UNAUDITED ACCOUNTS

ANNUAL ACCOUNTS FOR
THE YEAR ENDED

31 MARCH 2017

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اگرآپ کو مورے کونسل سے کسی دیگر زبان یا صورت میں معلومات درکار
ہوں مثلاً″ بریلے، آڈیو ٹیپ یا بڑے حروف، تو مہربانی فرما کر رابطہ
فرمائیں:

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Council Members and Wards

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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 for Young People
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 also delivers Adult Social Care services on behalf of the Moray Integration Joint Board

The Council administers a number of trusts, 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
Sustainability and Communities Partnership
Children and Young People's Partnership
Moray Economic Partnership
Health and Social Care Partnership
Public Protection Partnership
Employability Moray

Moray Integration Joint Board is in partnership with the Council and NHS Grampian to deliver Health and Social Care Services across Moray.

Management Commentary

Introduction

Moray Council is responsible for providing services to the local population of over 93,000 people. These services include 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. The elected members are supported by the Chief Executive and three Corporate Directors to establish priorities for service delivery and continuous improvement. During 2016/17 the Council's Administration comprised of 11 councillors (9 Independent and 2 Scottish Conservative and Unionists), the SNP Group also has 11 members, Scottish Labour 2, a non-aligned Scottish Conservative and Unionist councillor and a non-aligned Independent councillor.

The Chief Executive and Directors are supported by a workforce of around 4,200 people to deliver local services, assisted by a range of contracts with both the private sector and the third sector.

Moray is a largely rural area 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. The main centre of population is Elgin, which is home to more than one quarter of the people living in Moray. Other towns of population between 5,000 and 10,000 are located at Forres, Buckie, Lossiemouth and Keith.

The Council's vision, values and priorities are set out in the Corporate Plan. Our vision is that 'Everyone in Moray has a role to play in making Moray a great place to live and work. Moray Council will work with public, private, community and voluntary sectors to identify what we can do together to make life better for everyone, especially those in need'.

Management Commentary (continued)

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 and the Community Planning Board has established six partnership groups to take responsibility for the targets.

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 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. For the first time evidence from a wide-ranging social media campaign was used to inform and highlight particular areas of need.

The 10 year plan, was updated in 2016 (Moray 2026) and used by the Council to prepare a Council Corporate Plan to 2017.

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.

These are:

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

Progress against the Corporate Plan during 2016/17

The following is an appraisal of actions and performances of council services as they progress against the Corporate Plan targets.

It is not a definitive catalogue of all that was delivered but will show areas of good performance, where these are improving or where more effort is needed to meet targets.

1. Sustainable economic development

A significant strategic development in 2016/2017 was the agreement by the Council, Moray Economic Partnership and the Community Planning Board to create a Growth Bid for Moray – our own local version of a City Deal.

Work on the vision for the bid and identifying the key constraints in Moray's economy began in the autumn of 2016 through a series of workshops. Four major themes also emerged from this vision around skills and employability, Moray as a place, connections and the priority sectors in Moray.

The need for inward private sector investment and the ability to attract external funding from both the Scottish and UK Governments is critical to delivering the main economic objectives in the 2012 Moray Economic Strategy. These are: increase in population, more high quality jobs and higher wage levels. By March 2017, this was refined to reflect the need to attract and retaining young people, and also to reduce occupational segregation. Outline business cases to achieve these objectives are being prepared.

In November 2016, it was confirmed that the army base at Kinloss had a long term future, and a few months later investment of £400 million in RAF Lossiemouth was announced. This investment by the MoD secures RAF Lossiemouth as one of only 3 fast jet bases in the UK and the future home of the Poseidon maritime patrol fleet.

Management Commentary (continued)

Work was also underway on creating a masterplan for Barmuckity Business Park and development of March Road in Buckie. Securing a sustainable supply of employment land in Moray has been a long term objective within our Corporate Plan. Planning and development of another major infrastructure project - the Elgin Transport Strategy – received huge public support and the draft strategy was subsequently approved by council.

Business Gateway was taken in- house having been hosted by a neighbouring council for some years, and agreement was reached on a new energy-from-waste plant to be built and operated in partnership with Aberdeen City and Aberdeenshire Councils.

Social Enterprise flourished in several areas across Moray; the Tomintoul and Glenlivet Regeneration Project won the community-led regeneration category of the Scottish Urban Regeneration Forum awards.

Elsewhere, events in towns across Moray helped to attract international attention including Piping at Forres, Seafest in Lossiemouth and the annual Spirit of Speyside Whisky Festival.

All in all, whilst limited progress was made with development of Buckie harbour and the regeneration masterplan for Elgin, very satisfying progress was made in the economic objectives of the Corporate Plan.

<u>People</u>

Moray's population continues to grow. The key area of growth is in the higher age range, while simultaneously we are losing our young people to larger conurbations.

<u>Population Change – by numbers</u>

Year \ Age	0-15	16-64	65+	Total
1981	20,235	51,501	11746	83,482
2016	16,527	59,789	19754	96,070
35 years of change	- 3,708	8,288	8,008	12,588

<u>Population Change – by proportion of population in each age group</u>

Year \ Age	0-15	16-64	65+
1981	24.2%	61.7%	14.1%
2016	17.2%	62.2%	20.6%
35 years of change	-7.04%	0.54%	6.49%

Movement in Population Groups	2014/15	2015/16	**2016/17**	Performance Trend Arrow
15% increase in the population between 1981 and 2016 96,070 is estimated population in Moray (NRS mid-year 2016)	94,770	95,510	96,070	↑
21% of population aged over 65 19,754 is estimated population in Moray aged over 65	19,008	19,389	19,754	↑
17% of population aged 0-15 16,527 is estimated population in Moray aged 0-15	16,591	16,502	16,527	↓
Average Gross Full-time Weekly Wage	£452.10	£489.80	£491.80	↑
% workforce in Private Sector (APS)	79.2%	79.0%	77.7%	↓

Management Commentary (continued)

2. Ambitious and confident children and young people

After the successful pilot of the Schools for the Future policy in the Forres Associated Schools Group (ASG) in 2015/16, this has been implemented in Lossiemouth and Buckie ASGs. This in-depth review of the quality of educational provision in 14 Moray schools has provided vital self-evaluation information which has informed and guided the work of central officers. Rezoning work has been undertaken in the Forres ASG and further zoning changes are being made in Keith, Buckie and in Elgin.

Work has progressed well on the replacement to Elgin High School, due to open in October 2017. Initial planning has been undertaken for the replacement of Lossiemouth High School, which is due to be completed by April 2020. The refurbishment of four large primary schools is entering its final stages, with significant transformational changes evident.

Planning work is also continuing for the new Linkwood Primary School, due to open in its new site in 2019. At present, this school is housed in temporary accommodation in the East End Primary School Annexe. Officers are also currently reviewing capacities in schools and how capacities are calculated, learning from other areas to consider what the educational requirements will be, initially in Elgin, by 2035. Officers have also been involved in discussions with the RAF with regards the expansion of RAF Lossiemouth and the implications this will have on local pupil numbers.

One of the biggest challenges over the years ahead will be implementing the Scottish Government's expansion of funded early learning and childcare places from 600 to 1140 hours per year. Initial preparatory work has been undertaken on this.

The Community Planning Partnership (CPP) has established a new partnership group, Employability Moray, which is leading 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 this agenda forward and additional Skills Development Scotland support 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. A Moray Skills Pathway has been developed to allow clear engagement from ages 3 to 18 in Moray's eight key employment sectors and all young people will have an opportunity to engage with each sector as they move through education before making final option choices. Thereafter, clear progressive pathways will be available through the senior phase. There has been engagement with employers in pulling this together and the pathway will ensure we are best preparing our young people for life and opportunities in Moray post-school.

Meaningful May was introduced for the first time in 2016 to provide opportunities for targeted employability development for young people in May who were not sitting national qualifications and local schools continue to engage with the Youth Philanthropy Initiative, Career ready and other similar programmes to enhance opportunities for young people post-school. Moray College (UHI) has also reviewed its 'offer' to senior phase young people and will introduce three Foundation Apprenticeship frameworks in 2017/18.

The joint services inspection for children's services has highlighted significant areas for improvement and a Chief Officers' Group comprising Police Scotland, Local Authority and NHS Grampian chief officers has been established to lead forward much of the improvement activity required. Further work is required is required in relation to improving standards of operational practice, improving initial responses to risk, leadership and governance, joint self-evaluation and corporate parenting. There is significant commitment from all partners to make the necessary improvements and to improve our collective leadership and our processes for children's services planning.

The Children's Service's structure has been reviewed and a new structure is being implemented, this will result in a reduction of strategic groups and clarity of accountability and governance. Our CPP Children's Service Plan 2017-2020 has been published, we have a clear action plan from that and we have completed a Profile of Moray's Children.

Management Commentary (continued)

Locality Management Groups (LMGs) were established as the natural next steps in the implementation of GIRFEC and these 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. All LMGs have locality profiles providing detailed information regarding the children and young people in each area.

Moray's Corporate Parenting Board is up and running and a draft strategy has been prepared. Plans are well underway to adopt the "Family Firm" approach when supporting our young people post formal education. We had a successful bid to the Life Changes Trust and are in the process of establishing a Champions Board.

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 three year Additional Support Needs (ASN) funding arrangement was 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 strategy has now been developed and consultation will be on-going until summer 2017.

A number of schools have received post inspection support throughout 2016/17 with a few involved in continuing engagement activity. This has stretched the small central team. The attainment advisor from Education Scotland has provided welcome support by running training sessions for peer reviewers. The pool of reviewers has been widened to include depute headteachers and principal teachers ASN. A significant amount of work has been undertaken to provide support to secondary curricular groupings in terms of moderation of progress within the Broad General Education. In addition to this there are a large number of working groups providing strategic guidance and advice in a number of priority areas including tracking and monitoring, learning and teaching and the curriculum to name a few. Within schools, staffing remains a huge concern with a number of posts having to be re-advertised several times. There remains a serious issue with Head Teacher vacancies and we continue to have to re-advertise vacancies regularly due to the low number of applicants. Almost a fifth of Primary schools have acting headteacher arrangements and almost a half have had a change in leadership arrangements in the last couple of years. The leadership framework continues to be developed providing professional development opportunities for all staff at varying levels. .

The Education and Social Care department continues to use its overarching strategic plan for its services to cover the period from 2016 to 2019. The key priority areas within the plans are;

1. GIRFEC
2. Curriculum for Excellence
3. Lifelong Learning and Employability
4. Leisure
5. Resources
6. Leadership

Heads of Service will use these priority areas to inform their own team plans and priorities and the plan will be reviewed annually and updated as required as national and local objectives change.

3. Healthier citizens

The period of 2016/17 has seen the formal establishment of Health and Social Care Partnership (HSCP), which is responsible for the delivery of Adult Community Health and Social Care services across the area; directed by The Moray Integration Joint Board (MIJB) and in partnership between with Moray Council and NHS Grampian:

"To enable people of Moray to lead independent, healthy and fulfilling lives in active and inclusive communities where everyone is valued, respected and supported to achieve their own goals".

To support this strategic goal of "more people living well in their communities ", the MIJB focuses on delivering early intervention and preventing ill health through proactive services. The planning and delivery of this aim has developed through listening to the feedback from users of our health services, unpaid carers, the public and our employees within the communities of Moray . As a result the following programmes have been shaped by this approach:-

I. **Reshaping Care for Older People:** through the Change Fund, the focus has been to shift service delivery from reactive interventions to proactive support with preventative care at home or in the community.

II. **Housing as Partners:** The HSCP has developed relationships with housing as a key partner inclusive of the commissioning cycle. The outcomes and well-being of individuals can be increased and delivered with coordinated delivery of services/

III. **Community Care Design:** Focused around planning the future delivery of services in light of a growing older population in Moray, this Community Care Redesign initiative centres on a single point of access for all community care services along with developing a more personal outcomes based approach to the way services are delivered.

IV. **Moray Partners in Care:** The HSCP has developed a joint policy that aims to promote the independence if people who access adult health and social care services in Moray. The model is based on three choices – Help to help yourself, help when you need it and ongoing support for those that need it.

V. **Jubilee Cottages:** These six small Victorian cottages were renovated to provide purpose-built accommodation to rehabilitate older people following hospital stays, and to enable residents to reach their maximum independence in all aspects of daily living, ultimately reducing the level of ongoing home care support required.

VI. **Varis Court:** Working in partnership with Hanover (Scotland) Housing Association, HSCP are developing three specialist homes primarily for the elderly. While two of these developments are at the planning or construction phase, Varis Court in Forres is now fully operational. This 33-unit sheltered housing facility aims to test new approaches in supporting older people to live as independently as possible in their own homes. It incorporates five units to support the reablement and recovery of people who have recently been discharged from hospital. These units will be used to test new models of delivering health and social care, informing the further development of delivering integrated health and social care services.

The long term success of these initiatives will require users, communities, unpaid carers and staff having input to the design and delivery of community services offered by the HSCP/. A whole systems approach will be the key to successful integration and the efficient delivery of improved Health Care for the people of Moray

4. Adults living healthier, sustainable and independent lives

A transformation initiative within the Community Learning Disability Team (CLDT) was launched.

This is a 15-month initiative that takes a whole systems approach to improving the way that the team supports people who access learning disability services in Moray. The aim is to help adults with learning disabilities achieve their aspirations for independence.

The project will focus on three key work streams; professional practice development (CLDT), commissioning support and in-house support. At the end of the initiative, the project will have supported the team to deliver better personal outcomes for people in a more financially sustainable way.

5. Safer Communities

The Community Safety Partnership has continued to ensure greater information sharing and early intervention with key partners on a number of Community Safety issues.

The Scottish Fire & Rescue Service has highlighted the partnership working made possible by the Community Safety Hub, which has been a key factor in significantly increasing the delivery of Home Fire Safety Visits.

Home Fire Safety Visits	
2014/15	728
2015/16	884
2016/17	1,777

Management Commentary (continued)

To ensure local communities are aware of current issues and ongoing work, a Community Safety Partnership report has been introduced for all Community Councils. This monthly report contains information covering emerging Community Safety issues along with area specific updates from all partners.

Annual Totals	Dwelling Fires	Accidental Dwelling Fires	Deliberate Secondary Fires	Home Fire Safety Visits
2014/15	59	53	53	728
2015/16	50	47	52	884
2016/17	54	49	59	1777

Partners including Police, Trading Standards and Community Wardens have targeted bogus callers and doorstep criminals via Operation Monarda. This annual operation included a day of enforcement action against known offenders and education on the warning signs of this type of crime for potential victims and their families.

The Community Safety Partnership worked to address the problem of alcohol misuse via another successful Safer Streets initiative in December while Alcohol Brief Interventions (ABIs), providing advice and onward referral into support services for those struggling with substance misuse, which continued to be provided at Dr Gray's hospital.

For over ten years, the Community Safety Partnership has also targeted underage drinking via intelligence-led Operation Avon. Both local and national statistics show a move away from alcohol by those aged under 18, however the Operation Avon format continues to be used where necessary as an effective means of targeting youth-related antisocial behavior.

Compared to previous years antisocial behaviour has continued to fall in Moray. Some areas have recorded an increase in the last year in cases of abandoned vehicles and dog fouling. The issue with abandoned vehicles appears to be a national problem, with other councils reporting similar increases. In response to complaints from the local community, the Warden team continue to target dog fouling via patrols, media releases, posters and work with schools.

Dog Fouling Incidents	
2014/15	143
2015/16	178
2016/17	192

Abandoned Vehicles	
2014/15	99
2015/16	145
2016/17	271

Trading Standards

Trading Standards (in partnership with the community safety team and Police Scotland) have been involved in a number of actions during the year, including Operation Monarda which targeted bogus callers and doorstep criminals, sharing intelligence in a bid to deal with an increase in the number of unlicensed second-hand car dealers, and making the public aware of Financial/investment scams, Money back scams, Computer and Website scams, and potentially lethal toys. The service was also actively involved in the seizing counterfeit goods.

Management Commentary (continued)

Customer focus

The Council agreed a Customer Focus Strategy and Charter 2 years ago. A recent best value audit 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
- using customer satisfaction results more systematically to improve services

Over the past year we carried out a Council wide customer satisfaction survey. This has given us a general picture of how the public rate our services and some actions have been picked up by individual services. We have also committed all services, over the course of this year, to carry out a formal self- assessment of how well they engage with their customers using a recognised public sector 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.

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. To deliver further improvement, work 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 began in 2015 led by a joint councillor/ trade union/officer group. Early work resulted in revised policies and guidance, an employee charter and improved communications around culture issues. Improvements were reported across virtually all areas in the 2015 employee survey, for example a 22% point increase against leadership and a 16% point increase in satisfaction with communications. Where results showed scope for improvement bespoke work has been undertaken in services with specific actions developed to respond to detailed workforce feedback. As a result one to one employee review sessions and team meetings have been reinvigorated across a range of services. Impact will be measured as part of the 2017 employee survey.

In additional to culture and engagement, other priorities identified in the Council's workforce strategy include leadership development and capacity, transformation and change and recruitment and skills development. The workforce plan sets out how the council will address these priorities.

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. Online services have been developed for Housing including tenancies, rent balances and waiting list enquiries and there has been a reduction in calls to the Contact Centre for these services. The Council website provides 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. The developments have seen a 40% increase in web site use and an increase in online reporting of roads faults, street lights and special collections.

The Council launched myAccount to the public in March 2017 as a secure personal account for online transactions. Almost 900 Moray residents have registered to date. Work has progressed on major software systems to provide a solid foundation for future online services including bookings (e.g. for sports classes, housing repairs, appointments); payments (e.g. school meals, trips, uniforms and bookings payments); and online council tax bills and school registrations.

This work 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.

Management Commentary (continued)

Core Service Delivery

Education

Moray's performance in national literacy and numeracy measures is a similar position to previous years although leavers are performing slightly below national average at level 4 and at level 5. In 2016, school leavers in Moray are attaining slightly 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%, but lower than the national figure. Our middle 60% and highest 20% of school leavers performed less well than both the virtual comparator and the national figure.

There has also been a level of consistency in the trend in post-school participation for our young people over the past three years with Moray achieving a figure of 92.66% in 2015/16; although the performance for this session was very slightly below both the virtual and national average in comparison with previous years.

The authority is further embedding its Learning and Teaching Strategy in order to improve strategies to raise attainment and build upon work on assessment and moderation as well as tracking and monitoring to support pupil progress and achievement. This is also being carried to support the authority in its aims to be ambitious to achieve excellence together and also to meet national expectations of excellence and equity.

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 the condition rated as 'B' or better, there are still only 11 of the Council's 53 schools in that category, with the majority rated as "C". Forty eight of Moray schools were rated B or above for suitability which is 90.6%, which compares favourably with the national figure of 82.1% of schools rated B or above for suitability - 43 of 45 primary schools and 5 of 8 secondary schools. Four schools were rated C (Poor) (2 primary and 2 secondary) and 1 secondary school rated D (Bad). Nationally 82.1% of schools are rated B or above for suitability.
**(Linkwood not included in the school estate publication at time of reporting)*

At the 2016 September census Moray had a total 11,941 pupils, with 7,026 primary and 4,915 secondary. A total of 813 FTE teachers are employed by the council, with 412 primary teachers and 401 secondary teachers. Moray has 46 primary schools and 8 secondary schools spread across the local authority.

The cost for each registration of pupils for 2016/17 was as follows (compared with national average):

> **Cost for each pre-school registration** - Moray £2,367 Scotland £3,842 (Moray ranked 1st i.e. lowest cost compared to all other Scottish local authorities)
>
> **Cost for each primary school registration** – Moray £4,401 Scotland £4,757 (Moray ranked 8th)
>
> **Cost for each secondary school registration** – Moray £6,452 Scotland £6,722 (Moray Ranked 9th)

74% of adults rated that they were satisfied with local schools in Moray (Scottish Household Survey data covering 2013-2016), this compares to a national average of 78%.

Of the 54 council schools in Moray the following percentage of schools have occupancy rates:

<50% - 15% (8 schools)

50-<75% - 39% (21 schools)

75%-<90% - 33% (18 schools)

90%-<100% - 13% (7 schools)

100%> - (0 schools)

Management Commentary (continued)

Looked After Children

The proportion of children looked after by the local authorities that are out of area has remained within target for 2016/17. However the proportion of children looked after in a family placement decreased to 79% in 2016/17, and those accommodated in a residential placement have continued to increase to12% in Q2 2016/17. 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; this received a poor inspection by the Care Inspectorate in October 2016 and has subsequently been reviewed internally and revisited by the Care Inspectorate. Following a robust improvement plan being implemented the Care Inspectorate has indicated that the service is improving.

School census data for 2016/17 showed that 27.8% of Moray pupils had at least one **additional support need**, this compares with the national average of 24.2%. Of the 278 school leavers with an ASN in 2015/16, 87.1% entered a positive destination compared to a national average of 88.6%.
9% of those children looked after in Moray were in 3 or more placements during the reporting year, this compares to the national average of 6%.

Libraries and Leisure

Between 2015/16 and 2016/17 there was a 4% decrease in attendances to Council operated swimming pools and health & fitness facilities, to 361,377. The fall in numbers was essentially due to the closure of Forres swimming pool for 7 months due to refurbishment. The Fit Life scheme launched by the Council in January 2015 now has a membership of 3,028. This includes both individual and family memberships. A total of 7,917 cards are currently active as at the end of March 2017.

The Leisure Review group has continued to debate the future management of the leisure estate and have investigated several options involving developing trusts, wholly owned by Moray Council or in collaboration with neighbouring authorities.

Library facilities continue to be well used with the number of items borrowed 405,228 and the number of visits to libraries totalling 551,858. Attendances on adult learning programmes and family learning programmes is well evidenced and is increasingly an important element in improving the quality of life for Moray's citizens. The Local Heritage Service has settled well into the first floor of Elgin Library and continues to provide quality services to residents and visitors alike. The number of Heritage Service visitors was 3,235.

Moray Council operate 10 Community Centres (including 7 with Fitness & Health rooms), 5 swimming pools, 9 venues with synthetic pitches/grass pitches (with pavilions) and 2 multisports areas (with tennis courts). Moray Council also operate 11 libraries and one mobile library.

Development Services

The National e-Building Standards System was introduced in August 2016 accommodating on-line submissions allowing Moray to move away from a paper based system and becoming fully digitised.

General promotion of Moray as a place to live and work included a “This is Moray” video, launched in June 2016 and a Christmas TV campaign promoting Moray produce for the festive season.

Elgin South, Dallas Dhu, and Findrassie Masterplans all featured in a submission which won an award at the Scottish Awards for Quality in Planning in November 2016, with Findrassie also winning an individual award.

Tourism generates over 10% of Moray's total employment and 3.8% of the total turnover of businesses. Visitor spending in Moray is in the region of £85m-90m per year. This year the Castle to Cathedral to Cashmere heritage experience brought over 1000 years of history to life through various mediums. The Sword, Fire & Stone event alone showed over 26,000 internet hits and 24,000 for the video- clip at Re-enactment Event Scotland.

The prime objective in the Elgin Town Regeneration this year involved carrying out an audit, working in partnership with the Elgin CARS Officer, Planning & Building Standards Officers, Elgin Bid, Owners and Tenants to actively facilitate the re-use of these assets which when occupied contribute positively to the vitality of the town centre.

Management Commentary (continued)

Service	Performance	Target	2014/15	2015/16	**2016/17**	Performance Trend Arrow
Percentage of building warrant first reports issued within 20 working days	67% of Building Warrant first reports issued within 20 working days	100%	94%	74%	67%	↓
Average time (weeks) to deal with local planning applications	7 day average to deal with local planning applications	10.4	7.2	6.7	7.0	↓
% of Local Planning Applications determined in less than 2 months	96% of Local Planning Applications determined in less than 2 months		93%	96%	96%	↔
Average Time (Wks) Per Commercial Planning Application	8 day average to deal with Commercial planning applications		10.02	7.69		↑
EH - Percentage of responses for high-priority pest control services which met the national target	100% of high priority pest control services meeting national targets		78%	100%	100%	↔
EH - Food Safety - percentage of category A (6 month) premises inspected within time during quarter	100% of Food Safety Category A premises inspected on schedule	100%	84.6%	96%	100%	↑
New business start-ups receiving assistance through Business Gateway	132 new business start-ups receiving assistance through Business Gateway		121	128	132	↑

Management Commentary (continued)

Service	Performance	Target	2014/15	2015/16	**2016/17**	Performance Trend Arrow
EH - Food Safety - % of registered food premises which are broadly compliant with food law (of all rated premises)	89.2% of rated registered food premises broadly compliant with food law	80%	78.8%	77%	89.2% Q3	↑
Number of Small or Medium Enterprises assisted through the Business Gateway	795 Small or Medium Enterprises assisted through the Business Gateway		769	821	795	↓
Business Gateway 3 year survival rate	84% of Business Gateway new-starts survive to reach 3-year target		78%	80%	84%	↑
No of business gateway start-ups per 10,000 population	14.34 Business Gateway start-ups per 10,000 population		12.66	14.34		↑
P&D - Vacancy rate of retail floor space	11.9% vacancy rate of retail floor space	10%	12.9%	N/A	11.9%	↑
Rate of visits to/usages of museums per 1000 population (Falconer Museum only)	595 virtual museum visits per 1,000 population		298	536	595	↑
Number of visits to/usages of museums (Falconer only)	56,784 virtual museum visits		28,262	50,794	56,784	↑

Roads and Infrastructure

Moray's A & B classification roads which represent 29% of our total network are currently ranked 17th and 8th respectively across Scotland. The remaining % of Moray's network roads are ranked 4th overall but are now showing a steady decline in condition. 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.

Management Commentary (continued)

The winter season has again been relatively mild and the Council's need to respond to snow events was less than in previous years. The number of winter treatments carried out during 2016/17 has reduced from an average of 1,945 treatments to 1,441 up to the end of February.

During the year a draft Elgin Transport Strategy has been prepared to support the Local Development Plan. Elgin is forecast to see significant growth, particularly in housing, between 2016 and 2030 with an additional 2,700 houses forecast to be built in that period. The strategy is aimed at providing for that growth, whilst encouraging as much mode shift to walking/cycling and public transport as can be feasibly achieved.

Energy

In order to meet the rising cost of energy charges and 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. During 2016/17, almost 3,000 LED lanterns have been installed, which is on target to meet the original 5 year timescale. It is intended to accelerate the delivery of the programme to achieve quicker financial savings for the Council in 2017/18.

Waste Management

The Council continues to improve on its recycling rate with an unaudited figure of 58.7% for 2016 compared to 57.4% in 2015 (when the council were the second highest performer in Scotland). 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, has continued to prove its worth. Ongoing campaigns and liaison with community groups have assisted our efforts in achieving targets.

In 2016 the amount of household waste collected increased by 1,142 tonnes but we recycled more waste, increasing the recycling by nearly 1,300t. This resulted in 150t less going to landfill in 2016 than the previous year. The increase in recycling has been helped by the positive effect of an intervention campaign.

The Council has signed a second inter-authority agreement in October 2016 with Aberdeen City and Aberdeenshire Councils to progress delivery of a joint Energy from Waste facility. This second agreement committed each council to a joint procurement exercise to identify a preferred bidder for the delivery of the services. The initial procurement stage will run from January to May 2017 ending in the shortlisting of four bidders who will then be invited to discuss their proposals further with the councils. By November 2017, the four bidders will have submitted their detailed proposals and by the end of 2017, following evaluation, the councils hope to identify two of those bidders to take part in further discussions and to submit final tenders. The preferred bidder should be known by April 2018 with the contract awarded in the autumn of 2018. And an operational start date is expected in 2021 to coincide with the ban of organic waste going to landfill.

Description	2014/15	2015/16	2016/17	Trend Arrow
Percentage of total waste arising that is recycled (i.e. diverted from landfill)	54.4%	57.4%	58.7%	↑
Number of daily cycle journeys made on shared use/national cycle network within Moray.	475	472	455	↓
Percentage of A class roads that should be considered for maintenance treatment	20.1% rank 6	24.5% rank 15	25.2% rank 17	↓
Percentage of B class roads that should be considered for maintenance treatment	17.7% rank 1	22.5% rank 5	22.8% rank 8	↓
Overall percentage of road network that should be considered for maintenance treatment	**26.3% rank 5**	**27.9% rank 6**	**26.9% rank 4**	↑

Management Commentary (continued)

Housing

The Council's current stock of dwellings is 6,015, although only 5,926 are lettable stock as some properties are used or held for homelessness temp accommodation.

The Council completed 96 new build properties in 2015/16 with a further 16 built in 2016/17 against an average annual target of 50. During the year the council has concentrated its resources on acquiring 4 new sites, at a total cost of £2.3m, and is currently pursuing 2 further sites (Elgin South and Findrassie) and other opportunities for land banking purposes. The Council's new build programme relies on having land to build and longer term these land opportunities will provide sites for approximately 130 additional houses, so the average annual target for new builds has been increased to 70 houses per year over the next three years.

Following a restructure just prior to the start of 2016/17, Building Services DLO service has seen improvements in many business areas and has achieved many of its KPI work performance targets, including voids and repairs, and is expected to have one of the lowest rent arrears in Scotland.

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 2015 with a phased implementation, which will increase significantly from May 2018 with full roll-out in Moray. This, together with other Welfare changes introduced by the Department for Work and Pensions, has had an impact with more people presenting as requiring support from the Scottish Welfare Fund and Discretionary Housing Payments. An Income Maximisation team has also been established utilising matched funding available through European funding. The team's objectives are to increase intervention capability with regard to Poverty and Social inclusion.

Service	Performance	Target	2014/15	2015/16	**2016/17**	Performance Trend Arrow
Percentage of money advice clients who agreed that 'The service helped to sort out their debt problem'	100% positive feedback from Money Advice clients			100%	100%	
Percentage of money advice clients who were 'very satisfied' or 'fairly satisfied' with service received.		95%	100%	97%	100%	
Welfare Benefit clients – percentage of clients with successful appeals	83% success on Welfare Benefit clients' appeals	75%		80%	83%	
Percentage of welfare benefits clients who were 'very satisfied' or 'fairly satisfied' with service received	96% positive feedback from Welfare Benefits clients		97.5%	100%	96%	
Number of consumer complaints received	493 consumer complaints received by Trading Standards		704	520	493	

Management Commentary (continued)

Financial Performance for 2016/17

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 three components: Specific ring-fenced Grants, Non-Domestic Rate Income (NDRI) and General Revenue Grant (GRG). In Moray revenue grants from the government fund around 71% of expenditure (including income directed by Moray Integration Joint Board) with 11% coming from the Council Tax and the remaining 18% from fees and 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.

General Services Revenue Expenditure: The Council at a Special Meeting on 17 February 2016 approved a budget of £206 million net of charges for General Services for 2016/17. This anticipated the use of £6.8 million from the General Reserve. During the year, a further £0.8 million additional budget from reserves was approved .Budget reductions totalling £1.9 million and further income to meet Social Care budget pressures of £1.0 million from the Scottish government. This resulted in a revised used of reserves totalling £4.7 million. At 31 March 2017, there was an actual net contribution to the General Reserve of £2.1 million which brought the balance to £21.7 million. .

The main reasons for movement in what was budgeted to be used in 2016/17 and the actual position at 31 March 2017 is detailed below:

	£'000	£'000
Budgeted use of reserves		(6,815)
Additional budget approved and allocated in year		(754)
Budget reductions approved after Final Outturn for 2015/16		2,816
Transfer to earmarked reserves		(89)
		(4,842)
Service underspend	1,735	
Additional Savings	503	
Overspend on provisions	(1,129)	
Income retained under Business Rates Incentivisation Scheme	153	
Reduction in Revenue Support Grant	(5)	
Loans underspend	718	
Higher than anticipated Council Tax Income	616	
Transfer from ear marked reserves	129	2,720
Net Contribution to General Reserve at 31 March 2017		**2,122**

Housing Revenue Account

The Council approved expenditure of £17.6 million for 2016/17, 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 £0.2 million, decreasing the Housing Revenue Account balance to £1.1 million.

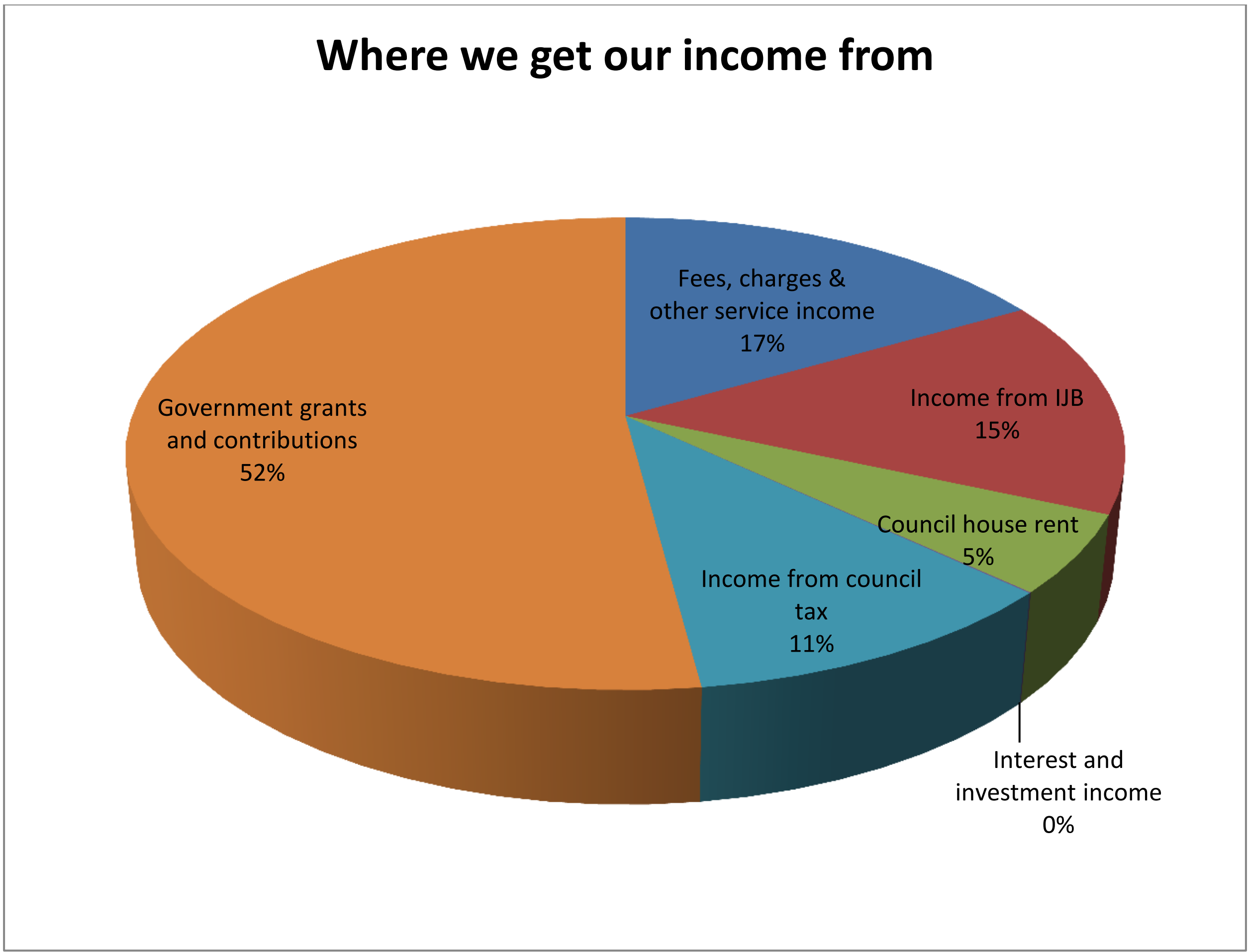
Management Commentary (continued)

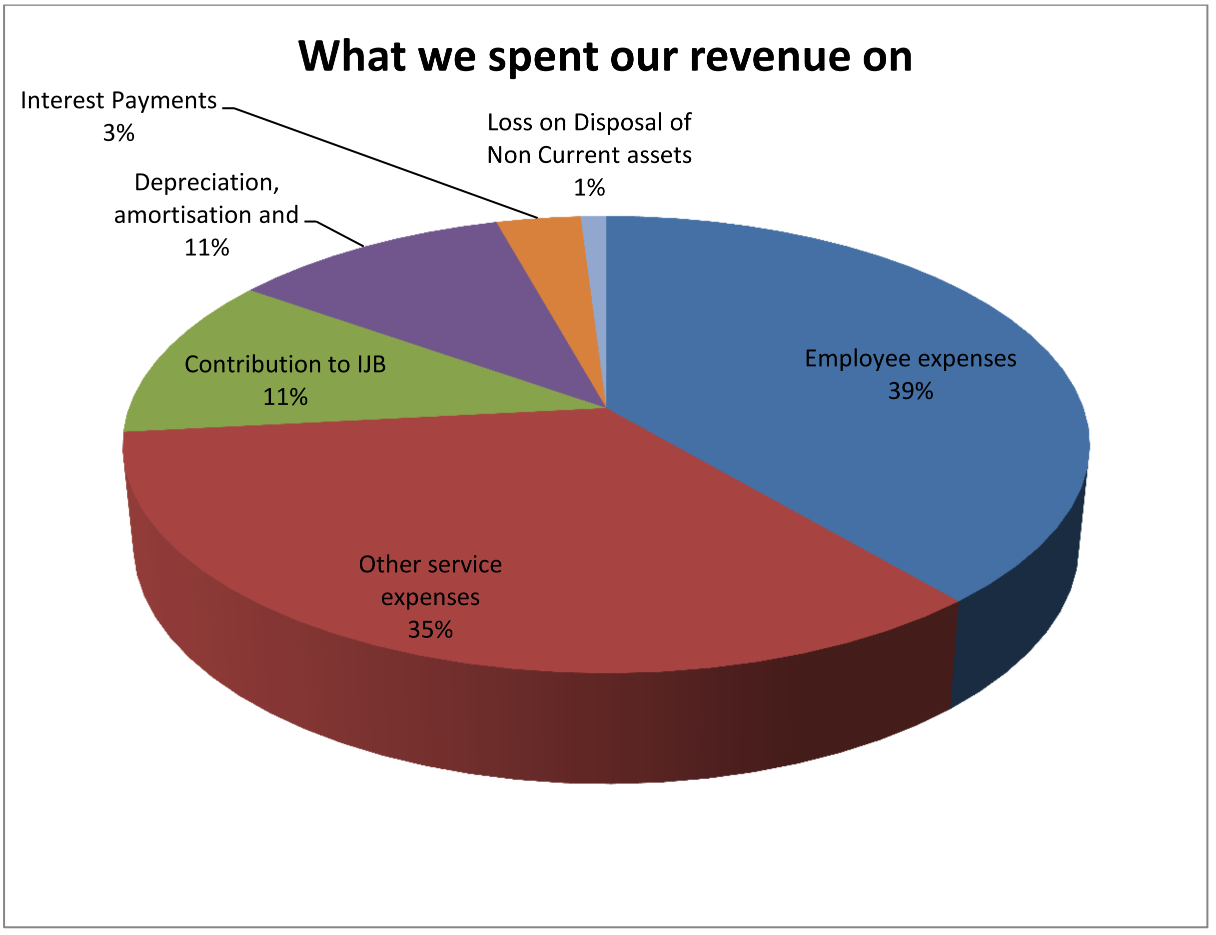
The £0.2 variance was mainly as a result of three significant variances. There was a £0.4 million underspend in repairs and maintenance comprising a £0.5 million underspend on planned maintenance and void property works and a £0.1 million overspend in response repairs. Financing costs were also underspent by £0.4 million due to reduced borrowing and lower interest rate charges. Capital works financed by revenue budget was increased to £1.0 million more than budget to help minimise borrowing costs and support the Council's new build housing programme whilst broadly maintaining the level of reserves carried forward.

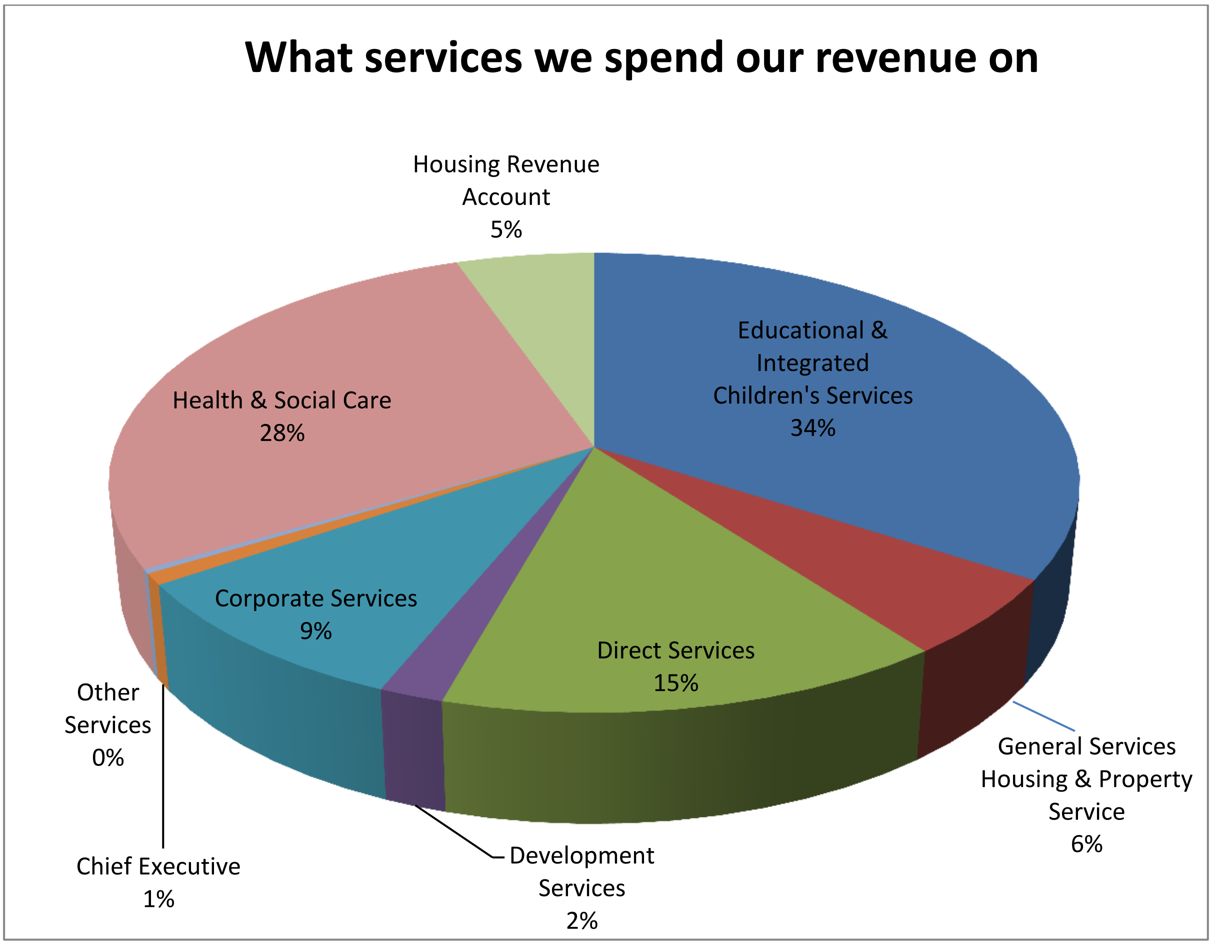
Business Model

Income generation is largely fixed by the government which represents 67% of overall income, including income directed by Moray Integration Joint Board and the government effectively controlled the 2016/17 level of council tax by specifying a Council Tax freeze or the Council would lose a portion of its Revenue Grant. Income that comes from fees and charges for services is 17% and a further 5% 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)




What we spent our revenue on
Interest Payments 3%
Loss on Disposal of Non Current assets 1%
Depreciation, amortisation and 11%
Contribution to IJB 11%
Employee expenses 39%
Other service expenses 35%



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 £30 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. Continue to review and amend underlying assumptions.

There will be some overlap between these strands of the strategy, specifically the second strand which will incorporate service remodelling, which may include the application of more efficient service delivery (in particular new technology) and some elements of service reduction.

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. The council agreed a number of non-recurring savings and used its reserve funds to meet the shortfall in income against expenditure in 2016/17.

Capital Expenditure

Total capital expenditure in 2016/17 was £49.6 million. Significant additions are school building improvement works £16.4 million, (including £12.9 million on refurbishment of four primary schools as part of a total £21.4 million Schools for the Future programme), improvements to roads infrastructure and street lighting £6.2 million, major flood schemes completed £5.5 million and council dwellings completed and under construction £9.2 million. The General Services Capital Programme for 2016/17, including balances carried forward from 2015/16 amounted to £41.4 million. Expenditure for the year was £39.8 million, representing a net underspend of £1.6 million. The schools programme underspent by £1.0 million. A significant element of this represents the anticipated overall underspend expected on the Schools for the Future programme. The street lighting project underspent by £0.2 million, a further £0.2 million was underspent on a new facility for adults with complex housing needs and slippage on ICT projects added £0.2 million to the underspend. Flood alleviation works overspent £0.5 million in total. Elgin and Forres flood schemes overspent by £0.9 million during the year. This was because of timing differences between budget allocation and expenditure, although overall these projects remain within total budget allocation. Underspends on other flood schemes totalled £0.4 million. Other underspends across the programme totalled £0.5 million. The Housing Capital Programme amounted to £11.8 million and actual expenditure was £9.2 million. The underspend relates mainly to slippage in the new housing build projects. The remaining £0.6 million of capital expenditure relates to copiers that are leased but which are accounted for as finance leases adding to capital expenditure.

Capital expenditure is supported by capital grants from the Scottish Government and £11.2 million of grants were received in 2016/17. Capital receipts generated £1.0 million, £0.5 million of developer contributions were utilised and £3.7million 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 policy of achieving a satisfactory level of condition for and suitability, being unaffordable and has adopted its "Mend and Make Do Policy " .

Management Commentary (continued)

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 2017. 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 £162.2 million at 31 March 2017 (£97.9 million at 31 March 2016). The main assumption to determine the liabilities in the pension scheme is the discount rate which is set by the value of high quality corporate bond yields. A lower discount rate leads to a higher value being placed on scheme liabilities. A decrease in yield values has meant that the discount rate at 31 March 2017 was 2.5% compared to 3.5% at 31 March 2016 resulting in a considerable increase in the value of pension liabilities. The North East Scotland Pension Fund is required to carry out actuarial valuations every three years. The methodology that will be used to calculate the value of liabilities as at 31 March 2017 will not reflect the value of bond yields and will instead use real returns to determine the discount rate. The results of the triennial valuation will be used to establish the funding levels of the whole Pension Fund and the funding level for each participating employer to meet the commitments of the Fund. Accordingly, 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 2019

2. To bring all assets up to, and then maintained at, a satisfactory level as regards condition and suitability will cost approximately £300 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 £22 million as free balances in its General Reserve at 31 March 2017 but £8 million is earmarked for specific purposes. This leaves a free balance of £14 million which can only be used once although it is anticipated that £1.4 million will be added to this balance after the Outturn report is considered by Moray council on 29 June 2017.

From a recent report by the Accounts Commission, it is clear that Moray 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 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.

Management Commentary (continued)

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 embarked on an engagement programme with all stakeholders during 2016/17, 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 aimed to give local residents the opportunity to influence the future direction and priorities for all council services. Meanwhile, work is continuing on to identify other additional savings options/ income generation for the Council.

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 George Alexander
Leader of the Council ……………………..……………………………..

Roderick D Burns
Chief Executive ……………………..……………………………..

Margaret Wilson
Head of Financial Services ……………………..……………………………..

29 June 2017

Statement of Responsibilities for the Annual Accounts

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 2016/17 (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 2017.

Margaret Wilson CPFA
Head of Financial Services

29 June 2017

Annual Governance Statement 2016/17

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.

An updated 'CIPFA/SOLACE' Framework 'Delivering Good Governance in Local Government' was published in early 2016 to guide the preparation of Annual Governance Statements applicable for financial year 2016/17 onwards. Associated guidance for Scottish Authorities was published in November 2016. The Framework's overall aim is 'to ensure that resources are directed in accordance with agreed policy and according to priorities; that there is sound and inclusive decision making; and that there is clear accountability for the use of these resources in order to achieve desired outcomes for service users and communities'.

This annual governance statement explains how the Council has complied with the terms of the 2016 Code.

The governance framework

The key elements of the Council's governance arrangements are described in terms of the seven principles of good governance defined in the Framework, summarised as follows:

Governance Principle 1 – behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in constitutional documents. These comprise standing orders, a scheme of administration, scheme of delegation and financial regulations which are regularly reviewed and updated as required.

Codes of Conduct are in place for elected members and senior officers, which require them to exercise leadership through exemplary standards of behaviour and ensure established values are replicated effectively throughout the organisation. Registers of Interests are held to record any potential areas where conflicts of interest might arise.

The Council's Monitoring Officer has a statutory responsibility to ensure established procedures are followed and that all legislative and other regulatory processes are complied with. Conduct issues relating to elected members can be investigated in-house or referred to the Standards Commission where required. Any issues relating to senior officers, if unresolved internally, can be referred to the External Auditor or the Scottish Public Service Ombudsman. A report on the activities of the monitoring officer is presented annually to the Policy & Resources Committee.

The Workforce Culture Group, comprising elected representatives, senior management and trade union representatives continued its work during the year in response to issues raised in the 2015 employee survey. Good progress has been made in taking forward the initial aims and objectives of the group including promotion of the Council's values and Moray Management Methods, with further work planned to sustain a positive workforce culture going forward.

Separately, an Integrity Group, developed in partnership with Police Scotland, meets biannually 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 issues relative to proper use of financial resources, procurement, staff recruitment protocols, and licensing.

Annual Governance Statement 2016/17 (continued)

Governance Principle 2 – ensuring openness and comprehensive stakeholder engagement.

The Council's decision-making processes are well established with major decisions being taken by council or one of a number of service committees. 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.

Community consultation on a range of topics was carried out with citizens, service users and staff. Most notable this year was the extensive 'shaping the future: bridging the gap' consultation regarding service priorities and the need to secure financial savings. Six key questions about the Council's services were posed for consideration. A seven week Facebook consultation was completed in tandem, focusing on a different council service area each week. The engagement exercise also involved staff consultation in the form of the Bright Ideas scheme, feedback from team meetings and from participants in the 2016 staff conferences.

This period also saw the launch of a new on-line customer account portal. The development is part of the Moray Connected project, which is focused on customer accessibility to council services and reflects the needs of communities and the growing number of online users the Council has.

Protocols are in place to meet requests made under the Freedom of Information Act and to publicise the nature of those requests.

Governance Principle 3 – defining outcomes in terms of sustainable economic, social and environmental benefits.

The creation and implementation of a vision for the local area, including expected outcomes for the community, is encompassed in 'Moray 2026, a plan for the future'. The overarching aim and purpose for this 10 year plan is 'to improve life for those living and working in Moray'.

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.

The Council's own corporate planning processes were reviewed. The Corporate Plan was formally recognised as being the primary statement of what the council aims to achieve. With council elections imminent, a Transition Board chaired by the Chief Executive and involving the Corporate Management Team and a cross party group of councillors was formed to consider the approach to the development of the Corporate Plan for 2017-2022. The Transition Board committed to providing information and advice on the key issues to be tackled by the new council, recommending that the new Plan be designed around the principles of sustainability, customer focus and quality services.

In supporting these aims, the Council established a Project Management Governance Policy to secure the application of consistent standards and disciplines to higher risk, high cost and complex projects and programmes. The policy provides a framework for accountability and responsibilities, ensuring that project decision making is robust, logical and that projects provide value and intended outcomes for the organisation.

Governance Principle 4 – determining the interventions necessary to optimise the achievement of intended outcomes.

The Council recognises the financial challenges it faces and through its established committee structures and briefings from CMT, has furnished elected members with an extensive volume of information on both the availability of resources and options for future service delivery. Recurring themes in this process are the recognition that change is inevitable, that new ways of working will be required and that some services will need to be down scaled or discontinued.

Clear information has been made available to the Council around financial planning including asset management. Aside from the general consultation with citizens on council priorities, specific service reviews involving options appraisal are being pursued where appropriate subject to political direction. All reports placed before council committees provide a summary of implications including links to strategic planning, policy and legal issues and consideration of risks associated with decision making processes.

Of note, there is clarity around the recognition that the Council and its partners will need to continue with the stated intent to promote preventative policies, leading to reduced interventions by partners and enhanced community engagement and involvement. The development of processes pursuant to the Community Empowerment Act, specifically around locality planning, will assist with this development.

Annual Governance Statement 2016/17 (continued)

Governance Principle 5 - developing the entity's capacity, including the capability of its leadership and the individuals within it.

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.

With the impending council election and with a significant number of elected members stepping down, the focus of training and development has been on the development of a programme of induction to provide both new and returning councillors with an early insight into the challenges to be faced in the incoming period. This training is being developed by senior staff from council departments assisted by the Council's training team and will be supported by representatives from other government agencies and partner bodies as appropriate. Personal Development Plans are 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. Whilst budgetary constraints have latterly limited external training opportunities, the Corporate Services Employee Development Team has continued to develop a programme of training opportunities including an online modular training facility which staff can access. Moray Management Methods also promotes a reinvigorated 'Employee Review and Development' process to ensure as far as practicable that development and support needs of individual staff members can be addressed. Targeted training on people management has also been developed to support the workforce culture issues identified in a number of services.

Leadership capacity of senior officers continues to be strengthened through promotion of a Leadership Forum which brings together senior managers from all council services to bring a wider perspective to the consideration of issues facing the council going forward.

Governance Principle 6 – managing risks and performance through robust internal control and strong public financial management.

The Council through its scheme of administration has arrangements in place covering risk, performance management, internal control and financial management. Aside from issues not delegated by the Council, including annual budget setting and consideration of the annual accounts, the oversight of risk and financial monitoring is primarily with Policy and Resources Committee.

The Council has a risk management policy and strategy designed to support the identification, evaluation and mitigation of risks which may impact on its ability to meet its objectives. 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. Departmental and operational risk registers are updated annually. Risk implications also feature in committee reports to inform decision making where decisions are required

The Council system of internal control is based on a framework of financial regulations, regular management information, administrative procedures, management supervision and a scheme of delegation and accountability. Establishing and maintaining an effective system of internal control is a management function. An Audit and Scrutiny Committee, through its consideration of reports by internal and external auditors, monitors the effectiveness of internal control procedures.

The Council has a policy to combat fraud, theft, bribery and corruption as an integral part of protecting public finances. It also participates in the National Fraud Initiative, a data matching programme involving other public bodies, to provide assurances on the robustness of information held by the Council as well as highlighting data anomalies that require to be addressed. The security of personal data held for this and other purposes is recognised as of key importance and an Information Assurance Group has been established to promote best practice in this area.

A performance management system is in place which calls for reporting of established performance measures to service committees at quarterly intervals throughout the year. An annual Public Performance Report is also published.

Strong financial management procedures are secured through the work of the Chief Financial Officer appointed in terms of s. 95 of the Local Government (Scotland) Act 1973. This officer provides advice to the Council on all financial matters and ensures the timely production and reporting of budget estimates, budget monitoring reports and annual accounts.

Governance Principle 7 – implementing good practices in transparency, reporting and audit to deliver effective accountability.

Council business is conducted through an established cycle of committee meetings held in public (unless exempt under statutory provision) and available on the internet by webcast. Meeting dates are published in advance and agenda papers are made available at least one week prior to meetings being held. Committee reports follow a corporate style and include: the purpose of the report, information relevant to the matter under consideration, a conclusion and recommendations proposed. Minutes of meetings are prepared and important decisions are publicised on the Council website and through social media.

Information is disseminated in many forms targeted at different audiences for different purposes ranging from statutory returns that follow prescribed layouts, through newsletters which target specific groups of service users, to consultation documents which contain basic information designed to elicit initial interest in particular services. During the year the Council issued a style guide to provide some consistency in the production of written materials. Guidance on customer focus has been developed which sets standards to be followed when engaging with citizens.

Assurance and accountability oversight is a key role for the Audit and Scrutiny Committee which is chaired by a member of the political opposition. The committee receives reports on the work of the internal auditor and the external auditor placing particular focus on recommendations arising from audit work and on the corrective actions proposed by service management. The committee also scrutinises items 'called in' for scrutiny purposes holding service managers to account in the process.

Review of effectiveness of governance arrangements

Both councillors and senior officers recognise the contribution effective governance makes to the stewardship of council resources and on an ongoing basis, endeavour to ensure that governance arrangements in place are fit for purpose. 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 Community Planning Board for multi-agency issues and by the Audit and Scrutiny Committee. The Council is also represented on the Moray Integrated Joint Board and on the Grampian Joint Valuation Board, which as separate bodies have developed their own governance arrangements.

- **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.

- **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 the governance of the Council, under review.

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

The Head of Legal and Democratic Services and the Head of Financial Services perform their relevant statutory duties as outlined elsewhere in this statement. Whilst neither officer is a formal member 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 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 2015/16 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.' This report predated the Joint Inspection of Children's Services in Moray carried out by the Care Inspectorate.

- **Internal Audit**

Internal Auditing is defined in the Public Sector Internal Audit Standards (PSIAS) as an independent, objective, assurance and consultancy activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Its mission, therefore, is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.

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.

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. The outcomes from these projects together with any recommendations to enhance the control arrangements in place are reported to an Audit and Scrutiny Committee. This Committee is chaired by an opposition councillor. From the audit work completed, 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 2017.

- **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 and commercial improvement 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.

One of the external inspection reports received during the period, covered the joint inspection of services for children and young people in Moray prepared by the Care Inspectorate. The report highlighted a number of areas for improvement including a recommendation to strengthen governance, leadership and accountability of the child protection committee. The Council has worked with the other partners involved to develop an action plan to address this together with the other issues raised in the report.

The combined contributions of elected members, statutory and senior officers and of audit and inspection agencies, as described above, is considered to provide reasonable assurances that the governance arrangements in place are commensurate with the needs of the Council.

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. In the prior year, the governance statement identified challenges around delivery of strategic plans, including financial planning; a need for further work on organisational leadership and culture, performance reporting and community focus, and supporting Health and Social Care integration processes. While much work has been done in these areas, strategic planning, financial planning, and health and social care integration are longer term themes that will continue to feature as significant governance issues in the period ahead.

Key governance challenges going forward will involve:

- Continuing to work closely with community planning partners to deliver the objectives of the ‘Moray 2026 plan for the future’ and the transition from the Single Outcome Agreement approach to a Local Outcome Improvement Plan, in accordance with Scottish Government guidance;

- Early engagement with the new councillors on the formulation of a corporate plan for 2017-22 incorporating a sustainable financial plan for the period beyond the 2017-18, noting that the Council’s financial position remains extremely challenging;

- Implementing actions in the improvement plan prepared following the joint inspection of children’s services in Moray;

- Updating the Local Code of Corporate Governance to reflect the requirements of the CIPFA/SOLACE guidance of 2016 and strengthening the methodology for monitoring and reporting on governance arrangements;

- Continuing to support Health and Social Care integration processes following the establishment of the Moray Integrated Joint Board.

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.

……………………………….	……………………..……………
Councillor George Alexander Leader of the Council	Roderick D Burns Chief Executive

June 2017

Remuneration Report

Introduction

The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No. 2011/64) amend the Local Authority Accounts (Scotland) Regulations 1985 (SI No. 1985/267) and require Local Authorities in Scotland to prepare a Remuneration Report as part of the statutory Annual Accounts.

All information disclosed in the tables in this Remuneration Report, with the exception of the Tiered Contribution Pay Rates table on page 38, will be audited by the appointed auditors, Audit Scotland and the information reviewed by them to ensure it is consistent with other sections of the Annual Accounts.

Remuneration Policy for the Leader of the Council, the Convener and Senior Councillors

The annual salary of the Leader of the Council and the upper limit for the annual salary of the Convener are set out by the Scottish Government in terms of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007, as amended by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2016. The salary for the Leader of the Council is £28,157 per annum (2015/16, £27,878) and for the Convener is £21,118 per annum (2015/16, £20,909).

In terms of the same Regulations, the Scottish Government permits Moray Council to nominate up to nine Senior Councillors (in addition to the Leader of the Council and the Convener) whose salaries in aggregate must not exceed a specified amount, currently £171,050 (2015/16, £169,358) and whose salaries individually must be on a specified scale, currently £16,893 to £21,118 (2015/16 - £16,726 to £20,909). In 2016/17, Moray had seven senior Councillors, (six committee chairs and the Leader of the largest opposition group) and three Regulatory Board chairs; each paid a salary of £21,118 per annum (2015/16, £20,909).

Remuneration Policy for Senior Officers

The salaries of Senior Officers are set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets out the salary for the Chief Executives of Scottish Local Authorities. Circular CO/148 was issued on 2 October 2015 and covers salary scales to be paid to Chief Officers for the period of 1 April 2015 to 31 March 2017. Corporate Directors receive 84% of the Chief Executive's salary. Moray Council does not pay bonuses or performance related pay.

Remuneration of Senior Officers

The Regulations define a Senior Officer as an employee who meets one or more of the following criteria:

i) A person who has responsibility for the management of the Local Authority to the extent that the person has the 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; or
iii) A person whose annual remuneration, including any annual remuneration from a Local Authority subsidiary body, is £150,000 or more.

During 2016/17, the senior employees in 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.

The term *remuneration* means gross salary, fees and bonuses, allowances and taxable expenses, and compensation for loss of employment. Remuneration details are shown on Table 3 attached. The table outlines the remuneration details for Senior Officers, including prior year figures. The table shows the relevant amounts, before tax and other deductions, for each of the persons named for the year to 31 March 2017. The table contains remuneration details for those persons who were Senior Officers in 2016/17. Salaries are paid monthly.

Remuneration of Senior Councillors

Under the Regulations, remuneration disclosures are to be made for the Leader of the Council, the Convener and any Councillor designated a Senior Councillor. Table 1 shows the relevant amounts, before tax and other deductions, for each of the persons named for the year to 31 March 2017. The table contains remuneration details for those persons who were Senior Councillors in 2016/17. Salaries are paid monthly.

Remuneration Report (continued)

Pension Entitlement

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. The pension is based on the person's pensionable service (how long he or she has been a member of the pension scheme) and his or her pay. For Councillors, the pension is based on "career average" - the aggregate of each year's pay (adjusted by inflation) is divided by the total number of years and part years they have been a member of the LGPS.

For officers, the pension is based on a career average from 1 April 2015. For service before this date, the annual pension is calculated by dividing their pay by 80 (60 for service after 31 March 2009) and multiplying this by their total membership. The normal retirement age (NRA) for service post 1 April 2015 is the same as for the state pension; the NRA for service pre 1 April 2015 is 65. Pensions payable are increased annually in line with changes in the Pensions (Increase) Act 1971 and Section 59 of the Social Security Pension Act 1975. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

A LGPS member's contribution depends upon his or hers full time equivalent pay. The tables of rates for 2016/17 and 2015/16 are shown below. The rates and the earnings bands are the same for both years.

Tiered Contribution Pay Rates

Whole time pay (2015/16 in brackets)	Contribution rate 2016/17	Contribution rate 2015/16
On earnings up to and including £20,500 (£20,500)	5.50%	5.50%
On earnings above £20,500 and up to £25,000 (£20,500 - £25,000)	7.25%	7.25%
On earnings above £25,000 and up to £34,400 (£25,000 - £34,400)	8.50%	8.50%
On earnings above £34,400 and up to £45,800 (£34,400 - £45,800)	9.50%	9.50%
On earnings above £45,800 (£45,800)	12.00%	12.00%

The value of benefits in Tables 4 and 5 attached have been provided by the North East Scotland Pension Fund (NESPF) and are calculated on the basis of the age at which the person will first become entitled to a full pension on retirement without reduction on account of its payment at that date: without exercising any option to commute pension entitlement into a lump sum: and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service and not just their current appointment.

The pension entitlements for Senior Officers and Senior Councillors for the year to 31 March 2017 are also shown in Tables 4 and 5, together with the contribution made by the Council to each person's pension during the year. The tables contain information for those persons who were Senior Officers or Senior Councillors in 2016/17.

Councillors' Remuneration

The Council paid salaries, allowances and expenses to Councillors (including the Senior Councillors above) as detailed in the Table 2 attached for 2016/17. The annual return of Councillors' salaries and expenses is available to view on the Council's website at http://moray.gov.uk.

The annual return of Councillors' salaries and expenses is compiled under Scottish Local Authority Remuneration Committee (SLARC) guidance for public records whereas the Remuneration Report is compiled under a Scottish Statutory Instrument (SSI).

Remuneration of Officers receiving more than £50,000

Table 6 details the number of employees whose remuneration was in excess of £50,000 during 2016/17 in bands of £5,000. The table includes the remuneration of the senior employees highlighted above.

Remuneration Report (continued)

Exit Packages of Employees

The Council has agreed a number of exit packages as detailed on Table 7 attached. The exit packages shown are split between compulsory redundancies and other departures. The figures shown include redundancy and settlement costs for loss of employment. The Council only agrees exit packages where they are consistent with wider workforce planning and service delivery objectives and where the savings accruing from an individual ceasing employment with the Council exceed the costs of the exit package within an acceptable period.

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 2016/17	Total Remuneration 2015/16
	£	**£**	**£**	**£**
Senior Councillors				
Stewart Cree: Leader of the Council	28,157	-	28,157	27,878
Allan G Wright: Convener of the Council	21,118	-	21,118	20,909
George Alexander: Chair, Communities	21,118	-	21,118	8,077
Gary Coull: Leader of the largest opposition group	21,118	-	21,118	12,889
John Cowe: Chair, Economic Development & Infrastructure	21,118	-	21,118	20,909
Gordon Cowie: Chair, Licensing	21,118	-	21,118	8,077
Lorna Creswell: Chair, Moray Integration Joint Board until 30 September 2016. Vice Chair from 1 October 2016 (Note 1)	21,118	-	21,118	20,909
John A Divers: Convener, Northern Criminal Justice Authority	21,118	-	21,118	20,442
Gordon McDonald: Chair, Audit and Scrutiny	21,118	-	21,118	20,909
Ronald H Shepherd JP: Convener of Grampian Valuation Joint Board	21,118	-	21,118	20,909
Anne Skene: Chair, Children & Young People	21,118	-	21,118	20,909
Chris Tuke: Chair, Planning & Regulatory Services	21,118	-	21,118	20,909
Total	**260,455**		**260,455**	**223,726**

Note 1 Councillor Creswell was Chair of the Moray Integration Joint Board until 30 September 2016. She transferred to the position of Vice Chair from 1 October 2016 as per the arrangements agreed in para 3.7 of the Health and Social Care Integration Scheme for Moray (March 2015). She continued to be paid as a senior councillor from this date.

Remuneration Report (continued)

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	**2016/17**	**2015/16**
	£	**£**
Salaries	481,683	485,386
Allowances	-	-
Expenses	37,664	40,624
TOTAL	**519,347**	**526,010**

TABLE 3: Remuneration of Senior Employees of the Council

Name and Post Title	**Salary, fees and allowances**	**Taxable Expenses**	**Total Remuneration 2016/17**	**Total Remuneration 2015/16**
	£	**£**	**£**	**£**
Roderick D Burns - Chief Executive	106,769	-	106,769	105,803
Laurence Findlay - Corporate Director (Education and Social Care)	89,837	-	89,837	88,804
Rhona Gunn - Corporate Director (Environmental Services)	89,985	-	89,985	90,245
Mark Palmer - Corporate Director (Corporate Services) Note 1	96,638	-	96,638	92,120
TOTAL	**383,229**	**-**	**383,229**	**376,972**

Note 1: 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 2017 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 2017	**For the year to 31 March 2016**		**As at 31 March 2017**	**Difference from March 2016**
	£	**£**		**£000**	**£000**
Senior Councillors					
Stewart Cree: Leader of the Council	5,434	5,380	Pension Lump Sum	5 2	1 -
Allan G Wright: Convener of the Council	4,076	4,035	Pension Lump Sum	5 -	1 -
George Alexander: Chair, Communities	4,076	1,559	Pension Lump Sum	2 -	1 -
Gary Coull: Leader of the largest opposition group	4,076	2,488	Pension Lump Sum	3 1	- -
John Cowe: Chair, Economic Development & Infrastructure	4,076	4,035	Pension Lump Sum	2 -	1 -
Gordon Cowie: Chair, Licensing	4,076	1,559	Pension Lump Sum	1 -	- -
Lorna Creswell: Chair, Moray Integration Joint Board until 30 September 2016. Vice-chair from 1 October 2016.	4,076	4,035	Pension Lump Sum	2 -	- -
John A Divers: Convener, Northern Criminal Justice Authority	4,076	3,945	Pension Lump Sum	2 -	1 -
Gordon McDonald: Chair, Audit and Scrutiny	4,076	4,035	Pension Lump Sum	5 2	1 -
Anne Skene: Chair, Children & Young People	4,076	4,035	Pension Lump Sum	2 -	1 -
Chris Tuke: Chair, Planning & Regulatory Services	4,076	4,035	Pension Lump Sum	2 -	1 -
TOTAL	**46,194**	**39,141**		**36**	**8**

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 2017 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 2017	**For the year to 31 March 2016**		**As at 31 March 2017**	**Difference from March 2016**
	£	**£**		**£000**	**£000**
Roderick D Burns – Chief Executive	20,605	20,417	Pension Lump Sum	50 106	2 1
Laurence Findlay – Corporate Director (Education and Social Care)	17,335	17,138	Pension Lump Sum	20 38	2 -
Rhona Gunn – Corporate Director (Environmental Services)	17,362	17,414	Pension Lump Sum	23 31	2 -
Mark Palmer – Corporate Director (Corporate Services)	18,171	18,267	Pension Lump Sum	34 62	3 -
TOTAL	**73,473**	**73,236**		**364**	**10**

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	
	2016/17	2015/16
£50,000 - £54,999	69	59
£55,000 - £59,999	23	24
£60,000 - £64,999	4	2
£65,000 - £69,999	1	-
£70,000 - £74,999	13	13
£75,000 - £79,999	1	-
£85,000 - £89,999	2	1
£90,000 - £94,999	-	3
£95,000 - £99,999	1	-
£105,000 - £109,999	1	1
Total	115	103

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 settlement costs for loss of employment.

Exit Packages						
	2016/17			2015/16		
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	3	1	26,574	2	-	1,522
£20,001 - £40,000	-	1	30,000	-	1	23,920
Total	3	2	56,574	2	1	25,442

Termination Benefits

During 2016/17 the Council terminated the contracts of 5 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 £0.057M comprising £0.015M of redundancy payments (£0.025M 2015/16) and £0.042M of settlement costs for loss of employment.

Councillor George Alexander

Leader of the Council

Roderick D Burns

Chief Executive

29 June 2017

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost for the year ended 31 March 2017, 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 and the Expenditure and Funding Analysis note.

	2015/16 Restated				**2016/17**	
Expenditure	**Income**	**Net**		**Expenditure**	**Income**	**Net**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
105,463	(4,541)	100,922	Educational & Integrated Children's Services	116,307	(4,293)	112,014
19,017	(13,829)	5,188	General Services Housing & Property Service	18,846	(14,513)	4,333
47,924	(13,955)	33,969	Direct Services	49,907	(14,818)	35,089
6,560	(2,140)	4,420	Development Services	6,362	(2,226)	4,136
31,527	(19,055)	12,472	Corporate Services	31,686	(19,264)	12,422
2,271	(184)	2,087	Chief Executive	2,722	(244)	2,478
1,146	(162)	984	Other Services	1,021	(114)	907
52,800	(11,040)	41,760	Health & Social Care	95,466	(54,640)	40,826
23,723	(16,757)	6,966	Housing Revenue Account	18,225	(17,950)	275
290,431	(81,663)	208,768	**Cost Of Services**	340,542	(128,062)	212,480
		6,141	Other Operating Expenditure (Note 11)			3,590
		15,230	Financing and Investment Income and Expenditure (Note 12)			14,868
		(215,772)	Taxation and Non-Specific Grant Income (Note 13)			(204,703)
		14,367	**(Surplus)/Deficit on Provision of Services**			**26,235**
		(97,696)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment (Notes 14 & 26)			496
		(21,416)	Remeasurement of the net defined benefit liability (Note 37)			58,028
		(119,112)	**Other (Income)/Expenditure**			**58,524**
		(104,745)	**Total Comprehensive Net (Income)/Expenditure**			**84,759**

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 Statement shows how the movements in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargable to council tax (or rents) for the year. The Net Increase or Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Capital Fund £000	Revenue 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									
Total Comprehensive Expenditure and Income	(6,663)	(7,704)	-	-	-	-	(14,367)	119,112	104,745
Adjustments between accounting basis & funding basis under regulations (Note 9)	6,332	7,449	3	1	(72)	18	13,731	(13,731)	-
Increase or Decrease in 2015/16	**(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**

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Capital Fund £000	Revenue Statutory Fund £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Balance at 31 March 2016	**24,713**	**1,342**	**645**	**69**	**91**	**4,054**	**30,914**	**456,159**	**487,073**
Movement in Reserves 2016/17									
Total Comprehensive Expenditure and Income	(26,891)	656	-	-	-	-	(26,235)	(58,524)	(84,759)
Adjustments between accounting basis & funding basis under regulations (Note 9)	24,961	(821)	968	-	526	12	25,646	(25,646)	-
Increase or Decrease in 2016/17	**(1,930)**	**(165)**	**968**	**-**	**526**	**12**	**(589)**	**(84,170)**	**(84,759)**
Balance at 31 March 2017	**22,783**	**1,177**	**1,613**	**69**	**617**	**4,066**	**30,325**	**371,989**	**402,314**

Balance Sheet as at 31 March 2017

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 2016 £000		Notes	31 March 2017 £000
808,122	Property, Plant & Equipment	14	810,493
903	Heritage Assets	15	1,005
3,550	Investment Property	16	3,233
327	Intangible Assets	17	312
826	Long Term Debtors	18	765
813,728	**Long Term Assets**		815,808
772	Inventories	19	698
10,979	Short Term Debtors	20	9,142
1,253	Assets held for sale	21	1,880
13,004	**Current Assets**		11,720
(9,964)	Cash and Cash Equivalents	22	(5,343)
(12,800)	Short Term Borrowing	18	(38,844)
(23,989)	Short Term Creditors	23	(26,981)
(46,753)	**Current Liabilities**		(71,168)
(156)	Provisions	24	(560)
(160,076)	Long Term Borrowing	18	(156,709)
(34,816)	Other Long Term Liabilities	18	(34,627)
(97,858)	Pensions Liability	37	(162,150)
(292,906)	**Long Term Liabilities**		(354,046)
487,073	**Net Assets**		**402,314**

Balance Sheet as at 31 March 2017 (continued)

31 March 2016 £000		Notes	31 March 2017 £000
24,713	General Fund Balance	25	22,783
1,342	Housing Revenue Account	25	1,177
645	Capital Receipts Reserve	25	1,613
69	Capital Grants Unapplied	25	69
91	Capital Fund	25	617
4,054	Revenue Statutory Funds	25	4,066
30,914	**Usable Reserves**		30,325
202,768	Revaluation Reserve	26	193,994
363,897	Capital Adjustment Account	26	352,802
(7,580)	Financial Instruments Adjustment Account	26	(7,269)
(5,068)	Employee Statutory Adjustment Account	26	(5,388)
(97,858)	Pensions Reserve	26	(162,150)
456,159	**Unusable Reserves**		371,989
487,073	**Total Reserves**		**402,314**

The notes on pages 53 to 102 form part of the financial statements

Margaret Wilson CPFA

Head of Financial Services

29 June 2017

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.

2015/16 £000		**2016/17 £000**
(14,367)	Net surplus on the provision of services	(26,235)
48,512	Adjust net surplus on the provision of services for non cash movements	56,506
(20,462)	Adjust for items included in the net surplus on the provision of services that are investing and financing activities	(15,007)
13,683	Net cash flows from Operating Activities	15,264
(23,376)	Investing Activities (Note 28)	(34,521)
7,405	Financing Activities (Note 29)	23,878
(2,288)	Net increase or (decrease) in cash and cash equivalents	4,621
(7,676)	Cash and cash equivalents at the beginning of the financial year	(9,964)
(9,964)	**Cash and cash equivalents at the end of the financial year (Note 22)**	(5,343)

Notes to the Accounts

Note 1 Accounting Policies

General

The Council is required to prepare an annual "Statement of Accounts" by the Local Authority Accounts (Scotland) Regulations 2014. Section 12 of the Local Government in Scotland Act 2003 requires such accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS). These are issued jointly by CIPFA and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the Council and its Group. The Annual Accounts have been prepared on a "going concern" basis. The accounting convention adopted in the Annual Accounts is principally historic cost, modified by the revaluation of certain categories of non-current and financial assets.

Accruals of Expenditure and Income

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 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. The Council is required to purchase allowances 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 is 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 reported in the costs of the Council's services.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the balance sheet date 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)

Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible non-current assets attributable to the service.

Employee Benefits

Benefits Payable during Employment
Short-term employee benefits such as salaries, wages, overtime and paid annual leave for current employees are recognised as an expense in the year in which employees render service to the Council. The Council has made provision for the costs of settling claims for equal pay arising before the Council implemented its equal pay strategy. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before their normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement (CIES) at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for a restructuring.

Post Employment Benefits

The Council participates in two separate pension schemes; the Local Government Pension Scheme which is administered by Aberdeen City Council; and the Scottish Teachers' Superannuation Scheme which is administered by the Scottish Government. Liabilities for the teachers' scheme cannot be identified specifically to the Council, therefore the scheme is accounted for as a defined contributions scheme.

The Local Government Pension Scheme (LGPS) is accounted for as a "defined benefit" scheme in accordance with International Accounting Standard 19 (IAS19). Moray Council's share of the net pension liability in the North East Scotland Local Government Pension Scheme and a pension reserve are recognised in the Balance Sheet. The CIES recognises changes during the year in the pension liability. Service expenditure includes pension costs based on employers' pension contributions payable and payments to pensioners in the year.

Liabilities are included in the Balance Sheet on an actuarial basis using the "projected credit unit method" ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about longevity, projected earnings and so on. Liabilities are discounted to their value at current prices, using a discount rate (currently 2.5%) based on an average of high quality corporate bonds. Assets are included in the Balance Sheet at their fair value, principally the bid price for quoted securities, estimated fair value for unquoted securities and market price for property.

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

Events after the Reporting Period

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. An adjustment is made to the financial statements where there is evidence that the event relates to the reporting period; otherwise the financial statements are not adjusted, and where the amount is material, a disclosure is made in the notes.

Note 1 Accounting Policies (continued)

Exceptional Items and Prior Period Adjustments

When items of income and expenditure are material, their nature and amount is disclosed separately either on the face of the CIES or in the notes to the Accounts, depending on how significant the items are to an understanding of the Council's financial performance.

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes are made by adjusting the opening balances and comparative amounts for the prior period.

Fair Value Measurement

The Council measures the carrying value of some of its non-financial assets, mostly surplus assets, at fair value at each reporting date. Fair value is broadly the amount for which an asset could be exchanged or a liability settled.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Financial Assets

The financial assets of the Council are comprised entirely of Loans and Receivables ie assets that have fixed or determinable payments but are not quoted in an active market.

Loans and Receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. For the Council's short-term deposits and most of its other lending, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest and interest credited to the CIES 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 Financing and Investment Income and Expenditure line in the CIES. 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.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes contractually obliged by the financial instrument and the liabilities are measured at fair value and then carried at their amortised cost. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Costs associated with debt restructuring (premiums and discounts) are charged to the Financing and Investment Income and Expenditure line in the CIES in the year of repayment of the original debt in accordance with accounting regulations. Where premiums and discounts have been charged to the CIES, Scottish Government regulations permit the costs of restructuring to be released to revenue over the period of the replacement loan.

Government Grants and Contributions
Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. Where conditions are satisfied, the grant or contribution is credited to the relevant service line (for revenue grants) or Taxation and Non-Specific Grant Income (for capital grants). Where capital grants are credited to the CIES, they are reversed out in the General Fund balance in the Movement in Reserves Statement.

Note 1 Accounting Policies (continued)

Heritage Assets
The Council holds and conserves heritage assets for future generations in support of the primary objective of increasing the knowledge, understanding and appreciation of the history of the area of Moray.

The Council's policy (including its Common Good and Trusts) 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

As a general policy, heritage assets are recognised on the Balance Sheet where the Council has information on the cost or value of the asset. Where information on cost or value is not available and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the asset is not recognised on the Balance Sheet.

The carrying amount of heritage assets are reviewed where there is evidence of impairment, eg where an item has suffered physical deterioration or breakage or where doubts arise as to authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. It is likely that disposals of heritage assets will be made only very occasionally. Where this does occur, the proceeds of such items are accounted for in accordance with the Council's policies relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements.

Intangible Assets
Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (eg software licences) is capitalised when it is expected that it will bring benefits to the Council for more than one financial year. Intangible assets are valued at amortised cost, i.e. cost less accumulated amortisation and impairment. The depreciable amount of an intangible asset is amortised over its useful life (assessed as between one to six years) to the relevant service lines in the CIES.

Interest 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.

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.

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. Investment property is measured at highest and best use and the 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 CIES. 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 CIES.

Note 1 Accounting Policies (continued)

Leases

Leases are classified as finance leases where the terms of the lease transfer the majority of the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The Council as Lessee

Finance Leases
Assets held under finance leases are recognised on the Balance Sheet at the commencement of the lease at their fair value measured at the lease's inception. The asset recognised has a corresponding liability to pay the lessor.

Operating Leases
Rentals paid under operating leases are charged to the appropriate service account in the CIES as an expense of the services benefitting from use of the leased asset on a straight line basis over the term of the lease.

The Council as Lessor

Operating Leases
Where the Council grants an operating lease the asset is retained in the Balance Sheet.

Property 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 that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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 CIES in accordance with the Code.

Property, Plant and Equipment

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

Note 1 Accounting Policies (continued)

Property, Plant and Equipment (continued)

Measurement

Assets are initially measured at cost, comprising:

- 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.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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.

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

- Infrastructure, community assets & assets under construction - depreciated historic cost.
- 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 - current value as estimated as highest and best use from an open market perspective (fair value).
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value) 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.

In a limited number of instances, where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost or insurance replacement cost has been used as an estimate of fair value. For non-property assets that have short useful lives or low values, depreciated historical cost basis is used as a proxy for fair 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.

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 CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Disposals

When it becomes probable that the carrying amount of asset will be recovered through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Non-current assets held for sale are not depreciated. Where there is a subsequent decrease to fair value less costs to sell, the loss is taken to the CIES. Gains in fair value are recognised only up to the amount of any previously recognised losses in the (Surplus) or Deficit on Provision of Services.

Note 1 Accounting Policies (continued)

Property, Plant and Equipment (continued)

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

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 14.

Where a material item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation and are 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.

Contingent Assets and Liabilities

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

Contingent liabilities and assets are not recognised in the Balance Sheet but disclosed in a Note to the Accounts where they are deemed material.

Public Private Partnership (PPP) and Similar Contracts Schemes

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.

Note 1 Accounting Policies (continued)

Public Private Partnership (PPP) and Similar Contracts Schemes (continued)

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.

Reserves

Reserves are created by appropriating amounts from 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 within the CIES. 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.

Usable Reserves

The Council has several reserve funds within this category. The Insurance Fund covers the main classes of insurance and is earmarked for insurance purposes. The Repairs and Renewal Fund provides for the upkeep of specific assets held by the Council. The Capital Fund is used to meet the costs of capital investments in assets and for the repayment of the principal element of borrowings. 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. 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

Certain reserves are kept to manage the accounting process for non-current assets, financial instruments, pensions reserve and employee benefits and do not represent usable resources for the authority. These reserves are explained in Note 26 Unusable Reserves.

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.

New or amended standards within the 2017/18 Code relate to the disclosure requirements of defined benefit pension funds. The Council participates in the North East Scotland Local Government Pension Scheme, but as the scheme is administered by Aberdeen City Council, these standards will not apply to the Council.

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 2017 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 £0.858M 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 £11.005M.

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

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Arrears	At 31 March 2017, 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 £0.017M.

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 2016/17 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	3.537
Schools for the future: four schools refurbishment	12.928
Phase 4-6 of the construction of new Council houses (including the purchase of land). Sixteen dwellings were completed during the year and a further eighty four dwellings were under construction at 31 March 2017	3.322

Note 6 Events After The Reporting Period

The unaudited Annual Accounts were issued on 29 June 2017 by Margaret Wilson, Head of Financial Services Any events that would affect the Balance Sheet have been considered up to this date.

Note 7 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's service's as reported during the year.

Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund and HRA Balances	**Adjustments between the Funding and the Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**		**Net Expenditure Chargeable to the General Fund and HRA Balances**	**Adjustments between the Funding and the Accounting Basis**	**Net Expenditure in the Comprehensive Income and Expenditure Statement**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
91,295	9,627	100,922	Educational and Integrated Children's Services	92,145	19,869	112,014
3,295	1,893	5,188	General Sevices Housing and Property Service	2,760	1,573	4,333
23,706	10,263	33,969	Direct Services	23,498	11,591	35,089
4,086	334	4,420	Development Services	3,831	305	4,136
10,865	1,607	12,472	Corporate Services	10,904	1,518	12,422
1,964	123	2,087	Chief Executive	2,332	146	2,478
1,969	(985)	984	Other Services	1,858	(951)	907
40,592	1,168	41,760	Health and Social Care	39,753	1,073	40,826
(5,955)	12,921	6,966	Housing Revenue Account	(7,112)	7,387	275
171,817	36,951	208,768	**Cost Of Services**	169,969	42,511	212,480
(171,231)	(23,170)	(194,401)	Other Income and Expenditure	(167,874)	(18,371)	(186,245)
586	**13,781**	**14,367**	**(Surplus)/Deficit**	**2,095**	**24,140**	**26,235**
(26,641)			**Opening General Fund and HRA Balance**	(26,055)		
586			**(Surplus)/Deficit on General Fund and HRA Balance in Year**	2,095		
(26,055)			**Closing General Fund and HRA Balance at 31 March ***	**(23,960)**		

* A split of this balance between the General Fund and the HRA is shown on the Movement in Reserves Statement.

Note 7 Expenditure and Funding Analysis (continued)

Adjustments between the Funding and the Accounting Basis

2015/16

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	Note a	**Note b**	**Note c**	
	£000	**£000**	**£000**	**£000**
Educational and Integrated Children's Services	8,205	1,466	(44)	9,627
General Sevices Housing and Property Service	1,416	463	14	1,893
Direct Services	9,152	1,066	45	10,263
Development Services	92	276	(34)	334
Corporate Services	1,068	550	(11)	1,607
Chief Executive	8	115	-	123
Other Services	51	(1,036)	-	(985)
Health and Social Care	154	1,058	(44)	1,168
Housing Revenue Account	12,689	207	25	12,921
Net Cost of Services	32,835	4,165	(49)	36,951
Other Income and Expenditure	(26,276)	3,369	(263)	(23,170)
Difference between the General Fund (surplus) or deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	6,559	7,534	(312)	13,781

2016/17

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**
	Note a	**Note b**	**Note c**	
	£000	**£000**	**£000**	**£000**
Educational and Integrated Children's Services	18,441	1,148	280	19,869
General Sevices Housing and Property Service	1,210	364	(1)	1,573
Direct Services	10,704	818	69	11,591
Development Services	103	208	(6)	305
Corporate Services	1,066	459	(7)	1,518
Chief Executive	35	105	6	146
Other Services	25	(976)	-	(951)
Health and Social Care	261	836	(24)	1,073
Housing Revenue Account	7,275	109	3	7,387
Net Cost of Services	39,120	3,071	320	42,511
Other Income and Expenditure	(20,713)	3,193	(851)	(18,371)
Difference between the General Fund (surplus) or deficit and the Comprehensive Income and Expenditure Statement (Surplus) or Deficit on the Provision of Services	18,407	6,264	(531)	24,140

Note 7 Expenditure and Funding Analysis (continued)

a) Adjustments for Capital Purposes
This column adds in depreciation and impairment and revaluation gains and losses in the services line.

Adjustments to Other Income and Expenditure reflect:

Other Operating Expenditure - capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets and the movement on revaluation of held for sale assets.

Financing and Investment Income and Expenditure - the removal of statutory charges for capital financing i.e. loans pool principal charges are deducted from Other Income and Expenditure. These amounts are not chargeable under generally accepted accounting practice.

Taxation and Non-Specific Grant Income - capital grants adjustments whereby income is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

b) Net Change for the Pensions Adjustments
This column reflects the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related income and expenditure.

For **Services** this reflects the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and Investment Income and Expenditure** the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

c) Other Differences
This column adjusts for differences between the amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable recognised under statute.

For **Services** this reconciles the impact of accruals for accumulating compensated absences, e.g. holiday pay as required by IAS 19 Employee Benefits, to the salaries actually payable in the financial year in accordance with statute.

For **Financing and Investment Income and Expenditure** the entry recognises adjustments to the General Fund for the timing differences for premiums and discounts.

Note 8 Expenditure and Income Analysed by Segment and Nature

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

Income and Expenditure 2015/16 Restated

	Educational & Integrated Children's Services	General Services Housing & Property Services	Direct Services	Development Services	Corporate Services	Chief Executive	Other Services	Health & Social Care	Housing Revenue Account	Costs not included in a Service	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
Employee expenses	68,274	8,173	18,876	4,341	10,176	1,820	32	18,709	2,379	3,369	**136,149**
Other service expenses	28,984	9,428	19,896	2,127	20,283	443	1,063	33,937	8,655	-	**124,816**
Depreciation, amortisation and impairment	8,205	1,416	9,152	92	1,068	8	51	154	12,689	328	**33,163**
Interest Payments	-	-	-	-	-	-	-	-	-	11,789	**11,789**
Loss on Disposal of Non Current Assets	-	-	-	-	-	-	-	-	-	6,141	**6,141**
Total Expenditure	**105,463**	**19,017**	**47,924**	**6,560**	**31,527**	**2,271**	**1,146**	**52,800**	**23,723**	**21,627**	**312,058**
Fees, charges & other service income	(2,629)	(11,758)	(13,776)	(1,840)	(18,398)	(161)	(162)	(10,650)	(16,757)	-	**(76,131)**
Interest and investment income	-	-	-	-	-	-	-	-	-	(256)	**(256)**
Income from council tax	-	-	-	-	-	-	-	-	-	(35,447)	**(35,447)**
Government grants and contributions	(1,912)	(2,071)	(179)	(300)	(657)	(23)	-	(390)	-	(180,325)	**(185,857)**
Total Income	**(4,541)**	**(13,829)**	**(13,955)**	**(2,140)**	**(19,055)**	**(184)**	**(162)**	**(11,040)**	**(16,757)**	**(216,028)**	**(297,691)**
Net Expenditure	**100,922**	**5,188**	**33,969**	**4,420**	**12,472**	**2,087**	**984**	**41,760**	**6,966**		
(Surplus) or deficit on the provision of sevices											**14,367**

Income and Expenditure 2016/17

	Educational & Integrated Children's Services £000	General Services Housing & Property Services £000	Direct Services £000	Development Services £000	Corporate Services £000	Chief Executive £000	Other Services £000	Health & Social Care £000	Housing Revenue Account £000	Costs not included in a Service £000	**Total £000**
Employee expenses	69,794	8,600	19,140	4,458	9,931	2,253	66	19,464	2,415	3,193	**139,314**
Other service expenses	28,072	9,036	20,064	1,801	20,689	434	930	75,741	8,535	-	**165,302**
Depreciation, amortisation and impairment	18,441	1,210	10,703	103	1,066	35	25	261	7,275	14	**39,133**
Interest Payments	-	-	-	-	-	-	-	-	-	11,830	**11,830**
Loss on Disposal of Non Current Assets	-	-	-	-	-	-	-	-	-	3,590	**3,590**
Total Expenditure	**116,307**	**18,846**	**49,907**	**6,362**	**31,686**	**2,722**	**1,021**	**95,466**	**18,225**	**18,627**	**359,169**
Fees, charges & other service income	(2,549)	(12,978)	(14,741)	(1,653)	(18,498)	(186)	(114)	(54,375)	(17,950)	-	**(123,044)**
Interest and investment income	-	-	-	-	-	-	-	-	-	(169)	**(169)**
Income from council tax	-	-	-	-	-	-	-	-	-	(36,342)	**(36,342)**
Government grants and contributions	(1,744)	(1,535)	(77)	(573)	(766)	(58)	-	(265)	-	(168,361)	**(173,379)**
Total Income	**(4,293)**	**(14,513)**	**(14,818)**	**(2,226)**	**(19,264)**	**(244)**	**(114)**	**(54,640)**	**(17,950)**	**(204,872)**	**(332,934)**
Net Expenditure	**112,014**	**4,333**	**35,089**	**4,136**	**12,422**	**2,478**	**907**	**40,826**	**275**		
(Surplus) or deficit on the provision of sevices											**26,235**

Note 9 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.

2015/16 Restated	Usable Reserves					
	General Fund	HRA	Revenue Statutory Funds	Capital Receipts Reserve	Capital Grants Unapplied	Capital Fund
	£000	**£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)	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	-	-	-	-
Transfer of Interest earned on Statutory Revenue Funds from General Fund/HRA	(9)	(9)	18	-	-	-
Council tax collected transferable to the HRA under statute	(437)	437	-	-	-	-
Total Adjustment to Revenue Resources	17,136	12,086	18	-	-	-
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 (tranferred from revenue to Capital Reserves)	(1)	(3)	-	3	1	-
Council tax collected transferable to the HRA under statute, not used in year (transferred tio 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	6,332	7,449	18	3	1	(72)

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2016/17

	Usable Reserves					
	General Fund	HRA	Revenue Statutory Funds	Capital Receipts Reserve	Capital Grants Unapplied	Capital Fund
	£000	**£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)	6,073	191	-	-	-	-
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(213)	(98)	-	-	-	-
Holiday pay (transferred to the Employee Statutory Adjustment Account)	317	3	-	-	-	-
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)	28,697	6,178	-	-	-	-
Transfer of Interest earned on Statutory Revenue Funds from General Fund/HRA	(6)	(6)	12	-	-	-
Council tax collected transferable to the HRA under statute	-	-	-	-	-	-
Total Adjustment to Revenue Resources	34,868	6,268	12	-	-	-
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(929)	(2,650)	-	3,579	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(7,780)	(800)	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(672)	(3,637)	-	-	-	-
Interest earned on Capital Reserves (tranferred from revenue to Capital Reserves)	-	(2)	-	2	-	-
Council tax collected transferable to the HRA under statute, not used in year (transferred to Capital Fund)	(526)	-	-	-	-	526
Total Adjustments between Revenue and Capital Resources	(9,907)	(7,089)	-	3,581	-	526
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	(2,613)	-	-
Total Adjustments to Capital Resources	-	-	-	(2,613)	-	-
Total Adjustments	24,961	(821)	12	968	-	526

Note 10 Transfers to/from Revenue 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 Revenue Statutory Funds to provide financing for future expenditure plans and the amounts posted back from Revenue Statutory Funds to meet General Fund and HRA expenditure in 2016/17.

Revenue Statutory Funds

	Repairs & Renewals Fund	Insurance Fund	Total
	£000	£000	£000
Balance at 1 April 2015	2,663	1,373	4,036
Transfers In 2015/16	12	6	18
Balance at 31 March 2016	2,675	1,379	4,054
Transfers In 2016/17	8	4	12
Balance at 31 March 2017	2,683	1,383	4,066

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 1 April 2015	23,730	1,026	168	120	25,044
Transfers Out 2015/16	-	(454)	(45)	-	(499)
Transfers In 2015/16	102	-	-	66	168
Balance at 31 March 2016	23,832	572	123	186	24,713
Transfers Out 2016/17	(2,122)	-	(123)	(6)	(2,251)
Transfers In 2016/17	-	232	-	89	321
Balance at 31 March 2017	21,710	804	-	269	22,783

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 was 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 insurance premium discounts set aside to fund an insurance review. Other funds held include unspent monies to be used to upgrade/maintain Sanquhar Loch in Forres and a welfare fund, set up in 2016/17, to record unspent monies received from the Scottish Government to be used to provide individuals with assistance for short term need and community care.

Note 11 Other Operating Expenditure

	2015/16 £000	2016/17 £000
Movement on revaluation of held for sale assets recognised in the Provision of Services	86	-
Losses on disposal of non-current assets	6,055	3,590
	6,141	3,590

Note 12 Financing and Investment Income and Expenditure

	2015/16 £000	2016/17 £000
Interest payable and similar charges	11,789	11,830
Net interest on the net defined benefit liability	3,369	3,193
Interest receivable and similar income	(247)	(161)
Income & Expenditure in relation to investment properties	(9)	(8)
Movement on revaluation of Investment Property	328	14
	15,230	14,868

Note 13 Taxation and Non-Specific Grant Income

	2015/16 £000	2016/17 £000
Council tax income	35,447	36,342
Non domestic rates	36,926	35,735
Non-ring fenced Government grants	124,550	121,198
Capital grants and contributions	18,849	11,428
	215,772	204,703

Note 14 Property, Plant and Equipment

Comparative Movements 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 (decreases) recognised in the Revaluation Reserve	70,070	6,574	-	-	-	90	-	76,734
Revaluation increases/ (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)/ from 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)/ from 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**

Note 14 Property, Plant and Equipment (Continued)

Movement in 2016/17

	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 2016	263,321	331,329	40,342	258,169	856	2,324	14,269	910,610
Additions	4,665	17,946	6,048	13,007	-	-	7,558	49,224
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(2,713)	(1,607)	-	-	-	385	-	(3,935)
Revaluation (decreases) recognised in the Surplus on the Provision of Services	(1,042)	(11,764)	-	-	-	18	-	(12,788)
Derecognition – disposals	-	(2,398)	(3,011)	-	-	-	(83)	(5,492)
Assets reclassified (to)/ from Held for Sale	(3,286)	(2,095)	-	-	-	232	-	(5,149)
Other movements in cost or valuation	1,721	6,949	1,405	146	-	1,403	(11,321)	303
At 31 March 2017	**262,666**	**338,360**	**44,784**	**271,322**	**856**	**4,362**	**10,423**	**932,773**
Accumulated Depreciation and Impairment								
At 1 April 2016	6,070	34,412	26,670	34,972	309	55	-	102,488
Depreciation charge	6,107	10,712	3,560	7,388	20	44	-	27,831
Depreciation written out to the Revaluation Reserve	-	(3,419)	-	-	-	(20)	-	(3,439)
Depreciation written out to the Surplus on the Provision of Services	-	(1,534)	-	-	-	-	-	(1,534)
Derecognition – disposals	-	(174)	(2,763)	-	-	-	-	(2,937)
Assets reclassified (to)/ from Held for Sale	(75)	(50)	-	-	-	(4)	-	(129)
Other movements in depreciation and impairment	-	(7)	-	-	-	7	-	-
At 31 March 2017	**12,102**	**39,940**	**27,467**	**42,360**	**329**	**82**	**-**	**122,280**
Net Book Value								
at 31 March 2016	257,251	296,917	13,672	223,197	547	2,269	14,269	808,122
at 31 March 2017	250,564	298,420	17,317	228,962	527	4,280	10,423	810,493

Note 14 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 2017, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years budgeted to cost £5.197M. Similar commitments at 31 March 2016 were £7.729M. The major commitments are:

	2016/17 £000
HRA Council House New Build projects	5,197
	5,197

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	-	15,278	44,784	271,322	856	490	10,423	343,153
valued at current value as at:								
01 April 2016	1,171	60,472				2,153		63,796
01 April 2015	261,495	38,033	-	-	-	800	-	300,328
01 April 2014	-	24,626	-	-	-	197	-	24,823
01 April 2013	-	187,520	-	-	-	110	-	187,630
01 April 2012	-	12,431	-	-	-	612	-	13,043
Total cost or valuation	**262,666**	**338,360**	**44,784**	**271,322**	**856**	**4,362**	**10,423**	**932,773**

Note 15 Heritage Assets

This note details the movement in Heritage Assets during 2016/17.

	Modern Statues	Museums Collections	Total Heritage Assets
	£000	£000	£000
Valuation at 1 April 2015	-	903	903
Revaluations	-	-	-
At 31 March 2016	-	903	903
Valuation at 1 April 2016	-	903	903
Additions	102	-	102
Revaluations	-	-	-
At 31 March 2017	102	903	1,005

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.

Additions of Heritage Assets

During the year two statues were erected as part of the Castle to Cathedral to Cashmere project which aims, in part, to encourage economic development within the centre of Elgin.

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 2017**
Archive Material	circa	1,000,000
Monuments and Fountains		11
War Memorials		45

Note 16 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.

	2015/16 £000	2016/17 £000
Rental income from investment property	9	8
Net gain	9	8

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.

Note 16 Investment Property (continued)

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

	2015/16 £000	2016/17 £000
Balance at start of the year	3,843	3,550
Additions	35	-
Net gains/(losses) from fair value adjustments	(328)	(14)
Transfers to/from Property, Plant and Equipment	-	(303)
Balance at end of the year	3,550	3,233

Note 17 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 2016/17 of £0.241M (£0.234M 2015/16) 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:

Expected Useful Life	Licences £000
5 years	934

The carrying amount of licences is amortised on a straight line basis. The amortisation of £0.035M charged to revenue in 2016/17 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 2015/16).

The disposal of Carbon Reduction Allowances is recognised as the allowances are surrendered. The amounts surrendered in the year were £0.221M (£0.234M in 2015/16).

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

	2015/16 £000	2016/17 £000
Balance at start of year:		
Gross carrying amount	1,281	1,281
Accumulated amortisation	(878)	(954)
Net carrying amount at start of year	403	327
Purchases	234	241
Amortisation for the period	(76)	(35)
Disposals	(234)	(221)
Net carrying amount at end of year	327	312
Comprising:		
Gross carrying amounts	1,281	1,301
Accumulated amortisation	(954)	(989)
	327	312

Note 18 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	
	2015/16 £000	**2016/17 £000**	**2015/16 £000**	**2016/17 £000**
Debtors				
Loans and receivables	826	765	-	-
Financial assets carried at contract amounts	-	-	10,979	9,142
Total Debtors	826	765	10,979	9,142
Borrowings				
Financial liabilities at amortised cost	160,076	156,709	12,800	38,844
Total Borrowings	160,076	156,709	12,800	38,844
Other Long Term Liabilities				
Other long term liabilities	2,567	2,598	-	-
Finance lease liabilities	32,249	32,029	-	-
Total Other Long Term Liabilities	34,816	34,627	-	-
Creditors				
Financial liabilities carried at contract amount (including finance lease and PPP liabilities)	-	-	23,989	26,981
Total Creditors	-	-	23,989	26,981

Income, Expense, Gains and Losses

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

	2015/16			2016/17		
	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	11,705	-	11,705	11,501	-	11,501
Impairment losses	-	110	110	-	209	209
Total expense in Surplus or Deficit on the Provision of Services	11,705	110	11,815	11,501	209	11,710
Interest income	-	(247)	(247)	-	(162)	(162)
Total income in Surplus or Deficit on the Provision of Services	-	(247)	(247)	-	(162)	(162)
Net (gain)/loss for the year	11,705	(137)	11,568	11,501	47	11,548

Note 18 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:

	2015/16		2016/17	
Financial Assets	**Carrying Amount £000**	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Loans and receivables:				
Short term debtors	10,979	10,979	9,142	9,142
Long term debtors	826	826	765	765
Total	**11,805**	**11,805**	**9,907**	**9,907**

At 31 March 2017 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 (£9.632M) and the remaining balance being long term loans which have market rates of return.

	2015/16		2016/17	
Financial liabilities	**Carrying Amount £000**	**Fair Value £000**	**Carrying Amount £000**	**Fair Value £000**
Financial Liabilities held at amortised cost:-				
Short term Creditors	23,989	23,989	26,981	26,981
Short Term Borrowing	12,800	12,800	38,844	38,844
Other Long Term liabilities	2,567	2,567	2,598	2,598
Long term borrowing	160,076	241,627	156,709	227,009
PPP and Finance Lease liabilities	32,249	54,646	32,029	58,415
Total	**231,681**	**335,629**	**257,161**	**353,847**

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 £200.861M 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 £156.709M would be valued at £190.515M. 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 £221.223M.

Note 19 Inventories

2015/16	Balance outstanding at 1 April	Purchases	Recognised as an expense in the year	Balance outstanding at 31 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

2016/17	Balance outstanding at 1 April	Purchases	Recognised as an expense in the year	Balance outstanding at 31 March
	£000	£000	£000	£000
Building Services	194	645	(675)	164
Fleet Services	231	3,147	(3,181)	197
Road Maintenance	187	427	(405)	209
Other	159	1,370	(1,401)	128
Client Services Work in Progress	1	-	(1)	-
Total	772	5,589	(5,663)	698

Note 20 Short Term Debtors

	2015/16 £000	2016/17 £000
Central Government Bodies	3,821	3,558
Other Local Authorities	80	123
NHS Bodies	692	76
Public Corporations	2	4
Other entities and individuals	6,384	5,381
	10,979	9,142

Note 21 Assets Held for Sale

	Current Assets 2015/16 £000	Current Assets 2016/17 £000
Balance outstanding at 1 April	1,483	1,253
Assets newly classified as held for sale:		
Property, Plant and Equipment	1,209	5,736
Revaluation gains/(losses)	(86)	-
Assets declassified as held for sale:		
Property, Plant and Equipment	-	(716)
Assets sold	(1,353)	(4,393)
Balance outstanding at 31 March	1,253	1,880

Note 22 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

	2015/16	2016/17
	£000	£000
Cash Held by the Council	21	21
Bank Current/ Call Accounts	(4,294)	623
	(4,273)	644
Amounts Owed to Other Bodies	(5,691)	(5,987)
Total Cash & Cash Equivalents	(9,964)	(5,343)

Note 23 Short Term Creditors

	2015/16	2016/17
	£000	£000
Central government bodies	6,206	8,108
Other local authorities	2,322	1,639
NHS bodies	307	232
Public corporations and trading funds	322	335
Other entities and individuals	14,832	16,667
Total	23,989	26,981

Note 24 Provisions

	Equal Pay	Flood	Total
	£000	£000	£000
Balance as at 1 April 2016	156	-	156
Additional provision made in 2016/17	-	404	404
Balance as at 31 March 2017	156	404	560

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.

A provision has also been made in respect of a potential claim for compensation as a result of the ongoing flood alleviation works.

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

Note 25 Usable Reserves

The movements on the Usable Reserves are detailed in the Movement in Reserves Statement and in Notes 9 and 10. A summary of the Reserves is also shown on the Balance Sheet.

Note 26 Unusable Reserves

2015/16 £000		2016/17 £000
202,768	Revaluation Reserve	193,994
363,897	Capital Adjustment Account	352,802
(7,580)	Financial Instruments Adjustment Account	(7,269)
(5,068)	Employee Statutory Adjustment Account	(5,388)
(97,858)	Pensions Reserve	(162,150)
456,159	**Total Reserves**	**371,989**

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
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2015/16 £000		2016/17 £000	2016/17 £000
111,877	Balance at 1 April		202,768
100,743	Upward revaluation of assets	8,662	
(3,047)	Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(9,158)	
97,696	Surplus or deficit on revaluation on non-current assets not posted to the Surplus on the provision of Services		(496)
(5,014)	Difference between fair value depreciation and historical cost depreciation	(4,975)	
(1,791)	Accumulated gains on assets sold or scrapped	(3,303)	
(6,805)	Amount written off to the Capital Adjustment Account		(8,278)
202,768	Balance at 31 March		193,994

Note 26 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 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2015/16 £000		£000	2016/17 £000
363,651	Balance at 1 April		363,897
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(26,378)	Charges for depreciation and impairment of non-current assets	(27,831)	
(6,467)	Revaluation losses on Property, Plant and Equipment	(11,254)	
(76)	Amortisation of Intangible Assets	(35)	
(7,668)	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	(7,169)	
(40,589)			(46,289)
6,805	Adjusting amounts written out of the Revaluation Reserve		8,278
(33,784)	Net written out amount of the cost of non-current assets consumed in the year		(38,011)
	Capital financing applied in the year:		
1,613	Use of the Capital Receipts Reserve to finance new capital expenditure	2,613	
18,849	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	11,428	
-	Application of grants to capital financing from the Capital Grants Unapplied Account	-	
10,721	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	8,580	
3,175	Capital expenditure charged against the General Fund and HRA balances	4,309	
34,358			26,930
(328)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(14)
363,897	Balance 31 March		352,802

Note 26 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 as outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2017 will be charged to the General Fund over the next 36 years.

2015/16 £000		2016/17 £000
(7,893)	Balance at 1 April	(7,580)
309	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	310
4	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	1
(7,580)	Balance at 31 March	(7,269)

Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2015/16 £000		£000	2016/17 £000
(5,117)	Balance at 1 April		(5,068)
5,117	Settlement or cancellation of accrual made at the end of the preceding year	5,068	
(5,068)	Amounts accrued at the end of the current year	(5,388)	
49	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		(320)
(5,068)	Balance at 31 March		(5,388)

Note 26 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.

2015/16		2016/17
£000		£000
(111,740)	Balance at 1 April	(97,858)
21,416	Remeasurements (liabilities & assets)	(58,028)
(20,172)	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	(19,332)
12,638	Employer's pensions contributions and direct payments to pensioners payable in the year	13,068
(97,858)	Balance at 31 March	(162,150)

Note 27 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2015/16 £000	2016/17 £000
Interest Received	(246)	(246)
Interest Paid	11,813	11,771

Note 28 Cash Flow Statement - Investing Activities

	2015/16 £000	2016/17 £000
Purchase of property, plant and equipment, investments, property and intangible assets	45,337	49,643
Other payments for investing activities	69	135
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,613)	(3,579)
Other receipts from investing activities	(20,417)	(11,678)
Net cash flows from investing activities	23,376	34,521

Note 29 Cash Flow Statement - Financing Activities

	2015/16 £000	2016/17 £000
Cash receipts of short-term and long-term borrowing	(21,000)	(35,200)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	600	677
Repayment of short and long-term borrowing	15,023	12,538
Other payments/(receipts) for financing activities	(2,028)	(1,893)
Net cash flows from financing activities	(7,405)	(23,878)

Note 30 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:-

	2015/16 £000	2016/17 £000
Fees payable in respect of external audit services carried out by the appointed auditor for the year.		
Audit fee	235	230
Total	**235**	**230**

Note 31 Grant Income and Contributions

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17

	2015/16 £000	2016/17 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	124,550	121,198
National non domestic rates	36,926	35,735
Capital Grant and Contributions	18,849	11,428
Total	**180,325**	**168,361**
Credited to services		
Housing Benefits	16,558	16,818
Private Sector Housing Grant	463	341
Other Grants	5,747	5,201
Contributions		
Integration Joint Board	-	49,421
Other Contribution	605	616
NHS Grampian	5,750	442
Donations	3	29
Total	**29,126**	**72,868**

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:

	2015/16 £000	2016/17 £000
Grants received in Advance		
Capital Grants	2,312	2,341
Other Grants	997	660
Total	**3,309**	**3,001**

Note 32 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 2016/17 was as follows:

	2015/16	2016/17
	£000	£000
Revenue Support Grant and Non Domestic Rate income	161,476	156,933
Scottish Government Grants	21,939	21,987

Government grants and contributions are included in note 31. 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 2016/17 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, funds various projects in partnership with the Council.

	£000	£000
Funding received amounted to	5,750	442

The amount receivable and included in debtors at 31 March 2017 was £0.580M (£0.692M at 31 March 2016).

Transactions with the Integration Joint Board in connection with Health & Social Care services were:

	£000	£000
Funding from the Integration Joint Board	-	49,421
Contribution to the Integration Joint Board	-	41,252

The amount payable and included in creditors at 31 March 2017 was £0.797M (£nil at 31 March 2016)

	£000	£000
European Union Funding received	151	10

The amount receivable and included in debtors at 31 March 2017 was £nil (£0.931M at 31 March 2016).

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	583	645

The amount receivable and included in debtors at 31 March 2017 is £nil (£nil at 31 March 2016).

The Council provided material financial assistance to the following body:

	£000	£000
Moray Leisure Limited	1,045	826

The Council participates in the following partnerships:

The Highlands and Islands Transport Partnership - contribution	46	46
Scotland Excel - contribution	66	71
SEEMIS Group LLP - contribution	77	67
Northern Community Justice Authority - receipt	850	860

Note 33 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 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.

	2015/16 £000	**2016/17 £000**
Opening Capital Financing Requirement	235,679	247,491
Capital Investment:		
Property, Plant and Equipment (incl. Held for Sale)	45,936	49,224
Intangible Assets	234	241
Heritage Assets	-	102
Sources of finance:		
Capital receipts	(1,613)	(2,613)
Government grants and other contributions	(18,849)	(11,428)
Sum set aside from revenue:		
Direct revenue contributions	(3,175)	(4,309)
Loans fund principal	(10,721)	(8,580)
Closing Capital Financing Requirement	247,491	270,128

	2015/16 £000	**2016/17 £000**
Explanations of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	11,812	22,051
Assets acquired under finance leases	-	586
Increase in Capital Financing Requirement	11,812	22,637

Note 34 Leases

Council as Lessee

Finance Leases

The council leases office equipment under finance leases, accounted for as part of Property, Plant and Equipment.
The net carrying amount of these assets at 31 March is as follows:-

	2015/16 £000	2016/17 £000
Machinery, Plant, Vehicles & Equipment	-	469

Outstanding obligations under finance leases at 31 March 2016 :

	Minimum Lease Payments £000	less Future Interest Charges £000	Present Value of Minimum Lease Payments £000
Not later than one year	-	-	-
Later than one year and not later than five years	-	-	-
Total	-	-	-

Outstanding obligations under finance leases at 31 March 2017 :

	Minimum Lease Payments £000	less Future Interest Charges £000	Present Value of Minimum Lease Payments £000
Not later than one year	135	(23)	112
Later than one year and not later than five years	473	(42)	431
Total	608	(65)	543

Operating Leases

The Council rents land and buildings under the terms of operating leases.
The Council had a short term rental agreement for photocopiers, this expired on 31st December 2016.
The future minimum lease payments due under non-cancellable leases in future years are:-

	2015/16 £000	2016/17 £000
Not later than one year	216	140
Later than one year and not later than five years	277	250
Later than five years	1,317	1,244
	1,810	1,634

The future minimum sublease payments expected to be received by the Council are £0.146M (£0.159M in 2015/16).

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to minimum lease payments was £0.210M (£0.241M in 2015/16).

Note 34 Leases (continued)

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:-

	2015/16	2016/17
	£000	£000
Not later than one year	849	938
Later than one year and not later than five years	2,504	2,672
Later than five years	27,064	28,340
	30,417	31,950

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:

	2015/16	2016/17
	£000	£000
Cost or valuation		
At 1 April	42,828	42,874
Additions	46	1
At 31 March	42,874	42,875
Accumulated Depreciation		
At 1 April	4,046	6,089
Depreciation charge	2,043	2,043
At 31 March	6,089	8,132
Net Book Value	36,785	34,743

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:

	2015/16	**2016/17**
	£000	**£000**
Balance outstanding at start of year	33,483	32,883
Payments during the year	(600)	(634)
Balance outstanding at year-end	32,883	32,249

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 2017 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services	**Reimbursement of Capital Expenditure**	**Interest**	**Total**
	£000	**£000**	**£000**	**£000**
Payable in 2017/18	924	651	2,704	4,279
Payable within 2 to 5 years	3,697	2,733	10,267	16,697
Payable within 6 to 10 years	4,622	3,224	11,554	19,400
Payable within 11 to 15 years	4,622	5,344	9,928	19,894
Payable within 16 to 20 years	4,622	7,904	7,254	19,780
Payable within 21 to 25 years	4,612	12,393	3,336	20,341
Total	23,099	32,249	45,043	100,391

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 2017, the Council's own contributions equate to approximately 1.30%.

In 2016/17 the amount payable to the Scottish Government in respect of teachers' retirement benefits was £5.838M of which £0.757M was outstanding at 31 March 2017. The amount payable represents 17.2% of pensionable pay. In 2015/16 the amounts payable were £5.525M of which £0.746M was outstanding at 31 March 2016. The contribution rate was 14.9% of pensionable pay from 1 April to 31 August 2015 and 17.2% of pensionable pay from 1 September 2015 to 31 March 2016.

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 is a 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 assest over a period of time.

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 Advistory 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.

Note 37 Defined Benefit Pension Schemes (continued)

Participation in Pension Schemes (continued)

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**	
	2015/16 £000	**2016/17 £000**	**2015/16 £000**	**2016/17 £000**
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current Service Cost	16,563	15,862	-	-
Past Service Cost	-	27	-	-
Administration Expenses	240	250	-	-
	16,803	16,139	-	-
Financing and Investment Income and Expenditure				
Net Interest Expense	2,848	2,658	521	535
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	19,651	18,797	521	535

Note 37 Defined Benefit Pension Schemes (continued)

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £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	4,667	(71,118)	-	-
Actuarial gains and losses arising on changes in financial assumptions	(25,543)	126,944	(540)	2,327
Other	-	-	-	(125)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(1,225)	74,623	(19)	2,737
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	(19,651)	(18,797)	(521)	(535)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	11,602	12,065		
Retirement benefits payable to pensioners			1,036	1,003

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.

Past Service Cost: The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

Net Interest on the Net Defined 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	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Present value of the defined benefit obligation	(479,414)	(630,686)	(15,890)	(17,624)
Fair value of plan assets	397,446	486,160	-	-
Net liability arising from defined benefit obligation	(81,968)	(144,526)	(15,890)	(17,624)

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

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Opening balance at 1 April	482,964	479,414	16,945	15,890
Current service cost	16,563	15,862	-	-
Interest cost	15,297	16,636	521	535
Contributions from scheme participants	3,634	3,756	-	-
Remeasurement gains and (losses):				
Actuarial gains/(losses) arising from changes in financial assumptions	(25,543)	126,944	(540)	2,327
Other	-	-	-	(125)
Past Service cost	-	27	-	-
Gains on curtailment	-	-	-	-
Benefits paid	(13,501)	(11,953)	(1,036)	(1,003)
Closing balance at 31 March	479,414	630,686	15,890	17,624

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

	Local Government Pension Scheme		Discretionary Benefits	
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Opening fair value of scheme assets	388,169	397,446	-	-
Interest Income	12,449	13,978	-	-
Remeasurement gains:				
The return on plan asset, excluding the amount in the net interest expense	(4,667)	71,118	-	-
Contributions from employer	11,602	12,065	1,036	1,003
Contributions from employees into the scheme	3,634	3,756	-	-
Benefits paid	(13,501)	(11,953)	(1,036)	(1,003)
Other - administration expenses	(240)	(250)	-	-
Closing fair value of scheme assets	397,446	486,160	-	-

Note 37 Defined Benefit Pension Schemes (continued)

Local Government Pension Scheme assets comprised:

Fair value of scheme assets

31 March 2016	**Quoted Prices in Active Markets £000**	**Prices not Quoted in Active Markets £000**	**Total £000**
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

31 March 2017	**Quoted Prices in Active Markets £000**	**Prices not Quoted in Active Markets £000**	**Total £000**
U.K Equities	167,486	-	167,486
Overseas Equities	163,252	-	163,252
U.K Government Bonds	37,920	-	37,920
Other Government Bonds	16,043	-	16,043
Other U.K Bonds	1,458	-	1,458
Other non U.K Bonds	6,320	-	6,320
Property	-	34,031	34,031
Private Equity	-	50,560	50,560
Global Infrastructure	-	1,312	1,312
Cash Instruments	-	7,778	7,778
Total Assets	392,479	93,681	486,160

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 2017.

The significant assumptions used by the actuary have been:	**Local Government Pension Scheme**		**Unfunded Liabilities Discretionary Benefits**	
	2015/16	**2016/17**	**2015/16**	**2016/17**
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.1	22.2	22.2	24.8
Women	24.7	24.8	24.8	24.9
Longevity at 65 for future pensioners:				
Men	24.4	24.5		
Women	27.6	27.8		
Rate of inflation	2.00%	2.30%	2.00%	2.30%
Rate of increase in salaries	3.50%	3.80%	3.50%	3.80%
Rate of increase in pensions	2.00%	2.30%	2.00%	2.30%
Rate for discounting scheme liabilities	3.50%	2.50%	3.40%	2.50%

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	Decrease in Assumption
	£000	**£000**
Longevity (increase or decrease in 1 year)	12,625	(12,625)
Rate of inflation (increase or decrease by 0.1%)	11,146	(11,146)
Rate of increase in salaries (increase or decrease by 0.1%)	2,856	(2,856)
Rate of increase in pensions (increase or decrease by 0.1%)	13,679	(13,679)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(11,005)	11,005

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. The Fund, however, 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 2017, with March 2016 in in brackets were: equities, including alternatives 78.7% (77.5%), bonds 12.7% (13.3%), property 7.0% (8.5%) and cash 1.6% (0.7%).

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 at 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 2018 is £12.048M. Expected contributions for the Discretionary Benefits in the year to 31 March 2018 is £0.954M

The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2017 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 Risks 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-tem lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks, building societies and Money Market Funds whose credit rating 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 2017 are detailed below.

Financial asset category	Criteria
Banks	Long-Term BBB+
Building Societies	Long-Term BBB+
Money Market Funds	Long-Term AAAmmf (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 Risks 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 2016 £000	Amounts at 31 March 2017 £000	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2017 %	Estimated maximum exposure to default and uncollectability 2017 £000
Customers	714	2,757	28.57	28.57	788
Total	714	2,757			788

Debtors

The Council does not generally allow credit for customers. As a result, £2.572M of the £2.757M balance is past its due date for payment (2015/16 £2.485M). The past due, but not impaired amount can be analysed by age as follows:

	2015/16 £000	2016/17 £000
Less than six months	1,346	1,332
Six months to one year	361	413
More than one year	778	827
Total	2,485	2,572

The impairments made analysed by age are as follows:

	2015/16 £000	2016/17 £000
Less than six months	-	-
Six months to one year	181	207
More than one year	778	827
Total	959	1,034

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 25.43% 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 Risks Arising From Financial Instruments (continued)

Liquidity Risk (continued)

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

	2015/16 £000	Average Rate	2016/17 £000	Average Rate
Repayment less than 1 year	3,541	2.11%	3,566	2.11%
Repayment between 1 and 2 years	3,541	2.11%	3,566	2.11%
Repayment between 2 and 5 years	12,570	3.42%	14,120	3.61%
Repayment between 5 and 10 years	19,687	3.69%	15,279	3.85%
Repayment between 10 and 15 years	9,156	6.17%	12,222	6.93%
Repayment in more than 15 years	114,616	5.63%	111,016	5.54%
	163,111		159,769	

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 2016/17 the Council did take out several variable rate temporary borrowing loans.

According to this assessment strategy, at 31 March 2017, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2015/16 £000	2016/17 £000
Increase in interest payable on variable rate borrowing	26	122
Impact on Comprehensive Income and Expenditure Account	26	122

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 Risks 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 2017 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.

2015/16 £000		2016/17 £000
	Income	
(16,174)	Dwelling Rents	(17,159)
(165)	Non Dwelling Rents	(181)
-	Transfer from Integrated Joint Board	(469)
(418)	Other Income	(141)
(16,757)	**Total Income**	**(17,950)**
	Expenditure	
3,940	Supervision & Management	3,936
6,942	Repairs & Maintenance	6,333
88	Bad & Doubtful Debts	155
6,483	Depreciation and Impairment of Non-Current Assets	6,233
6,206	Revaluation losses on Non-Current Assets	1,042
-	Transfer to Integrated Joint Board	469
43	HRA Share of Corporate and Democratic Core costs	46
21	Other Expenditure	11
23,723	**Total Expenditure**	**18,225**
6,966	**Net Cost of HRA Services**	**275**
86	Revaluation of held for sale assets	-
136	(Gain)/loss on sale of HRA Non-Current Assets	142
2,874	Interest Payable and Similar Charges	2,761
(40)	Interest and Investment Income	(27)
128	Net interest on the net defined benefit liability	82
(2,446)	Capital grants and contributions receivable	(3,889)
7,704	**(Surplus)/Deficit for the Year on HRA Services**	**(656)**

Movement on the Housing Revenue Account Statement

2015/16 £000		2016/17 £000
7,704	**(Surplus)/Deficit for the Year on the HRA Income and Expenditure Account**	(656)
	Adjustments between accounting basis and funding basis under regulations	
102	Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with statute	98
(136)	Net gain or loss on sale of HRA non-current assets	(142)
3,175	Capital expenditure funded by the Housing Revenue Account	3,637
	Transfers to/from the Capital Adjustment Account:	
(6,483)	Depreciation and Impairment of Non-Current Assets	(6,233)
(6,292)	Revaluation losses on Non-Current Assets	(1,042)
687	Loans fund principal repayments	800
2,446	Capital Grants applied	3,889
1,203	**Net decrease before transfers to/(from) reserves**	351
	Transfers to/(from) reserves	
12	IORB and Statutory Funds	8
(600)	Transfers from the General Fund as directed by the Minister	-
(335)	HRA share of contributions (from) the Pensions Reserve	(191)
(25)	Employee Statutory Adjustment Account	(3)
(948)		(186)
255	**Decrease in the year on the HRA**	165
(1,597)	**Housing Revenue Account Balance Brought Forward**	(1,342)
(1,342)	**Housing Revenue Account Balance Carried Forward**	**(1,177)**

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:-

		2015/16	2016/17
		Number of dwellings	Number of dwellings
Bedsit	Houses & bungalows	20	20
	Flats & Maisonettes	25	25
1 bedroom	Houses & bungalows	1,081	1,079
	Flats & Maisonettes	597	595
2 bedroom	Houses & bungalows	2,177	2,161
	Flats & Maisonettes	690	688
3 bedroom	Houses & bungalows	1,232	1,206
	Flats & Maisonettes	99	99
4 or more bedroomed	Houses & bungalows	130	132
	Total	6,051	6,005

2. Rent Arrears

The total rent arrears, including rents outstanding from former tenants, as at 31 March 2017 was £0.363M which is 2.11% of gross rental income. This is equivalent to £60.38 per house (2015/16 £0.339M, 2.10%, £56.02).

3. Bad Debt Provision

The provision for uncollectable debts has increased by £0.037M (Decrease in 2015/16 £0.047M). The total provision for uncollectable debts including rechargeable repairs is £0.269M (2015/16 £0.232M).

4. Voids

The loss of rental on void properties for the year was £0.098M (2015/16 £0.094M).

Council Tax 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.

2015/16 £000			2016/17 £000
47,061	**Council Tax Levied and Contributions in Lieu**		47,521
(3,638)	Deduct:	Local Council Tax Reduction Scheme	(3,604)
(6,805)		Other discounts and reductions	(6,980)
(1,101)		Write offs of uncollectable debts & allowance for impairment	(525)
35,517		**Total for Year**	36,412
(70)		Council Tax adjustment in respect of prior years	(70)
35,447	**Transfers to General Fund**		36,342

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 2016/17 Moray Council collected £0.5m (£0.4m in 2015/16) from the implementation of this new policy. This amount is included in the figures above.

Council Tax/Community Charge Income Account (continued)

Calculation of Council Tax Base
Number of Dwellings

	Number of Dwellings	Number of Exemptions/ Reliefs	Discounts 25%	Discounts Other	Total Equivalent Dwellings	Ratio to Band D	Band D Equivalent
Band A	11,994	741	1,502	192	9,559	6/9	6,368
Band B	10,512	473	989	215	8,835	7/9	6,872
Band C	6,693	414	507	110	5,662	8/9	5,033
Band D	6,314	474	393	108	5,339	9/9	5,339
Band E	5,770	227	276	97	5,170	11/9	6,319
Band F	2,076	57	68	37	1,914	13/9	2,765
Band G	630	23	20	16	571	15/9	952
Band H	107	55	1	5	46	18/9	92
	44,096	2,464	3,756	780	37,096		33,740
			Add: Contributions in Lieu				969
			Less: Provision for non-collection				694
			Council Tax Base 2016/17				**34,015**

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 2016/17, the charges for each band were as follows:

Band	£ Property Value	Number of Properties	£ Council Tax Charge
A	Up to 27,000	9,559	756.67
B	27,000 - 35,000	8,835	882.78
C	35,001 - 45,000	5,662	1,008.89
D	45,001 - 58,000	5,339	1,135.00
E	58,001 - 80,000	5,170	1,387.22
F	80,001 - 106,000	1,914	1,639.44
G	106,001 - 212,000	571	1,891.67
H	Above 212,000	46	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 2016/17 the rate poundage was 48.4p (48.0p in 2015/16). Properties with a rateable value of more than £0.035M attract a Large Business Supplemental of 2.6p (1.3p in 2015/16).

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 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.

2015/16 £000		2016/17 £000
43,497	**Gross Rates Levied**	45,574
	Deduct:	
(7,332)	Reliefs and other deductions	(6,818)
36,165	**Net Non-Domestic Rate Income**	38,756
(620)	Adjustments to previous years' National Non Domestic Rates	(11)
35,545		38,745
(137)	Business Rates Incentivisation Scheme (BRIS) retention	(153)
1,381	Contribution (to)/from National Pooling	(3,010)
36,789	**Guaranteed Rate Income**	**35,582**
137	**BRIS retention**	153
36,926	**Amount credited to the Comprehensive Income and Expenditure Account**	**35,735**

Non-Domestic Rate Income Account (continued)

Analysis of Rateable Values & Numbers of Subjects at 1 April 2016

	Number of Subjects	2016/17 Rateable Value £000
Shops	917	17,706
Public Houses	60	803
Offices (including Banks)	473	5,105
Hotels, Boarding Houses, etc.	107	1,938
Industrial & Freight Transport Subjects	1,183	35,510
Leisure, Entertainment Caravans and Holiday Sites	1,550	2,769
Garages and Petrol Stations	122	1,024
Cultural	20	162
Sporting Subjects	149	106
Education & Training	61	6,622
Public Service Subjects	471	9,961
Communications (Non-Formula)	181	1,280
Quarries, Mines etc.	33	274
Petrochemical	5	773
Religious	160	1,021
Health Medical	57	2,340
Other	428	580
Care Facilities	53	1,678
Advertising	28	24
Undertaking	2,928	755
	8,986	90,431

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

GROUP ACCOUNTS

Group Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost for the year ended 31 March 2017, of providing services in accordance with generall 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 .

31 March 2016 Restated				31 March 2017		
£000 Expenditure	**£000 Income**	**£000 Net**		**£000 Expenditure**	**£000 Income**	**£000 Net**
105,543	(4,541)	101,002	Educational & Integrated Children's Services	116,392	(4,293)	112,099
19,017	(13,829)	5,188	General Services Housing & Property Service	18,846	(14,513)	4,333
47,979	(13,955)	34,024	Direct Services	49,953	(14,818)	35,135
6,560	(2,140)	4,420	Development Services	6,362	(2,226)	4,136
31,527	(19,055)	12,472	Corporate Services	31,686	(19,264)	12,422
2,271	(184)	2,087	Chief Executive	2,722	(244)	2,478
1,908	(169)	1,739	Other Services	1,517	(114)	1,403
52,860	(11,040)	41,820	Health & Social Care	95,527	(54,640)	40,887
23,723	(16,757)	6,966	Housing Revenue Account	18,225	(17,950)	275
291,388	(81,670)	209,718	**Cost Of Services**	341,230	(128,062)	213,168
		6,125	Other Operating Expenditure (Note 6)			3,658
		14,840	Financing and Investment Income and Expenditure (Note 7)			18,880
		(215,772)	Taxation and Non-Specific Grant Income			(204,760)
		14,911	**(Surplus)/Deficit on Provision of Services**			**30,946**
		65	Associates accounted for on an equity basis			(1,346)
		14,976	**Group (Surplus)/Deficit carried forward**			**29,600**
		(100,414)	(Surplus) on revaluation of fixed assets			(1,439)
		157	(Surplus)/Deficit on revaluation of available for sale financial assets			(421)
		(21,416)	Actuarial (gains) / losses on pension assets / liabilities			58,028
		(192)	Share of other Comprehensive (Income) and Expenditure of Associates			414
		(121,865)	**Other Comprehensive (Income)/Expenditure**			**56,582**
		(106,889)	**Total Comprehensive (Income)/Expenditure**			**86,182**

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 Statement shows how the movements in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory amounts required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase or Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	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**
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 Reserves 2015/16												
Total Comprehensive Expenditure and Income	(6,663)	(7,704)	-	-	-	-	(14,367)	119,112	**104,745**	**2,017**	**127**	**106,889**
Adjustments between accounting basis & funding basis under regulations	6,332	7,449	3	1	(72)	18	13,731	(13,731)	**-**	**-**	**-**	**-**
										-	**-**	**-**
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**
<u>Note</u>												
Minority Interest										431		431
Total Reserves as per Balance Sheet										**31,365**		**518,083**

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**
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**
Movement in Reserves 2016/17												
Total Comprehensive Expenditure and Income	(26,891)	656	-	-	-	-	(26,235)	(58,524)	**(84,759)**	**(2,355)**	**932**	**(86,182)**
Adjustments between accounting basis & funding basis under regulations	24,961	(821)	968	-	526	12	25,646	(25,646)	**-**	**-**	**-**	**-**
Increase / (Decrease) in Year	**(1,930)**	**(165)**	**968**	**-**	**526**	**12**	**(589)**	**(84,170)**	**(84,759)**	**(2,355)**	**932**	**(86,182)**
Balance at 31 March 2017	**22,783**	**1,177**	**1,613**	**69**	**617**	**4,066**	**30,325**	**371,989**	**402,314**	**28,579**	**577**	**431,470**

Note

	Authority's Share of Subsidiaries Reserves	Total Group Reserves
Minority Interest	499	499
Total Reserves as per Balance Sheet	**29,078**	**431,969**

Group Balance Sheet as at 31 March 2017

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 2016 £000		**Notes**	**Group 31 March 2017 £000**
823,090	Property, Plant & Equipment	8	826,889
1,107	Heritage Assets		1,209
12,325	Investment Property	9	7,750
327	Intangible Assets		312
2,252	Long Term Investments		2,673
166	Investments in Associates	13	1,557
826	Long Term Debtors		765
840,093	**Long Term Assets**		841,155
773	Inventories		699
10,985	Short Term Debtors	10	9,154
1,253	Assets held for sale		1,880
13,011	**Current Assets**		11,733
(4,755)	Cash and Cash Equivalents	11	(54)
(12,800)	Short Term Borrowing		(38,844)
(24,039)	Short Term Creditors	12	(26,995)
(41,594)	**Current Liabilities**		(65,893)
(156)	Provisions		(560)
(160,076)	Long Term Borrowing		(156,709)
(34,816)	Other Long Term Liabilities		(34,627)
(97,858)	Pension Liability		(162,150)
(521)	Liabilities in Associates	13	(980)
(293,427)	**Long Term Liabilities**		(355,026)
518,083	**Net Assets**		**431,969**

Group Balance Sheet as at 31 March 2017 (continued)

Group 31 March 2016 £000		Notes	Group 31 March 2017 £000
39,840	General Fund Revenue Reserve	14	33,335
1,342	HRA		1,177
645	Capital Receipts Reserve		1,613
69	Unapplied Capital Grants		69
91	Capital Fund		617
4,054	Revenues Statutory Funds		4,066
46,041	**Usable Reserves**		**40,877**
217,535	Revaluation Reserve	15	210,560
363,971	Capital Adjustment Account	15	352,876
(7,580)	Financial Instruments Adj Account	15	(7,269)
(5,068)	Accumulated Absences Account	15	(5,388)
966	Available for Sale Fin Ins Reserve	15	1,387
(97,858)	Pensions Reserve	15	(162,150)
471,966	**Unusable Reserves**		**390,016**
(355)	Share of Associates Reserves	16	577
431	Minority Interest		499
518,083	**Total Reserves**		**431,969**

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

Margaret Wilson CPFA

Head of Financial Services

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 2016 £000		31 March 2017 £000
(14,912)	Net surplus on the provision of services	(30,946)
48,939	Adjust net surplus on the provision of services for non cash movements	61,297
(20,462)	Adjust for items included in the net surplus on the provision of services that are investing and financing activities	(15,007)
13,565	Net cash flows from Operating Activities	15,344
(23,378)	Investing Activities (Note 18)	(34,521)
7,405	Financing Activities (Note 19)	23,878
(2,408)	Net increase or (decrease) in cash and cash equivalents	4,701
(2,347)	Cash and cash equivalents at the beginning of the reporting period	(4,755)
(4,755)	Cash and cash equivalents at the end of the reporting period	(54)
(2,408)		4,701

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 Fund	Moray	67	33
Donald Manson Forres Trust Fund	Moray	67	33
Falconer museum Trust	Moray	83	17
Auchernack Trust	Moray	80	20
Other Trust Funds	Moray	100	-
Common Good Funds	Moray	100	-

The Council inherited its interests in the Trust Funds 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 trust funds which have a combined net asset balance of £1.896M. The Council acts as sole trustees for various other trust funds which have a net asset balance of £6.798M.

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 £20.384M.

The individual accounts for these entities are shown separately on pages 137 to 149 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
Moray Integration Joint Board	Moray	50%	33%	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
Moray Integration Joint Board	Council Building, High Street, Elgin IV30 1BX

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.

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, commenced 1 April 2016 and there are no comparatives for 2015/16.

Summarised balance sheet

	Grampian Valuation Joint Board		Moray Leisure Limited		Moray Integration Joint Board
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2016/17 £000
Current assets					
Cash and cash equivalents	482	699	256	79	-
Other current assets	188	25	83	65	2,704
Total current assets	670	724	339	144	2,704
Non-current assets	674	650	247	505	-
Current liabilities	(499)	(513)	(200)	(173)	-
Non-current liabilities	(3,911)	(6,625)	-	-	-
Net assets/(liabilities)	(3,066)	(5,764)	386	476	2,704
Reconciliation to carrying amounts:					
Opening net assets/(liabilities) 1 April	(3,798)	(3,066)	382	386	-
Surplus/ (deficit) for the period	732	(2,698)	4	90	2,704
Closing net assets/(liabilities)	(3,066)	(5,764)	386	476	2,704
Reporting entity's share in %	17	17	43	43	50
Reporting entity's share	(521)	(980)	166	205	1,352
Carrying amount	**(521)**	**(980)**	**166**	**205**	**1,352**

Summarised Statements of Comprehensive Income

	Grampian Valuation Joint Board		Moray Leisure Limited		Moray Integration Joint Board
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2016/17 £000
Revenue	(4,127)	(4,207)	(2,362)	(2,647)	(121,984)
Interest income	(3)	(2)	-	-	-
Depreciation and amortisation	35	21	78	123	-
Interest expense	145	128	-	-	-
(Surplus)/deficit for the period	396	261	(4)	(90)	(2,704)
Other comprehensive income and expenditure	(1,128)	2,437	-	-	-
Total comprehensive income and expenditure	**(732)**	**2,698**	**(4)**	**(90)**	**(2,704)**

Inclusion of Associate entities has increased reserves and net assets by £0.577M due mainly to the reserves of Moray Integration Joint board, which is being reduced by 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**	
	2015/16 £000	**2016/17 £000**	**2015/16 £000**	**2016/17 £000**
Carrying amount of receivables	64	64	75	54
Carrying amount of liabilities	-	-	232	333
Maximum exposure to loss	-	-	232	333

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 2017.

The accounting policies of the Subsidiary and Associate entities have been aligned with the accounting policies of 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 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 statement of accounts are valued at current or market value, depending upon the classification of the asset. The net book value of buildings is shown as £0.505M 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 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 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 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, Direct Services, Other Services and Health and Social Care.

Note 6 Other Operating Expenditure

	2015/16 £000	2016/17 £000
Loss on disposal of non-current assets	6,055	3,590
Movement on revaluation of held for sale assets	86	-
Minority Interest - share of profit of Trusts	(16)	68
	6,125	3,658

Note 7 Financing and Investment Income and Expenditure

	2015/16 £000	2016/17 £000
Interest payable and similar charges	11,789	11,830
Pensions interest cost and expected return on pensions assets	3,369	3,193
Interest receivable and similar income	(397)	(313)
Income and expenditure in relation to investment properties and their changes in fair value.	147	4,229
Other investment income	(68)	(59)
	14,840	18,880

Note 8 Property, Plant and Equipment

Comparative Movements 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 (decreases)/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)
Assets reclassified (to)/from 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**

Note 8 Property, Plant and Equipment (continued)

Movement in 2016/17:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation								
At 1 April 2016	263,321	346,002	40,342	258,169	880	3,594	14,269	926,577
Additions	4,665	17,946	6,048	13,007	-	-	7,558	49,224
Revaluation increases recognised in the Revaluation Reserve	(2,713)	(1,136)	-	-	-	385	-	(3,464)
Revaluation (decreases) recognised in the Surplus on the Provision of Services	(1,042)	(11,810)	-	-	-	13	-	(12,839)
Derecognition – disposals	-	(863)	(3,011)	-	-	-	(83)	(3,957)
Assets reclassified (to) Held for Sale	(3,286)	(2,095)	-	-	-	232	-	(5,149)
Other movements in cost or valuation	1,721	6,949	1,405	146	-	1,403	(11,321)	303
At 31 March 2017	**262,666**	**354,993**	**44,784**	**271,322**	**880**	**5,627**	**10,423**	**950,695**
Accumulated Depreciation and Impairment								
At 1 April 2016	6,070	35,406	26,670	34,972	309	60	-	103,487
Depreciation charge	6,107	11,214	3,560	7,388	20	49	-	28,338
Depreciation written out to the Revaluation Reserve	-	(3,511)	-	-	-	(20)	-	(3,531)
Depreciation written out to the Surplus on the Provision of Services	-	(1,534)	-	-	-	-	-	(1,534)
Derecognition – disposals	-	(62)	(2,763)	-	-	-	-	(2,825)
Assets reclassified (to) Held for Sale	(75)	(50)	-	-	-	(4)	-	(129)
Other movements in depreciation and impairment	-	(7)	-	-	-	7	-	-
At 31 March 2017	**12,102**	**41,456**	**27,467**	**42,360**	**329**	**92**	**-**	**123,806**
Net Book Value								
at 31 March 2016	257,251	310,596	13,672	223,197	571	3,534	14,269	823,090
at 31 March 2017	250,564	313,537	17,317	228,962	551	5,535	10,423	826,889

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:-

	2015/16 £000	2016/17 £000
Rental income from investment property	54	43
Net gain	54	43

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:-

	2015/16 £000	2016/17 £000
Balance at start of the year	12,499	12,325
Additions:		
Purchases	35	-
Net gains/(loss) from fair value adjustments	(209)	(4,272)
Transfers:		
to/from Property, Plant and Equipment	-	(303)
Balance at end of the year	12,325	7,750

Note 10 Short Term Debtors

	2015/16	2016/17
	£000	£000
Central Government Bodies	3,821	3,558
Other Local Authorities	80	123
NHS Bodies	692	76
Public Corporations	2	4
Other entities and individuals	6,390	5,393
	10,985	9,154

Note 11 Cash and Cash Equivalents

	2015/16	2016/17
	£000	£000
Cash Held by the Authority	21	21
Bank Current/ Call Accounts	(4,294)	623
	(4,273)	644
Amounts Owed to Other Bodies	(482)	(698)
	(482)	(698)
Total Cash & Cash Equivalents	(4,755)	(54)

Note 12 Short Term Creditors

	2015/16	2016/17
	£000	£000
Central government bodies	6,206	8,108
Other local authorities	2,322	1,639
NHS bodies	307	232
Public corporations and trading funds	322	335
Other entities and individuals	14,882	16,681
Total	24,039	26,995

Note 13 Investments in Associates and Joint Ventures

The share of investments in associates is analysed below.

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)	-
	(521)	166
Turnover	(687)	1,016
Share of surplus	67	2
Share of Other Comprehensive (Income)	(192)	-

2016/17	Liability	Asset		
	Valuation Board £000	Moray IJB £000	Moray Leisure £000	Total £000
Non Current Assets and Long Term Assets	110	-	217	217
Current Assets	123	1,352	62	1,414
Liabilities due within one year	(87)	-	(74)	(74)
Liabilities due after more than one year	(1,126)	-	-	-
	(980)	1,352	205	1,557
Turnover	(698)	1,352	1,138	1,138
Share of surplus	44	1,352	38	38
Share of Other Comprehensive Expenditure	414	-	-	-

Note 14 Usable Reserves

Movements in the Group's usable reserves are detailed in the Movement in Reserves Statement and note 7 and 9 of 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

	2015/16 £000	2016/17 £000
Moray Council General Fund balance	24,713	22,783
Subsidiary Revenue Reserves	15,127	10,552
Total	39,840	33,335

Note 15 Unusable Reserves

	2015/16	2016/17
	£000	£000
Revaluation Reserve	217,535	210,560
Capital Adjustment Account	363,971	352,876
Financial Instruments Adjustment Account	(7,850)	(7,269)
Accumulated Absences Account	(5,068)	(5,388)
Available for Sale Financial Instruments Reserve	966	1,387
Pensions Reserve	(97,858)	(162,150)
	471,696	**390,016**

Revaluation Reserve

	2015/16 £000	2016/17 £000
Balance at 1 April	126,800	217,535
Unrealised Gains & Losses	90,735	(6,975)
Balance at 31 March	217,535	210,560

Capital Adjustment Account

	2015/16 £000	2016/17 £000
Balance at 1 April	363,725	363,971
Surplus/(Deficit)	246	(11,095)
Balance at 31 March	363,971	352,876

Available for Sale Financial Instruments Reserve

	2015/16 £000	2016/17 £000
Balance at 1 April	1,123	966
Surplus/(Deficit)	(157)	421
Balance at 31 March	966	1,387

Note 16 Share of Associates Reserves

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)

2016/17	Usable £000	Unusable £000	Total £000
Balance at 1 April	48	(403)	(355)
Movement	1,352	(420)	932
Balance at 31 March	1,400	(823)	577

Note 17 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2015/16 £000	2016/17 £000
Received	(332)	(324)
Interest Paid	11,813	11,771

Note 18 Cash Flow Statement - Investing Activities

	2015/16 £000	2016/17 £000
Purchase of property, plant and equipment, investments, property and intangible assets	45,337	49,643
Other payments for investing activities	69	135
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,611)	(3,579)
Other receipts from investing activities	(20,417)	(11,678)
Net cash flows from investing activities	23,378	34,521

Note 19 Cash Flow Statement - Financing Activities

	2015/16 £000	2016/17 £000
Cash receipts of short-term and long-term borrowing,	(21,000)	(35,200)
Cash payments for the reduction of the outstanding liabilities relating to finance leases.	600	677
Repayment of short and long-term borrowing	15,023	12,538
Other (receipts) for financing activities	(2,028)	(1,893)
Net cash flows from financing activities	(7,405)	(23,878)

Note 20: Senior Employees' Remuneration

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

Remuneration Band	2016/17		
	Number of Employees		
	Group	Associates	Total
£50,000 - £54,999	69	2	71
£55,000 - £59,999	23	2	25
£60,000 - £64,999	4	-	4
£65,000 - £69,999	1	-	1
£70,000 - £74,999	13	1	14
£75,000 - £79,999	1	-	1
£80,000 - £84,999	-	1	1
£85,000 - £89,999	2	-	2
£90,000 - £94,999	-	1	1
£95,000 - £99,999	1	-	1
£105,000 - £109,999	1	1	2
	115	8	123

Note 21 External Audit Costs

	2015/16	2016/17
	£000	£000
Fees payable in respect of external audit services carried out by the appointed auditor for the year.		
Group	240	235
Associates	6	16
Total	246	251

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.

		2015/16 £000	2016/17 £000
Long Term Assets	Group	891	1,057
	Associate	106	217
		997	1,274
Current Assets	Group	665	641
	Associate	146	62
		811	703
Less: Current Liabilities	Group	(24)	(5)
	Associate	(86)	(74)
		(110)	(79)
Total Net Assets		**1,698**	**1,898**

		2015/16 £000	2016/17 £000
Income	Group	38	207
	Associate	1,016	1,139
		1,054	1,346
Expenditure	Group	105	46
	Associate	1,014	1,100
		1,119	1,146
Surplus/(Deficit) for Year		**(65)**	**200**

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 2017 by Margaret Wilson, Head of Financial Services
Any events that would affect the Balance Sheet have been considered up to this date.

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 2017.

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. In August 2016, The Moray Council Charitable Trust was awarded charitable status under the Charities and Trustee Investment (Scotland) Act 2005.

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 Charities 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 2016/17.

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

2015/16 Connected Charitable £000	2015/16 Other £000		2016/17 Connected Charitable £000	2016/17 Other £000
		Income		
(19)	(76)	Investment Income	(21)	(82)
-	(37)	Property Rental Income	-	(42)
-	-	Revaluation of Fixed Assets	-	(1,300)
31	126	(Surplus)/ Deficit on revaluation of Available for Sale Financial Assets	(82)	(339)
(3)	(28)	Other Income	(1)	(16)
9	**(15)**	Total Income	**(104)**	**(1,779)**
		Expenditure		
12	38	Beneficiaries	6	70
19	17	Administration	8	9
-	98	Other Costs	-	43
-	65	Depreciation	-	89
31	**218**	Total Expenditure	**14**	**211**
40	**203**	**(Surplus)/ Deficit for the year**	**(90)**	**(1,568)**
(31)	**(191)**	Items not Chargeable to Revenue Reserves	**82**	**1,550**
9	**12**	**(Increase)/ Decrease in Revenue Reserves**	**(8)**	**(18)**

Trust Funds Balance Sheet

31 March 2016 Connected Charitable £000	Other £000			31 March 2017 Connected Charitable £000	Other £000
-	2,812	Property Plant & Equipment	Note 1	-	4,023
-	74	Investment Properties	Note 3	-	74
439	1,813	Long Term Investments	Note 4	521	2,152
439	**4,699**	**Long Term Assets**		**521**	**6,249**
1	5	Debtors		1	11
435	1,504	Loans Fund Balance		424	1,500
436	**1,509**	**Current Assets**		**425**	**1,511**
(24)	(23)	Creditors		(5)	(7)
(24)	(23)	**Current Liabilities**		(5)	(7)
851	**6,185**	**Net Assets**		**941**	**7,753**
-	74	Capital Adjustment Account		-	74
-	2,788	Revaluation Reserve		-	3,999
188	778	Available for Sale Financial Instruments Reserve		270	1,117
663	2,545	Revenue Balance		671	2,563
851	**6,185**	**Total Reserves**		**941**	**7,753**

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 2016/17

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:

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
Revaluations	-	-	-
Restatements	-		-
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

2016/17

	Other Land & Buildings	Community Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2016	2,983	24	3,007
Revaluations	507	-	507
Restatements	717	-	717
Gross Book Value at 31 March 2017	4,207	24	4,231
Accumulated Depreciation at 1 April 2016	195	-	195
Revaluations	(76)	-	(76)
Charge for the Year	89	-	89
Depreciation at 31 March 2017	208	-	208
Net Book Value at 31 March 2017	3,999	24	4,023
Net Book Value at 31 March 2016	2,788	24	2,812

Restatements in 2016/17 relate to assets previously held on the General Services Account now identified as Trust Fund assets.

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 2017**
Monuments and Fountains	2

Note 3 Investment Properties

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

	2015/16 £000	**2016/17 £000**
Balance at start of the year	74	74
Net gains/(losses) from fair value adjustments	-	-
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

Fund	**Income £000**	**Expenditure £000**	**Assets £000**	**Liabilities £000**
Registered Charitable Trusts				
36 Registered Charitable Trusts, each with Assets less than £50,000	(3)	4	181	(2)
Cumine of Auchray *Established to provide for decayed merchants of the Burgh of Elgin*	(2)	-	127	-
Moray & Nairn Educational *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*	(99)	10	638	(3)
	(104)	14	946	(5)
Other Trusts				
6 Non Registered Trusts, each with Assets less than £50,000	(10)	-	129	-
Longmore Hall *Village Hall for the use of the community*	-	28	971	-
Glenisla Comforts Fund *For the benefit of the residents of Glenisla Care Home*	(18)	-	136	-

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Other Trusts (continued)				
Speyside Comforts Fund *For the benefit of the residents of Speyside Nursing Home*	(9)	-	60	-
The Pringle Trust *Established to make payments annually to Ministers, serving and emeriti of the Church of Scotland, Baptist and Free Church of Scotland*	(2)	1	101	-
William Lawtie *For the Poor of Cullen*	(2)	-	186	-
The MacDonald Benevolent Fund *Established in 1989 for persons in need of financial assistance particularly in Dufftown as decided by the Social Work Department*	(13)	3	274	-
Milne's Institution Trust *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*	(46)	6	276	-
Laing Mortification *For the benefit of a decayed merchant resident in Elgin.*	(4)	-	289	-
Craigmoray Bequest (Bishopmill) *For the benefit of the residents of Craigmoray Care Home*	(45)	1	394	-
Ladyhill Public Trust *Provides homes for two veterans from the Elgin area*	-	3	67	-
Jubilee Cottages Public Trust *Trust established by monies raised during Queen Victoria's Diamond Jubilee for the purposes of providing low cost housing*	(126)	18	636	-
Cooper Park Public Trust *Trust established at turn of last century to provide Elgin library and reading rooms and parkland for recreation – all for the inhabitants of Elgin*	(15)	32	394	-
River Lossie Public Trust *Established mid 1800's to provide ground for recreation for the people of Elgin*	(495)	46	910	-
Grant Park Public Trust *Trust incorporating the public convenience, tea room/shop and the cricket and bowling pavilions, to be used for the benefit of the community of Forres.*	(719)	17	715	-

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Other Trusts (continued)				
Miltonduff Hall *Established to provide space for local groups for education, recreation etc*	-	6	242	-
Logie Cottage *Established to provide a free home or house of rest to a respectable retired couple or single woman in Forres*	-	-	77	-
	(1,504)	161	5,857	-

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 Trust *For the benefit of the elderly community of the Forres Area who are in need of relief by reason of advanced age*	(103)	32	752	-
Falconer Musuem *Established to provide a Public Museum in Forres*	-	-	-	-
	(103)	32	752	-
Other Trusts				
Donald Manson (Edinkillie) Fund *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*	(53)	7	343	(6)
Donald Manson (Forres) Fund *One bursary for a child living in the Burgh of Forres in S1. The annual balance of the fund is payable to Forres Academy*	(13)	2	95	(1)
Banffshire Educational Trust *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.*	(106)	9	713	-
	(172)	18	1,151	(7)

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Summary				
Connected Charitable Trusts	(104)	14	946	(5)
Other Trusts	(1,779)	211	7,760	(7)
Total	(1,883)	225	8,706	(12)

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 2016/17.

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 2016 £000			31 March 2017 £000
	Income		
(7)	Property		(4)
(99)	Investment Income		(84)
(8)	Other Income		(68)
(119)	Net Movement in Fair Value of Investment Property		-
(233)	Total Income		**(156)**
	Expenditure		
-	Property Costs		4
16	Administrative Costs		9
53	Donations, Grants etc		44
255	Other Costs		3
384	Depreciation	**Note 1**	418
-	Net Movement in Fair Value of Investment Property		4,258
708	Total Expenditure		**4,736**
475	**(Surplus)/Deficit for the Year**		**4,580**
(2,719)	(Surplus) on revaluation of Non-current Assets		(635)
(2,244)	**Total Comprehensive Net (Income)/Expenditure**		**3,945**

Common Good Funds Balance Sheet

31 March 2016 £000			31 March 2017 £000
12,156	Property, Plant & Equipment	**Note 1**	12,373
204	Heritage Assets	**Note 2**	204
8,701	Investment Property	**Note 3**	4,443
21,061	**Long Term Assets**		**17,020**
1	Inventories		1
3,270	Loans Fund Balance		3,365
3,271	**Current Assets**		**3,366**
(3)	Creditors		(2)
(3)	**Current Liabilities**		**(2)**
24,329	**Net Assets**		**20,384**
12,350	Revaluation Reserve		12,567
11,979	Revenue Reserve		7,817
24,329	**Total Reserves**		**20,384**

Summary of Funds

Total Funds £000		Invested In Loans Fund £000	Total Funds £000
2,633	Buckie	1,504	2,625
120	Cullen	31	704
13	Dufftown	15	15
10,116	Elgin	1,465	10,015
10,894	Forres	296	6,510
51	Portknockie	52	52
267	Keith	2	257
235	Lossiemouth	-	206
24,329	**TOTAL**	**3,365**	**20,384**

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 2016/17

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:

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
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

2016/17

	Other Land & Buildings	Surplus Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2016	11,690	1,270	12,960
Revaluations	(36)	-	(36)
Restatements	660	(5)	655
Gross Book Value at 31 March 2017	12,314	1,265	13,579
Accumulated Depreciation at 1 April 2016	799	5	804
Revaluations	(16)	-	(16)
Restatements	-	-	-
Charge for the Year	413	5	418
Depreciation at 31 March 2017	1,196	10	1,206
Net Book Value at 31 March 2017	11,118	1,255	12,373
Net Book Value at 31 March 2016	10,891	1,265	12,156

Restatements (2015/16 & 2016/17) 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 2015/16 and 2016/17.

	Fine Art	Chains of Office	Total Heritage Assets
	£000	£000	£000
Valuation at 1 April 2015	125	79	204
Revaluations	-	-	-
At 31 March 2016	125	79	204
Valuation at 1 April 2016	125	79	204
Revaluations	-	-	-
At 31 March 2017	125	79	204

The Chains of Office were independently valued during 2012/13 and 2013/14 by William Windwick, PJDip 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 2017**
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:-

	2015/16 £000	**2016/17 £000**
Rental income from investment property	45	35
Net gain	45	35

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:

	2015/16 £000	**2016/17 £000**
Balance at start of the year	8,582	8,701
Net gains /(loss) from fair value adjustments	119	(4,258)
Disposals	-	-
Balance at end of the year	8,701	4,443

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.