

Annual Accounts for the year ended 31 March 2020



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اگر آپ 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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Introduction

Local authority accounting is extremely complex, reflecting the range of services we deliver and the regulations under which we operate. Trends in spending and income are reported regularly but our day-to-day financial position changes constantly. The annual accounts are a snapshot of our position at the end of the financial year.

This management commentary is to help those reading the Annual Accounts understand our financial performance in 2019/20. It summarises the key facts from the accounts, illustrates our main achievements in the past year, and highlights some of the risks and challenges we face in the coming years.

The Annual Accounts are presented in four core statements:

- Comprehensive Income and expenditure Statement (CIES): what we spent on delivering services to the public during the year and how that expenditure was funded; any other changes in our net worth (for example as a result of revaluation of council assets).
- Movement In Reserves Statement (MIRS): the balance of funding held for various purposes and how that has changed since last year.
- Balance Sheet: the value of our assets and liabilities.
- Cash Flow Statement: the movement of cash for the year.

The Annual Accounts also include the accounts of the charitable trusts and Common Goods funds which we administer.

We have interests in other organisations which, under accounting regulations, have to be incorporated into the group accounts. These include the charitable trusts and Common Good funds, Grampian Valuation Joint Board, Moray Integration Joint Board and Moray Leisure Ltd.

How we present our Annual Accounts is governed by the Code of Practice on Local Authority Accounting in the United Kingdom.

The management commentary also contains a high level summary of the council's capital expenditure during the year. We need to invest in assets to carry out our day-to-day business and to meet the infrastructure requirements of a growing population in Moray. The basis for investment in the Council's assets is the Council's Capital Strategy. The principles used to manage our day-to-day finance requirements and longer term borrowing requirement to fund capital investment are captured in the Treasury Management Strategy and performance against targets reported in the annual Treasury Management report. All these documents are approved by Councillors.

The commentary also looks at the council's performance during the year, but no Key Performance Indicators are included in this management commentary as, with front line services concentrating on our response to the COVID-19 pandemic, these are currently unavailable for the full year. Scottish Government recognise that council's may have difficulty on providing this information in their annual accounts for 2019/20 and have relaxed the requirement to do so in the Coronavirus (Scotland) Act 2020. Performance information for the year can be found here:

http://www.moray.gov.uk/moray_standard/page_92321.html

About us

Moray is a largely rural area covering a land mass of 2,238 sq km. It has a long coastline on the Moray Firth with harbours, fishing villages and world-class beaches. The area's population is 95,520. 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 Forres, Buckie, Lossiemouth and Keith.

Moray Council was established in 1996 following local government reorganisation and the demise of regional councils.

Elections are held every five years to appoint the 26 councillors who form the membership of the Council. During 2019/20 the Council was led by a minority SNP administration. There are currently four groups of councillors: SNP (nine councillors), Conservative (nine councillors), Moray Open Group (four councillors), Moray Alliance Group (three councillors) and a Labour councillor.

Council members are supported by the Council's Corporate Management Team to establish priorities for services and a programme of continuous improvement. The Council's senior management structure was reviewed in 2019/20, with a view to providing strategic leadership and direction to meet the challenges of the future as effectively and efficiently as possible and flexibly enough to meet future requirements, with generic posts working across traditional professional boundaries. The new structure approved in September 2019 restructured from the previous Corporate Management Team of five officers to the current team of four: the Chief Executive, two Depute Chief Executives and the Chief Officer of Moray Integration Joint Board. They in turn are supported by 10 permanent heads of service (also reduced by one from the previous structure) and a workforce of around 4,700, equivalent to around 3,500 full time staff. Delivering the wide range of services we're responsible for is assisted by a range of contracts with both the private and third sector.

These services include education, social care (under the direction of Moray Integration Joint Board), leisure, waste management, housing, maintenance of the local roads infrastructure and a range of regulatory services such as planning. The split of expenditure between the different departments of the Council is shown in Note 9 to the accounts. The services we deliver are largely statutory duties, although we have an element of discretion as to how we deliver them, to best meet local need.

Strategy, planning and performance

We agree priorities for public services in Moray with our Community Planning Partners, and these priorities are set out in our Local Outcome Improvement Plan (LOIP). Our own priorities – specific to council services – are set out in our Corporate Plan. The latest version of the Corporate Plan identifies priorities under 3 themes – Our People, Our Place, Our Future – and continues with a focus on financial stability, which was a stated priority in the previous version of the corporate plan. The Corporate Plan for 2019 – 2024 was developed following community engagement and in particular an event in Elgin Town Hall in November 2019. We approved a Participatory Budgeting Framework during 2019/20 and that will become an important strand of our community engagement going forward.

Our strategic approach to financial planning is embodied in the Medium to Long Term Financial Plan which accompanies the Corporate Plan and we aim to achieve financial stability within the next few years. General funding from Scottish Government has been reduced over the past 10 years and we have made planned use of reserves to cushion the effect on services of reduced funding. However, this cannot continue indefinitely. We have agreed an Improvement and Modernisation Programme as a vehicle for driving out savings by changing the way in which we operate as a Council. Although our financial planning process focuses on the medium term, successive single-year settlements from the Scottish Government have resulted in annual budgets being approved. The budgets for 2019/20 (General Fund revenue and capital and HRA revenue and capital) were approved by Council on 27 February 2019.

We operate two main funds within the council: the General Fund and the Housing Revenue Account (HRA).

The HRA is self-funding, with all expenditure covered by income raised, primarily from council house rent. We have a programme of affordable house-building, supported by grant from the Scottish Government.

The General Fund is mainly funded by grants from the Scottish Government. Council Tax meets less than 20% of general revenue expenditure. Scottish Government called a halt to the Council Tax freeze in 2017/18 but has capped the level of increase which councils could set in successive years.

In addition to general grant funding we get specific grant funding for certain government priorities. Increasingly, funding is linked to Scottish Government priorities such as the expansion of early learning and childcare. The effect of this is to increase the pressure on those services not identified as a priority by Scottish Government, as they have to bear the brunt of the reduction in core funding. Expenditure is driven by legislative requirements, government priorities and local priorities, as set out in the LOIP and in the Council's Corporate Plan.

We can charge for some of the services we deliver and, looking to the future, income generation is seen as an increasingly important means of protecting service delivery.

We measure our performance using the council's Performance Management Framework. Performance is reported to the appropriate service committee on a quarterly basis. Quarterly reports on our financial performance against budget for the council's general fund is reported to the Policy and Resources Committee or (depending on the committee cycle) to the full council.

Highlights of the year

Our place

10 April 2019 Portknockie landslip repairs underway – progress of the £1.7m project to stabilise hillsides in Portknockie can now be monitored by residents and visitors with the opening of an information centre in the town.



Our future

17 April 2019 Moray Pathways (Learn; Train; Work) Moray's public, private and third sectors have joined forces to provide a single point of contact for businesses and people to access information on skills, employment, training and support.



Our people

28 May 2019 Building to begin on 250 affordable homes in Moray - £9.7m investment funded by Scottish Government at sites in Elgin, Keith, Buckie, Mosstodloch, Hopeman and Aberlour, the council working in partnership with other social landlords

Our future

4 June 2019 The million pound digital services project sees round-the-clock council services well used – more than 80 services now online.

Our future

13 June 2019 Pioneering electric bus service – and Scotland's first rural green bus – piloted in Moray: a hail and ride route between Aberlour and Forres



27 June 2019 Moray Council passes a declaration aiming to become carbon neutral by 2030.

Sustainable

28 June 2019 Senior management restructure at Moray Council

Our future

11 July 2019 Moray celebrates “transformative” £65m Growth Deal - £32.5m each from UK and Scottish Government, set to be bolstered with further funding from regional and private sector partners. This will significantly contribute to developing a thriving economy, promoting skills development, energy, culture and tourism, as well as improving connectivity and productivity across the region.

Our people

14 August 2019 Over £160,000 grants to help Moray's Early Years partner providers to prepare for expansion of early learning and childcare.



19 August 2019 New start for over 40 Early Years staff at Council nurseries.

Our people

4 September 2019 A strategy and plan to tackle poverty was endorsed by councillors. Fairer Moray Forum is spearheading the action on behalf of Moray Community Planning Partnership.

Management Commentary (continued)

Our people

20 September 2019 Over 1,200 P6 pupils from every primary school in Moray learn about STEM in the workplace through Council and RAF partnership.



Our place

2 October 2019 Community Asset Transfer of Forres Town Hall to Forres Area Community Trust (FACT) approved by Policy and resources Committee.



Our future

3 October 2019 Moray Council in partnership with Highlands and Islands Enterprise and Business Gateway officially launched the Supplier Development Programme for local SMEs at Forres Enterprise Park.

Our place

21 October 2019 A major £1.8m refurbishment of Craigellachie Bridge begins.



Our people

27 October 2019 Moray Leisure enjoys impressive growth in 12 months since joining the Moray-wide Fit-Life scheme, with over 3,500 new subscriptions to the scheme and 100% increase in use of the facility. A new 100-station fitness suite was installed in April 2019 and additional fitness classes have been added to the programme, meaning Moray Leisure now offers more adult fitness classes per week than any other facility in the north of Scotland.

21 January 2020 A three year plan to maintain and improve Moray's network of core paths is to be drawn up, following a funding pledge from the Dorenell wind farm.



Our future

14 February 2020 First steps taken towards replacing the footbridge to Lossiemouth's East Beach



Our people

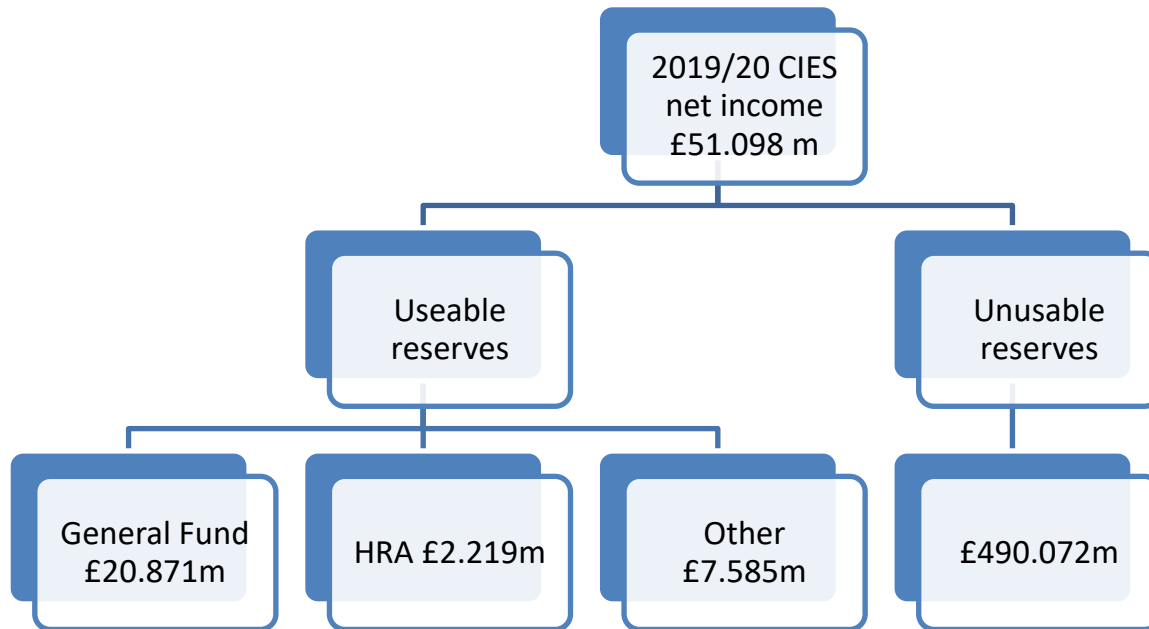
3 March 2020 Pilot programme for gypsy / traveller stopover sites in Moray approved by the Communities Committee as part of COSLA's Negotiated Stoppings pilot across 5 council areas.

Our future

24 March 2020 Moray Business Resilience Forum established to support businesses through COVID-19 outbreak, led by Moray Council and Highlands and Islands Enterprise, with representation from the Leader of Moray Council, Richard Lochhead MSP, Douglas Ross MP and private and public sector reps.

Management Commentary (continued)

The Council's Annual Accounts are prepared on a different basis from the basis on which it sets its budget. The net income for 2019/20 in the Comprehensive Income and Expenditure Statement (CIES) is £51.098 million (2018/19: £14.472 million). This adds together the General Fund and HRA, to give an overall picture of the Council's financial activities in the year. It also includes a number of accounting entries required by the accounting regulations but which are not a charge on the income the Council receives to deliver services and which cannot create income which the Council can use. The impacts of these accounting entries are reflected in the Council's unusable reserves. The Council's usable reserves show what the Council has available to spend, either on a planned basis or to meet unexpected contingencies. .

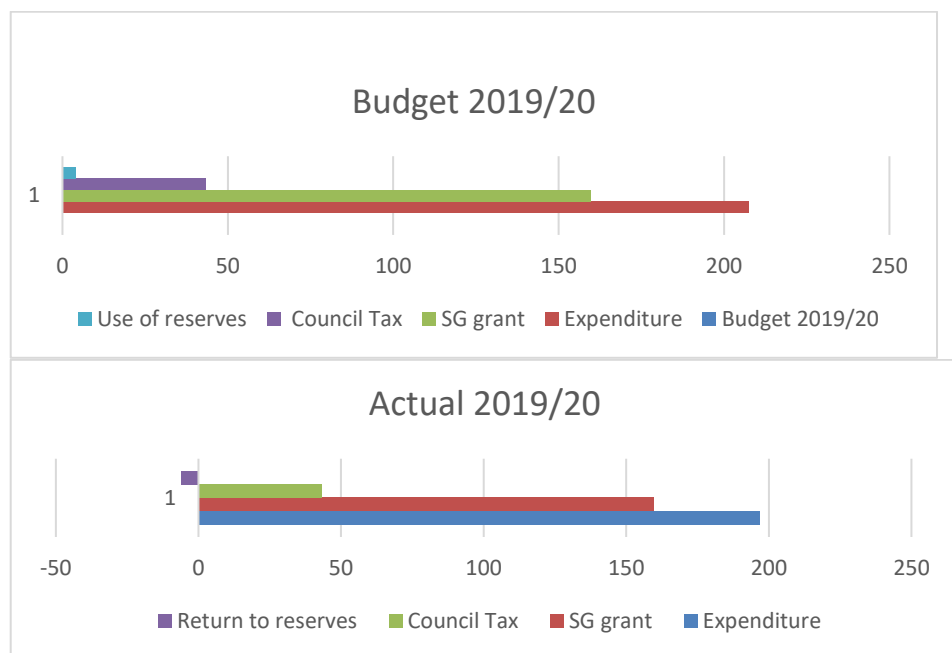


The Movement in Reserves Statement shows the net income to the Council per the CIES analysed across the General Fund, HRA, other useable reserves and unusable reserves. The net income shown in the CIES is the increase in overall reserves. Note 12 to the accounts further analyses the movement in the General Fund, showing an increase in free reserves of £3.073 million to £15.349m (2018/19: decrease of £4.819 million) and an increase in ear-marked reserves (reserves set aside for specific purposes) of £3.768 million to £5.522million (2018/19: £0.196 million). The increase in ear-marked reserves is primarily to invest in Council priorities in the context of the Improvement and Modernisation Programme and the new Corporate Plan.

General fund revenue expenditure

When we set the budget for 2019/20 we planned to spend £203.9 million, funded by Scottish Government grant estimated as £157.2m, revenue from Council Tax of £41.5m, leaving a gap of £5.2 million, which we proposed to fund from reserves. During the year the budget was adjusted and the final budgeted expenditure was £207.4 million, funded by grant of £159.9m, Council Tax £43.4m, use of reserves £4.1m. We actually spent £198.1m (2018/19: £201.7m) and received Scottish Government grant of £161.8m (2018/19: £155.7m) and Council Tax revenue of £43.1m (2018/19: £40.5m) – this is the amount shown in the Council Tax Income Account in the Accounts less the amount transferred to the HRA (£656,000 in 2019/20, £567,000 in 2018/19) in respect of second homes and long-term empty dwellings.

Management Commentary (continued)



We collect Non Domestic Rates (NDR) on behalf of Scottish Government. NDR revenue is pooled at a national level then redistributed to councils as part of the government's grant funding for local authorities. In 2019/20 we were able to retain £1.8 million of the NDR collected locally for local use under the Business Rates Incentivisation Scheme (BRIS). Moray has 5,475 rateable properties with a combined rateable value of over £122 million.

Commentary on year-end position

Councillors approved savings of £10.1 million for 2019/20 when the budget was set. Not all of those savings were achieved during the year. However, additional savings were identified during the year, principally from a greater increase in the council tax base and recovery rate than assumed on the basis of past performance, a review of NDR for council buildings, review of VAT treatment of leisure services, and the final position was savings achieved of £12.6 million.

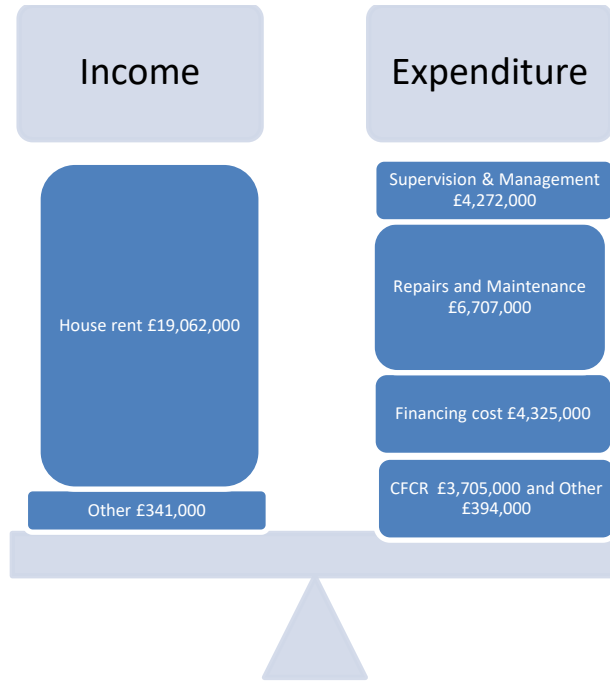
Planned use of reserves		(£4.1m)
One-off income (VAT refund, insurance claim)	2.0	
BRIS retention	1.9	
Balance of new general grant funding not allocated to departments	1.2	
Contingency not required	0.3	
Additional savings	2.5	
Underspend in Services	4.9	
Overspend on social care	(0.9)	
Overspend in Loans Charges	(0.4)	
Other	(0.6)	
Transfer to general reserves		£6.8m

Housing Revenue Account

Our 6,139 houses (2018/19: 6,111) are held on the Housing Revenue Account (HRA).

The balance on the HRA is shown in the Movement In Reserves Statement – at the end of 2019/20 the balance had increased by £1.047 million from the balance at the end of 2018/19, bringing the total balance to £2.219 million.

The HRA budgeted to breakeven in 2019/20, with planned expenditure met from rent and other income:



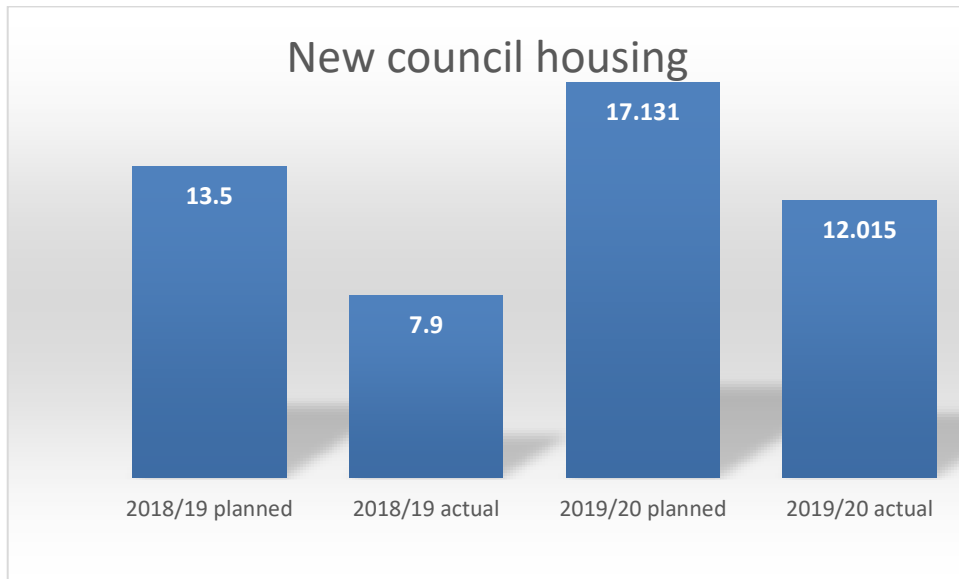
The actual out-turn was:

Rental income	£46,000	↑	0.2% above budget
Other income	£48,000	↑	14% above budget
Supervision and Management	£437,000	↓	10% saving on staff (due to vacancies) and insurance
Repairs and Maintenance	£375,000	↓	5.6% underspend from slippage in planned repairs programmes
Financing costs	£229,000	↓	5.2% saving as interest rates drop
CFCR	(£195,000)	↑	5.3% increase in contribution to new build housing
Other expenditure	£107,000	↓	27% underspend
Surplus	£1,047,000		

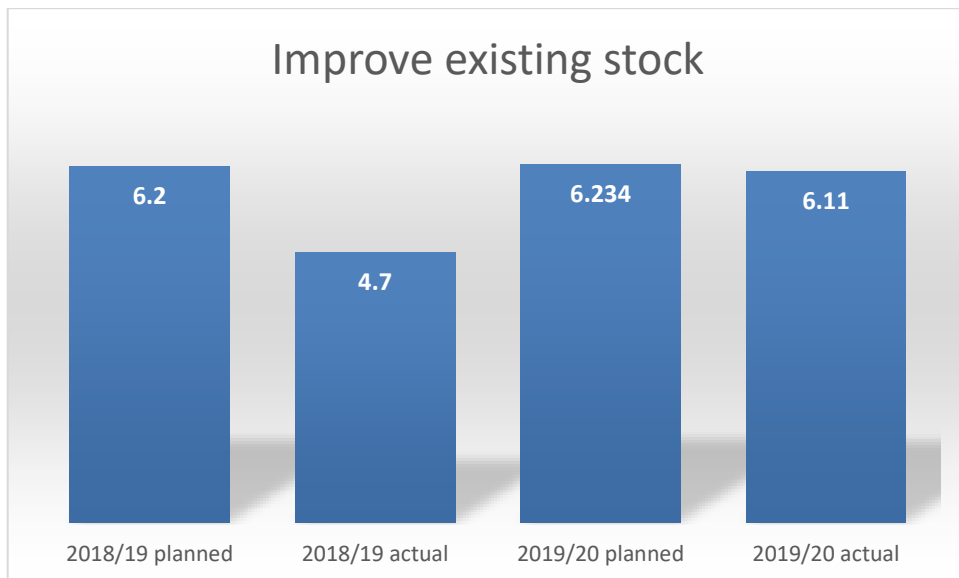
These variances in income and expenditure led to the £1.047 million increase in HRA reserves.

Management Commentary (continued)

We invest in building new homes and improve the existing ones, supported where possible by government grant. The figures in the charts below are £ millions.



We actually built 70% of the houses we planned to build in 2019/20 (2018/19: 59%), with significant delay in developing one site due to ground conditions accounting for over £3m of that underspend.


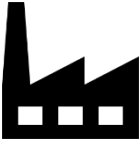

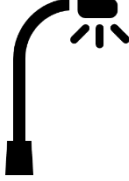





We actually spent 98% of what we planned to spend on improving our housing stock (2018/19:76%)

The COVID-19 pandemic and resultant lockdown had a small impact on spend in 2019/20 – it will have a big impact in 2020/21.

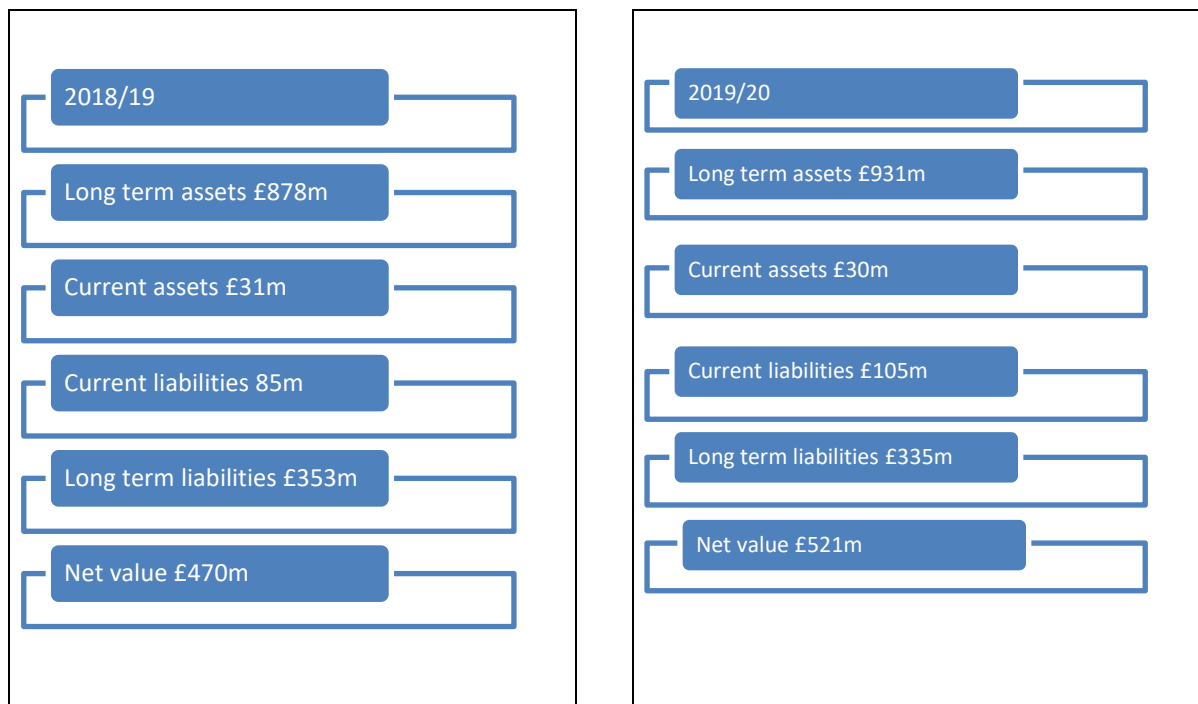
General Services Capital Programme

We originally planned to spend £72.6 million on capital projects in 2019/20, scaling that back to £68.8 million as timings on major projects became clearer. We actually spent £56.7 million (2018/19: £26.8 million).

	£34.5m	New schools, improvements to existing schools and facilities for early learning and childcare
	£8.9m	Waste management facilities, including a joint project with Aberdeen City and Aberdeenshire councils to build an energy from waste plant
	£0.6m	Other land and buildings
	£4.4m	Road improvements, road safety measures and sustainable travel
	£1.2 m	Street lighting
	£1.5m	Bridge renovations
	£1.6m	Various works at harbours and Portknockie landslip
	£3.1m	Vehicles and electric car chargers
	£0.9m	ICT and other equipment
	£56.7m	Invested in Moray during the year

Balance sheet

The balance sheet records our assets (such as properties, vehicles, investments and cash) and liabilities and is a snapshot of our value or financial position at 31 March 2020.



Our net value has increased by £51 million during 2019/20.

Significant movements are:

- £42 million assets under construction, £32 million relating to schools or the expansion of early learning
- £9 million increase in the value of other land and buildings, through additions and revaluation
- £26 million increase in short-term borrowing, taking advantage of low interest rates
- £7 million decrease in money owed by the council in the short term
- £4 million decrease in long-term borrowing
- £13 million decrease in pension scheme liabilities

Although our net value has increased, there is considerable uncertainty about the impact of COVID-19 on the valuation of our land and buildings. However, we hold these assets to deliver services from and not to sell on and so any impact on market value is unlikely to be of great significance to the overall financial health of the council. There may be an impact on net pension scheme liabilities, depending on the stock market. The outbreak of Covid-19 has impacted global financial markets. The valuers of the Pension Fund's property portfolio as at 31 March declared a material uncertainty in their valuation report. This was due to the market uncertainties caused by Covid-19. The Red Book defines material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected or accepted.' Consequently, less certainty and a higher degree of caution should be attached to their valuation than would normally be the case.

Future risks

We expected to need to make savings over the next two years in order to balance our budget without relying on reserves. Our forecast budget has been overturned by the pandemic. Our main risks are:

- Uncertainty as to the impact on the COVID-19 pandemic on the council's finances, the local economy, the national economy and what this will mean for public spending generally and our grant settlement in particular
- The impact of Brexit.
- Moray Integration Joint Board (MIJB) is overcommitted against its budget and we will have to fund our share of any overspend
- Our school estate requires significant investment to bring facilities up to the Scottish Government's recommended 'B-B' standard.

How we are managing these risks

- Rigorous financial monitoring and review.
- Working within Moray Economic Partnership to support the local economy.
- Assessing vulnerability issues regarding Brexit
- Joint monitoring reviews with MIJB officers and officers and Board members from NHS Grampian
- We have commenced a comprehensive Learning Estate Review

....and potential opportunities

- The Moray Growth Deal, which will see significant investment in Moray's economy
- Our Improvement and Modernisation Programme, redesigning how we deliver services in today's world, learning lessons from the pandemic

Councillor Graham Leadbitter
Leader of Moray Council

Roderick D. Burns
Chief Executive

Lorraine Paisey
Chief Financial Officer

Statement of Responsibilities for the Annual Accounts

The Council's Responsibilities

The Council is required to:

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

I confirm that these Annual Accounts were approved by the Council at its meeting on

Signed on behalf of Moray Council.

Councillor Graham Leadbitter
Leader of the Council

The Chief Financial Officers' Responsibilities

The Chief Financial Officer 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 2019/20 (the Accounting Code).

In preparing the Annual Accounts, the Chief Financial Officer 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 Chief Financial Officer 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 and its Associates at the reporting date and the transactions of the Council and its group for the year ended 31 March 2020.

Lorraine Paisey CA
Chief Financial Officer

Annual Governance Statement 2019/20

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.

This annual governance statement explains how the Council has used the CIPFA/SOLACE 2016 Framework 'Delivering Good Governance in Local Government' as a basis for considering the effectiveness of its own governance arrangements.

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 reviewed and updated regularly.

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 for elected members are prepared under statutory provision to disclose any potential areas where conflicts of interest might arise, and there is a similar council register for disclosures by senior managers.

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.

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. The presumption is for openness or where this is not the case, a justification of the reasoning for keeping a decision confidential is provided.

Community consultation on a range of issues was carried out with citizens, service users and staff, covering council wide topics including the latest iteration of the Corporate Plan 2019-2024 and service specific topics in Housing, Planning, and Social Care. Community Asset Transfers enabling council facilities to be managed by community groups have also been progressed following an assessment of due diligence requirements.

This period also saw good progress with implementation of the Moray Connected project, which is focused on the development of digital services and improving customer accessibility to an increasingly wide range of council services.

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

Annual Governance Statement (continued)

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 the Local Outcomes Improvement Plan. The overarching aim and purpose of this 10-year plan is 'to raise aspirations by creating an enabling environment where our residents can achieve expanded choices, improved livelihoods and wellbeing'.

This plan, developed in conjunction with Community Planning partners, identifies a number of key priorities covering the need for a growing, diverse and sustainable economy, building a better future for our children and young people in Moray, empowering and connecting communities, and changing our relationship with alcohol. Each priority has been developed based on experiences and evidence drawn from the partner agencies.

The council's own corporate plan has been updated for the period 2019-2024 to provide leadership and direction for services in the delivery of council priorities, recognising the need to ensure that services are sustainable and targeted to areas where they will have greatest impact. To this end the plan is complemented by a medium-term financial strategy; an improvement and modernisation programme; workforce and ICT strategies; service plans; and a performance management framework.

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 other briefings from CMT/SMT has furnished elected members with an extensive volume of information on both the availability of resources and options for future service delivery. The council successfully delivered a balanced budget for 2020/21.

All reports placed before council committees contain a 'summary of implications' section to link individual proposals to overarching strategic plans, and ensures matters relative to good governance including risks, legality and equalities are given due consideration as part of decision-making processes.

A consistent theme around proposals for policy development is the recognition that the council and its partners will continue to promote preventative policies, leading to reduced interventions by partners, and enhanced community engagement and involvement.

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. This has particular significance given the combination of a minority council administration and dynamic national and international political issues. These together create an increased political tension which councillors and officers have to work hard to navigate.

The need for ongoing elected member training is recognised as a means of assisting members to meet the challenges of the changing public sector environment. As well as targeted briefings and development sessions on specific topics, plans are in hand to improve recording of elected members' continuous professional development.

The Council is also represented by elected members on a range of outside bodies, including boards of other Community Planning Partners, Cross Partnership bodies such as Moray Economic Partnership, various national bodies such as COSLA and its themed Boards, and a broad range of charitable and third sector organisations. This representation provides valuable learning and networking opportunities for elected members and the officers who support them with briefings and, in some cases, through their own attendance.

Leadership capacity of senior officers is supported 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. Senior Managers also undertake learning visits and hold listening meetings to maintain a perspective on developments within services.

Officers are also encouraged to make use of networking and training opportunities that arise.

For employees, a Workforce and Organisational Development Strategy is in place which covers issues including workforce transformation and change, employee engagement and culture, workforce and employee development, and health and well-being. Progress achieved was reported to the Policy and Resources Committee together with an updated strategy and plan covering the period from 2019 to 2022.

Annual Governance Statement (continued)

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

The Council 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, and performance management is scrutinised by service committees. The council adopted a revised performance management framework during the year.

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. A Corporate Risk Register provides summary information on what the Corporate Management Team and Senior Management Team considers are the principal risks facing the Council and how these are managed and controlled. Risk implications also feature in committee reports to inform decision making where 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 that defines accountabilities of senior officers. 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 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. A policy to combat fraud, theft, bribery and corruption, which sets out the council's zero tolerance to such behaviours, was updated during the year.

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 live webcast. Webcasts remain available on the website for viewing for 12 months following a meeting. 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 Reason for the Report, Recommendations, the Background to the report, information relevant to the matter under consideration, a Summary of Implications and a Conclusion. 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. A style guide is used to provide consistency in the production of written materials. Guidance on customer focus 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 receives information based on publications from the Accounts Commission and Audit Scotland, which this year included a series of reports on 'Safeguarding Public Money', and on the implications of Brexit.

Annual Governance Statement (continued)

Effectiveness of governance arrangements

In order to assess the effectiveness of the governance framework including the system of internal control it is necessary to consider the role of the functions and individuals who contribute to it, as follows:

- **Elected Members**

Governance arrangements at a political level emanate from the council, its service committees, the Audit and Scrutiny committee and other activities that elected members participate in. These include the Community Planning Board and associated groups for multi-agency issues. Councillors also have substantive roles on Moray Integration Joint Board for Health and Social Care, on the Grampian Valuation Joint Board, and on the Moray Leisure Arm's-Length External Organisation (ALEO), each of which has its own governance arrangements. These bodies, together with Common Good and Trust Funds, constitute group entities of the Council for reporting purposes, and assurances on the effectiveness of governance and internal control arrangements of each entity are informed by their own annual governance statements, opinions of their external auditors and work undertaken by relevant internal auditors.

- **The Corporate Management Team**

The Corporate Management Team (CMT), which has operational responsibility for good governance arrangements, comprises the Chief Executive, and two Deputy Chief Executives with portfolio responsibilities for Education, Communities and Organisational Development, and Economy, Environment and Finance respectively. The Interim Chief Officer (Health and Social Care Integration) is also a member of the CMT. In response to an external review of council management structures completed during the year, the Chief Financial Officer also participates in the CMT during consideration of financial matters.

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

This is an extended management team comprising the CMT and 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 and its services under review.

Individual senior managers within the Senior Management Team have considered the effectiveness of governance arrangements within their respective services by reference to the principal risks identified in the council's corporate risk register and provided assurance statements for use in the preparation of this corporate statement. This affirms the broad ownership of strategic governance issues across the CMT/SMT.

Governance issues highlighted within the assurance statements for the most part reflect on the impact of the COVID pandemic (see below) and the disruption experienced by all council services. Service specific issues referred particularly to the demand for a more flexible workforce with many staff requiring to work from home and on the need to respond to the legacy of lockdown on vulnerable children and families with as yet unknown impacts.

- **The Head of Governance, Strategy and Performance (Monitoring Officer) / Chief Financial Officer**

The Head of Governance, Strategy and Performance and the Chief Financial Officer perform their respective statutory duties as outlined elsewhere in this statement. In discharging the responsibilities of the role the Chief Financial Officer complies with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer, and the Head of Governance, Strategy and Performance presents an annual report on the duties of Monitoring Officer to the Policy and Resources Committee.

- **The Chief Social Work Officer**

The Head of Service (Strategy and Commissioning) of Health and Social Care Moray undertakes the statutory role of Chief Social Work Officer (CSWO).

The latest available CSWO annual report for the 2018/19 year describes social services performance, the delivery landscape including partnership working, service quality, resources, governance and accountability. The report, accompanied by a Social Work Development Plan, concludes that 'the Social Work Profession continues to grow in strength and confidence, which is crucial in ensuring partnership working is the best it can be to improve outcomes for Children Families and communities'.

Annual Governance Statement (continued)

• 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.

The Internal Audit Manager is accountable on a day-to-day basis to the Head of Governance, Strategy and Performance, and to an Audit and Scrutiny Committee. 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 environment are reported to the Committee. This Committee is chaired by an opposition councillor.

The results of an external review of Internal Audit were reported to the Audit and Scrutiny Committee at its meeting in April 2019, which identified a number of areas of good practice and concluded that the service generally conforms to the PSIAS. The review identified a number of areas for improvement and good progress has been made towards implementing the agreed actions.

The PSIAS requires an internal audit opinion to be provided annually. Although planned audit work was not fully completed and signed off by the year end, from the work undertaken and based on his knowledge of the organisation and its control systems, it is the opinion of the Internal Audit Manager that reasonable assurance can be placed on the Council's on the council's framework of governance, risk management and internal control for the year ended 31 March 2020.

• 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.

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.

Additional for 2019/20 was a scheduled Best Value review conducted by Audit Scotland on behalf of the Accounts Commission. This is part of a rolling programme of inspections with all councils being reviewed over a five year period. The audit fieldwork was completed early in 2020 and a report was issued in August 2020.

The Council responds positively to the recommendations arising from the inspection reports where these provide opportunities to strengthen governance arrangements.

Review of effectiveness of governance arrangements

Having regard to the information provided in the preceding paragraphs it is considered that established systems and processes are effective and enable the council and its group to meet the seven principles identified in the 'CIPFA/SOLACE' Framework 'Delivering Good Governance in Local Government'

Prior year governance issues

Governance issues highlighted in the annual governance statement for 2018/19 have been progressed as follows:

- Council priorities remain focused on the themes of Communities, Economy and Education and the period saw progress in a number of areas including confirmation of the Moray Growth Deal, continuation of the new build council housing programme, and the development of a Moray Skills Investment Plan to meet the needs of local employers.
- Continuing to address key challenges in education saw an improved curriculum offer and improvements in early literacy. Outcomes from school inspections saw improvements generally and in respect of school leadership. Work also continued to evaluate options for the school estate alongside construction of the new school facilities in Lossiemouth and at Linkwood, Elgin.
- Ensuring community and corporate plans remain relevant, achievable and sustainable relative to constraints affecting all public sector organisations had a focus in the Corporate Plan which was updated during the year. Priorities were set acknowledging the need for ongoing evaluation of new ways of working e.g. using online resources to secure savings required year on year.

Annual Governance Statement (continued)

- Working closely with the Moray Integration Joint Board to support integration of Health and Social Care, particularly in respect of financial planning arrangements and management of the associated risks remains a priority. The Board is forecasting a widening budget gap over the next few years which potentially could impact on council resources.
- Monitoring 'Brexit' negotiations and the potential impacts on people, financial resources and regulations remains a concern pending clarification on the terms of the deal currently being negotiated between the EU and UK government.

COVID 19 –the Impact of the Pandemic

The emergence of the COVID 19 pandemic in March 2020 had a significant impact on the Council and its approach to dealing with the pandemic as a Category One responder has involved the use of amended governance arrangements granted under delegated powers. This resulted in the formation of an emergency cabinet comprising of senior councillors from all political groups, and a multi-disciplinary Incident Management Team comprising chief officers, senior managers and specialist professional advisors in areas including emergency planning, business continuity and communications.

A three-tier risk model was adopted such that high level strategic decisions were referred for consideration by the emergency cabinet, risks rated medium were considered by the Incident Management Team and Chief Executive subject to consultation with members of the emergency cabinet; and lower risk issues were determined to the Incident Management Team and/or Chief Executive. Risks were assessed on strategic importance having regard to legal, financial, reputational and political implications.

Meeting regularly, the Incident Management Team established an incident management log to document issues to be addressed; record assigned responsibilities for completion of tasks identified; and monitor progress achieved. This resulted in new ways of working, new business processes and the need for innovative solutions to deal with matters arising. A separate log for completed actions was also maintained thus ensuring the focus of the Team remained on emerging issues together with service areas that required ongoing attention.

The council has been responsive to issues raised nationally and locally and has worked with community planning partners, the Grampian Local Resilience Partnership and others with a clear focus, in particular on caring for the vulnerable and supporting local businesses and the economy. It is also participating in the Grampian Coronavirus Assistance Hub, a collaborative support project involving the three councils serving the North East of Scotland.

In early June the Incident Management Team was renamed the Recovery and Renewal Management Team, reflecting its change of emphasis towards restarting service delivery in an orderly and controlled manner.

These arrangements were reviewed at a meeting of the Council on 17 June 2020, with a suite of reports provided to elected members describing in detail the governance practice invoked for the duration of the lockdown to date, the known and anticipated financial implications arising, and proposals for continuation of interim governance arrangements for a further period. It is intended at the appropriate time that there will be some further review of how the council delivered services for the duration of the pandemic and consideration of any lessons that may inform future governance practice.

Looking forward - 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. Notwithstanding the impact of the pandemic, these challenges remain.

Key governance challenges going forward will involve:

- Providing capacity to meet statutory obligations and community expectations against a background of continuing funding reductions and rising demand for services.
- Making difficult choices across the political spectrum as to the use of resources in ways that deliver the best possible outcomes for the citizens of Moray.
- Continuing to address key challenges in education around improving attainment, staff recruitment and retention, and developing a school estate that is fit for purpose.
- Ensuring community and corporate plans remain relevant, achievable and sustainable relative to constraints affecting all public sector organisations.
- Working closely with the Moray Integration Joint Board to support integration of Health and Social Care, particularly in respect of financial planning arrangements and management of the associated risks.

Annual Governance Statement (continued)

- Monitoring 'Brexit' negotiations and the potential impacts on people, financial resources and regulations; acknowledging the considerable uncertainty that remains at the time of drafting this statement.
- Responding to any issues arising following publication of the report on the Council's Best Value inspection that was recently completed.
- Ensuring that temporary governance arrangements that have been implemented to support the Council's response to the Covid-19 pandemic are regularly, democratically and transparently reviewed to maintain democratic confidence and accountability.

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 current governance arrangements of the council and its group, and affirms our commitment to ensuring they are regularly reviewed and remain fit for purpose.

The immediate challenge will be to continue to meet all operational demands during the COVID-19 Pandemic while not compromising the safety of employees and our communities; beyond that pressure on financial settlements is set to continue during the incoming period, and we will continue to engage with all councillors, managers and staff, partners and citizens as appropriate to agree plans and outcome targets that are both sustainable and achievable. Taking those forward will be challenging as we look to reconfigure services to optimal effect. 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 Graham Leadbitter
Leader of the Council

.....
Roderick D Burns
Chief Executive

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 25, 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 2019. The salary for the Leader of the Council is £29,119 per annum (2018/19 £28,326) and for the Convener is £21,840 per annum (2018/19 £21,245).

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 £176,895 (2018/19 £172,076) and whose salaries individually must be on a specified scale, currently £17,470 to £21,840 (2018/19 £16,994 to £21,245).

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

Under the Regulations, remuneration disclosures are to be made for the Leader of the Council, the Convener and any Councillor designated a Senior Councillor. In 2019/20, Moray had eight Senior Councillors, (seven committee chairs and the Leader of the largest opposition group), each paid a salary of £21,840 per annum (2018/19 £21,245). The Convener of the Grampian Valuation Joint Board is also the Leader of the Council so no reimbursement for an additional responsibility allowance was required to be paid by the Board in 2019/20. The Chair of the Moray Integration Joint Board was also the Convener of Moray Council in 2019/20 and as she already received a Senior Councillor salary then no additional payment was required.

Table 1 shows the relevant amounts, before tax and other deductions, for each of the persons named for the year 31 March 2020. All salaries are paid monthly.

Remuneration Report (continued)

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

Councillor Name	Responsibility	Total Remuneration	Salary, Fees and Allowances	Total Remuneration
		2018/19		2019/20
		£	£	£
Graham Leadbitter - Note 2	Leader of the Council and Chair, Economic Development and Infrastructure Committee. Convener of Grampian Valuation Joint Board	26,910	29,119	29,119
Shona Morrison - Note 2	Convener of the Council and Chair, Moray Integration Joint Board	20,820	21,840	21,840
David Bremner	Chair, Planning and Regulatory Services Committee	16,996	21,840	21,840
Paula Coy	Convener, Police, Fire and Rescue Services	16,996	21,840	21,840
Timothy Eagle	Leader of the largest Opposition Group	21,245	21,840	21,840
Donald Gatt - Note 1	Chair, Audit and Scrutiny from 8 May 2019	-	19,609	19,609
Louise Nicol	Chair, Communities Committee	16,996	21,840	21,840
Aaron McLean	Chair, Policy and Resources Committee	21,245	21,840	21,840
Amy Taylor	Chair, Licensing Committee	16,996	21,840	21,840
Sonya Warren	Chair, Children and Young People's Services Committee	16,996	21,840	21,840
Total		175,200	223,448	223,448

No taxable expenses were paid in 2019/20.

Note 1: Councillor MacRae stepped down from his position as Chair of the Audit and Scrutiny Committee on 29th March 2019. This position was vacant until Councillor Gatt was appointed as Chair from 8th May 2019.

Note 2: The Council's administration group changed on 13 June 2018. Councillor Leadbitter was appointed Leader and Councillor Morrison was appointed Convener.

Remuneration Report (continued)

TABLE 2: Remuneration paid to Councillors

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).

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

Type of Remuneration	2018/19	2019/20
	£	£
Salaries	491,860	501,151
Expenses	31,064	25,584
Total	522,924	526,735

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/150 was issued on 04 March 2019 and covers salary scales to be paid to Chief Officers for the period of 1 April 2018 to 31 March 2021. Corporate Directors receive 84% of the Chief Executive's salary. Moray Council does not pay bonuses or performance related pay.

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.

The term *remuneration* means gross salary, fees and bonuses, allowances and taxable expenses, and compensation for loss of employment. Remuneration details are shown in Table 3. The table shows the relevant amounts, before tax and other deductions, for each of the persons named for the year to 31 March 2020. Salaries are paid monthly.

Remuneration Report (continued)

TABLE 3: Remuneration of Senior Employees of the Council

Name	Post Title	Total Remuneration 2018/19 £	Salary, fees and allowances £	Total Remuneration 2019/20 £
Roderick D Burns	Chief Executive	109,737	112,839	112,839
Rhona Gunn	Corporate Director (Environmental Services) until 30 September 2019. Depute Chief Executive for Economy, Environment and Finance from 1 October 2019.	92,338	95,519	95,519
Denise Whitworth	Corporate Director (Corporate Services) until 30 September 2019. Depute Chief Executive for Education, Communities and Organisational Development from 1 October 2019.	92,356	100,916	100,916
Graham Jarvis	Acting Corporate Director (Education and Social Care) retired 4 August 2019	81,082	35,037 (Full year equivalent £94,869)	35,037 (Full year equivalent £94,869)
Alasdair McEachan	Head of Legal Services (Monitoring Officer) until 30 September 2019. Head of Governance, Strategy and Performance from 1 October 2019.	77,261	79,775	79,775
Lorraine Paisey	Head of Financial Services (s95 Officer) until 30 September 2019. Chief Financial Officer from 1 October 2019.	77,268	79,458	79,458
Total		530,042	503,544	503,544

No taxable expenses were paid in 2019/20.

The Council undertook a Senior Management restructure during 2019/20 and changes were implemented on 1st October 2019. The table above reflects the changes in senior management positions.

Note 1: Graham Jarvis retired as Acting Corporate Director (Education and Social Care) on 4th August 2019. No replacement was made and the Council deleted this post on 1st October 2019 as part of the senior management restructure.

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 a lump sum up to the limit set by the Finance Act 2004.

A LGPS member's contribution depends upon his or her full time equivalent pay. The tables of rates for 2018/19 and 2019/20 are shown below and can be found on the LGPS website: <http://scotlgps2015.org/content/what-will-new-scheme-cost-me>

Tiered Contribution Pay Rates

Whole time pay 2018-19	Contribution rate 2018/19	Whole time pay 2019-20	Contribution rate 2019/20
On earnings up to and including £21,300	5.50%	On earnings up to and including £22,441	5.50%
On earnings above £21,300 and up to £26,100	7.25%	On earnings above £22,442 and up to £29,193	Between 5.6% - 6.0%
On earnings above £26,100 and up to £35,700	8.50%	On earnings above £29,194 and up to £36,652	Between 6.1% - 6.5%
On earnings above £35,700 and up to £47,600	9.50%	On earnings above £36,653 and up to £51,713	Between 6.6% - 7.5%
On earnings above £47,600	12.00%	On earnings above £51,714 and up to £58,259	Between 7.6% - 8.0%
		On earnings above £58,260 and up to £78,008	Between 8.1% - 9.0%
		On earnings above £78,009 and up to £118,012	Between 9.1% - 10.0%
		On earnings above £118,013	10.1% and over

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.

Remuneration Report (continued)

TABLE 4: Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2020 are shown in the table below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Councillor Name	Responsibility	In-year pension contributions			Accrued pension benefits	
		For the year to 31 March 2019 £	For the year to 31 March 2020 £		As at 31 March 2020 £'000	Difference from March 2019 £'000
Graham Leadbitter	Leader of the Council and Chair, Economic Development and Infrastructure Committee. Convener of Grampian Valuation Joint Board	5,194	5,620	Pension Lump Sum	5 2	1 1
Shona Morrison	Convener of the Council and Chair, Moray Integration Joint Board	4,018	4,215	Pension Lump Sum	1 -	1 -
David Bremner	Chair, Planning and Regulatory Services Committee	3,280	4,215	Pension Lump Sum	1 -	1 -
Paula Coy	Convener, Police, Fire and Rescue Services	3,280	4,215	Pension Lump Sum	1 -	- -
Timothy Eagle	Leader of the largest Opposition Group	4,100	4,215	Pension Lump Sum	1 -	1 -
Donald Gatt	Chair, Audit and Scrutiny from 8 May 2019	-	3,785	Pension Lump Sum	1 -	- -
Louise Nicol	Chair, Communities Committee	3,280	4,215	Pension Lump Sum	1 -	1 -
Aaron McLean	Chair, Policy and Resources Committee from	4,100	4,215	Pension Lump Sum	3 -	- -
Amy Taylor	Chair, Licensing Committee	3,280	4,215	Pension Lump Sum	1 -	1 -
Sonya Warren	Chair, Children and Young People's Services Committee	3,280	4,215	Pension Lump Sum	2 -	- -
Total		33,812	43,125		19	7

Remuneration Report (continued)

TABLE 5: Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2020 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

Name	Post Title	In-year pension contributions			Accrued pension benefits	
		For the year to 31 March 2019 £	For the year to 31 March 2020 £		As at 31 March 2020 £'000	Difference from March 2019 £'000
Roderick D Burns	Chief Executive	21,173	21,775	Pension	60	3
				Lump	112	3
				Sum		
Rhona Gunn	Corporate Director (Environmental Services) until 30 September 2019. Depute Chief Executive for Economy, Environment and Finance from 1 October 2019.	17,814	18,429	Pension	30	3
				Lump	32	1
				Sum		
Denise Whitworth	Corporate Director (Corporate Services) until 30 September. Depute Chief Executive for Education Communities and Organisational Development from 1 October 2019	17,817	19,471	Pension	41	3
				Lump	67	2
				Sum		
Graham Jarvis	Acting Corporate Director (Education and Social Care) retired 4 August 2019	15,649	6,340	Pension	57	3
				Lump	118	4
				Sum		
Alasdair McEachan	Head of Legal Services (Monitoring Officer) until 30 September 2019. Head of Governance, Strategy and Performance from 1 October 2019.	14,905	15,331	Pension	28	2
				Lump	37	1
				Sum		
Lorraine Paisey	Head of Financial Services (s95 Officer) until 30 September 2019. Chief Financial Officer from 1 October 2019.	14,907	15,331	Pension	31	2
				Lump	49	1
				Sum		
Total		102,265	96,677		662	28

All senior employees shown in the tables above are members of the Local Government Pension Scheme (LGPS).

Remuneration Report (continued)

Remuneration of Officers receiving more than £50,000

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.

TABLE 6: General Disclosure by Pay Band

Remuneration Band	Number of Employees	
	2018/19	2019/20
£50,000-£54,999	64	116
£55,000-£59,999	22	49
£60,000-£64,999	20	32
£65,000-£69,999	6	12
£70,000-£74,999	4	2
£75,000-£79,999	7	9
£80,000-£84,999	-	4
£85,000-£89,999	1	1
£90,000-£94,999	4	-
£95,000-£99,999	-	1
£100,000-£104,999	-	1
£105,000-£109,999	1	-
£110,000-£114,999	-	1
Total	129	228

Exit Packages of Employees

The Council has agreed a number of exit packages as detailed in Table 7. The exit packages shown are split between compulsory redundancies and other departures. The figures shown include redundancy, settlement costs for loss of employment and payments to the pension fund for early retirements agreed by Committee. 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.

Remuneration Report (continued)

TABLE 7: Exit Packages

Banding	2018/19			2019/20		
	Compulsory Redundancies Number of Employees	Other Departures Number of Employees	Total Cost £	Compulsory Redundancies Number of Employees	Other Departures Number of Employees	Total Cost £
£0-£20,000	11	36	408,952	20	6	80,545
£20,001-£40,000	3	9	333,323	1	-	30,000
£40,001-£60,000	-	1	44,056	-	-	-
£60,001-£80,000	-	1	76,254	-	-	-
£80,001-£100,000	-	3	271,449	-	-	-
£100,001-£150,000	-	2	234,398	-	1	140,060
£150,001-£200,000	-	2	345,917	-	-	-
£200,001-£250,000	-	3	608,791	-	-	-
Total	14	57	2,323,140	21	7	250,605

Termination Benefits

During 2019/20 the Council terminated the contracts of 28 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 £0.111m comprising £0.078m of redundancy payments (2018/19 £0.758m) and £0.033m of settlement costs for loss of employment (2018/19 £0.014m).

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

Trade Union (Facility Time Publication Requirements) Regulations 2017

The following tables show the information required to be published under the Trade Union (Facility Time Publication Requirements) Regulations 2017.

Table 8: Relevant Union Officials

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period		Full-time equivalent employee number	
2019/20		2019/20	
Teaching	Non-Teaching	Teaching	Non-Teaching
12	15	12	15

Remuneration Report (continued)

Table 9: Percentage of Time Spent on Facility Time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of employees	
	2019/20	
	Teaching	Non-Teaching
0%	0	5
1%-50%	11	9
51%-99%	1	1
100%	0	0

Table 10: Percentage of Pay Bill Spent on Facility Time

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

	2019/20	
	Teaching	Non-Teaching
Provide the total cost of facility time	57,055	40,545
Provide the total pay bill	144,207,000	144,207,000
Provide the percentage of the total pay bill spent on facility time calculated as: (total cost of facility time/total pay bill) x 100	0.04%	0.03%

Table 11: Paid Trade Union Activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

	Teaching	Non-Teaching
Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on trade union activities by relevant union officials during the relevant period/total paid facility time hours) x 100	5.50%	17.56%

Councillor Graham Leadbitter

Leader of the Council

Roderick D Burns

Chief Executive

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost for the year ended 31 March 2020 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 9.

2018/19 (restated Note 2)				2019/20			
Expenditure	Council Income	Net	Group Net	Expenditure	Council Income	Net	Group Net
£000	£000	£000	£000	£000	£000	£000	£000
71,676	(3,795)	67,881	68,031	76,937	(8,343)	68,594	68,721
25,523	(5,122)	20,401	20,401	25,204	(4,807)	20,397	20,397
21,303	(1,077)	20,226	20,227	20,540	(1,386)	19,154	19,201
12,976	(8,481)	4,495	4,495	16,476	(12,356)	4,120	4,120
50,876	(12,589)	38,287	38,358	51,470	(15,171)	36,299	36,334
5,571	(2,006)	3,564	3,564	5,798	(2,059)	3,739	3,739
6,375	(350)	6,025	6,025	6,589	(366)	6,223	6,295
24,709	(18,572)	6,137	6,137	21,440	(15,646)	5,794	6,522
3,051	(430)	2,621	2,621	2,917	(2,233)	684	684
13,415	(221)	13,194	13,245	5,084	(184)	4,900	4,900
97,834	(56,021)	41,813	42,380	103,794	(57,738)	46,056	46,056
23,900	(19,357)	4,543	4,543	19,959	(19,668)	291	291
357,209	(128,022)	229,187	230,025	356,208	(139,957)	216,251	217,260
			Cost Of Services				

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 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 and Receipts Unapplied Account	Capital Fund	Revenue Statutory Funds	Total Usable Reserves	Total 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 2018	18,653	1,132	649	69	111	4,078	24,692	430,485	455,177	28,953	(78)	484,052
Movement in Reserves 2018/19												
Total Comprehensive Expenditure and Income	(15,331)	(4,208)	-	-	-	-	(19,539)	34,011	14,472	(147)	(420)	13,905
Adjustments between accounting basis & funding basis under regulations (Note 11)	11,436	3,585	186	443	-	-	15,650	(15,650)	-	-	-	-
Net increase/(decrease) before transfers to/from earmarked and other statutory reserves	(3,895)	(623)	186	443	-	-	(3,889)	18,361	14,472	(147)	(420)	13,905
reserves	(728)	663	4	147	(111)	25	-	-	-	-	-	-
Increase/Decrease in 2018/19	(4,623)	40	190	590	(111)	25	(3,889)	18,361	14,472	(147)	(420)	13,905
Balance at 31 March 2019	14,030	1,172	839	659	-	4,103	20,803	448,846	469,649	28,806	(498)	497,957
Note												
Minority Interest										649		649
Total Reserves as per Balance Sheet										29,455		498,606

Movement in Reserves Statement (continued)

2019/20	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Receipts Unapplied Account	Capital Grants and Capital Fund	Revenue Statutory Fund	Total Usable Reserves	Total 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 2019	14,030	1,172	839	659	-	4,103	20,803	448,846	469,649	28,806	(498)	497,957
Movement in Reserves 2019/20												
Total Comprehensive Expenditure and Income	5,364	3,598					8,962	42,136	51,098	3,901	128	55,127
Adjustments between accounting basis & funding basis under regulations (Note 11)	2,681	(2,982)	139	1,662			1,500	(1,500)	-	-	-	-
before transfers to/from earmarked and other statutory reserves	8,045	616	139	1,662	-	-	10,462	40,636	51,098	3,901	128	55,127
Transfers to/from statutory reserves	(1,204)	431	5	(57)	206	29	(590)	590	-	-	-	-
Increase/Decrease in 2019/20	6,841	1,047	144	1,605	206	29	9,872	41,226	51,098	3,901	128	55,127
Balance at 31 March 2020	20,871	2,219	983	2,264	206	4,132	30,675	490,072	520,747	32,707	(370)	553,084
Note												
Minority Interest										580		580
Total Reserves as per Balance Sheet										33,287		553,664

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets 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 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 2019			Notes	31 March 2020	
Council	Group			Council	Group
£000	£000			£000	£000
875,049	892,039	Property, Plant & Equipment	16	928,527	951,325
1,148	1,352	Heritage Assets	17	1,148	1,352
747	4,927	Investment Property	18	862	3,308
166	166	Intangible Assets	19	20	20
-	2,661	Long Term Investments		-	2,277
-	211	Investments in Associates		-	197
633	633	Long Term Debtors	20	320	320
877,743	901,989	Long Term Assets		930,877	958,799
660	661	Inventories	21	801	802
10,988	10,999	Short Term Debtors	22/23	11,847	11,861
996	996	Assets held for sale	24	827	827
18,073	18,073	Cash and Cash Equivalents	25	16,354	16,354
30,717	30,729	Current Assets		29,829	29,844
(40,794)	(40,794)	Short Term Borrowing	20	(67,189)	(67,189)
(44,670)	(39,262)	Short Term Creditors	26	(37,719)	(32,172)
(85,464)	(80,056)	Current Liabilities		(104,908)	(99,361)
(172)	(172)	Provisions	27	(149)	(149)
(174,922)	(174,922)	Long Term Borrowing	20	(170,800)	(170,800)
(58,366)	(58,366)	Other Long Term Liabilities	20	(57,010)	(57,010)
(119,887)	(119,887)	Pensions Liability	43	(107,092)	(107,092)
-	(709)	Liabilities in Associates		-	(567)
(353,347)	(354,056)	Long Term Liabilities		(335,051)	(335,618)
469,649	498,606	Net Assets		520,747	553,664

Balance Sheet (continued)

31 March 2019			Notes	31 March 2020	
Council	Group			Council	Group
£000	£000			£000	£000
14,030	25,602	General Fund Balance	28	20,871	30,530
1,172	1,172	Housing Revenue Account	28	2,219	2,219
839	839	Capital Receipts Reserve	28	983	983
659	659	Capital Grants Unapplied	28	2,264	2,264
-	-	Capital Fund	28	206	206
4,103	4,103	Revenue Statutory Funds	28	4,132	4,132
20,803	32,375	Usable Reserves		30,675	40,334
222,054	239,223	Revaluation Reserve	29	228,335	251,318
359,660	359,725	Capital Adjustment Account	29	381,892	381,957
(6,643)	(6,643)	Financial Instruments Adjustment Account	29	(6,333)	(6,333)
(6,338)	(6,338)	Employee Statutory Adjustment Account	29	(6,730)	(6,730)
(119,887)	(119,887)	Pensions Reserve	29	(107,092)	(107,092)
448,846	466,080	Unusable Reserves		490,072	513,120
-	(498)	Share of Associates Reserves		-	(370)
-	649	Minority Interest		-	580
469,649	498,606	Total Reserves		520,747	553,664

The notes on pages 38 to 90 form part of the financial statements

Lorraine Paisey CA

Chief Financial Officer

The unaudited Annual Accounts were issued on 1 July 2020, and the audited Annual Accounts were authorised for issue by Lorraine Paisey, Chief Financial Officer on

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.

2018/19			2019/20	
Council	Group		Council	Group
£000	£000		£000	£000
(19,539)	(19,840)	Net surplus/(deficit) on the provision of services	8,962	6,489
66,954	67,255	Adjust net deficit on the provision of services for non cash movements	42,328	44,801
(31,413)	(31,413)	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	(38,603)	(38,603)
16,002	16,002	Net cash flows from Operating Activities	12,687	12,687
(10,007)	(10,007)	Investing Activities (Note 32)	(36,322)	(36,322)
4,689	4,689	Financing Activities (Note 33)	21,916	21,916
10,684	10,684	Net increase or (decrease) in cash and cash equivalents	(1,719)	(1,719)
7,389	7,389	Cash and cash equivalents at the beginning of the financial year	18,073	18,073
18,073	18,073	Cash and cash equivalents at the end of the financial year (Note 25)	16,354	16,354
10,684	10,684		(1,719)	(1,719)

Notes to the Accounts

Note 1 Accounting Policies

1. General

The Local Authority Accounts (Scotland) Regulations 2014 require the Council to prepare an annual statement of accounts. 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 2019/20, 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.

2. 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.

3. Bad and Doubtful Debts

Amounts owed to the Council are reviewed annually and provision made for possible non-collection of bad or doubtful debts. All debts greater than 12 months old are 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% is made. No provision is made on debt less than 12 months old relating to Council Tax arrears and Non Domestic Rates collected on behalf of the Scottish Government.

4. Borrowing Costs

The Council capitalises borrowing costs incurred whilst material assets are under construction.

5. 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.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand. These form an integral part of the Council's cash management.

6. 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.

7. Contingent Assets and Liabilities

A contingent asset or liability arises where an event has taken place that gives the Council a possible benefit or obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets or liabilities 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 benefit/obligation cannot be measured reliably.

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

8. Employee 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. 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.

Note 1 Accounting Policies (continued)

9. 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 assets (or liabilities) 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 asset (or liability) either directly or indirectly.
- Level 3 inputs - unobservable inputs for the asset (or liability).

10. 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 Comprehensive Income and Expenditure Statement (CIES), they are reversed out in the General Fund balance in the Movement in Reserves Statement (MIRS).

11. Impairment

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

12. 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 cost 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.

13. Loans Fund

A Loans Fund is maintained under powers contained in the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016. 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.

14. 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.

15. 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.

Note 1 Accounting Policies (continued)

16. Reserves

Reserves are created by appropriating amounts from the General Fund balance in the MIRS. 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 MIRS so that there is no net charge against council tax for the expenditure.

17. VAT

VAT is included in the CIES 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 Prior Period Adjustment/Restatements

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Material errors are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

The Council undertook a Senior Management Restructure during 2019/20. This resulted in Service Headings being adjusted to reflect this new structure. The Comprehensive Income and Expenditure Statement for 2018/19 has been restated to take account of this. There was no impact on the Net Cost of Services or on the (Surplus)/Deficit on the Provision of Services.

Note 2 Prior Period Adjustment/Restatements (continued)

The impact of the adjustments in the Comprehensive Income and Expenditure Statement are as follows:

	2018/19 Audited Accounts					Revised Comparatives			
	Council		Net	Group		Council		Net	Group
	Expenditure	Income	Net	Net Expenditure		Expenditure	Income	Net	Net Expenditure
	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
Educational & Integrated Children's Services	118,126	(9,994)	108,132	108,281	Education	71,676	(3,795)	67,881	68,030
					Education Resources & Communities	25,523	(5,122)	20,401	20,401
					Social Work	21,303	(1,077)	20,226	20,226
General Services	12,959	(8,482)	4,477	4,477	General Services Housing & Property Services	12,976	(8,481)	4,495	4,495
Housing & Property Services									
Direct Services	50,965	(12,589)	38,376	38,447	Environmental & Commercial Services	50,876	(12,589)	38,287	38,358
Development Services	5,957	(2,006)	3,951	3,951	Economic Growth & Development	5,571	(2,006)	3,564	3,564
Corporate Services	32,302	(19,239)	13,063	13,063	HR, ICT & Organisational Development	6,375	(350)	6,025	6,025
Chief Executive	2,450	(184)	2,266	2,266	Governance, Strategy & Performance	24,709	(18,572)	6,137	6,137
Other Services	12,677	(150)	12,527	12,578	Financial Services	3,051	(430)	2,621	2,621
					Other	13,415	(221)	13,194	13,245
Health & Social Care	97,873	(56,021)	41,852	42,419	Health & Social Care	97,834	(56,021)	41,813	42,380
Housing Revenue Account	23,900	(19,357)	4,543	4,543	Housing Revenue Account	23,900	(19,357)	4,543	4,543
	357,209	(128,022)	229,187	230,025		357,209	(128,022)	229,187	230,025

Note 3 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code requires the Council to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts. This applies to the adoption of the following new or amended standards within the 2019/20 Code:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-Term Interests in Associates and Joint Ventures.
- Annual Improvements to IFRS Standards 2015-17 Cycle.
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

The Code requires implementation from 1 April 2020 and there is, therefore, no impact on the 2019/20 Financial Statements.

The above amendments are not anticipated to have a material impact on the information provided in the Financial Statements.

Note 4 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 six subsidiary entities and three 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 Edinkille Trust Fund	Moray	67	33
Donald Manson Forres Trust Fund	Moray	67	33
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 four trust funds which have a combined net asset balance of £1.696m. The Council acts as sole trustees for various other trust funds which have a net asset balance of £8.098m.

The Council is responsible for the administration of Common Good Funds which were all the property of a Royal Burgh not acquired under statutory powers or held under specific trusts. Council Members have responsibility for decisions on the distribution of these funds. The Common Good Funds have a net asset balance of £23.493m.

The individual accounts for these entities are shown separately on pages 98 to 110 of these accounts.

Note 4 Nature of the Group and Group Members (continued)

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	37.5%	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

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

Summarised balance sheet

	Grampian Valuation Joint Board		Moray Leisure Limited		Moray Integration Joint Board (Joint Venture)	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
Current assets						
Cash and cash equivalents	613	651	45	143	-	-
Other current assets	42	39	73	153	257	187
Total current assets	655	690	118	296	257	187
Non-current assets	753	730	474	421	-	-
Current liabilities	(558)	(476)	(399)	(438)	-	-
Non-current liabilities	(5,023)	(4,277)	-	-	-	-
Net assets/(liabilities)	(4,173)	(3,333)	193	279	257	187
Reconciliation to carrying amounts:						
Opening net assets/(liabilities)	(3,137)	(4,173)	72	193	847	257
Surplus/(deficit) for the period	(1,036)	840	121	85	(590)	(70)
Closing net assets/(liabilities)	(4,173)	(3,333)	193	278	257	187
Reporting entity's share (%)	17	17	43	38	50	50
Reporting entity's share	(709)	(567)	83	104	128	94

Note 4 Nature of the Group and Group Members (continued)

Summarised Statements of Comprehensive Income and Expenditure

	Grampian Valuation Joint Board		Moray Leisure Limited		Moray Integration Joint Board (Joint Venture)	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
Revenue	(4,388)	(4,513)	(2,629)	(2,819)	(130,033)	(136,889)
Interest Income	(3)	(5)	-	-	-	-
Depreciation and Amortisation	2	23	121	94	-	-
Interest Expense	94	115	-	-	-	-
(Surplus)/deficit for the period	879	549	121	85	590	70
Other Comprehensive Income and Expenditure	157	(1,389)	-	-	-	-
Total Comprehensive Income and Expenditure	1,036	(840)	121	85	590	70

Inclusion of Associate entities has decreased reserves and net assets by £0.370m due mainly to the liability of the Grampian Valuation Joint Board's Pension Scheme, which is being reduced by the reserves of Moray Integration Joint Board and Moray Leisure Ltd.

Note 4 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 and 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 issued	Contributions from 5 Constituent Authorities (Highland, Moray and 3 others)
Moray Council's share of voting control	20.44%	25%

Carrying amounts of the entities:

	Grampian Venture Capital Fund		HITRANS	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
carrying amount of receivables	62	62	89	155
carrying amount of liabilities	-	-	346	351
Maximum exposure to loss	62	62	346	351

Note 5 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in these financial statements, the Council and its associates have 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 was a high degree of uncertainty about future levels of funding for Local Authorities and Joint Boards prior to the pandemic, and this uncertainty has been heightened as a result of the pandemic, with no clarity yet as to what the long term economic impact will be and how it will impact on both UK and Scottish Government's abilities to raise income through taxation. However, it has been 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.
- Assets held at current value are revalued on a five year rolling basis as set out in the accounting policy for Property, Plant and Equipment. The Council asserts that the carrying amount does not differ materially from that which would be determined using current value.

Note 6 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 2020 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

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 buildings. 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 £0.844m for every year that useful lives had to be reduced.
Valuation of Property, Plant and Equipment	<p>In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), a material uncertainty has been declared in the valuation report. This is due to market uncertainties caused by Covid-19. The Red Book defines material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.'</p> <p>The valuation report has been used to inform the measurement of non-current assets in these financial statements. Although the valuer has declared a material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to the Council as at 31 March 2020 and can be relied upon.</p>	It is not known what the impact will be, but there is potential for asset values to change significantly.
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.	<p>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 £12.470m.</p> <p>Part of the pension fund is invested in Level 3 Investments. The nature of these investments means there is greater risk and more uncertainty over their valuation.</p> <p>There may be an impact on net pension scheme liabilities, depending on the stock market. The outbreak of Covid-19 has impacted global financial markets. The valuers of the Pension Fund's property portfolio as at 31 March declared a material uncertainty in the valuation report. This was due to the market uncertainties caused by Covid-19 and consequently, less certainty and a higher degree of caution should be attached to their valuation that would normally be the case.</p>

Arrears	At 31 March 2020, the Council had a balance of sundry debtors for £21.558m. (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 £0.015m.
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Note 7 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 2019/20 the following items are regarded as material:

Nature	£000
Continuation of the Council house new build programme (including the purchase of land). Twenty eight dwellings were completed during the year. A further one hundred and eighty one were under construction at 31 March 2020.	12,015
Building of the new Lossiemouth High School has advanced during the year and is still ongoing at 31 March 2020.	19,764
Building of the new Linkwood Primary School in South Elgin has advanced during the year and is still ongoing at 31 March 2020.	8,337
NESS Energy for Waste Plant, a joint project with Aberdeen City and Aberdeenshire Councils, has advanced during the year and is still ongoing at 31 March 2020	6,463
Rebate received from HMRC in relation to Leisure Services VAT	1,784

Note 8 Events after the Reporting Period

The unaudited Annual Accounts were issued on 1 July 2020, and the audited Annual Accounts were authorised for issue by Lorraine Paisey, Chief Financial Officer on

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 16th July 2020, the Westminster Government released a consultation document on the remedy to the issues following the McCloud ruling. Following this, Mercer, who are engaged to provide an actuarial valuation of the Councils pension scheme indicated that the estimated impact of the McCloud ruling may have reduced from that previously estimated within the valuation. A revised valuation was therefore obtained, with the amended valuation results for the overall pension scheme liabilities reflected in the financial statements.

There have been no other material events since the date of the Balance Sheet which necessitates revision to the figures in the financial statements.

Note 9 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 services 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.

2018/19 (restated note 2)			2019/20			
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
56,995	10,887	67,882	Education	58,516	10,078	68,594
			Education Resources & Communities	17,426	2,971	20,397
18,212	2,190	20,401	Social Work	18,369	785	19,154
19,525	701	20,227	General Services			
			Housing and Property Services	2,155	1,965	4,120
2,591	1,903	4,495	Commercial Services	21,992	14,307	36,299
24,237	14,050	38,287	Economic Growth & Development	2,946	793	3,739
3,110	454	3,564	HR, ICT & Organisational Development	4,766	1,457	6,223
4,708	1,318	6,025	Governance, Strategy & Performance	5,127	667	5,794
5,643	494	6,137	Financial Services	449	235	684
2,386	234	2,621	Other	2,735	2,165	4,900
4,113	9,081	13,194	Health and Social Care	43,158	2,898	46,056
40,188	1,625	41,813	Housing Revenue Account	(8,996)	9,287	291
(7,834)	12,377	4,543	Cost of Services	168,643	47,608	216,251
173,874	55,313	229,187	Other Income and Expenditure	(177,304)	(47,909)	(225,213)
(169,356)	(40,292)	(209,648)	(Suplus)/Deficit	(8,661)	(301)	(8,962)
4,518	15,021	19,539	Opening General Fund and HRA Balance	(15,202)		
			(Surplus) Deficit on General Fund and HRA Balance in year	(8,661)		
			Transfers from Reserves	773		
		65	Closing General Fund and HRA Balance at 31 March*	(23,090)		
		(15,202)				

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

Note 9 Expenditure and Funding Analysis (continued)

Adjustments between the Funding and the Accounting Basis 2018/19 (restated)

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes Note a £000	Net Change for the Pensions Adjustments Note b £000	Other Differences Note c £000	Elimination of Internal Recharges Note d £000	Total Adjustments £000
Education	9,629	852	563	(157)	10,887
Education Resources & Communities	1,180	1,140	-	(130)	2,190
Social Work	33	738	-	(70)	701
General Services Housing and Property Services	1,285	816	18	(216)	1,903
Environmental & Commercial Services	11,060	1,766	(28)	1,252	14,050
Economic Growth & Development	117	419	(31)	(52)	454
HR, ICT & Organisational Development	955	374	-	(11)	1,318
Governance, Strategy & Performance	36	521	(27)	(36)	494
Financial Services	85	206	(57)	-	234
Other	213	8,872	-	(5)	9,081
Health and Social Care	349	1,890	(39)	(575)	1,625
Housing Revenue Account	12,132	233	12	-	12,377
Net Cost of Services	37,072	17,829	412	-	55,313
Other Income and Expenditure	(42,156)	2,178	(314)	-	(40,292)
Total Adjustments	(5,084)	20,007	98	-	15,021

Note 9 Expenditure and Funding Analysis (continued)

Adjustments between the Funding and the Accounting Basis 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes Note a £000	Net Change for the Pensions Adjustments Note b £000	Other Differences Note c £000	Elimination of Internal Recharges Note d £000	Total Adjustments £000
Education	8,793	1,234	193	(142)	10,078
Education Resources & Communities	1,600	1,411	40	(80)	2,971
Social Work	20	961	49	(245)	785
General Services Housing and Property Services	1,245	1,038	(20)	(298)	1,965
Environmental & Commercial Services	11,696	2,149	(49)	511	14,307
Economic Growth & Development	15	510	33	235	793
HR, ICT & Organisational Development	956	489	19	(7)	1,457
Governance, Strategy & Performance	35	616	20	(4)	667
Financial Services	-	222	13	-	235
Other	49	2,107	11	(2)	2,165
Health and Social Care	239	2,531	96	32	2,898
Housing Revenue Account	9,018	282	(13)	-	9,287
Net Cost of Services	33,666	13,550	392	-	47,608
Other Income and Expenditure	(50,293)	2,694	(310)	-	(47,909)
Total Adjustments	(16,627)	16,244	82	-	(301)

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.

Note 9 Expenditure and Funding Analysis (continued)

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.

d) Elimination of Internal Recharges

The Code requirements prohibit the inclusion of income and expenditure on a trading basis between segments in the Comprehensive Income and Expenditure Statement (CIES). As a consequence, internal transactions are not to be included in the CIES.

Note 10 Expenditure and Income Analysed by Segment and Nature

The authority's expenditure and income is analysed as follows. Segments have been identified based on the organisational structure used by the Council for internal management reporting.

Income and Expenditure 2018/19 (restated note 2)

	Education	Education Resources & Communities	Social Work	General Services Housing & Property Services	Environmental & Commercial Services	Economic Growth & Development	HR, ICT & Organisational Development	Governance, Strategy & Performance	Financial Services	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	£000	£000	£000
Employee expenses	50,122	18,797	8,045	9,239	20,646	4,577	4,246	5,651	2,149	12,170	21,492	2,690	2,364	162,188
Other service expenses	11,925	5,546	13,225	2,452	19,169	877	1,174	19,022	817	1,032	75,993	9,078	-	160,310
Depreciation, amortisation and impairment	9,629	1,180	33	1,285	11,061	117	955	36	85	213	349	12,132	-	37,075
Interest Payments	-	-	-	-	-	-	-	-	-	-	-	-	13,810	13,810
Loss on Disposal of Non Current Assets	-	-	-	-	-	-	-	-	-	-	-	-	2,432	2,432
Total Expenditure	71,676	25,523	21,303	12,976	50,876	5,571	6,375	24,709	3,051	13,415	97,834	23,900	18,606	375,815
Fees, charges & other service income	(504)	(2,035)	252	(6,604)	(12,089)	(1,738)	(349)	(1,103)	(430)	(141)	(42,411)	(19,357)	-	(86,509)
Interest and investment income	-	-	-	-	-	-	-	-	-	-	-	-	(299)	(299)
Income from council tax Government grants and contributions	-	-	-	-	-	-	-	-	-	-	-	-	(41,076)	(41,076)
	(3,291)	(3,087)	(1,329)	(1,877)	(500)	(268)	(1)	(17,469)	-	(80)	(13,610)	-	(186,880)	(228,392)
Total Income	(3,795)	(5,122)	(1,077)	(8,481)	(12,589)	(2,006)	(350)	(18,572)	(430)	(221)	(56,021)	(19,357)	(228,255)	(356,276)
Net Expenditure	67,881	20,401	20,226	4,495	38,287	3,565	6,025	6,137	2,621	13,194	41,813	4,543		

(Surplus) or deficit on the provision of services

19,539

Note 10 Expenditure and Income Analysed by Segment and Nature (continued)

Income and Expenditure 2019/20

	Education £000	Education Resources & Communities £000	Social Work £000	General Services Housing & Property Services £000	Environmental & Commercial Services £000	Economic Growth & Development £000	HR, ICT & Organisational Development £000	Governance, Strategy & Performance £000	Financial Services £000	Other Services £000	Health & Social Care £000	Housing Revenue Account £000	Costs not included in a Service £000	Total £000
Employee expenses	55,286	19,038	8,464	9,611	20,084	4,523	4,343	5,299	1,942	4,133	23,064	2,698	2,694	161,179
Other service expenses	12,859	4,566	12,056	5,620	19,690	1,260	1,290	16,106	975	902	80,491	8,243	91	164,149
Depreciation, amortisation and impairment	8,792	1,600	20	1,245	11,696	15	956	35	-	49	239	9,018	(115)	33,550
Interest Payments	-	-	-	-	-	-	-	-	-	-	-	-	13,314	13,314
Loss on Disposal of Non Current Assets	-	-	-	-	-	-	-	-	-	-	-	-	317	317
Total Expenditure	76,937	25,204	20,540	16,476	51,470	5,798	6,589	21,440	2,917	5,084	103,794	19,959	16,301	372,509
Fees, charges & other service income	(650)	(2,315)	(121)	(9,846)	(15,021)	(1,391)	(366)	(15,133)	(2,233)	(184)	(57,682)	(19,668)	-	(124,610)
Interest and investment income	-	-	-	-	-	-	-	-	-	-	-	-	(414)	(414)
Income from council tax Government grants and contributions	-	-	-	-	-	-	-	-	-	-	-	-	(43,723)	(43,723)
	(7,693)	(2,492)	(1,265)	(2,510)	(150)	(668)	-	(513)	-	-	(56)	-	(197,377)	(212,724)
Total Income	(8,343)	(4,807)	(1,386)	(12,356)	(15,171)	(2,059)	(366)	(15,646)	(2,233)	(184)	(57,738)	(19,668)	(241,514)	(381,471)
Net Expenditure	68,594	20,397	19,154	4,120	36,299	3,739	6,223	5,794	684	4,900	46,056	291		
(Surplus) or deficit on the provision of services														(8,962)

Note 11 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.

2018/19

	Usable Reserves					
	General Fund £000	HRA £000	Revenue Statutory Funds £000	Capital Receipts Reserve £000	Capital Grants & Receipts Unapplied £000	Capital Fund £000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements,						
Pensions costs (transferred from the Pensions Reserve)	19,721	286				
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(221)	(93)				
Holiday pay (transferred to the Employee Statutory Adjustment Account)	400	12				
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)	1,025	9,078	-	-	-	-
Total Adjustment to Revenue Resources	20,925	9,283	-	-	-	-
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(186)	(75)	-	261		-
Capital receipts transferred to the Capital Grants and Receipts Unapplied Account	(443)				443	
Statutory provision for the repayment of debt	(8,860)	(944)	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	(4,679)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(9,489)	(5,698)	-	261	443	-
Resources						
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	(75)	-	-
Total Adjustments to Capital Resources	-	-	-	(75)	-	-
Total Adjustments	11,436	3,585	-	186	443	-

Note 11 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2019/20

	Usable Reserves					
	General Fund £000	HRA £000	Revenue Statutory Funds £000	Capital Receipts Reserve £000	Capital Grants & Receipts & Unapplied £000	Capital Fund £000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements,						
Pensions costs (transferred from the Pensions Reserve)	15,898	346	-	-	-	-
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(215)	(95)	-	-	-	-
Holiday pay (transferred to the Employee Statutory Adjustment Account)	405	(13)	-	-	-	-
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)	(1,181)	2,239	-	-	-	-
Total Adjustment to Revenue Resources	14,907	2,477	-	-	-	-
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve						
Capital receipts transferred to the Capital Grants and Receipts Unapplied Account	(139)	-	-	139	-	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(1,662)	-	-	-	1,662	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(9,425)	(1,114)	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,000)	(4,345)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(12,226)	(5,459)	-	139	1,662	-
Resources						
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure						
	-	-	-	-	-	-
Total Adjustments to Capital Resources	-	-	-	-	-	-
Total Adjustments	2,681	(2,982)	-	139	1,662	-

Note 12 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 2019/20.

Revenue Statutory Funds

	Repairs and Renewals Fund	Insurance Fund	Total
	£000	£000	£000
Balance at 1 April 2018	2,691	1,387	4,078
Transfers In 2018/19	16	9	25
Balance at 31 March 2019	<u>2,707</u>	<u>1,396</u>	<u>4,103</u>
Transfers in 2019/20	19	10	29
Balance at 31 March 2020	<u>2,726</u>	<u>1,406</u>	<u>4,132</u>

Earmarked portions of the General Fund

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

	General Services	Devolved School Management	Early Years Childcare Expansion	Pupil Equity Funding	Transformation	Council Priorities	Other Funds	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2018	17,095	448	196	569	-	-	345	18,653
Transfers Out 2018/19	(5,257)	(438)	(146)	-	-	-	(5)	(5,846)
Transfers In 2018/19	438	-	-	14	700	-	71	1,223
Balance at 31 March 2019	<u>12,276</u>	<u>10</u>	<u>50</u>	<u>583</u>	<u>700</u>	<u>-</u>	<u>411</u>	<u>14,030</u>
Transfers Out 2019/20	-	-	-	-	-	-	(17)	(17)
Transfers In 2019/20	3,073	456	364	77	-	2,881	7	6,858
Balance at 31 March 2020	<u>15,349</u>	<u>466</u>	<u>414</u>	<u>660</u>	<u>700</u>	<u>2,881</u>	<u>401</u>	<u>20,871</u>

Note 12 Transfers to/from Revenue Statutory Funds and Earmarked portions of the General Fund (continued)

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.

Early Years Childcare Expansion

The purpose of this fund is to ring fence funding received from the Scottish Government for the expansion of Early Learning and Childcare from 600 hours to 1,140 hours.

Pupil Equity Funding

The purpose of this fund is to ring fence funding received from the Scottish Government to provide targeted support for children and young people affected by poverty.

Transformation

The purpose of this fund is to provide funding to initiate and advance the Transformation, Improvement and Modernisation Programme projects.

Council Priorities

The purpose of this fund is to meet one-off expenditure which assists in achieving financial stability, as well as other measures facilitating the achievement of Council priorities.

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 claims beneath the Council's excess. Other funds held include unspent monies to be used to upgrade/maintain Sanquhar Loch in Forres and for unspent monies relating to the Scottish Welfare Fund, which was set up in 2016/17 to be used to provide individuals with assistance for short term need and community care.

Note 13 Other Operating Expenditure

	2018/19	2019/20
	£000	£000
Movement on revaluation of assets held-for-sale recognised in the provision of services	-	
Losses on disposal of non-current assets	2,432	317
	2,432	317

Note 14 Financing and Investment Income and Expenditure

	2018/19	2019/20
	£000	£000
Interest payable and similar charges	13,810	13,314
Net interest on the net defined benefit liability	2,178	2,694
Interest receivable and similar income	(308)	(410)
Income and expenditure in relation to investment properties	9	(4)
Expected credit losses on financial assets	186	91
Movement on revaluation in investment property	-	(115)
	15,875	15,570

Note 15 Taxation and Non-Specific Grant Income

	2018/19	2019/20
	£000	£000
Council tax income	41,076	43,723
Non domestic rates	40,603	45,422
Non-ring fenced government grants	115,567	116,335
Capital grants and contributions	30,709	35,620
	227,955	241,100

Note 16 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 and Equipment.

Recognition

All expenditure on the acquisition, creation, enhancement or replacement of a part of an asset is capitalised providing the asset yields benefit for more than one year to the Council and the services it provides and the cost can be reliably measured. Where a component is replaced or restored, the carrying amount of the old component is derecognised and the new component reflected in the carrying amount.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price, and
- Any costs attributable to bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable useful life (i.e. 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. 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 and 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

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.

Note 16 Property, Plant and Equipment (continued)

Comparative Movements in 2018/19:

	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 2018	267,443	348,318	44,961	294,739	705	4,911	12,746	973,823
Additions	9,663	5,851	3,582	6,261	-	15	15,126	40,498
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,850)	13,496	-	-	-	(654)	-	10,992
(decreases) recognised in the Surplus on the Provision of Services	(5,451)	(3,594)	-	-	-	(491)	-	(9,536)
Derecognition – disposals	-	(2,436)	(1,033)	-	-	(475)	(6)	(3,950)
Derecognition – other	-	-	(686)	-	-	-	-	(686)
Assets reclassified (to)/ from Held for Sale	-	-	-	-	-	(45)	-	(45)
Other movements in cost or valuation	3,917	4,685	(193)	80	-	1,443	(7,602)	2,330
At 31 March 2019	273,722	366,320	46,631	301,080	705	4,704	20,264	1,013,426
Accumulated Depreciation and Impairment								
At 1 April 2018	18,393	41,480	27,603	57,298	297	104	-	145,175
Depreciation charge	6,500	11,536	3,897	8,115	17	71	-	30,136
Depreciation written out to the Revaluation Reserve	-	(32,095)	-	-	-	(79)	-	(32,174)
Depreciation written out to the Surplus on the Provision of Services	-	(2,622)	-	-	-	(7)	-	(2,629)
Derecognition – disposals	-	(525)	(920)	-	-	-	-	(1,445)
Derecognition – other	-	-	(686)	-	-	-	-	(686)
Assets reclassified (to)/ from Held for Sale	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	87	(156)	-	-	69	-	-
At 31 March 2019	24,893	17,861	29,738	65,413	314	158	-	138,377

Note 16 Property, Plant and Equipment (continued)

Movement in 2019/20

	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 2019	273,722	366,320	46,631	301,080	705	4,704	20,264	1,013,426
Additions	6,190	4,221	4,022	6,841			54,578	75,852
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	73	9,533	-	-	-	(69)	-	9,537
Revaluation (decreases) recognised in the Surplus on the Provision of Services	(1,997)	(18)	-	-	-	(125)	(124)	(2,264)
Derecognition – disposals	-	(611)	(1,545)	-	-	(946)	-	(3,102)
Derecognition – other	-	(198)	-	-	-	-	-	(198)
Assets reclassified (to)/ from Held for Sale	-	-	-	-	-	-	-	-
Other movements in cost or valuation	3,850	4,607	31	3,171	6	794	(12,459)	-
At 31 March 2020	281,838	383,854	49,139	311,092	711	4,358	62,259	1,093,251
Accumulated Depreciation and Impairment								
At 1 April 2019	24,893	17,861	29,738	65,413	314	158	-	138,377
Depreciation charge	6,876	12,059	4,243	8,203	16	70	-	31,467
Depreciation written out to the Revaluation Reserve	-	(3,560)	-	-	-	(28)	-	(3,588)
Surplus on the Provision of Services	-	(62)	-	-	-	(10)	-	(72)
Derecognition – disposals	-	(56)	(1,365)	-	-	(31)	-	(1,452)
Derecognition – other	-	(8)	-	-	-	-	-	(8)
Assets reclassified (to)/ from Held for Sale	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	-	(34)	-	-	-	34	-	-
At 31 March 2020	31,769	26,200	32,616	73,616	330	193	-	164,724
Net Book Value								
at 31 March 2019	248,829	348,459	16,893	235,667	391	4,546	20,264	875,049
at 31 March 2020	250,069	357,654	16,523	237,476	381	4,165	62,259	928,527

Note 16 Property, Plant and Equipment (continued)

Capital Commitments

At 31 March 2020, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years budgeted to cost £45.316m (£44.345m in 2018/19). The major contracts are:

	£000
HRA Council House New Build projects	12,166
Lossiemoth High School	11,887
Linkwood Primary School	2,924
NESS Energy from Waste	20,101
	<u>47,078</u>

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 are carried out internally 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 (RICS).

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

- Infrastructure, community assets and assets under construction - depreciated historical cost
- Council dwellings - current value, determined using the basis of existing use value for social housing (EUUV-SH)
- School buildings - current value, but because of their specialised 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 are measured at depreciated replacement cost as an estimate of current value.

	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
Carried at historical cost	-	-	49,139	311,092	711	-	62,259	423,201
Valued at current value as at:								
01 April 2019	8,116	36,378				(194)		44,300
01 April 2018	3,961	268,480	-	-	-	1,282	-	273,723
01 April 2017	3,003	17,460	-	-	-	1,660	-	22,123
01 April 2016	1,170	37,755	-	-	-	1,309	-	40,234
01 April 2015	265,588	23,781	-	-	-	301	-	289,670
Total cost or valuation	281,838	383,854	49,139	311,092	711	4,358	62,259	1,093,251

Note 17 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.

The movement in Heritage Assets during 2019/20 is as follows:

	Cultural	Modern Statues	Museums Collections	Total Heritage Assets
	£000	£000	£000	£000
Valuation at 1 April 2018	126	102	920	1,148
Additions	-	-	-	-
Transfers/Reclassifications	-	-	-	-
At 31 March 2019	126	102	920	1,148
Valuation at 1 April 2019	126	102	920	1,148
Additions	-	-	-	-
Transfers/Reclassifications	-	-	-	-
At 31 March 2020	126	102	920	1,148

The amount included above for the museum's collections is based on insurance valuations.

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

Assets excluded from Heritage Assets	Estimated number of assets
	31 March 2020
Archive Material	circa 1,000,000
Monuments and Fountains	11
War Memorials	46

Note 18 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.

Investment Property is measured initially at cost and thereafter at fair value, being the price that would be received by selling 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 year end. Gains and losses on revaluation are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES). The same treatment applies to gains and losses on disposal.

Gains and losses on revaluation and disposal reflected in the CIES 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.

Note 18 Investment Property (continued)

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.

	2018/19	2019/20
	£000	£000
Rental Income from investment property	4	4
Net gain	4	4

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 for repairs, maintenance or enhancement.

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

	2018/19	2019/20
	£000	£000
Balance at start of the year	3,097	747
Net gains/(losses) from fair value adjustments	-	115
Transfers (to)/from Property, Plant and Equipment	(2,330)	-
Disposals	(20)	-
Balance at end of the year	747	862

Note 19 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 is accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets are purchased licences. All software is given a finite life based on assessments of the period that the software is expected to be of use to the Council. The useful lived assigned to the software suites used by the Council are:

	Licences
	£000
Expected Useful Life	
5 - 6 years	217

The carrying amount of licences is amortised on a straight line basis. The amortisation of £0.007m charged to revenue in 2019/20 (2018/19: £0.029m) 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).

Note 19 Intangible Assets (continued)

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

	2018/19	2019/20
	£000	£000
Balance at start of the year:		
Gross carrying amount	488	355
Accumulated amortisation	(160)	(189)
Net carrying amount at start of year	328	166
Purchases	53	-
Amortisation for the period	(29)	(7)
Disposals:		
Gross carrying amount	(186)	(139)
Accumulated amortisation	-	-
Net carrying amount at end of year	166	20
Comprising:		
Gross carrying amount	355	217
Accumulated amortisation	(189)	(197)
	166	20

Note 20 Financial Instruments

Financial Instruments – Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council.

The financial liabilities held during the year are measured at amortised cost and comprised:

- Long term loans from the Public Works Loan Board (PWLB) and commercial lenders
- Short term loans from other local authorities
- Lease payables detailed in note 40
- Public Private Partnership contracts detailed in note 41
- Trade payables for goods and services received

Financial Assets

A financial asset is a right to future economic benefits controlled by the Council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council.

The financial assets held during the year are accounted for under the following classification:

- Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flows) comprising:
 - Cash in hand
 - Bank current and deposit accounts with Bank of Scotland, Standard Life Liquidity Fund, Federated Short Term Sterling Liquidity Fund, Blackrock Liquidity Fund and Insight Liquidity Fund
 - Trade receivables for goods and services provided

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Note 20 Financial Instruments (continued)

Financial Instruments – Balances

The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

	2018/19		2019/20	
	Long Term	Short Term	Long Term	Short Term
	£000	£000	£000	£000
Amortised Cost:				
Borrowing	174,922	40,794	170,800	67,189
Creditors	58,366	38,432	57,010	32,005
Total	233,288	79,226	227,810	99,194

Income, Expense, Gains and Losses

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

	2018/19			2019/20		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Total
	£000	£000	£000	£000	£000	£000
Interest Expense	13,643	-	13,643	12,767	-	12,767
Impairment Losses	-	224	224	-	213	213
Total expense in Surplus or Deficit on the Provision of Services	13,643	224	13,867	12,767	213	12,980
Interest Income	-	(308)	(308)	-	(413)	(413)
Total income in Surplus or Deficit on the Provision of Services	-	(308)	(308)	-	(412)	(412)
Net (gain)/loss for the year	13,643	(84)	13,559	12,767	(199)	12,568

Financial Instruments – Fair Value

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, the fair value is taken from the market price.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options. Lender’s options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their option when the market rates have risen above the contractual loan rate.
- The fair value of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PPP scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Note 20 Financial Instruments (continued)

Financial Assets		2018/19		2019/20	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Fair Value Level		£000	£000	£000	£000
Short Term Debtors	2	8,008	8,008	9,122	9,122
Long Term Debtors	2	633	633	320	320
Total		8,641	8,641	9,442	9,442

At 31 March 2020 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 (£9.122m) and the remaining balance being long term loans which have market rates of return.

Financial Liabilities		2018/19		2019/20	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Fair Value Level		£000	£000	£000	£000
Financial liabilities held at amortised cost:					
Short Term Creditors	2	38,432	38,432	32,005	32,005
Short Term Borrowing	2	40,794	40,794	67,189	67,189
Other Long Term liabilities	2	2,357	2,357	2,585	2,585
Long Term Borrowing	2	174,922	235,171	170,800	268,202
PPP and Finance Lease liabilities	2	56,009	90,343	54,425	82,234
Total		312,514	407,097	327,004	452,215

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 for Elgin Academy and Keith Primary and the Design, Build, Finance and Maintain 25 year lease for Elgin High School.

Fair Value Disclosure of PWLB Loans

The fair value of PWLB loans of £212.166m 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 £170.800m of total long term borrowing would be valued at £268.202m. 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 £242.946m.

Note 21 Inventories

2018/19

	Balance at 1 April	Purchases	Recognised as an expense in the year	Balance at 31 March
	£000	£000	£000	£000
Building Services	188	713	(715)	186
Fleet Services	178	3,158	(3,145)	191
Roads Maintenance	129	440	(399)	170
Other	135	1,390	(1,412)	113
Total	630	5,701	(5,671)	660

2019/20

	Balance at 1 April	Purchases	Recognised as an expense in the year	Balance at 31 March
	£000	£000	£000	£000
Building Services	186	775	(744)	217
Fleet Services	191	2,718	(2,677)	232
Roads Maintenance	170	415	(430)	155
Other	113	1,386	(1,302)	197
Total	660	5,294	(5,153)	801

Note 22 Short Term Debtors

	2018/19	2019/20
	£000	£000
Trade Receivables	1,602	1,255
Prepayments	1,304	939
Other Receivable Amounts	6,406	7,867
	9,312	10,061
Prepayments included in debtors	(1,304)	(939)
Total Financial Assets Current Debtors	8,008	9,122

Note 23 Debtors from Local Taxation

	31/03/2019	31/03/2020
	Council Tax	Council Tax
	£000	£000
Less than 1 year	1,467	1,536
One to two years	2,296	2,325
Three to five years	2,851	2,839
More than 5 years	7,874	8,300
	14,488	15,000
Impairment Allowance	(12,812)	(13,214)
Total (net of impairment)	1,676	1,786

Note 24 Assets Held-for-Sale

When it becomes probable that the carrying amount of an asset (land and buildings) will be recovered through a sale rather than through its continued use, it is reclassified as an Asset Held-for-Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Non-current assets held-for-sale are not depreciated.

Vehicles, Plant, Furniture and Equipment and assets that are to be abandoned or scrapped are not reclassified as Assets Held-for-Sale.

	2018/19	2019/20
	£000	£000
Balance at 1 April	1,390	996
Assets reclassified from Property, Plant and Equipment	45	-
Revaluation gains/(losses)	-	(29)
Assets reclassified to Property, Plant and Equipment	-	-
Disposals	(439)	(140)
Balance at 31 March	996	827

Note 25 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. 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.

	2018/19	2019/20
	£000	£000
Cash Held by the Council	18	18
Bank Current/Call Accounts	18,055	16,336
Total	18,073	16,354

Note 26 Short Term Creditors

	2018/19	2019/20
	£000	£000
Trade Payables	10,902	13,538
Other Payables	33,768	24,181
Total	44,670	37,719
Tax Creditors included above	(5,064)	(4,505)
Receipts in advance included above	(1,174)	(1,209)
Total Financial Liabilities Current Creditors	38,432	32,005

Note 27 Provisions

	Equal Pay	Leavers Backdated Pay Award	Total
	£000	£000	£000
Balance as at 1 April 2019	149	23	172
Settlements made/provision released in 2019/20	-	(23)	(23)
Increase in provision in 2019/20	-	-	-
Balance as at 31 March 2020	149	-	149

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

Note 28 Usable Reserves

The Council has several reserve funds within this category:

- The Insurance Fund covers the main classes of insurance and is earmarked to pay any uninsured losses on school buildings.
- 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 and Receipts Unapplied holds the grants and contributions received towards capital projects for which the Council has met the conditions what would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.
- The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.

The movements on the Usable Reserves are detailed in the Movement in Reserves Statement and in Notes 11 and 12. A summary of the Reserves is also shown on the Balance Sheet.

Note 29 Unusable Reserves

2018/19		2019/20
£000		£000
359,660	Capital Adjustment Account	381,892
222,054	Revaluation Reserve	228,335
(6,643)	Financial Instruments Adjustment Account	(6,333)
(6,338)	Employee Statutory Adjustment Account	(6,730)
<u>(119,887)</u>	Pensions Reserve	<u>(107,092)</u>
<u>448,846</u>		<u>490,072</u>

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 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.

2018/19		2019/20	
£000		£000	£000
347,767	Balance at 1 April		359,660
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(30,136)	Charges for depreciation and impairment of non-current assets	(31,468)	
(6,908)	Revaluation losses on Property, Plant and Equipment	(2,192)	
(29)	Amortisation of Intangible Assets	(7)	
	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	<u>(2,117)</u>	
(40,222)			(35,784)
<u>7,438</u>	Adjusting amount written out of the Revaluation Reserve		<u>6,816</u>
(32,784)	Net written out amount of the cost of non-current assets consumed in the year		(28,968)
	Capital financing applied in the year:		
75	Use of the Capital Receipts Reserve to finance new capital expenditure	-	
30,119	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	34,612	
-	Application of grants to capital financing from the Capital Grants Unapplied Account	590	
9,804	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	10,538	
<u>4,679</u>	Capital expenditure charged against the General Fund and HRA balances	<u>5,345</u>	
44,677			51,085
	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		<u>115</u>
<u>359,660</u>	Balance at 31 March		<u>381,892</u>

Note 29 Unusable Reserves (continued)

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 reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created.

2018/19	2019/20
£000	£000 £000
186,326 Balance at 1 April	222,054
58,319 Upward Revaluation of assets	14,212
Downward revaluation of assets and impairment losses not charged to the	
<u>(15,153) Surplus on the Provision of Services</u>	<u>(1,115)</u>
Surplus /(deficit) on revaluation of non-current assets not posted to the	
43,166 Surplus on the Provision of Services	13,097
(6,397) Difference between fair value depreciation and historical cost depreciation	(6,291)
<u>(1,041) Accumulated gains on assets sold or scrapped</u>	<u>(525)</u>
<u>(7,438) Amount written off to the Capital Adjustment Account</u>	<u>(6,816)</u>
<u>222,054</u> Balance at 31 March	<u>228,335</u>

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. As a result, the balance on the Account at 31 March 2020 will be charged to the General Fund over the next 35 years

2018/19	2019/20
£000	£000
(6,957) Balance at 1 April	(6,643)
Proportion of premiums incurred in previous financial years to be charged against	
310 the General Fund balance in accordance with statutory requirements	310
Amount by which finance costs charged to the Comprehensive Income and	
Expenditure Statement are different from finance costs chargeable in the year in	
4 accordance with statutory requirements	-
<u>(6,643) Balance at 31 March</u>	<u>(6,333)</u>

Note 29 Unusable Reserves (continued)

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.

2018/19		2019/20
£000		£000
(5,926)	Balance at 1 April	(6,338)
5,926	Settlement or cancellation of accrual made at the end of the preceding year	6,338
(6,338)	Amounts accrued at the end of the current year	(6,730)
	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable	
(412)	in the year in accordance with statutory requirements	(392)
(6,338)	Balance at 31 March	(6,730)

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.

2018/19		2019/20
£000		£000
(90,725)	Balance at 1 April	(119,887)
(9,155)	Remeasurements (assets and liabilities)	29,039
	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	
(34,009)	Statement	(31,582)
	Employer's pensions contributions and direct payments to pensioners payable in the	
14,002	year	15,338
(119,887)	Balance at 31 March	(107,092)

Note 30 Capital Grants and Receipts Unapplied Account

The Capital Grants and Receipts Unapplied Accounts holds the grant and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and the financial year in which this can take place.

It also holds capital receipts to fund qualifying expenditure on service transformation and service redesign projects.

	2018/19	2019/20
	£000	£000
Capital Grants		
Opening Balance	69	659
Additions	590	1,008
Applied	-	(590)
Closing Balance	659	1,077
Capital Receipts for Transformation Projects		
Opening Balance	-	-
Additions	443	1,662
Applied	(443)	(480)
Closing Balance	-	1,182
Interest on Revenue Balances	-	5
Total opening balance at 1 April	69	659
Total closing balance at 31 March	659	2,264

Note 31 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2018/19	2019/20
	£000	£000
Interest Received	(308)	(410)
Interest Paid	13,774	13,262

Note 32 Cash Flow Statement - Investing Activities

	2018/19	2019/20
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	41,247	74,449
Other payments for investing activities	315	55
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(704)	(1,801)
Other receipts from investing activities	(30,851)	(36,381)
Net cash flows from investing activities	10,007	36,322

Note 33 Cash Flow Statement - Financing Activities

	2018/19	2019/20
	£000	£000
Cash receipts of short-term and long-term borrowing	(79,650)	(81,500)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	1,440	1,498
Repayment of short and long-term borrowing	72,960	59,276
Other payments/(receipts) for financing activities	561	(1,190)
Net cash flows from financing activities	(4,689)	(21,916)

Note 34 Reconciliation of Liabilities Arising from Financing Activities

	Balance at 1 April	Financing Cash Flows	2019/20		Balance at 31 March
			Changes which are not Financing Cash Flows	Acquisition Other	
	£000	£000	£000	£000	£000
Long Term Borrowing	174,922	(4,124)	-	2	170,800
Short Term Borrowing	40,794	26,345	-	50	67,189
Lease Liabilities	314	(122)	-	-	192
On balance sheet PFI liabilities	57,193	(1,376)	-	-	55,817
Other deferred liabilities	262	3	-	-	265
Total Liabilities from Financing Activities	273,485	20,726	-	52	294,263

Note 35 External Audit Costs

The agreed external audit fee for 2019/20 was £0.240m for work undertaken in accordance with the Code of Audit Practice (2018/19 £0.235m).

Note 36 Grant Income and Contributions

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20.

	2018/19	2019/20
	£000	£000
Credited to Taxation and Non-Specific Grant Income		
General Revenue Grant	115,567	116,335
National Non Domestic Rate Income	40,603	45,422
Capital Grants and Contributions	30,709	35,620
Total	186,879	197,377
Credited to Services		
Housing Benefits	17,004	14,114
Private Sector Housing Grant	491	463
Home Energy Efficiency Programme Scotland	1,108	2,044
Criminal Justice	1,148	1,185
Pupil Equity Funding (PEF)	1,342	1,418
ELC Expansion	1,219	5,507
PPP Funding	2,207	2,223
Other Grants	2,521	2,737
Contributions		
Integration Joint Board	54,232	56,370
Other Contributions	988	1,316
NHS Grampian	64	35
Donations	3	3
Total	82,327	87,415

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 may require the monies or property to be returned to the giver.

The balances at the year-end are as follows:

	2018/19	2019/20
	£000	£000
Grants received in advance		
Capital Grants	2,095	2,320
Other Grants	1,313	547
Total	3,408	2,867

Note 37 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. Government grants and contributions are included in note 36. The amounts outstanding at the year-end are included in creditors in note 26.

Members of the Council have direct control over the Council's financial and operating policies. During 2019/20 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.

Transactions with other bodies are as follows:

	2018/19	2019/20	Debtors/(Creditors)	
			2018/19	2019/20
	£000	£000	£000	£000
NHS Grampian				
Funding received	64	35	62	10
Moray Integration Joint Board				
Funding received from MIJB	54,232	56,370	1,491	417
Contribution to MIJB	40,990	43,950	-	-
European Union				
Funding received	99	256	-	-
Grampian Valuation Joint Board				
Contribution to GVJB	701	729	613	651

Within the cash and cash equivalents balance as disclosed by the Council are a number of balances held on behalf of other bodies as follows:

	2018/19	2019/20
	£000	£000
Windfarm bank accounts	262	265
Grampian Valuation Joint Board	613	651
Trust Funds	1,975	2,048
Common Good	3,457	3,523

The Council provided material financial assistance to Moray Leisure Limited of £0.568m in 2019/20 (2018/19 £0.842m)

The Council participates in the following partnerships:

	2018/19	2019/20
	£000	£000
The Highlands and Islands Transport Partnership - contribution	47	47
Scotland Excel - contribution	71	72
SEEMIS Group LLP - contribution	79	86

Note 38 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.

	2018/19	2019/20
	£000	£000
Opening Capital Financing Requirement	300,520	296,394
Capital Investment:		
Property, Plant and Equipemnt (incl Held for Sale)	40,498	75,852
Intangible Assets	53	-
Heritage Assets	-	-
Sources of Finance:		
Capital receipts	(75)	-
Government grants and other contributions	(30,119)	(35,202)
Sum set Aside from Revenue:		
Direct revenue contributions	(4,679)	(5,345)
Loans fund principal	(9,804)	(10,538)
Closing Capital Financing Requirement	296,394	321,161
Explantions of movements in year:		
Increase/(decrease) in underlying need to borrow (supported by government financial assistance)	(5,049)	24,767
Assets acquired under finance leases/PPP/DBFM	923	-
Increase/(decrease) in Capital Financing Requirement	(4,126)	24,767

Note 39 Capitalisation of Borrowing Costs

Borrowing costs of £0.749m have been capitalised during 2019/20 (2018/19 £0.143m), using a capitalisation rate of 4.01%.

Note 40 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.

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.

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:-

	2018/19	2019/20
	£000	£000
Machinery, Plant, Vehicles and Equipment	235	21

Note 40 Leases (continued)

Outstanding obligations under finance leases at 31 March 2019:

	Minimum Lease Payments	less Future Interest Charges	Present Value of Minimum Lease Payments
	£000	£000	£000
Not later than one year	135	(13)	122
Later than one year and not later than five years	203	(11)	192
Total	338	(24)	314

Outstanding obligations under finance leases at 31 March 2020:

	Minimum Lease Payments	less Future Interest Charges	Present Value of Minimum Lease Payments
	£000	£000	£000
Not later than one year	135	(8)	127
Later than one year and not later than five years	68	(3)	65
Total	203	(11)	192

Operating Leases

Rental paid under operation leases are charged to the appropriate service account in the Comprehensive Income and Expenditure Statement (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 rents land and buildings under the terms of operating leases.

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

	2018/19	2019/20
	£000	£000
Not later than one year	108	69
Later than one year and not later than five years	177	135
Later than five years	1,270	1,357
Total	1,555	1,561

The future minimum sublease payments expected to be received by the Council are £0.065m (2018/19 £0.090m).

The expenditure charged to the CIES during the year in relation to minimum lease payments was £0.114m (2018/19 £0.108m).

Note 40 Leases (continued)

Council as Lessor

Operating Leases

Where the Council grants an operating lease the asset is retained on the Balance Sheet. The Council leases out various properties, predominately industrial units.

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

	2018/19	2019/20
	£000	£000
Not later than one year	949	1,006
Later than one year and not later than five years	2,977	2,970
Later than five years	31,213	31,027
Total	35,139	35,003

Note 41 Public Private Partnership and Similar Contracts

Public Private Partnership (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 contractor. As the Council is deemed to control the services that are provided under its scheme and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on cost to purchase property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the 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 on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is currently 8.39% for the Elgin Academy/Keith Primary School PPP scheme and 5.67% for the Elgin High School Design, Build, Finance and Maintain (DBFM) contract.
- 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 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

Educational Services PPP Scheme

In 2011/12, the Council entered into a 30 year PPP contract for the construction, maintenance and operation of two schools in Keith and Elgin. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition. The annual unitary charge in 2019/20 was £5.040m (2018/19 £4.961m).

Educational Services DBFM Contract

In 2017/18, the Council entered into a 25 year DBFM contract for the construction, maintenance and operation of a new school in Elgin. The contractor took on the obligation to construct the school and maintain it in a minimum acceptable condition. The Annual Service Charge in 2019/20 was £2.524m (2018/19 £2.490m)

Note 41 Public Private Partnership and Similar Contracts (continued)

Property, Plant and Equipment

	2018/19	2019/20
	£000	£000
Cost or valuation		
at 1 April	71,300	69,338
Additions	935	-
Transfers from assets under construction	-	-
Revaluations	(2,897)	-
	69,338	69,338
Accumulated Depreciation		
At 1 April	11,221	2,656
Revaluations	(11,221)	-
Depreciation charge	2,656	2,669
	2,656	5,325
Net Book Value	66,682	64,013

Payments

Under the contracts the Council makes agreed payments each year which are increased by inflation. They can be reduced if the contractors fail to meet availability and performance standards in any year but are otherwise fixed. Payments remaining to be made under the contract at 31 March 2020 (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 2020/21	1,183	1,457	3,988	6,628
Payable within 2 to 5 years	4,735	5,861	14,928	25,524
Payable within 6 to 10 years	5,918	8,686	16,316	30,920
Payable within 11 to 15 years	5,919	11,802	12,837	30,558
Payable within 16 to 20 years	5,919	17,696	7,759	31,374
Payable within 21 to 25 years	2,491	10,315	1,245	14,051
Total	26,165	55,817	57,073	139,055

Note 41 Public Private Partnership and Similar Contracts (continued)

Although the payments made to the contractors 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 contractors for capital expenditure incurred is as follows:

	2018/19	2019/20
	£000	£000
Balance outstanding at start of year	57,592	57,193
Payments during the year	(1,322)	(1,376)
Capital expenditure incurred in the year	923	-
Balance outstanding at year-end	57,193	55,817

Note 42 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Scottish Teachers' Superannuation Scheme administered by the Scottish Government through the Scottish Public Pension Agency (SPPA). It is a defined benefit scheme providing teachers with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the scheme 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 2020, the Council's own contributions equate to approximately 1.43%.

In 2019/20 the amount payable to the Scottish Government in respect of teachers' retirement benefits was £8.032m of which £0.743m was outstanding at 31 March 2020. The amount payable represents 14.9% of pensionable pay. In 2018/19 the amounts payable were £5.880m of which £0.750m was outstanding at 31 March 2019.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' Scheme.

Note 43 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. This 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 assets 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 pension liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.

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.

Note 43 Defined Benefit Pension Schemes (continued)

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:

Transactions Relating to Post-employment Benefits

	Local Government Pension Scheme		Discretionary Benefits	
	2018/19 £000	2019/20 £000	2018/19 £000	2019/20 £000
Comprehensive Income and Expenditure Statement Cost of Services:				
Current Service Cost	21,761	25,657	-	-
Past Service Cost	8,869	1,315	-	-
Curtailment Cost	941	1,644	-	-
Administration Expenses	260	272	-	-
	31,831	28,888	-	-
Financing and Investment Income and Expenditure:				
Net Interest Expense	1,770	2,316	408	378
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	33,601	31,204	408	378
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets	(27,591)	26,132	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	36,167	(12,195)	579	(211)
Actuarial (gains)/losses arising from demographic changes	-	(40,060)	-	(639)
Other	-	(1,985)	-	(81)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	42,177	3,096	987	(553)
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(33,601)	(31,204)	(408)	(378)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	12,996	14,378	-	-
Retirement benefits payable to pensioners	-	-	1,006	960

Note 43 Defined Benefit Pension Schemes (continued)

Assets and Liabilities Recognised in the Balance Sheet

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	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Present Value of the defined benefit obligation	(674,861)	(652,201)	(16,185)	(14,672)
Fair value of plan assets	571,159	559,781	-	-
Net liability arising from defined benefit obligation	(103,702)	(92,420)	(16,185)	(14,672)

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

	Local Government Pension Scheme		Discretionary Benefits	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Opening Balance at 1 April	603,051	674,861	16,204	16,185
Current Service Cost	21,761	25,657	-	-
Interest Cost	15,532	16,039	408	378
Contributions from scheme participants	3,871	4,097	-	-
Remeasurement (gains)/losses:				
Actuarial (gains)/losses arising from changes in financial assumptions	36,167	(12,195)	579	(211)
Actuarial (gains)/losses arising from demographic changes	-	(40,060)	-	(639)
Other	-	(1,985)	-	(81)
Past Service Cost	8,869	1,315	-	-
Gains on curtailment	941	1,644	-	-
Benefits paid	(15,331)	(17,172)	(1,006)	(960)
Closing Balance at 31 March	674,861	652,201	16,185	14,672

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

	Local Government Pension Scheme		Discretionary Benefits	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Opening fair value of scheme assets	528,530	571,159	-	-
Interest Income	13,762	13,723	-	-
Remeasurement Gains:				
The return on plan assets, excluding the amount in the net interest expense	27,591	(26,132)	-	-
Contributions from employer	12,996	14,378	1,006	960
Contributions from employees into the scheme	3,871	4,097	-	-
Benefits paid	(15,331)	(17,172)	(1,006)	(960)
Other - administration expenses	(260)	(272)	-	-
Closing value of scheme assets	571,159	559,781	-	-

Note 43 Defined Benefit Pension Schemes (continued)

Local Government Pension Scheme assets comprised:

Fair value of scheme assets

	Quoted Prices in Active Markets £000	Prices not Quoted in Active Markets £000	Total £000
31 March 2019			
UK Equities	163,979	-	163,979
Overseas Equities	181,400	-	181,400
UK Government Bonds	35,127	-	35,127
Other Government Bonds	8,510	-	8,510
Other UK Bonds	399	-	399
Other non UK Bonds	7,025	-	7,025
Property	-	41,580	41,580
Private Equity	41,809	55,803	97,612
Global Infrastructure	-	13,594	13,594
Cash Instruments	-	21,933	21,933
Total Assets	438,249	132,910	571,159

	Quoted Prices in Active Markets £000	Prices not Quoted in Active Markets £000	Total £000
31 March 2020			
UK Equities	180,448	-	180,448
Overseas Equities	153,321	-	153,321
UK Government Bonds	-	-	-
Other Government Bonds	12,490	-	12,490
Other UK Bonds	551	-	551
Other non UK Bonds	10,290	-	10,290
Property	-	40,894	40,894
Private Equity	37,680	100,994	138,674
Global Infrastructure	-	11,990	11,990
Cash Instruments	-	11,123	11,123
Total Assets	394,780	165,001	559,781

Note 43 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 2018 and has been updated by Mercer Limited, independent actuaries to the North East Scotland Pension Fund (NESPF), to take account of the requirements of IAS 19 in order to assess the liabilities of the Pension Funds as at 31 March 2020. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits	
	2018/19	2019/20	2018/19	2019/20
Mortality Assumptions:				
Longevity at 65 for current pensioners				
Men	22.9	21.5	22.9	21.5
Women	25.0	24.2	25.0	24.2
Longevity at 65 for future pensioners				
Men	25.8	23.1	-	-
Women	28.1	26.3	-	-
Rate of Inflation	2.20%	2.10%	2.30%	2.10%
Rate of increase in salaries	3.70%	3.60%	-	-
Rate of increase in pensions	2.30%	2.20%	2.40%	2.20%
Rate for discounting scheme liabilities	2.40%	2.40%	2.40%	2.40%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, and assume for each change that the assumption analysed changes while all the other assumptions remain constant.

	Increase in Assumption £000	Decrease in Assumption £000
Impact on the Defined Benefit Obligation in the Scheme		
Longevity (increase or decrease in 1 year)	18,011	(18,011)
Rate of inflation (increase or decrease by 0.1%)	12,560	(12,560)
Rate of increase in salaries (increase or decrease by 0.1%)	1,915	(1,915)
Rate of increase in pensions (increase or decrease by 0.1%)	-	-
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(12,329)	12,329

Note 43 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 2017 and the results indicate that overall the assets represented 107% of projected accrued liabilities at the valuation date compared to a funding level of 94% as at 31 March 2014. The improved funding position is mainly due to high levels of investment returns over the two years prior to the valuation date.

Investments that would most closely match the pension liabilities would be gilts, predominately 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 asset proportions of the Fund at 31 March 2020, with March 2019 in brackets were: equities, including alternatives 86.54% (79.94%), bonds 4.17% (8.94%), property 7.30% (7.28%) and cash 1.99% (3.84%). Given the current positive funding position of the Fund, a new investment strategy has been approved by the Pensions Committee from 1 April 2018 to reduce reliance on the volatile global equities market and increase allocation to both bonds and other protection and income asset classes.

Impact on the Council's Cash Flows

While the Fund's main objective is to ensure solvency of the NESPF they also aim to keep employers' contributions at as constant a rate as possible. Following the 2017 valuation the Pensions Committee has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over an average surplus spread period of 24 years and have maintained an employer contribution rate requirement of 19.3% for local authorities across the scheme. During the valuation process employer rates are set for a period of three years. The latest triennial valuation was as at 31 March 2020 to determine a funding level and set the rates for 2021/22 onwards.

The projected employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2021 is £13.148m. Expected contributions for the Discretionary Benefits in the year to 31 March 2021 are £0.960m.

The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2020 valuation is 19 years.

Note 44 Contingent Liabilities

Bilbohall South Land

On 30 March 2016 the Council decided to remove the Western Link Road 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 Bilbohall South in Elgin. As a result the Council may have to re-purchase this site. This presents a potential financial risk to the Housing Revenue Account (HRA).

Both the Council and GHA agreed to alter the missives to extend the buy-back period until 31 March 2021. In agreeing to the extension to the buy-back period both parties sought consent of the Scottish Government, which has assumed administrative responsibility for the grant given to GHA to purchase the site.

A masterplan for development of a wider area at Bilbohall has been finalised. A planning application will be submitted shortly for development of the site which would reduce this risk to the HRA. All parties are working to resolve the issue to allow the building of affordable houses to proceed.

Building Dilapidations

The Council leases a number of buildings which will required to be returned to their original leased condition at the end of the lease. Every attempt is made to maintain leased buildings in reasonable order, however, the Council has a potential liability to incur re-instatement costs where the condition has deteriorated below that of the original state, the extent of which cannot be reliably estimated.

Note 44 Contingent Liabilities (continued)

Scottish Child Abuse Enquiry

The Scottish Parliament is considering the introduction of a redress scheme (by April 2021) in relation to claims from survivors of abuse in Scotland. This is currently at the review stage and financial contributions may be requested from Local Authorities in relation to this, as it may be an alternative route for survivors to submit claims to the Council. Further discussions will take place over the coming year to assess any proposed level of contribution from Moray Council.

The Council has received several intimations of claims, but none have reached court. It is possible that the Council will receive civil claims relating to period of time in care which has the potential for significant costs to be incurred.

Asbestos Related Illness

The Council has recently settled one claim for asbestos related illness and is aware of others. Work is currently ongoing with other neighbouring Local Authorities on the detail of these. At the moment the extent of any costs to the Council is unknown.

Note 45 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 December 2017. These require the Council to comply with CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management and Investment Regulations. The Council's management of treasury risks are structured to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services by:

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

Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks, 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 2020 are detailed below.

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

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

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 45 Nature and Extent of Risks Arising from Financial Instruments (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	Amounts at 31 March	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2020	Estimated maximum exposure to default and uncollectability
	£000	£000	%	%	£000
Customers	1,006	2,721	30.97	30.97	843
Total	1,006	2,721			843

Debtors

The Council does not generally allow credit for customers. As a result, £2.708m of the £2.721m balance is past its due date for payment (2018/19 £2.997m). The past due, but not impaired amount can be analysed by age as follows:

	2018/19	2019/20
	£000	£000
Less than six months	1,605	1,513
Six months to one year	377	312
More than one year	1,015	883
Total	2,997	2,708

The impairments made, analysed by age are as follows:

	2018/19	2019/20
	£000	£000
Less than six months	-	-
Six months to one year	189	156
More than one year	1,015	883
Total	1,204	1,039

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 20.76% 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 45 Nature and Extent of Risks Arising from Financial Instruments (continued)

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

	2018/19		2019/20	
	£000	Average Rate	£000	Average Rate
Repayment less than 1 year	40,469	2.80%	67,189	3.88%
Repayment between 1 and 2 years	8,325	2.80%	8,029	2.53%
Repayment between 2 and 5 years	21,092	2.80%	20,697	2.71%
Repayment between 5 and 10 years	21,197	3.52%	20,096	3.51%
Repayment between 10 and 15 years	16,482	6.09%	22,150	5.96%
Repayment in more than 15 years	107,326	5.90%	99,828	5.48%
	<u>214,891</u>		<u>237,989</u>	

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

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

Market Risk

Interest Rate Risk

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

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

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost but will impact on the disclosure note for fair value.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance sheet for the majority of liabilities held at amortised cost but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk:

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

The Council has a strategy for assessing interest rate exposure. The analysis will advise whether new borrowing taken out is fixed or variable. During 2019/20 the Council did take out several variable rate temporary borrowing loans.

According to this assessment strategy, at 31 March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2018/19	2019/20
	£000	£000
Increase in interest payable on variable rate borrowing	92	286
Impact on Comprehensive Income and Expenditure Statement	<u>92</u>	<u>286</u>

Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost for the year ended 31 March 2020 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.

2018/19	2019/20
£000	£000
Income	
(18,638) Dwelling Rents	(18,901)
(192) Non Dwelling Rents	(187)
(527) Other Income	(580)
<u>(19,357) Total Income</u>	<u>(19,668)</u>
Expenditure	
4,312 Supervision and Management	4,030
6,846 Repairs and Maintenance	6,255
114 Bad and Doubtful Debts	172
6,680 Depreciation and Impairment of Non-Current Assets	7,066
5,452 Revaluation losses on Non-Current Assets	1,952
40 HRA Share of Corporate and Democratic Core Costs	40
456 Other Expenditure	444
<u>23,900 Total Expenditure</u>	<u>19,959</u>
4,543 Net Cost of HRA Services	291
4 (Gain)/loss on sale of HRA Non-Current Assets	-
2,791 Interest Payable and Similar Charges	2,887
(50) Interest and Investment Income	(60)
53 Net Interest on the Defined Benefit Liability	63
(3,133) Capital Grants and Contributions Receivable	(6,779)
<u>4,208 (Surplus)/Deficit for the Year on HRA Services</u>	<u>(3,598)</u>

Movement on the Housing Revenue Account Statement

2018/19	2019/20
£000	£000
4,208 (Surplus)/Deficit for the Year on the HRA Income and Expenditure Account	(3,598)
Adjustments between accounting basis and funding basis under regulations	
Difference between interest payable and similar charges determined in accordance with	
93 the Code and those determined in accordance with statute	95
(4) Net gain or loss on sale of HRA non-current assets	-
4,679 Capital expenditure funded by the Housing Revenue Account	4,345
Transfers to/from the Capital Adjustment Account:	
(6,680) Depreciation and Impairment of Non-Current Assets	(7,066)
(5,452) Revaluation losses on Property, Plant and Equipment	(1,952)
- Movement on revaluation of Investment Property	
944 Loans fund principal repayments	1,114
3,133 Capital Grants applied	6,779
921 Net Decrease Before Transfers to Reserves	(283)
Transfers to/(from) Reserves	
16 IORB and Statutory Funds	19
(679) Transfers from the General Fund as directed by the Minister	(450)
(286) HRA share of contributions to/(from) the Pensions Reserve	(346)
(12) Employee Statutory Adjustment Account	13
(961)	(764)
(40) (Increase)/decrease in the year on the HRA	(1,047)
(1,132) Housing Revenue Account Balance Brought Forward	(1,172)
(1,172) Housing Revenue Account Balance Carried Forward	(2,219)

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:-

		2018/19	2019/20
		Number of Dwellings	Number of Dwellings
Bedsit	Houses and Bungalows	20	20
	Flats and Maisonettes	24	24
1 bedroom	Houses and Bungalows	1,079	1,079
	Flats and Maisonettes	659	667
2 bedroom	Houses and Bungalows	2,176	2,178
	Flats and Maisonettes	687	687
3 bedroom	Houses and Bungalows	1,219	1,227
	Flats and Maisonettes	99	99
4 or more bedroomed	Houses and Bungalows	148	158
	Total	6,111	6,139

2. Rent Arrears

The total rent arrears, including rents outstanding from former tenants, as at 31 March 2020 was £0.562m which is 2.97% of gross rental income. This is equivalent to £91.55 per house (2018/19 £0.430m, 2.31%, £70.42).

3. Impairment of Debtors

The provision for uncollectable debts has decreased by £0.002m (decrease in 2018/19 £0.027m). The total provision for uncollectable debts including rechargeable repairs is £0.227m (2018/19 £0.229m).

4. Voids

The loss of rental on void properties for the year was £0.185m (2018/19 £0.166m).

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 person(s) resident.

2018/19		2019/20
£000		£000
53,238	Council Tax Levied and Contributions in Lieu	56,445
	Deduct:	
(3,741)	Local Council Tax Reduction Scheme	(3,762)
(7,944)	Other discounts and reductions	(8,441)
<u>41,553</u>	Total for Year	<u>44,242</u>
28	Council Tax adjustment in respect of prior years	(118)
(505)	Allowance for impairment of uncollectable debts	(401)
<u>41,076</u>	Transfers to General Fund	<u>43,723</u>

Council Tax Levy

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

The new powers came into effect on 1 April 2013 and Moray Council decided to use these new powers to introduce an additional levy on properties which have been unoccupied for more than twelve months. This additional levy was set at 50% from 1 April 2014 rising to 100% from 1 April 2015. During 2019/20 Moray Council collected £0.4m (£0.3m in 2018/19) from the implementation of this policy. This amount is included in the figures above.

Council Tax Banding

A change to Council Tax legislation made by Scottish Government on 1 April 2017 resulted in an increase in the amount of Council Tax levied on properties in Bands E to H in relation to Band D. The calculation of the Council Tax charge for Bands A to D was unaffected by this change in legislation.

Council Tax Income Account (continued)

Calculation of Council Tax Base Number of Dwellings

	Discounts				Total Equivalent Dwellings	Ratio to Band D	Band D Equivalent
	Number of Dwellings	Number of Exemptions/ Reliefs	25%	Other			
Band A	11,995	793	1,530	227	9,445	6/9	6,294
Band B	10,524	503	1,024	208	8,789	7/9	6,836
Band C	6,981	418	542	141	5,880	8/9	5,227
Band D	6,497	511	401	111	5,474	9/9	5,474
Band E	6,158	249	303	94	5,512	473/360	7,242
Band F	2,267	54	78	47	2,088	585/360	3,393
Band G	679	24	20	22	613	705/360	1,200
Band H	109	53	2	5	49	882/360	120
	45,210	2,605	3,900	855	37,850		35,786
						Add: Contributions in Lieu	919
						Less: Provision for non-collection	551
						Council Tax Base 2019/20	36,154

Calculation of Council Tax

In 2019/20, the charges for each band were as follows:

Band	Property Value £	Number of Properties	Council Tax Charge £
A	Up to 27,000	9,445	£841.20
B	27,000 - 35,000	8,789	£981.40
C	35,001 - 45,000	5,880	£1,121.60
D	45,001 - 58,000	5,474	£1,261.80
E	58,001 - 80,000	5,512	£1,657.87
F	80,001 - 106,000	2,088	£2,050.43
G	106,001 - 212,000	613	£2,471.03
H	Above 212,000	49	£3,091.41

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 2019/20 the rate poundage was 49.0p (48.0p in 2018/19). Properties with a rateable value of more than £0.051m attract a Large Business Supplement of 2.6p (2.6p in 2018/19).

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 General Revenue 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.

2018/19		2019/20
£000		£000
56,390	Gross Rates Levied	61,712
	Deduct:	
(9,245)	Reliefs and Other Deductions	(11,047)
-	Write-offs of uncollectable debts and allowance for impairment	(3)
47,145	Net Non-Domestic Rate Income	50,662
(844)	Adjustments to previous years' National Non-Domestic Rates	(2,756)
46,301		47,906
(452)	Business Rates Incentivisation Scheme (BRIS) retention	(1,859)
(5,698)	Contribution (to)/from National Pooling	(2,484)
40,151	Guaranteed Rate Income	43,563
452	BRIS retention	1,859
40,603	Amount credited to the Comprehensive Income and Expenditure Statement	45,422

Non-Domestic Rate Income Account (continued)

Analysis of Rateable Values and Numbers of Entries at 1 April 2019

	Number of Entries	2019/20 Rateable Value £000
Shops	920	19,463
Public Houses	56	1,015
Offices (including Banks)	500	5,803
Hotels, Boarding Houses, etc.	107	2,897
Industrial and Freight Transport Subjects	1,256	51,989
Leisure, Entertainment Caravans and Holiday Sites	766	3,742
Garages and Petrol Stations	122	1,404
Cultural	19	219
Sporting Subjects	571	750
Education and Training	83	7,666
Public Service Subjects	277	13,871
Communications (Non-Formula)	15	1,607
Quarries, Mines, etc.	33	382
Petrochemical	5	723
Religious	158	1,190
Health Medical	52	2,478
Other	442	689
Care Facilities	55	1,996
Advertising	18	33
Undertaking	20	4,212
	5,475	122,129

A revaluation of the rateable values of all non-domestic properties was implemented on 1st April 2017.

Trust Funds

The Council administers 60 trust funds, acting as sole trustee for 56 trusts and as one of several trustees for a further 4 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 2020.

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 Accounting and Reporting by Charities: Statement of Recommended Practice 2015, applicable to charities preparing their accounts, in accordance with the Financial Reporting Standard 102 (FRS 102), applicable for the UK and Republic of Ireland, commonly referred to as the Charities SORP which is effective for accounting periods beginning on or 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 Council's charitable trusts are published on the Council's 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 2019/20.

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

2018/19		2019/20	
Connected Charitable	Other	Connected Charitable	Other
£000	£000	£000	£000
Income			
(23)	(91)	(25)	(101)
-	(77)	-	(76)
-	(147)	-	(976)
(8)	(30)	-	-
(5)	(30)	-	(27)
(36)	(375)	(25)	(1,180)
Expenditure			
19	60	12	62
6	9	7	11
10	123	-	63
-	-	75	309
-	107	-	126
35	299	94	571
-	(77)	69	(609)
8	70	(75)	541
8	(7)	(6)	(68)

Trust Funds Balance Sheet

2018/19			2019/20		
Connected Charitable	Other		Connected Charitable	Other	
£000	£000		£000	£000	
-	4,556	Property, Plant and Equipment	Note 1	-	5,400
-	74	Investment Properties	Note 3	-	80
518	2,143	Long Term Investments	Note 4	443	1,834
518	6,773	Long Term Assets		443	7,314
1	4	Debtors		1	5
423	1,551	Loans Fund Balance		429	1,619
424	1,555	Current Assets		430	1,624
(5)	(11)	Creditors		(5)	(12)
(5)	(11)	Current Liabilities		(5)	(12)
937	8,317	Net Assets		868	8,926
-	65	Capital Adjustment Account		-	65
-	4,541	Revaluation Reserve		-	5,391
273	1,129	Available for Sale Financial Instruments Reserve		198	820
664	2,582	Revenue Balance		670	2,650
937	8,317	Total Reserves		868	8,926

Notes to the Trust Fund Accounts

Note 1 Property, Plant and 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 2019/20.

Assets have been valued on the following basis:-

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

Movements of property, plant and equipment were as follows:

2018/19

	Other Land and Buildings	Community Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2018	4,720	15	4,735
Revaluations	129	-	129
Additions	-	-	-
Gross Book Value at 31 March 2019	4,849	15	4,864
Accumulated Depreciation at 1 April 2018	219	-	219
Revaluations	(18)	-	(18)
Charge for the Year	107	-	107
Depreciation at 31 March 2019	308	-	308
Net Book Value at 31 March 2019	4,541	15	4,556

2019/20

	Other Land and Buildings	Community Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2019	4,849	15	4,864
Revaluations	98	-	98
Additions	734	-	734
Gross Book Value at 31 March 2020	5,681	15	5,696
Accumulated Depreciation at 1 April 2019	308	-	308
Revaluations	(138)	-	(138)
Charge for the Year	126	-	126
Depreciation at 31 March 2020	296	-	296
Net Book Value at 31 March 2020	5,385	15	5,400

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 2020
Monuments and Fountains	2

Note 3 Investment Properties

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

	2018/19	2019/20
	£000	£000
Balance at start of the year	74	74
Net gains/(losses) from fair value adjustments	-	6
Balance at end of the year	74	80

Note 4 Long Term Investments

Long Term Investments are a mixed portfolio of Unit Trusts.

During 2018/19 an investment was redeemed, with proceeds allocated to the Moray and Nairn Educational Trust. The adjustment to investment redeemed figure in 2019/20 is to correct the opening balance in the Balance Sheet as at 1 April 2019 by the value of the investment redeemed in 2018/19.

Note 5 Trust Details

Funds for which The Moray Council act as Sole Trustee

<u>Fund</u>	Income	Expenditure	Assets	Liabilities
	£000	£000	£000	£000
Registered Charitable Trusts				
28 Registered Charitable Trusts, each with Assets less than £50,000	(3)	3	174	(1)
Cumine of Auchray <i>Established to provide for decayed merchants of the Burgh of Elgin</i>	(2)	-	133	-
Moray & Nairn Educational <i>Grants payable to persons resident in the former combined County of Moray & Nairn, including University & Central Institution Bursaries; Adult Education; School Equipment; Sports facilities; Travel Grants and School Excursions</i>	(20)	91	566	(4)
	(25)	94	873	(5)

Note 5 Trust Details (continued)

<u>Fund</u>	Income	Expenditure	Assets	Liabilities
	£000	£000	£000	£000
Other Trusts				
7 Non Registered Trusts, each with Assets less than £50,000	(2)	7	121	-
Longmore Hall				
<i>Village Hall for the use of the community</i>	(237)	31	1,122	-
Glenisla Comforts Fund	(4)	13	133	-
<i>For the benefit of the residents of Glenisla Care Home</i>				
Speyside Comforts Fund	(2)	6	59	-
<i>For the benefit of the residents of Speyside Nursing Home</i>				
The Pringle Trust	(2)	2	102	-
<i>Established to make payments annually to Ministers, serving and emeriti of the Church of Scotland, Baptist and Free Church of Scotland</i>				
William Lawtie	(9)	2	197	-
<i>For the Poor of Cullen</i>				
The MacDonald Benevolent Fund	(5)	11	272	-
<i>Established in 1989 for persons in need of financial assistance particularly in Dufftown as decided by the Social Work Department</i>				
Milne's Institution Trust	(9)	43	243	-
<i>The free annual income to be applied as The Moray Council thinks fit for the purposes of the educational enrichment of pupils attending Milne's High School and Milne's Primary School. The income shall be apportioned to the schools on a pro rata basis by reference to attendance rolls of the respective schools</i>				
Laing Mortification	(4)	-	302	-
<i>For the benefit of a decayed merchant resident in Elgin.</i>				
Craigmoray Bequest (Bishopmill)	(11)	34	389	-
<i>For the benefit of the residents of Craigmoray Care Home</i>				

Note 5 Trust Details (continued)

<u>Fund</u>	Income	Expenditure	Assets	Liabilities
	£000	£000	£000	£000
Ladyhill Public Trust <i>Provides homes for two veterans from the Elgin area</i>	-	5	114	-
Jubilee Cottages Public Trust <i>Trust established by monies raised during Queen Victoria's Diamond Jubilee for the purposes of providing low cost housing</i>	(1)	11	604	-
Cooper Park Public Trust <i>Trust established at turn of last century to provide Elgin library and reading rooms and parkland for recreation – all for the inhabitants of Elgin</i>	(60)	57	401	-
River Lossie Public Trust <i>Established mid 1800's to provide ground for recreation for the people of Elgin</i>	(40)	34	891	-
Grant Park Public Trust <i>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</i>	(119)	26	981	-
Miltonduff Hall <i>Established to provide space for local groups for education, recreation etc</i>	-	8	372	-
Logie Cottage <i>Established to provide a free home or house of rest to a respectable retired couple or single woman in Forres</i>	-	4	85	-
Fife Park, Keith Public Trust <i>Trust incorporating the playing field, pavilion and public convenience</i>	-	2	54	-
Portknockie Bowling Club Public Trust <i>Tennis & Bowling Club located in Portknockie</i>	-	4	185	-
Flemming Hall Aberlour	(617)	13	604	-
	<u>(1,122)</u>	<u>313</u>	<u>7,231</u>	<u>-</u>

Note 5 Trust Details (continued)

<u>Fund</u>	Income	Expenditure	Assets	Liabilities
	£000	£000	£000	£000
Funds for which The Moray Council acts as one of several trustees				
Registered Charitable Trusts				
Auchernack Trust <i>For the benefit of the elderly community of the Forres Area who are in need of relief by reason of advanced age</i>	(22)	96	677	(1)
	<u>(22)</u>	<u>96</u>	<u>677</u>	<u>(1)</u>
Other Trusts				
Donald Manson (Edinkillie) Fund <i>3 Bursaries for children living in the Parish of Edinkillie in S1 as well as one Further Education Bursary for a student aged under 18. The annual balance of the fund is payable to Forres Academy</i>	(11)	50	307	(9)
Donald Manson (Forres) Fund <i>One bursary for a child living in the Burgh of Forres in S1. The annual balance of the fund is payable to Forres Academy</i>	(3)	12	87	(2)
Banffshire Educational Trust <i>Grants payable to persons resident in the former County of Banffshire, including University, Post Graduate, Apprentices & Trainees; School Equipment; Sports Facilities; Support of Clubs; Promoting Education in Drama, Music & Visual Arts; Travel Grants and School Excursions.</i>	(22)	100	636	-
	<u>(36)</u>	<u>162</u>	<u>1,030</u>	<u>(11)</u>
<u>Fund</u>	<u>Income</u>	<u>Expenditure</u>	<u>Assets</u>	<u>Liabilities</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Summary				
Connected Charitable Trusts	(25)	94	873	(5)
Other Trusts	<u>(1,180)</u>	<u>571</u>	<u>8,938</u>	<u>(12)</u>
Total	<u><u>(1,205)</u></u>	<u><u>665</u></u>	<u><u>9,811</u></u>	<u><u>(17)</u></u>

Common Good Funds

The Council administers the Common Good Funds which consist of all property of a Royal Burgh not acquired under statutory powers or held under specific trusts. 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 2019/20.

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 2019		31 March 2020
£000		£000
	Income	
(2)	Property	(3)
(96)	Investment Income	(105)
-	Other Income	-
(189)	Net Movement in Fair Value of Investment Property	-
(30)	Gain on Disposal of Asset	-
(317)	Total Income	(108)
	Expenditure	
3	Property Costs	6
5	Administrative Costs	5
56	Donations, Grants etc	40
2	Other Costs	19
440	Depreciation	661
-	Loss on Disposal of Asset	127
-	Net Movement in Fair Value of Investment Property	1,740
506	Total Expenditure	2,598
189	(Surplus)/Deficit for the Year	2,490
31	(Surplus) on revaluation of Non-current Assets	(5,782)
220	Total Comprehensive Net (Income)/Expenditure	(3,292)

Common Good Funds Balance Sheet

31 March 2019		31 March 2020
£000		£000
12,434	Property, Plant & Equipment	Note 1 17,398
204	Heritage Assets	Note 2 204
4,106	Investment Property	Note 3 2,366
<u>16,744</u>	Long Term Assets	<u>19,968</u>
1	Inventories	1
6	Debtors	8
3,457	Loans Fund Balance	3,522
<u>3,464</u>	Current Assets	<u>3,531</u>
(7)	Creditors	(6)
<u>(7)</u>	Current Liabilities	<u>(6)</u>
<u>20,201</u>	Net Assets	<u>23,493</u>
12,628	Revaluation Reserve	17,592
7,573	Revenue Reserve	5,901
<u>20,201</u>	Total Reserves	<u>23,493</u>

Summary of Funds

31 March 2019		31 March 2020	
£000		Invested in Loans Fund	Total Funds
£000		£000	£000
3,588	Buckie	1,520	4,117
186	Cullen	59	186
14	Dufftown	14	14
9,157	Elgin	1,510	13,686
6,218	Forres	360	4,309
52	Portknockie	51	51
202	Keith	7	297
296	Lossiemouth	-	288
488	Findochty	1	545
<u>20,201</u>	TOTAL	<u>3,522</u>	<u>23,493</u>

Notes to the Common Good Accounts

Note 1 Property, Plant and 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 2019/20.

Assets have been valued on the following basis:-

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

Movements of Property Plant and Equipment were as follows:

2018/19

	Other Land & Buildings £000	Surplus Assets £000	Assets Held For Sale £000	Total £000
Gross Book Value at 1 April 2018	13,504	875	-	14,379
Revaluations	47	(120)	-	(73)
Reclassifications	(30)	(5)	35	-
Disposals	-	-	(5)	(5)
Gross Book Value at 31 March 2019	13,521	750	30	14,301
Accumulated Depreciation at 1 April 2018	1,467	2	-	1,469
Revaluations	(40)	(2)	-	(42)
Charge for the Year	440	-	-	440
Depreciation at 31 March 2019	1,867	-	-	1,867
Net Book Value at 31 March 2019	11,654	750	30	12,434

Note 1 Property, Plant and Equipment (continued)

2019/20

	Other Land & Buildings £000	Surplus Assets £000	Assets Held For Sale £000	Total £000
Gross Book Value at 1 April 2019	13,521	750	30	14,301
Revaluations	4,471	(425)	-	4,046
Reclassifications	-	-	-	-
Disposals	(139)	-	(30)	(169)
Gross Book Value at 31 March 2020	17,853	325	-	18,178
Accumulated Depreciation at 1 April 2019	1,867	-	-	1,867
Revaluations	(1,748)	-	-	(1,748)
Charge for the Year	661	-	-	661
Depreciation at 31 March 2020	780	-	-	780
Net Book Value at 31 March 2020	17,073	325	-	17,398

Revaluations (18/19 and 19/20) include assets previously held on the General Services Account now identified as Common Good. The increase in the revaluation figure in 2019/20 is mostly attributable to a change in the measurement basis of Moray Leisure Centre.

Disposals in 19/20 include assets previously held as Common Good but which have transferred to Trust Fund.

Note 2 Heritage Assets

This note details the movement in Heritage Assets during the years 2018/19 and 2019/20.

	Fine Art £000	Chains of Office £000	Total Heritage Assets £000
Valuation at 1 April 2018	125	79	204
Revaluations	-	-	-
At 31 March 2019	125	79	204
Valuation at 1 April 2019	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.

	Estimated number of assets 31 March 2019
Monuments and Fountains	3
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:-

	2018/19 £000	2019/20 £000
Rental income from investment property	43	51
Net gain	43	51

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 for repairs, maintenance or enhancement.

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

	2018/19 £000	2019/20 £000
Balance at start of the year	3,917	4,106
Net gains /(loss) from fair value adjustments	189	(1,740)
Balance at end of the year	4,106	2,366

The significant downwards movement in the fair value of investment property is mostly due to the downward valuation of the Field at Pilmuir Road West, Forres due to environmental designation in the new local development plan.

Independent Auditor's Report

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Moray Council and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Non-Domestic Rate Income Account, the Trust Funds Income and Expenditure Account, the Trust Funds Balance Sheet, the Common Good Funds Income and Expenditure Account, the Common Good Funds Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is 4 years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter: Valuation of Land and Buildings

I draw attention to Note 6 'Assumptions made about the future and other major sources of estimation uncertainty' which describes the effects of material uncertainties, caused by Covid-19, declared in the valuation report for land and buildings. My opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Chief Financial Officer and Moray Council for the financial statements

As explained more fully in the Statement of Responsibilities for the Annual Accounts, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Moray Council is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skillfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual accounts

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Brian Howarth ACMA CGMA
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Audit Scotland
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Glossary of Terms

Capital Expenditure

This is expenditure incurred in creating, acquiring or improving assets. 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 Moray Council and CIPFA giving financial information on the services provided in the Moray Area. Other annual publications are: -

- The Capital and Revenue Budget, published on the Council's website 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 giving comparative statistics for all Scottish Local Authorities on local authority expenditure and service provision.

