3.20%	3.50%	3.20%	3.40%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table 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 assume for each change that the assumption analysed changes while all the other assumptions remain constant. The assumption in longevity, for example, assumes that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie 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.

Impact on the Defined Benefit Obligation in the scheme	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	9,633	(9,633)
Rate of inflation (increase or decrease by 0.1%)	8,500	(8,500)
Rate of increase in salaries (increase or decrease by 0.1%)	2,171	(2,171)
Rate of increase in pensions (increase or decrease by 0.1%)	6,239	(6,239)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(8,401)	8,401

Note 37 Defined Benefit Pension Schemes (continued)

Funding Strategy Statement

The Funding Strategy Statement sets out how the administering authority balances the potentially conflicting aims of affordability of contributions, transparency of process, stability of employers' contributions, and prudence in the funding basis.

The Pensions Committee's long-term funding objective is to achieve and maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis. The current actuarial valuation of the Fund is effective as at 31 March 2014 and the results indicate that overall the assets represented 94% of projected accrued liabilities at the valuation date. Investments that would most closely match the pension liabilities would be gilts, predominantly index-linked, reflecting the nature of the Fund's liabilities. However the Fund invests in other assets, in the expectation that these will provide higher returns albeit without any guarantee that higher returns will be achieved over any particular period. The benefit of higher investment return is that, over the long term, a higher level of funding should achieve lower employer contribution rates. However the additional investment returns from growth assets come with a price: greater volatility relative to the liabilities thus introducing risk. There is a trade-off between the benefits of additional investment return from greater exposure to growth assets and the greater predictability from having greater exposure to liability matching assets. The Pensions Committee have considered this trade-off and defined a strategic benchmark to achieve the long term investment returns required to achieve the Fund objective: equities 65%, property 10%, bonds 10%, alternative assets (including private equity) 15%. There is no strategic allocation to cash. The asset proportions of the Fund at 31 March 2016, with March 2015 in brackets were: equities, including alternatives 77.5% (81.7%), bonds 13.3% (8.3%), property 8.5% (7.1%) and cash 0.7% (2.9%).

Impact on the Council's Cash Flows

The fund aims to keep employers' contribution at as constant a rate as possible. The Pensions Committee has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over an average deficit recovery period of 19 years, with a maximum recovery period of 19 years. Funding levels are monitored on a quarterly basis. The next triennial valuation is as 31 March 2017 and will be completed during 2017/18.

The projected employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2016 is £11.604M. Expected contributions for the Discretionary Benefits in the year to 31 March 2015 is £1.036M

The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2016 valuation is 17 years.

Note 38 Contingent Liabilities

On 30th March 2016, the Council decided to remove the Western Link Road (WLR) from the capital plan. Due to the cancellation of this project, the Council will be unable to comply with the terms of the purchase agreement with Grampian Housing Association (GHA) to buy land at Blibohall South in Elgin. As a result the Council may have to re purchase this site which presents a potential financial risk to the Housing Revenue Account.

Both the Council and GHA agreed to alter the missives to extend the buy-back period until 31 March 2018. In agreeing to the extension to the buy-back period both parties sought consent of the Scottish Government, which has assumed administration responsibility for the grant given to GHA to purchase the site.

At this time, all parties are working to resolve this issue to allow the build of affordable houses to proceed on this site.

Note 39 Nature and Extent of Risk Arising From Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk - the possibility that other parties might fail to pay amounts due to the Council.
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The procedures for risk management are set out through a legal framework based on the Local Government (Scotland) Act 2003 and associated regulations, which were both revised in November 2011. These require the Council to comply with CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management and Investment Regulations. The Council's management of treasury risks are structured to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services by:

- formally adopting the requirements of the CIPFA Treasury Management Code of Practice ;
- the adoption of a Treasury Management Strategy Statement and incorporating this into the Council's Financial Regulations;
- approving annually in advance the Council's prudential and treasury indicators and reporting on performance;
- approving an Investment Strategy for the forthcoming year.

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 and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

The credit criteria in respect of financial assets held by the Council at 31 March 2016 are detailed below.

Financial asset category	Criteria
Banks	Long-Term BBB+
Building Societies	Long-Term BBB+
Money Market Funds	Long-Term AAmmf (Fitch) or equivalent

The maximum investment with the Council's own bankers (Bank of Scotland) is £10 million and other organisations meeting the above criteria is £5 million.

In addition to the above, the Council can also invest in Local Authorities and the Debt Management Office. A limit of £5M is set for any Local Authority and there is no limit for the Debt Management Office as it is part of HM Treasury which has the UK Government's AA+ rating.

Note 39 Nature and Extent of Risk Arising From Financial Instruments (continued)

Credit Risk Continued

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year. The Council does not expect any losses from non- performance by any of its counterparties in relation to deposits and bonds.

	Estimated maximum exposure to default and uncollectability 2015 £000	Amounts at 31 March 2016 £000	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2016 %	Estimated maximum exposure to default and uncollectability 2016 £000
Customers	611	2,710	26.36	26.36	714
Total	611	2,710			714

Debtors

The Council does not generally allow credit for customers. As a result, £2.485M of the £2.710M balance is past its due date for payment (2014/15 £2.644M). The past due, but not impaired amount can be analysed by age as follows:

	2014/15 £000	2015/16 £000
Less than six months	1,375	1,346
Six months to one year	375	361
More than one year	894	778
Total	2,644	2,485

The impairments made analysed by age are as follows:

	2014/15 £000	2015/16 £000
Less than six months	-	-
Six months to one year	188	181
More than one year	894	778
Total	1,082	959

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loan Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. Although the Council has 22.73% of its current debt maturing within the period 2051/52 to 2055/56, it is continually reviewing its borrowing position to minimise the financial impact of debt maturing at any one time in the future and possibly exposing the Council to unfavourable interest rates. With the assistance of its treasury advisers, the Council manages this risk through prudent planning of new loans taken out where economic to do so.

Note 39 Nature and Extent of Risk Arising From Financial Instruments (continued)

Liquidity Risk (continued)

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

	2014/15 £000	Average Rate	2015/16 £000	Average Rate
Repayment less than 1 year	4,508	2.073%	3,541	2.113%
Repayment between 1 and 2 years	2,508	2.282%	3,541	2.113%
Repayment between 2 and 5 years	7,275	2.256%	12,570	3.415%
Repayment between 5 and 10 years	17,374	4.389%	19,687	3.693%
Repayment between 10 and 15 years	6,929	6.904%	9,156	6.172%
Repayment in more than 15 years	117,542	5.665%	114,616	5.626%
	<u>156,136</u>		<u>163,111</u>	

The above figures are the contractual maturity amounts of the loans.

All creditors are due to be paid in less than one year.

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 of the fair value of an instrument.

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

Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.

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

The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance sheet for the majority of 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:

- It is the policy of the Council to limit its exposure to variable rate borrowing to a maximum of 25% of total borrowing.
- During periods of falling rates and where it is economically advantageous, the Council will consider the repayment or restructuring of fixed interest rate loans
- The Council monitors interest rates daily to assist in decisions for lending of surplus cash and new borrowings.

The Council has a strategy for assessing interest rate exposure. The analysis will advise whether new borrowing taken out is fixed or variable. During 2015/16, the Council did take out several variable rate temporary borrowing.

According to this assessment strategy, at 31 March 2016, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2014/15 £000	2015/16 £000
Increase in interest payable on variable rate borrowing	57	26
Impact on Comprehensive Income and Expenditure Account	<u>57</u>	<u>26</u>

The impact of a 1% fall in interest rate would be as above but with the movements being reversed.

Note 39 Nature and Extent of Risk Arising From Financial Instruments (continued)

Price Risk

The Council does not invest in quoted equity shares and is not exposed to losses arising from movements in the prices of shares.

Foreign Exchange Risk

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

Note 40 Trust Funds and Common Good Funds

The Council administers 65 trust funds, acting as sole trustee for 60 trust funds and as one of several trustees for a further 5 funds. The Council also administers several Common Good funds.

These funds do not represent assets of the Council and they have not been included in the Council Balance Sheet.

Further details of the Trust Funds and Common Good funds are shown on pages 137 to 149.

Housing Revenue Account Income & Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost for the year ended 31 March 2016 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 regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2014/15		2015/16
£000		£000
	Income	
(15,310)	Dwelling Rents	(16,174)
(167)	Non Dwelling Rents	(165)
(120)	Other Income	(418)
(15,597)	Total Income	(16,757)
	Expenditure	
3,938	Supervision & Management	3,940
6,023	Repairs & Maintenance	6,942
130	Bad & Doubtful Debts	88
4,828	Depreciation and Impairment of Non-Current Assets	6,483
4,769	Revaluation losses on Non-Current Assets	6,206
8	Other Expenditure	21
19,696	Total Expenditure	23,680
	Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Account	
4,099		6,923
43	HRA share of Corporate and Democratic Core costs	43
4,142	Net Cost of HRA Services	6,966
-	Revaluation of held for sale assets	86
(417)	(Gain)/loss on sale of HRA Non-Current Assets	136
2,742	Interest Payable and Similar Charges	2,874
(32)	Interest and Investment Income	(40)
149	Net interest on the net defined benefit liability	128
(4,382)	Capital grants and contributions receivable	(2,446)
2,202	Deficit for the Year on HRA Services	7,704

Movement on the Housing Revenue Account Statement

2014/15		2015/16
£000		£000
2,202	Deficit for the Year on the HRA Income and Expenditure Account	7,704
	Adjustments between accounting basis and funding basis under regulations	
100	Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with statute	102
417	Net gain or loss on sale of HRA non-current assets	(136)
2,060	Capital expenditure funded by the Housing Revenue Account	3,175
	Transfers to/from the Capital Adjustment Account:	
(4,828)	Depreciation and Impairment of Non-Current Assets	(6,483)
(4,769)	Revaluation losses on Non-Current Assets	(6,292)
520	Loans fund principal repayments	687
4,382	Capital Grants applied	2,446
84	Net decrease before transfers to/(from) reserves	1,203
	Transfers to/(from) reserves	
12	IORB and Statutory Funds	12
(325)	Transfers from the General Fund as directed by the Minister	(600)
(265)	HRA share of contributions (from) the Pensions Reserve	(335)
23	Employee Statutory Adjustment Account	(25)
(555)		(948)
(471)	(Increase)/decrease in the year on the HRA	255
(1,126)	Housing Revenue Account Balance Brought Forward	(1,597)
(1,597)	Housing Revenue Account Balance Carried Forward	(1,342)

Notes to the Housing Revenue Account

1. Number and Type of Dwelling House

The Council dwelling house stock as at 31 March was as follows:-

		2014/15	2015/16
		Number of dwellings	Number of dwellings
Bedsit	Houses & bungalows	19	20
	Flats & Maisonettes	24	25
1 bedroom	Houses & bungalows	1,083	1,081
	Flats & Maisonettes	573	597
2 bedroom	Houses & bungalows	2,145	2,177
	Flats & Maisonettes	694	690
3 bedroom	Houses & bungalows	1,219	1,232
	Flats & Maisonettes	99	99
4 or more bedroomed	Houses & bungalows	124	130
	Total	<u>5,980</u>	<u>6,051</u>

2. Rent Arrears

The total rent arrears, including rents outstanding from former tenants, as at 31 March 2016 was £0.339M which is 2.10% of gross rental income. This is equivalent to £56.02 per house (2014/15 £0.346M, 2.26%, £57.81).

3. Bad Debt Provision

The provision for uncollectable debts has decreased by £0.047M (Decrease in 2014/15 £0.031M). The total provision for uncollectable debts including rechargeable repairs is £0.232M (2014/15 £0.279M).

4. Voids

The loss of rental on void properties for the year was £0.094M (2014/15 £0.098M).

Council Tax/Community Charge Income Account

The Council Tax Income Account (Scotland) 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.

On 1 April 1993, the Council Tax replaced the Community Charge. It is a property based tax which relates to the capital value of domestic properties at 1st April 1991, as determined by the Assessor, with each property being placed in a Valuation Band, between A and H. The Assessor publishes a Valuation List which contains information on each property and the band to which it has been assigned. All properties in the Valuation List are liable for Council Tax, but some may be exempt from payment or may attract a discount depending on whether they are unoccupied, the number of persons in occupation and/or the status of the persons resident.

2014/15 £000			2015/16 £000
46,545	Council Tax Levied and Contributions in Lieu		47,061
(3,729)	Deduct:	Local Council Tax Reduction Scheme	(3,638)
(6,791)		Other discounts and reductions	(6,805)
(972)		Write offs of uncollectable debts & allowance for impairment	(1,101)
<u>35,053</u>	Total for Year		<u>35,517</u>
(27)		Council Tax adjustment in respect of prior years	(70)
<u>35,026</u>	Transfers to General Fund		<u>35,447</u>

Council Tax Levy

In order to encourage empty home owners to bring their properties back into use to increase the supply of housing in Scotland, the Scottish Government introduced the Local Government Finance (Unoccupied Properties etc.) (Scotland) Act 2012. This legislation allowed Councils to remove the discount for Council Tax on certain types of unoccupied homes and to increase the level of Council Tax payable on these properties.

The new powers came into effect on 1 April 2013 and Moray Council decided to use these new powers to introduce an additional levy on properties which have been unoccupied for more than twelve months. This additional levy was set at 50% from 1 April 2014 rising to 100% from 1 April 2015. During 2015/16, Moray Council collected £0.4m (£0.2m in 2014/15) from the implementation of this new policy. This amount is included in the figures above. A proportion is ringfenced to support the provision of affordable housing.

Council Tax/Community Charge Income Account (continued)

Calculation of Council Tax Base

Number of Dwellings

	Number of Dwellings	Number of Exemptions/Reliefs	Discounts		Total Equivalent Dwellings	Ratio to Band D	Band D Equivalent
			25%	Other			
Band A	11,994	729	1,488	195	9,582	6/9	6,385
Band B	10,512	425	984	230	8,873	7/9	6,901
Band C	6,636	406	496	101	5,633	8/9	5,007
Band D	6,248	481	384	103	5,280	9/9	5,280
Band E	5,638	221	264	107	5,046	11/9	6,167
Band F	2,037	58	66	39	1,874	13/9	2,707
Band G	616	25	20	13	558	15/9	930
Band H	107	56	1	5	45	18/9	90
	43,788	2,401	3,703	793	36,891		33,467
Add: Contributions in Lieu							917
Less: Provision for non-collection							688
Council Tax Base 2015/16							33,696

Other Discount rates are 10% or 50%.

For a small number of Band A houses the ratio to Band D is 5/9. This relates to disabled banding relief.

Calculation of Council Tax

In 2015/16, the charges for each band were as follows:

Band	£ Property Value	Number of Properties	£ Council Tax Charge
A	Up to 27,000	9,582	756.67
B	27,000 - 35,000	8,873	882.78
C	35,001 - 45,000	5,633	1,008.89
D	45,001 - 58,000	5,280	1,135.00
E	58,001 - 80,000	5,046	1,387.22
F	80,001 - 106,000	1,874	1,639.44
G	106,001 - 212,000	558	1,891.67
H	Above 212,000	45	2,270.00

Non-Domestic Rate Income Account

The Non-Domestic Rate Account (Scotland) 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.

The occupiers of non-domestic properties are liable to pay rates which are assessed on their property's rateable value. Each property is assigned a rateable value by the Assessor, which is published in the Valuation Roll. The non-domestic rates poundage, which is used to calculate the amount of rates payable, is set by Scottish Government Ministers.

In 2015/16 the rate poundage was 48.0p (47.1p in 2014/15). Properties with a rateable value of more than £0.035M attract a Large Business Supplemental of 1.3p (0.9p in 2014/15).

Properties with a rateable value of up to £0.018M qualified for a reduction on a sliding scale of between 25% and 100% of their rates bill under the Small Business Bonus Scheme.

The rates are collected from non-domestic ratepayers during the year are shown below. Any difference between the rates collected and the amount the Council is guaranteed to receive under the National Pooling arrangements is adjusted via the Revenue Support Grant paid by the Scottish Government to the Council.

The Scottish Government introduced the Business Rates Incentivisation Scheme (BRIS) from April 2012 to encourage Local Authorities to maximise their existing business rates income and encourage new business start up. The Scottish Government set a target for each Local Authority and the Local Authority retains 50% of any additional income above the target.

2014/15 £000		2015/16 £000
42,834	Gross Rates Levied	43,497
	Deduct:	
(7,035)	Reliefs and other deductions	(7,332)
<u>35,799</u>	Net Non-Domestic Rate Income	<u>36,165</u>
(1,264)	Adjustments to previous years' National Non Domestic Rates	(620)
<u>34,535</u>		<u>35,545</u>
(1,267)	Business Rates Incentivisation Scheme (BRIS) retention	(137)
102	Contribution (to)/from National Pooling	1,381
<u>33,370</u>	Guaranteed Rate Income	<u>36,789</u>
1,267	BRIS retention	137
	Amount credited to the Comprehensive Income and Expenditure Account	
<u>34,637</u>		<u>36,926</u>

Non-Domestic Rate Income Account (continued)

Analysis of Rateable Values & Numbers of Subjects at 1 April 2015

	Number of Subjects	2014/15 Rateable Value £000
Shops	913	17,659
Public Houses	61	826
Offices (including Banks)	465	5,083
Hotels, Boarding Houses, etc.	107	1,901
Industrial & Freight Transport Subjects	1,165	34,510
Leisure, Entertainment Caravans and Holiday Sites	1,394	2,676
Garages and Petrol Stations	121	1,029
Cultural	20	162
Sporting Subjects	148	102
Education & Training	74	6,717
Public Service Subjects	473	9,972
Communications (Non-Formula)	181	1,280
Quarries, Mines etc.	33	274
Petrochemical	4	531
Religious	158	987
Health Medical	56	2,350
Other	417	380
Care Facilities	51	1,642
Advertising	29	25
Undertaking	2,772	754
	<u>8,642</u>	<u>88,860</u>

A revaluation of the rateable values of all non-domestic properties was implemented on 1st April 2010.

GROUP ACCOUNTS

Group Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Group, 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 the provision of services' line shows the true economic cost of providing the Group's services, more details of which are shown in the Group's Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net increase /Decrease before transfers to other statutory funds' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from other statutory funds undertaken by the Group.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Capital Fund £000	Revenues Statutory Funds £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000	Authority's Share of Subsidiaries Reserves £000	Authority's Share of Associates Reserves £000	Total Group Reserves £000
Balance at 31 March 2014	21,381	1,126	797	68	-	4,018	27,390	340,621	368,011	22,140	(378)	389,773
Movement in 2014/15												
Surplus or (deficit) on provision of services (accounting basis)	18,692	(2,202)	-	-	-	-	16,490	-	16,490	1,589	(30)	18,049
Other Comprehensive Income and (Expenditure)	-	-	-	-	-	-	-	(2,173)	(2,173)	5,188	(74)	2,941
Total Comprehensive Income and (Expenditure)	18,692	(2,202)	-	-	-	-	16,490	(2,173)	14,317	6,777	(104)	20,990
Adjustments between accounting basis & funding basis under regulations	(15,020)	2,682	(155)	-	163	-	(12,330)	12,330	-	-	-	-
Net Increase / (Decrease) before Transfers to Revenues Statutory Funds	3,672	480	(155)	-	163	-	4,160	10,157	14,317	6,777	(104)	20,990
Transfers to / from Revenues Statutory Funds	(9)	(9)	-	-	-	18	-	-	-	-	-	-
Increase / (Decrease) in Year	3,663	471	(155)	-	163	18	4,160	10,157	14,317	6,777	(104)	20,990
Balance at 31 March 2015	25,044	1,597	642	68	163	4,036	31,550	350,778	382,328	28,917	(482)	410,763
Note												
Minority Interest										447		447
Total Reserves as per Balance Sheet									29,364			411,210

Group Movement in Reserves Statement (Continued)

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Capital Fund	Revenues Statutory Funds	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries Reserves	Authority's Share of Associates Reserves	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Movement in 2015/16												
Balance at 31 March 2015	25,044	1,597	642	68	163	4,036	31,550	350,778	382,328	28,917	(482)	410,763
Movement in 2015/16												
Surplus or (deficit) on provision of services (accounting basis)	(6,663)	(7,704)	-	-	-	-	(14,367)	-	(14,367)	(544)	(65)	(14,976)
Other Comprehensive Income and (Expenditure)	-	-	-	-	-	-	-	119,112	119,112	2,561	192	121,865
Total Comprehensive Income and (Expenditure)	(6,663)	(7,704)	-	-	-	-	(14,367)	119,112	104,745	2,017	127	106,889
Adjustments between accounting basis & funding basis under regulations	6,341	7,458	3	1	(72)	-	13,731	(13,731)	-	-	-	-
Net Increase / (Decrease) before Transfers to Revenues Statutory Funds	(322)	(246)	3	1	(72)	-	(636)	105,381	104,745	2,017	127	106,889
Transfers to / from Revenues Statutory Funds	(9)	(9)	-	-	-	18	-	-	-	-	-	-
Increase / (Decrease) in Year	(331)	(255)	3	1	(72)	18	(636)	105,381	104,745	2,017	127	106,889
Balance at 31 March 2016	24,713	1,342	645	69	91	4,054	30,914	456,159	487,073	30,934	(355)	517,652
Note												
Minority Interest									431			431
Total Reserves as per Balance Sheet									31,365			518,083

This Statement shows the economic cost for the year ended 31 March 2016 of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The group raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

* The disclosure of the Building Services section has been revised to more accurately reflect the nature of the service. Comparative year figures for 2014/15 have been amended on the same basis.

Group Balance Sheet

The Group Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Group are not able to use to provide services (Unusable Reserves). This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

Group 31 March 2015 £000		Notes	Group 31 March 2016 £000
717,272	Property, Plant & Equipment	8	823,090
1,107	Heritage Assets		1,107
12,499	Investment Property	9	12,325
403	Intangible Assets		327
2,407	Long Term Investments		2,252
164	Investments in Associates	13	166
885	Long Term Debtors		826
<u>734,737</u>	Long Term Assets		<u>840,093</u>
777	Inventories		773
13,216	Short Term Debtors	10	10,985
1,483	Assets held for sale		1,253
<u>15,476</u>	Current Assets		<u>13,011</u>
(2,347)	Cash and Cash Equivalents	11	(4,755)
(14,787)	Short Term Borrowing		(12,800)
<u>(21,526)</u>	Short Term Creditors	12	<u>(24,039)</u>
(38,660)	Current Liabilities		(41,594)
(456)	Provisions		(156)
(152,138)	Long Term Borrowing		(160,076)
(35,363)	Other Long Term Liabilities		(34,816)
(111,740)	Pension Liability		(97,858)
(646)	Liabilities in Associates	13	(521)
<u>(300,343)</u>	Long Term Liabilities		<u>(293,427)</u>
<u>411,210</u>	Net Assets		<u>518,083</u>

Group Balance Sheet (continued)

Group 31 March 2015 £000		Notes	Group 31 March 2016 £000
39,896	General Fund Revenue Reserve	14	39,840
1,597	HRA		1,342
642	Capital Receipts Reserve		645
68	Unapplied Capital Grants		69
163	Capital Fund		91
4,036	Revenues Statutory Funds		4,054
46,402	Usable Reserves		46,041
124,745	Revaluation Reserve	15	217,535
363,725	Capital Adjustment Account	15	363,971
(7,893)	Financial Instruments Adj Account	15	(7,580)
(5,117)	Accumulated Absences Account	15	(5,068)
1,123	Available for Sale Fin Ins Reserve	15	966
(111,740)	Pensions Reserve	15	(97,858)
364,843	Unusable Reserves		471,966
(482)	Share of Associates Reserves	16	(355)
447	Minority Interest		431
411,210	Total Reserves		518,083

The notes on pages 123 to 136 form part of the financial statements.

Margaret Wilson CPFA

Head of Financial Services

26 September 2016

Group Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Group during the financial year. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on the future cash flows by providers of capital (ie borrowing) to the Group.

31 March 2015		31 March 2016
£000		£000
18,079	Net surplus on the provision of services	(14,911)
35,869	Adjust net surplus on the provision of services for non cash movements	48,938
(40,011)	Adjust for items included in the net surplus on the provision of services that are investing and financing activities	(20,462)
13,937	Net cash flows from Operating Activities (Note 17)	13,565
(18,579)	Investing Activities (Note 18)	(23,378)
6,153	Financing Activities (Note 19)	7,405
1,511	Net increase or (decrease) in cash and cash equivalents	(2,408)
(3,858)	Cash and cash equivalents at the beginning of the reporting period	(2,347)
(2,347)	Cash and cash equivalents at the end of the reporting period	(4,755)
1,511		(2,408)

Notes to the Group Accounts

Note 1 Nature of the Group and Group Members

The Council has an interest in a number of Subsidiary and Associate entities.

For the purposes of combination and incorporation within the Group Accounts, recognition has been made of the Council's controlling interest in seven subsidiary entities and two associate entities.

Subsidiaries

The Entities which have been combined as subsidiaries are:

Name of Subsidiary	Principal Place of Business	% of ownership interest held by the Group	% of ownership interest held by the non-controlling interests (NCI)
Banffshire Educational Trust	Moray	50	50
Donald Manson (Edinkillie) Trust	Moray	67	33
Donald Manson (Forres) Trust	Moray	67	33
Falconer Museum Trust	Moray	83	17
Auchernack Trust	Moray	80	20
Other Trusts	Moray	100	-
Common Good Funds	Moray	100	-

The Council inherited its interests in the Trusts and Common Good Funds following reorganisation of local government in 1996. It is considered that the combination was on an acquisition basis. However, as no financial consideration was given for this interest, there is no goodwill involved in these instances.

The Council acts as joint trustee with other parties for five trusts which have a combined net asset balance of £1.671M. The Council acts as sole trustees for various other trusts which have a net asset balance of £5.365M.

The Council is responsible for the administration of Common Goods Funds which were bequests made to former Town Councils within the Moray area. Council Members have responsibility for decisions on the distribution of these funds. The Common Good Funds have a net asset balance of £24.329M.

The individual accounts for these entities are shown separately on pages 133 to 145 of these accounts.

Associates

The Entities that have been combined as Associates are:

Name of Associate	Principal Place of Business	Moray Council's Share of Voting Control	Moray Council's Share of Requisition	Measurement Method
Grampian Valuation Joint Board	Moray	20%	17%	Equity
Moray Leisure Limited	Moray	43%	n/a	Equity

Copies of Accounts for Associates are available at the following addresses:

Name of Associate	Address where Accounts are Available
Grampian Valuation Joint Board	Council Building, High Street, Elgin IV30 1BX
Moray Leisure Limited	Borough Briggs Road, Elgin IV30 1AP

Note 1 Nature of the Group and Group Members (continued)

The tables below provide summarised financial information for those associates that are material to the Council. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the reporting entity's share of those amounts.

Summarised balance sheet

	Grampian Valuation Joint Board		Moray Leisure Limited	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Current assets				
Cash and cash equivalents	595	482	231	256
Other current assets	384	188	53	84
Total current assets	979	670	284	340
Non-current assets	715	674	240	247
Current liabilities	(785)	(499)	(142)	(200)
Non-current liabilities	(4,707)	(3,911)	-	-
Net assets/(liabilities)	(3,798)	(3,066)	382	387
Reconciliation to carrying amounts:				
Opening net assets/(liabilities) 1 April	(3,080)	(3,798)	339	382
Surplus/ (deficit) for the period	(718)	732	43	4
Closing net assets/(liabilities)	(3,798)	(3,066)	382	386
Reporting entity's share in %	17	17	43	43
Reporting entity's share	(646)	(521)	164	166
Carrying amount	(646)	(521)	164	166

Summarised Statements of Comprehensive Income

	Grampian Valuation Joint Board		Moray Leisure Limited	
	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Revenue	(4,229)	(4,127)	(2,312)	(2,362)
Interest income	(3)	(3)	-	-
Depreciation and amortisation	35	35	72	78
Interest expense	167	145	-	-
(Surplus)/deficit for the period	282	396	(43)	(4)
Other comprehensive income and expenditure	436	(1,128)	-	-
Total comprehensive income and expenditure	718	(732)	(43)	(4)

Inclusion of Associate entities has reduced reserves and net assets by £0.355M due mainly to the liability of the Grampian Valuation Joint Board's Pension Scheme

Note 1 Nature of the Group and Group Members (continued)

Other Entities in which the Council has an Interest

During the year the Council had an interest in Grampian Venture Capital Fund Limited and the Highlands & Islands Transport Partnership (HITRANS). These companies have been excluded from the Group Accounts on the basis that the Council has no exposure to commercial risk from the companies and the Council has not passed on control of any of its assets to the companies. The financial transactions of the companies would also have no material effect on the Council's accounts.

	Grampian Venture Capital Fund	HITRANS
Nature	Economic development	Local Government
Purpose	Provide equity funding for small and medium sized enterprises	To prepare transport strategies for the region
Size	Small business	Small business
Activities	Provider equity funding	Transport strategy preparation
Financed	455,000 ordinary shares issues	Contributions from 5 Constituent Authorities (Highland, Moray and 3 others)
Moray Councils share of voting control	20.44%	23%

Carrying amounts of the entities:

	Grampian Venture Capital Fund		HITRANS	
	2014/15 £000	2015/16 £000	Restated 2014/15 £000	2015/16 £000
Carrying amount of receivables	65	64	78	75
Carrying amount of liabilities	-	-	275	232
Maximum exposure to loss	-	-	275	232

The Moray Integration Joint Board, a joint venture arrangement between the Council and NHS Grampian which is responsible for the planning and delivery of adult health and social care services, was approved by the Scottish Government on 6 February 2016. Operational responsibility for service delivery commenced 1 April 2016. The joint venture has been excluded from the Group Accounts as there were no operational transactions other than the Board's Chief Officer salary and audit fees.

Note 2 Accounting Policies

The accounts of The Moray Council and of its Subsidiary and Associate entities combined in the Group Accounts have all been drawn up for the financial year to 31 March 2016.

The accounting policies of the Subsidiary and Associate entities have been aligned with the accounting policies of The Moray Council.

These uniform accounting policies have been applied with the Group with the following exceptions:

The Trust Funds hold available for sale financial assets in the form of Government Securities and quoted investments. Income is credited to the Income and Expenditure Accounts when it becomes receivable. The assets are recorded in the Trust Funds Balance Sheet at market values. Changes in fair value are balanced by an entry in the Available-for-Sale Financial Instruments Reserve. Impairment losses are debited to the Income and Expenditure Account, along with any net gain or loss accumulated in the Available-for-Sale Financial Instruments Reserve. Gains or losses that arise on derecognition are credited or debited to the Income and Expenditure Account, along with any net gain or loss accumulated in the Available-for-Sale Financial Instruments Reserve. This treatment is in accordance with the Code.

The financial year for the Charitable Trust Funds is the same as the Moray Council but the policies differ as the financial statements have been prepared in accordance with the Charities: Statement of Recommended Practice 2015, in accordance with the Financial Reporting Standard 102, which is effective for accounting periods beginning after 1 January 2015. The financial statements have been prepared under the historical cost convention as modified by the inclusion of investments at fair value, in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) regulations 2006 (as amended).

The Council and the Joint Board Associate entities are required to make statutory adjustments between the accounting and funding bases as shown in the Group Movement in Reserves Statement. This is not the case for the other entities.

The accounting policies for the Common Good subsidiary differ to The Moray Council relating to IAS 16 and IAS 40. IAS 16 requires that assets be depreciated and that the charge for depreciation be set against any surplus in the Income and Expenditure Account. IAS 40 requires any movement in the fair value of investment properties to be recognised in the surplus or deficit in the Income and Expenditure Account.

Moray Leisure Limited provides leisure activities for the whole of the Moray area. The Council's interest in Moray Leisure Limited bestows no obligation to contribute to any deficit incurred by the company.

The only material difference in the accounting policies of the Council and Moray Leisure Limited is that the buildings belonging to Moray Leisure have been valued at historic cost, whereas the buildings in the Council's annual accounts are valued at current or market value, depending upon the classification of the asset. The net book value of buildings is shown as £0.247M in the company's balance sheet.

Application of these different reporting standards does not produce inconsistent results.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 2, in addition to the critical judgements made by The Moray Council, the Associates have made certain judgments about complex transactions or those involving uncertainty about future events.

There is a high degree of uncertainty about future structure and levels of funding for Local Government and Joint Boards. However, the Joint Board has determined that this uncertainty does not appear to provide any indication that the assets of the Joint Board may be impaired in any way.

The Joint Board also has a significant net liability associated with the future pension costs. However, statutory arrangements for the funding of the deficit means that the financial position of the Board remains assured and the Joint Board has been consolidated on a going concern basis.

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

The Annual Accounts contain estimated figures that are based on assumptions made by the Moray Council and Associates about the future. 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 following items should be considered for the Associates, in addition to those at Note 4 in the Moray Council's Accounts.

Property, Plant and Equipment

Assets are depreciated over useful lives that are dependent on assumptions about the level of maintenance. If the Joint Boards are unable to sustain the current level of spend on the assets, there is a risk that the lives of the assets would be shortened.

The resultant changes would be that the level of depreciation charged would increase and the carrying values fall.

Pension Liabilities

The liability associated with the future payments of pension is calculated by an actuary applying a range of complex and varied assumptions.

Any changes to the assumptions could have a significant impact upon the net balance sheet liability and charges to the Comprehensive Income and Expenditure Statement given the relative values involved.

Note 5 Operating Expenditure and Income of the Subsidiaries

The operating expenditure and income of the subsidiaries have been included within Education, Social Work and Central Services to the Public.

Note 6 Other Operating Expenditure

2014/15 £000		2015/16 £000
1,787	Loss on disposal of non-current assets	6,055
-	Movement on revaluation of held for sale assets	86
16	Minority Interest - share of profit of Trusts	(16)
<u>1,803</u>		<u>6,125</u>

Note 7 Financing and Investment Income and Expenditure

2014/15 £000		2015/16 £000
11,643	Interest payable and similar charges	11,789
4,000	Pensions interest cost and expected return on pensions assets	3,369
(360)	Interest receivable and similar income	(397)
(2,062)	Income and expenditure in relation to investment properties and their changes in fair value.	147
(66)	Other investment income	(68)
<u>13,155</u>		<u>14,840</u>

Note 8 Property, Plant and Equipment

Comparative Movements in 2014/15:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or valuation								
At 1 April 2014	181,628	321,170	37,820	129,369	1,809	2,539	91,980	766,315
Additions	7,660	6,608	2,753	16,831	49	-	22,489	56,390
Revaluation (decreases)/increases recognised in the Revaluation Reserve	(935)	8,341	-	-	-	122	-	7,528
Revaluation (decreases) recognised in the Surplus on the Provision of Services	(4,769)	(1,143)	-	-	-	(16)	-	(5,928)
Derecognition – disposals	-	(1,957)	(1,593)	-	-	-	-	(3,550)
Assets reclassified (to)/from Held for Sale	(740)	(78)	-	-	-	75	-	(743)
Other movements in cost or valuation	4,172	1,819	23	24,663	(979)	214	(30,045)	(133)
At 31 March 2015	187,016	334,760	39,003	170,863	879	2,934	84,424	819,879
Accumulated Depreciation and Impairment								
At 1 April 2014	16,729	21,031	23,352	23,447	316	52	-	84,927
Depreciation charge	4,639	10,059	3,360	4,706	20	21	-	22,805
Depreciation written out to the Revaluation Reserve	-	(2,819)	-	-	-	-	-	(2,819)
Depreciation written out to the Surplus on the Provision of Services	-	(273)	-	-	-	(6)	-	(279)
Derecognition – disposals	-	(311)	(1,509)	-	-	-	-	(1,820)
Assets reclassified (to) Held for Sale	(66)	(8)	-	-	-	-	-	(74)
Other movements in depreciation and impairment	-	(86)	-	-	(47)	-	-	(133)
At 31 March 2015	21,302	27,593	25,203	28,153	289	67	-	102,607

Note 8 Property, Plant and Equipment (continued)

Movement in 2015/16:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or valuation								
At 1 April 2015	187,016	334,760	39,003	170,863	879	2,934	84,424	819,879
Additions	11,707	3,798	3,232	16,770	1	1,009	10,384	46,901
Revaluation increases recognised in the Revaluation Reserve	70,070	6,560	-	-	-	90	-	76,720
Revaluation (decreases) recognised in the Surplus on the Provision of Services	(8,708)	(480)	-	-	-	(51)	-	(9,239)
Derecognition – disposals	-	(1,910)	(1,893)	(867)	-	(4)	(1,801)	(6,475)
Derecognition – other	-	-	-	-	-	-	-	-
Assets reclassified (to) Held for Sale	(1,071)	-	-	-	-	(138)	-	(1,209)
Other movements in cost or valuation	4,307	3,274	-	71,403	-	(246)	(78,738)	-
At 31 March 2016	263,321	346,002	40,342	258,169	880	3,594	14,269	926,577
Accumulated Depreciation and Impairment								
At 1 April 2015	21,302	27,593	25,203	28,153	289	67	-	102,607
Depreciation charge	6,070	10,455	3,296	6,962	20	24	-	26,827
Depreciation written out to the Revaluation Reserve	(18,800)	(2,137)	-	-	-	(26)	-	(20,963)
Depreciation written out to the Surplus on the Provision of Services	(2,502)	(356)	-	-	-	-	-	(2,858)
Derecognition – disposals	-	(149)	(1,829)	(143)	-	(5)	-	(2,126)
Assets reclassified (to) Held for Sale	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
At 31 March 2016	6,070	35,406	26,670	34,972	309	60	-	103,487
Net Book Value								
at 31 March 2015	165,714	307,167	13,800	142,710	590	2,867	84,424	717,272
at 31 March 2016	257,251	310,596	13,672	223,197	571	3,534	14,269	823,090

Note 8 Property, Plant and Equipment (continued)

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:-

Council Dwellings - 50 years

Other Land and Buildings - Buildings up to 65 years, land is not depreciated

Vehicles, Plant, Furniture & Equipment - 3 to 12 years

Infrastructure - 40 years

Community Assets - 40 years

Surplus Assets - Buildings up to 60 years, land is not depreciated

Note 9 Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:-

	2014/15 £000	2015/16 £000
Rental income from investment property	72	54
Net gain	<u>72</u>	<u>54</u>

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

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

	2014/15 £000	2015/16 £000
Balance at start of the year	10,555	12,499
Additions:		
Purchases	-	35
Disposals	(46)	-
Net gains/(loss) from fair value adjustments	1,990	(209)
Balance at end of the year	<u>12,499</u>	<u>12,325</u>

Note 10 Short Term Debtors

2014/15		2015/16
£000		£000
6,226	Central Government Bodies	3,821
92	Other Local Authorities	80
662	NHS Bodies	692
2	Public Corporations	2
6,234	Other entities and individuals	6,390
<u>13,216</u>		<u>10,985</u>

Note 11 Cash and Cash Equivalents

2014/15		2015/16
£000		£000
21	Cash Held by the Authority	21
<u>(1,773)</u>	Bank Current/ Call Accounts	<u>(4,294)</u>
(1,752)		(4,273)
<u>(595)</u>	Amounts Owed to Other Bodies	<u>(482)</u>
(595)		(482)
<u>(2,347)</u>	Total Cash & Cash Equivalents	<u>(4,755)</u>

Note 12 Short Term Creditors

2014/15		2015/16
£000		£000
3,553	Central government bodies	6,206
2,235	Other local authorities	2,322
324	NHS bodies	307
263	Public corporations and trading funds	322
<u>15,151</u>	Other entities and individuals	<u>14,882</u>
<u>21,526</u>	Total	<u>24,039</u>

Note 13 Investments in Associates and Joint Ventures

The share of investments in associates is analysed below.

2014/15	Liability	Asset
	Valuation Board £000	Moray Leisure £000
Non Current Assets and Long Term Assets	121	103
Current Assets	166	122
Liabilities due within one year	(133)	(61)
Liabilities due after more than one year	(800)	-
	<u>(646)</u>	<u>164</u>
Turnover	(719)	994
Share of surplus	48	18
Share of Other Comprehensive (Income)	(74)	-

2015/16	Liability	Asset
	Valuation Board £000	Moray Leisure £000
Non Current Assets and Long Term Assets	115	106
Current Assets	114	146
Liabilities due within one year	(85)	(86)
Liabilities due after more than one year	(665)	-
	<u>(521)</u>	<u>166</u>
Turnover	(687)	1,016
Share of surplus	67	2
Share of Other Comprehensive Expenditure	(192)	-

Note 14 Usable Reserves

Movements in the Group's usable reserves are detailed in the Movement in Reserves Statement and note 7 of the Moray Council's Accounts.

Usable Reserves for the Subsidiaries are consolidated net of minority interests and relate to the Revenue Reserve for the Trust and Common Good Funds.

All other Usable reserves of the Group relate to the Moray Council.

General Fund Revenue Reserve

2014/15 £000		2015/16 £000
25,044	Moray Council General Fund balance	24,713
14,852	Subsidiary Revenue Reserves	15,127
<u>39,896</u>	Total	<u>39,840</u>

Note 15 Unusable Reserves

2014/15		2015/16
£000		£000
124,745	Revaluation Reserve	217,535
363,725	Capital Adjustment Account	363,971
(7,893)	Financial Instruments Adjustment Account	(7,580)
(5,117)	Accumulated Absences Account	(5,068)
1,123	Available for Sale Financial Instruments Reserve	966
(111,740)	Pensions Reserve	(97,858)
364,843		471,966

Revaluation Reserve

2014/15		2015/16
£000		£000
117,774	Balance at 1 April	124,745
6,971	Unrealised Gains & Losses	92,790
124,745	Balance at 31 March	217,535

Capital Adjustment Account

2014/15		2015/16
£000		£000
341,775	Balance at 1 April	363,725
21,950	Surplus/Deficit	246
363,725	Balance at 31 March	363,971

Available for Sale Financial Instruments Reserve

2014/15		2015/16
£000		£000
978	Balance at 1 April	1,123
145	Surplus/Deficit	(157)
1,123	Balance at 31 March	966

Note 16 Share of Associates Reserves

2014/15	Usable £000	Unusable £000	Total £000
Balance at 1 April	45	(423)	(378)
Movement	8	(112)	(104)
Balance at 31 March	53	(535)	(482)
2015/16	Usable £000	Unusable £000	Total £000
Balance at 1 April	53	(535)	(482)
Movement	(5)	132	127
Balance at 31 March	48	(403)	(355)

Note 17 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2014/15		2015/16
£000		£000
(287)	Interest Received	(332)
11,622	Interest Paid	11,813

Note 18 Cash Flow Statement - Investing Activities

2014/15		2015/16
£000		£000
57,219	Purchase of property, plant and equipment, investments, property and intangible assets	45,337
-	Other payments for investing activities	69
(1,953)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,611)
(36,687)	Other receipts from investing activities	(20,417)
<u>18,579</u>	Net cash flows from investing activities	<u>23,378</u>

Note 19 Cash Flow Statement - Financing Activities

2014/15		2015/16
£000		£000
(26,000)	Cash receipts of short-term and long-term borrowing,	(21,000)
622	Cash payments for the reduction of the outstanding liabilities relating to finance leases.	600
20,105	Repayment of short and long-term borrowing	15,023
(880)	Other (receipts) for financing activities	(2,028)
<u>(6,153)</u>	Net cash flows from financing activities	<u>(7,405)</u>

Note 20: Senior Employees' Remuneration

Remuneration Band	2014/15		
	Number of Employees		
	Group	Associates	Total
£50,000 - £54,999	51	3	54
£55,000 - £59,999	25	-	25
£60,000 - £64,999	4	-	4
£70,000 - £74,999	12	-	12
£75,000 - £79,999	1	1	2
£80,000 - £84,999	1	-	1
£85,000 - £89,999	-	1	1
£90,000 - £94,999	1	-	1
£100,000 - £104,999	1	-	1
£105,000 - £109,999	-	1	1
	96	6	102

Remuneration Band	2015/16		
	Number of Employees		
	Group	Associates	Total
£50,000 - £54,999	59	6	65
£55,000 - £59,999	24	-	24
£60,000 - £64,999	2	-	2
£70,000 - £74,999	13	1	14
£80,000 - £84,999	-	1	1
£85,000 - £89,999	1	-	1
£90,000 - £94,999	3	-	3
£105,000 - £109,999	1	1	2
	103	9	112

Note 21 External Audit Costs

	2014/15 £000	2015/16 £000
Fees payable in respect of external audit services carried out by the appointed auditor for the year.		
Group	249	240
Associates	6	6
Total	255	246

Note 22 Pension Costs

The Council participates in two schemes, the North East Scotland Local Government Pension Scheme which is administered by Aberdeen City Council and the Teachers' Scheme which is administered by the Scottish Government. Both Schemes are defined benefit schemes based on final pensionable salary.

Further details are shown in notes 36 and 37 to the Council's Annual Accounts.

Associates

Grampian Valuation Joint Board participates in the North East Scotland Local Government Pension Scheme administered by Aberdeen City Council.

Moray Leisure Limited operates a defined contribution pension scheme. Contributions are charged in the Income and Expenditure Account as they become payable.

Note 23 Charitable Trusts

There are 41 charitable trusts included within the Group consisting of 38 charitable trusts for which the Council acts as sole trustee, 2 for which the Council acts as one of several trustees and Moray Leisure Limited in which the Moray Council has a 43% share of voting control. The assets noted below are not the property of the Council, however the Council does have a controlling interest in their administration.

		2014/15 £000	2015/16 £000
Long Term Assets	Group	952	891
	Associate	103	106
		<u>1,055</u>	<u>997</u>
Current Assets	Group	655	665
	Associate	122	146
		<u>777</u>	<u>811</u>
Less: Current Liabilities	Group	(8)	(24)
	Associate	(61)	(86)
		<u>(69)</u>	<u>(110)</u>
Total Net Assets		<u>1,763</u>	<u>1,698</u>

		2014/15 £000	2015/16 £000
Income	Group	68	38
	Associate	994	1,016
		<u>1,062</u>	<u>1,054</u>
Expenditure	Group	38	105
	Associate	976	1,014
		<u>1,014</u>	<u>1,119</u>
Surplus (Deficit) for Year		<u>48</u>	<u>(65)</u>

The assets of the Group trusts consist mainly of unit trust investments and loans fund balances.

The assets of the associate include land and buildings, fixtures and fittings, equipment and cash in hand.

Note 24 Events After The Reporting Period

The unaudited Annual Accounts were issued on 29 June 2016 and the audited Annual Accounts were authorised for issue by Margaret Wilson, Head of Financial Services on 26 September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Trust Funds

The Council administers 65 trust funds, acting as sole trustee for 60 trusts and as one of several trustees for a further 5 funds. These accounts do not represent a charge to Council Tax payers but form part of the statutory reporting requirements of the Council. They represent funds set up by various individuals and organisations for the benefit of the community or organisations within the Moray area.

The statements below summarise the trust funds' income and expenditure for the year and the funds assets and liabilities at 31 March 2016.

Trust Reorganisation

The Council is currently undertaking a review of its trusts, in consultation with the Office of the Scottish Charities Regulator (OSCR), to identify options for restructuring its existing charitable and non charitable trusts in order to create a smaller number of trusts with improved governance arrangements and with the opportunity to maximise the use of these resources to the benefit of the citizens of Moray.

Accounting Policies

Basis of Preparation

The financial statements for the charitable trusts have been prepared in accordance with the Charities: Statement of Recommended Practice 2015, commonly referred to as the SORP, in accordance with the Financial Reporting Standard 102 (FRS 102), which is effective for accounting periods beginning after 1 January 2015. The financial statements have been prepared under the historical cost convention as modified by the inclusion of investments at fair value, in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

In line with Regulation 7 of the 2006 Regulations, these financial statements have been prepared on the basis that the trust funds for which it acts as sole trustee are connected charities. As such the accounts for these individual charities have been prepared on a collective basis for the Council. Separate financial statements covering all the Councils charitable trusts are published on the Councils website.

The financial statements for the non-charitable trusts have been prepared in accordance with the code of practice on Local Authority Accounting in the United Kingdom 2015/16.

As far as concerns the trusts reported in these financial statements, application of different reporting standards does not produce inconsistent results.

Investment Income

Investment income is accounted for in the period in which the charity is entitled to receipt and the amount can be measured with reasonable certainty.

Resources expended

Expenditure is included in the financial statements on an accruals basis.

Investments

Investments are included at fair value at the balance sheet date in accordance with the principles of the SORP. Investment gains and losses include any gain or loss on the sale of investments and any gain or loss resulting from revaluing investments to fair value at the end of the period.

Trust Funds Income and Expenditure Account

2014/15			2015/16		
Connected Charitable £000	Other £000		Connected Charitable £000	Other £000	
		Income			
(21)	(81)	Investment Income	(19)	(76)	
-	(35)	Property Rental Income	-	(37)	
-	(278)	Gain on revaluation of Property	-	-	
-	(1)	Other Income	(3)	(28)	
<u>(21)</u>	<u>(395)</u>	Total Income	<u>(22)</u>	<u>(141)</u>	
		Expenditure			
12	42	Beneficiaries	12	38	
6	26	Administration	19	17	
-	29	Other Costs	-	98	
-	64	Depreciation	-	65	
-	19	Movement in the Fair Value of Investment Property	-	-	
(28)	(117)	(Surplus)/ Deficit on revaluation of Available for Sale Financial Assets	31	126	
<u>(10)</u>	<u>63</u>	Total Expenditure	<u>62</u>	<u>344</u>	
<u>(31)</u>	<u>(332)</u>	(Surplus)/ Deficit for the year	<u>40</u>	<u>203</u>	
28	312	Items not Chargeable to Revenue Reserves	(31)	(191)	
<u>(3)</u>	<u>(20)</u>	(Increase)/ Decrease in Revenue Reserves	<u>9</u>	<u>12</u>	

Trust Funds Balance Sheet

31 March 2015			31 March 2016		
Connected			Connected		
Charitable	Other		Charitable	Other	
£000	£000		£000	£000	
-	2,877	Property Plant & Equipment	Note 1 -	2,812	
-	74	Investment Properties	Note 3 -	74	
469	1,938	Long Term Investments	Note 4 439	1,813	
469	4,889	Long Term Assets	439	4,699	
1	3	Government Securities	-	-	
2	10	Debtors	1	5	
426	1,507	Loans Fund Balance	435	1,504	
429	1,520	Current Assets	436	1,509	
(7)	(21)	Creditors	(24)	(23)	
(7)	(21)	Current Liabilities	(24)	(23)	
891	6,388	Net Assets	851	6,185	
-	74	Capital Adjustment Account	-	74	
-	2,853	Revaluation Reserve	-	2,788	
219	904	Available for Sale Financial Instruments Reserve	188	778	
672	2,557	Revenue Balance	663	2,545	
891	6,388	Total Reserves	851	6,185	

Notes to the Trust Fund Accounts

Note 1 Property, Plant & Equipment

Property, plant and equipment is valued on the basis recommended by CIPFA and the valuation report is produced by the Council's Estates Manager who is a Member of the Royal Institute of Chartered Surveyors. The assets are valued on a 5 year rolling programme and have been prepared in accordance with the provisions of the Royal Institution of Chartered Surveyors Valuation - Professional Standards January 2014.

Property, plant and equipment is classified into groupings required by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Assets have been valued on the following basis:-

Other Land & Buildings	- Existing Use Value (EUV) or Depreciated Replacement Cost (DRC)
Community Assets	- Historic Cost where available.

Depreciation:

The following useful lives and depreciation rates have been used in the calculation of depreciation:-

Other Land & Buildings	- Buildings up to 55 years, land is not depreciated
Community Assets	- Rights and land are not depreciated

Movements of property, plant & equipment were as follows:

2014/15

	Other Land & Buildings	Community Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2014	2,851	24	2,875
Revaluations	236	-	236
Restatements	(104)	-	(104)
Gross Book Value at 31 March 2014	2,983	24	3,007
Accumulated Depreciation at 1 April 2014	212	-	212
Revaluations	(105)	-	(105)
Restatements	(41)	-	(41)
Charge for the Year	64	-	64
Depreciation at 31 March 2015	130	-	130
Net Book Value at 31 March 2015	2,853	24	2,877
Net Book Value at 31 March 2014	2,639	24	2,663

2015/16

	Other Land & Buildings	Community Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2015	2,983	24	3,007
Revaluations	-	-	-
Restatements	-	-	-
Gross Book Value at 31 March 2016	2,983	24	3,007
Accumulated Depreciation at 1 April 2015	130	-	130
Charge for the Year	65	-	65
Depreciation at 31 March 2016	195	-	195
Net Book Value at 31 March 2016	2,788	24	2,812
Net Book Value at 31 March 2015	2,853	24	2,877

Restatements in 2014/15 relate to assets previously held on Common Good and the General Services Account now identified as Trust Fund and assets previously held as Trust Fund now identified as Common Good.

Note 2 Heritage Assets

The following table shows assets which may be regarded as Heritage assets, but which have not been included in the Balance Sheet as the Council considers that obtaining valuations would involve disproportionate cost and that reliable cost or valuation information cannot be obtained for these items. The Code therefore permits such assets to be excluded from the Balance Sheet.

Assets excluded from Heritage Assets	Estimated number of assets 31 March 2016
Monuments and Fountains	2

Note 3 Investment Properties

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

	2014/15 £000	2015/16 £000
Balance at start of the year	93	74
Net (losses) from fair value adjustments	(19)	-
Balance at end of the year	74	74

Note 4 Long Term Investments

Long Term Investments are a mixed portfolio of Unit Trusts.

Note 5 Trust Details

Funds for which The Moray Council act as Sole Trustee

<u>Fund</u>	Income £000	Expenditure £000	Assets £000	Liabilities £000
Registered Charitable Trusts				
36 Registered Charitable Trusts, each with Assets less than £50,000	(5)	17	187	(7)
Cumine of Auchray <i>Established to provide for decayed merchants of the Burgh of Elgin</i>	(2)	-	126	-
Moray & Nairn Educational <i>Grants payable to persons resident in the former combined County of Moray & Nairn, including University & Central Institution Bursaries; Adult Education; School Equipment; Sports facilities; Travel Grants and School Excursions</i>	(15)	45	562	(17)
	(22)	62	875	(24)
Other Trusts				
7 Non Registered Trusts, each with Assets less than £50,000	(4)	5	132	-
Longmore Hall <i>Village Hall for the use of the community</i>	-	28	999	-
Glenisla Comforts Fund <i>For the benefit of the residents of Glenisla Care Home</i>	(3)	6	118	-
Speyside Comforts Fund <i>For the benefit of the residents of Speyside Nursing Home</i>	(1)	3	52	-

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Other Trusts (continued)				
Pringle <i>Established to make payments annually to Ministers, serving and emeriti of the Church of Scotland, Baptist and Free Church of Scotland</i>	(2)	2	100	-
William Lawtie <i>For the Poor of Cullen</i>	(2)	1	184	-
The MacDonald Benevolent Fund <i>Established in 1989 for persons in need of financial assistance particularly in Dufftown as decided by the Social Work Department</i>	(5)	5	263	-
Milne's Institution <i>The free annual income to be applied as The Moray Council thinks fit for the purposes of the educational enrichment of pupils attending Milne's High School and Milne's Primary School. The income shall be apportioned to the schools on a pro rata basis by reference to attendance rolls of the respective schools</i>	(6)	20	236	-
Laing Mortification <i>For the benefit of a decayed merchant resident in Elgin.</i>	(4)	-	285	-
Craigmoray Bequest (Bishopmill) <i>For the benefit of the residents of Craigmoray Care Home</i>	(8)	15	349	-
Ladyhill <i>Provides homes for two veterans from the Elgin area</i>	-	5	71	-
Jubilee Cottages <i>Trust established by monies raised during Queen Victoria's Diamond Jubilee for the purposes of providing low cost housing</i>	(1)	23	528	-
Cooper Park <i>Trust established at turn of last century to provide Elgin library and reading rooms and parkland for recreation – all for the inhabitants of Elgin</i>	(27)	52	411	-
River Lossie <i>Established mid 1800's to provide ground for recreation for the people of Elgin</i>	(35)	53	461	-
Miltoduff Hall <i>Established to provide space for local groups for education, recreation etc</i>	-	6	248	-
Logie Cottage <i>Established to provide a free home or house of rest to a respectable retired couple or single woman in Forres</i>	-	-	77	-
	<u>(98)</u>	<u>224</u>	<u>4,514</u>	<u>-</u>

Funds for which The Moray Council acts as one of several trustees

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Registered Charitable Trusts				
Auchernack <i>For the benefit of the elderly community of the Forres Area who are in need of relief by reason of advanced age</i>	(16)	43	681	-
Falconer Musuem <i>Established to provide a Public Museum in Forres</i>	(1)	1	-	-
	<u>(17)</u>	<u>44</u>	<u>681</u>	<u>-</u>
Other Trusts				
Donald Manson (Edinkillie) <i>3 Bursaries for children living in the Parish of Edinkillie in S1 as well as one Further Education Bursary for a student aged under 18. The annual balance of the fund is payable to Forres Academy</i>	(8)	23	297	(6)
Donald Manson (Forres) <i>One bursary for a child living in the Burgh of Forres in S1. The annual balance of the fund is payable to Forres Academy</i>	(2)	6	85	(2)
Banffshire Educational <i>Grants payable to persons resident in the former County of Banffshire, including University, Post Graduate, Apprentices & Trainees; School Equipment; Sports Facilities; Support of Clubs; Promoting Education in Drama, Music & Visual Arts; Travel Grants and School Excursions.</i>	(16)	47	631	(15)
	<u>(26)</u>	<u>76</u>	<u>1,013</u>	<u>(23)</u>
Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Summary				
Connected Charitable Trusts	(22)	62	875	(24)
Other Trusts	(141)	344	6,208	(23)
Total	<u>(163)</u>	<u>406</u>	<u>7,083</u>	<u>(47)</u>

Common Good Funds

The Council administers the Common Good Funds which consist of bequests made to the former Town Councils for the good of the residents. These funds were transferred to Moray District Council in 1975 and then to The Moray Council in 1996 as the successor Council under the reorganisation of Local Government.

These funds do not represent a charge to Council Tax payers but form part of the statutory reporting requirements of the Council. They represent funds set up for the benefit of the community or organisations within the Moray area.

The Accounts for Common Good have been prepared according to the LAASAC Guidance *Accounting for Common Good (December 2007)* which is consistent with proper accounting required by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Accounting Policies

Accounting Policies adopted for the Common Good are the same as those adopted for the Moray Council with the exception of the application of IAS 16 and IAS 40. IAS 16 requires that assets be depreciated and that the charge for depreciation be set against any surplus in the Income and Expenditure Account. IAS 40 requires any movement in the fair value of investment properties to be recognised in the surplus or deficit in the Income and Expenditure Account.

Common Good Funds Income and Expenditure Account

31 March 2015 £000		31 March 2016 £000
	Income	
(5)	Property	(7)
(117)	Investment Income	(99)
(42)	Other Income	(8)
(1,928)	Movement in Fair Value of Investment Property	(119)
(2,092)	Total Income	(233)
	Expenditure	
16	Administrative Costs	16
24	Donations, Grants etc	53
39	Other Costs	255
348	Depreciation Note 1	384
427	Total Expenditure	708
(1,665)	(Surplus)/Deficit for the Year	475
(4,765)	(Surplus) on revaluation of Non-current Assets	(2,719)
(6,430)	Total Comprehensive Net (Income)	(2,244)

Common Good Funds Balance Sheet

31 March 2015
£000

31 March 2016
£000

9,821	Property, Plant & Equipment	Note 1	12,156
204	Heritage Assets	Note 2	204
8,582	Investment Property	Note 3	8,701
18,607	Long Term Assets		21,061
84	Debtors		-
1	Inventories		1
3,396	Loans Fund Balance		3,270
3,481	Current Assets		3,271
(3)	Creditors		(3)
(3)	Current Liabilities		(3)
22,085	Net Assets		24,329
10,015	Revaluation Reserve		12,350
12,070	Revenue Reserve		11,979
22,085	Total Reserves		24,329

Summary of Funds

Total Funds £000		Invested In Loans Fund £000	Total Funds £000
2,652	Buckie	1,489	2,633
118	Cullen	36	120
24	Dufftown	13	13
9,634	Elgin	1,393	10,116
9,605	Forres	286	10,894
50	Portknockie	51	51
2	Keith	2	267
-	Lossiemouth	-	235
22,085	TOTAL	3,270	24,329

Notes to the Common Good Accounts

Note 1 Property, Plant & Equipment

Property, plant and equipment is valued on the basis recommended by CIPFA and the valuation report is produced by the Council's Estates Manager who is a Member of the Royal Institute of Chartered Surveyors. The assets are valued on a 5 year rolling programme and have been prepared in accordance with the provisions of the Royal Institution of Chartered Surveyors Valuation - Professional Standards January 2014.

Property, plant and equipment is classified into groupings required by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Assets have been valued on the following basis:-

Other Land & Buildings	- Existing Use Value (EUV) or Depreciated Replacement Cost (DRC)
Community Assets	- Historic Cost where available.
Surplus Assets	- Market value

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:-

Other Land & Buildings - Buildings up to 60 years, land is not depreciated

Surplus Assets - land is not depreciated

Movements of Property Plant & Equipment were as follows:

2014/15

	Other Land & Buildings	Surplus Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2014	5,941	-	5,941
Revaluations	3,435	-	3,435
Restatements	911	-	911
Disposal	(45)	-	(45)
Gross Book Value at 31 March 2015	10,242	-	10,242
Accumulated Depreciation at 1 April 2014	482	-	482
Revaluations	(408)	-	(408)
Restatements	(1)	-	(1)
Charge for the Year	348	-	348
Depreciation at 31 March 2015	421	-	421
Net Book Value at 31 March 2015	9,821	-	9,821
Net Book Value at 31 March 2014	5,459	-	5,459

2015/16

	Other Land & Buildings	Surplus Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2015	10,242	-	10,242
Revaluations	(14)	1,000	986
Restatements	1,462	270	1,732
Disposal	-	-	-
Gross Book Value at 31 March 2016	11,690	1,270	12,960
Accumulated Depreciation at 1 April 2015	421	-	421
Revaluations	(1)	-	(1)
Restatements	-	-	-
Charge for the Year	379	5	384
Depreciation at 31 March 2016	799	5	804
Net Book Value at 31 March 2016	10,891	1,265	12,156
Net Book Value at 31 March 2015	9,821	-	9,821

Restatements (2015/16) relate to assets previously held on the General Services Account now identified as Common Good.

Note 2 Heritage Assets

This note details the movement in Heritage Assets during the years 2014/15 and 2015/16.

	Fine Art £000	Chains of Office £000	Total Heritage Assets £000
Valuation at 1 April 2014	125	79	204
Revaluations	-	-	-
At 31 March 2015	125	79	204
Valuation at 1 April 2015	125	79	204
Revaluations	-	-	-
At 31 March 2016	125	79	204

The Chains of Office were independently valued during 2012/13 and 2013/14 by William Windwick, PJ Dip FGA FNAG MIRV, a member of the Institute of Registered Valuers.

The following table shows assets that may be regarded as Heritage Assets, but which have not been included in the Balance Sheet as the Council considers that obtaining valuations would involve disproportionate cost and that reliable cost or valuation information cannot be obtained for these items. The Code therefore permits such assets to be excluded from the Balance Sheet.

Assets excluded from Heritage Assets	Estimated number of assets 31 March 2016
Monuments and Fountains	1
Nelson Tower	1

Note 3 Investment Property

The following items of income and expense have been accounted for in Investment Income in the Income and Expenditure Account:-

	2014/15 £000	2015/16 £000
Rental income from investment property	64	45
Net gain	<u>64</u>	<u>45</u>

There are some restrictions from the original benefactors on the Common Good's ability to realise the value inherent in its investment property. The Common Good has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	2014/15 £000	2015/16 £000
Balance at start of the year	6,700	8,582
Net gains from fair value adjustments	1,928	119
Disposals	(46)	-
Balance at end of the year	<u>8,582</u>	<u>8,701</u>

Independent auditor's report to the members of Moray Council and the Accounts Commission for Scotland

We certify that we have audited the financial statements of Moray Council and its group for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements 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 2015/16 (the 2015/16 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, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Head of Financial Services and auditor

As explained more fully in the Statement of Responsibilities, the Head of Financial Services is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our 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 us 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 circumstances of the council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Financial Services and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual 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 us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the council and its group as at 31 March 2016 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our 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
- we have not received all the information and explanations we require for our audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Lindsey Paterson, for and on behalf of PricewaterhouseCoopers LLP

141 Bothwell Street
Glasgow
G2 7EQ

26 September 2016

Glossary of Terms

Capital Expenditure:

This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing over a period of years, or utilising the income from the sale of existing assets.

CIPFA

Chartered Institute of Public Finance and Accountancy

Current value

For operational land and buildings, current value is the amount that would be paid for the asset in its existing use.

Economic Cost

The total cost of performing an activity or following a decision or course of action.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

IFRS

International Financial Reporting Standard

LASAAC

Local Authority (Scotland) Accounts Advisory Committee

Public Works Loan Board (PWLB):

A Government Agency which provides loans to the Council.

Revenue Expenditure:

This is expenditure incurred in providing services in the current year and which benefits that year only.

SeRCOP

Service Reporting Code of Practice

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom

Sources of Additional Information

The Annual Accounts is one of several documents published by The Moray Council and CIPFA giving financial information on the services provided in the Moray Area. Other annual publications are: -

- The Capital and Revenue Budget: giving detailed expenditure plans for the following financial year.
- Council Tax Information Leaflets (forming Part 2 of the Council Tax Demand Notice) issued by the Council: giving a summary of expenditure plans for the following year.
- Rating Review: published by the Scottish Branch of CIPFA, gives comparative statistics for all Scottish Local Authorities on local authority expenditure and service provision.

