Moray Council

Monday, 07 November 2022

NOTICE IS HEREBY GIVEN that a Special Meeting of the **Moray Council** is to be held at **Council Chambers**, **Council Office, High Street, Elgin, IV30 1BX** on **Monday, 07 November 2022** at **11:00** or immediately following **Education, Children's and Leisure Services Committee** whichever is the latter.

BUSINESS

Any person wishing to attend the meeting should contact customer services on 01343 563217 prior to the meeting as the number of attendees is restricted due to the recent Covid pandemic

You can however watch the webcast of the meeting by going to :
http://www.moray.gov.uk/moray_standard/page_43661.html

GUIDANCE NOTES

* **Declaration of Group Decisions and Members Interests -** The Chair of the meeting shall seek declarations from any individual or political group at the beginning of a meeting whether any prior decision has been reached on how the individual or members of the group will vote on any item(s) of business on the Agenda, and if so on which item(s). A prior decision shall be one that the individual or the group deems to be mandatory on the individual or the group members such that the individual or the group members will be subject to sanctions should they not vote in accordance with the prior decision. Any such prior decisions will be recorded in the Minute of the meeting.

THE MORAY COUNCIL

Moray Council

SEDERUNT

Councillor Kathleen Robertson (Chair)
Councillor Donald Gatt (Depute Chair)

Councillor James Allan (Member)
Councillor Peter Bloomfield (Member)
Councillor Neil Cameron (Member)
Councillor Tracy Colyer (Member)
Councillor Theresa Coull (Member)
Councillor John Cowe (Member)
Councillor John Divers (Member)
Councillor Amber Dunbar (Member)
Councillor Jérémie Fernandes (Member)
Councillor David Gordon (Member)
Councillor Juli Harris (Member)
Councillor Sandy Keith (Member)
Councillor Scott Lawrence (Member)
Councillor Graham Leadbitter (Member)
Councillor Marc Macrae (Member)
Councillor Paul McBain (Member)
Councillor Neil McLennan (Member)
Councillor Shona Morrison (Member)
Councillor Bridget Mustard (Member)
Councillor Derek Ross (Member)
Councillor Draeyk Van Der Horn (Member)
Councillor Sonya Warren (Member)
Councillor Ben Williams (Member)

Clerk Name:	Tracey Sutherland
Clerk Telephone:	07971 879268
Clerk Email:	committee.services@moray.gov.uk

REPORT TO: **SPECIAL MEETING OF MORAY COUNCIL ON 7 NOVEMBER 2022**

SUBJECT: **LEARNING ESTATE STRATEGY AND DELIVERY PROGRAMME – MORAY SUBMISSION FOR LEARNING ESTATE IMPROVEMENT PROGRAMME PHASE 3 FUNDING**

BY: **DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND ORGANISATIONAL DEVELOPMENT)**

1. REASON FOR REPORT

1.1 The report seeks a decision on the priority to be allocated to the submissions to Scottish Government for Learning Estate Investment Programme Phase 3 funding in October 2022.

1.2 This report is submitted in terms of Section III (D) (1) of the Council's Scheme of Administration relating to all the functions of the Council as Education Authority.

2. RECOMMENDATION

2.1 Following on from the decision of the Council on 28 September 2022 to submit two bids for Scottish Government Learning Directorate Learning Estate Investment Programme (LEIP) Phase 3 funding, in accordance with the bid criteria, it is recommended that, whilst recognising the importance of both projects, the Council:

i) agrees that the Forres Academy Project is identified as the priority project in the LEIP Phase 3 funding bid process; and

ii) endorses the decision made at the Special Education, Children's and Leisure Services Committee on 7 November 2022.

3. BACKGROUND

Scottish Government Learning Estate Investment Programme

3.1 In September 2019, the Scottish Government published their new Learning Estate Strategy which set out a collective vision of “a Learning Estate which supports Excellence and Equity for all”. Alongside the publication was the launch of the first phase of the Learning Estate Investment Programme (LEIP). The Programme is designed to:

- Improve the condition of the school estate;
- Support growth projects where there are no local condition priorities;
- Establish links across the learner journey where appropriate;
- Benefit 50,000 pupils to learn in condition A/B schools;
- Enable the delivery of wider Scottish Government policy objectives, including the guiding principles of the Learning Estate Strategy; and
- Support sustainable estate planning with clear investment and maintenance strategies.

3.2 To be successful, projects needed to connect people, places and learning, deliver improved outcomes for all and enable sustainable, inclusive economic growth. While there was a focus on improving the condition of the learning estate, the need to respond to demographic pressures was also recognised. Projects needed to meet the programme conditions and outcomes associated with high quality, suitable, sustainable, low carbon, digitally enabled learning environments. There was also an expectation of local political and financial commitment to investment.

3.3 Although the Council submitted a bid for the first phase of funding to support the Findrassie Primary School new build project, at that time the local Learning Estate Strategy was in the early stages of development and agreed priorities for investment in the learning estate were not yet available. The bid was unsuccessful.

3.4 The Scottish Government launched LEIP Phase 2 in December 2020. A more developed bid was resubmitted for the Findrassie Primary School project, which was successful.

Learning Estate Investment Programme – Phase 3

3.5 In July 2022, Scottish Government wrote to all local authorities announcing Phase 3 of the LEIP, together with a set of updated strategic outcomes and associated terms and conditions. The Outcome Based Funding model will provide revenue funding on the achievement of a set of agreed outcomes. The outcomes for Phases 1 and 2 fell into four broad categories: condition; energy efficiency; digital connectivity; and economic growth and these will apply for Phase 3 too; a fifth outcome for Phase 3 is focused on embodied carbon. The premise of the funding model is that up to 50% of project delivery cost for the qualifying enabling infrastructure will be provided by LEIP as revenue funding over the operational life of the building (25 years), provided the key outcomes are met. The Council is required to make annual returns on performance against the outcomes, with funding dependent on achieving these throughout the 25 year period of the funding envelope.

3.6 All local authorities will be eligible to benefit from the new investment programme to sustain and improve the condition of their learning estate or respond to demographic changes. However, a project will only be eligible for funding on either a condition OR a demographic change basis, not both. The LEIP Phase 3 selection criteria set out by Scottish Government is at **APPENDIX 1**.

3.7 With approval of Full Council meeting on 28th September a LEIP Phase 3 bid submission was sent to Scottish Government prior to the closing date of close of business on Monday 31 October 2022. The submission supported future options for both Buckie High School and Forres Academy with no preference for either project indicated. The outcome options of the bidding process are that:

(a) both projects are successful in bid LEIP for Phase 3 funding;

(b) one project is successful in bid for LEIP Phase 3 funding; or,

(c) neither project is successful in bid for LEIP Phase 3 funding.

3.8 It has been agreed with Scottish Future Trust, who are managing the LEIP Phase 3 selection process on behalf of Scottish Government, that Moray would indicate a post bid prioritisation of projects following completion of the Buckie by-election. In the event of only a single project being successful it would be likely that the priority bid would be selected.

3.9 The Full Council on 28th September agreed to hold a Special Education Children's and Leisure Services Committee and Full Council on 7 November 2022 to determine the prioritisation of the submitted LEIP Phase 3 bids.

3.10 Projects selected to form part of LEIP Phase 3 will be expected to be open for pupils by December 2027 unless otherwise agreed at the start of the Phase. Projects which are anticipated to be open in advance of this date are 'very much encouraged'.

3.11 In addition, a submission for LEIP Phase 3 support will only be considered by the Scottish Government if there is evidence of political and financial commitment for a project through Committee approval.

4. MORAY SCHOOL PROJECTS - LEIP PHASE 3 BID SUBMISSONS

4.1 At this stage of the LEIP Phase 3 programme process Council only needs to agree which school project should be prioritised for Scottish Government funding support. There is no requirement to select the detailed project infrastructure option, however, the detail regarding potential options will inform Member's understanding of the level of financial commitment required. The learning estate investment programme identified two candidate projects - Future Forres Academy and Future Buckie High School and the Council agreed to submit both. The project mandates for both these projects have been approved and respective Strategic Options Case developed for consideration by the Learning Estate Programme Board. These are attached at **APPENDIX 2** and **APPENDIX 3**. Currently both projects assume an operational date in the 2028/29 timeframe, however, if successful in their bids for LEIP Phase 3 funding an operational date at the end 2027 will need to be achieved, unless otherwise agreed with the Scottish Government.

4.2 A policy of 'make-do-and-mend' repair and maintenance was adopted in 2017 and followed previous years of under-investment in the Moray learning estate. The lack of investment has left a majority of schools below an acceptable standard for suitability and condition including Forres Academy and Buckie High School.

Option 1 – Forres Academy

4.3 The current mainstream capacity of Forres Academy is calculated as 1121 with a school roll for 2022/23 session of 854 (76% of capacity). Of this 99% of pupils are from within catchment. A total of 40 pupils were assessed as requiring additional support needs, requiring access to enhanced provision support (2021/22 census – Additional Support Needs (ASN) marker report). With Kinloss Barracks sited in catchment these forecast pupil numbers are sensitive to the changing demographic of military personnel.

4.4 The Forres Associated Schools Group catchment is expected to experience growth in secondary school capacity requirements as a consequence of planned residential development to the South and the East of the town out to 2035. The school roll is expected to increase to a maximum of 997 (89% of capacity) towards the end of the decade. However, it is anticipated that the mainstream capacity will likely need to be reassessed in the medium term as a consequence of the desire for wider curriculum choice and additional space requirements for ASN accommodation, which would reduce the mainstream maximum capacity assessment for the school.

4.5 Forres Academy has recently been assessed as D for Condition – one of only two secondary schools in Scotland with that rating. This is a decrease from the previous assessment undertaken less than 10 years ago. This is despite significant investment over the last 8 years; to the value of £4.45M for capital works together with a further £550k of revenue spend on repairs and maintenance. This investment has not prevented recent serious flooding incidents relating to significant roofing and drainage issues. A breakdown of the condition assessment is set out in Table 1.

CONDITION SUMMARY MATRIX	
Good – A	Performing well and operating efficiently
Satisfactory – B	Performing adequately but showing minor deterioration
Poor – C	Showing major defects and/or not operating adequately
Bad –D	Life expired and/or serious risk of imminent failure

Elements

Roof	Floors & Stairs	Ceilings	External Walls,	Internal Walls and Doors	Sanitary Services	Mechanical	Electrical	Decoration	Fixed Internal Facilities	External areas	Outdoor Sports	OVERALL SCORE	CATEGORY
D	D	D	D	D	D	B	C	C	C	C	C	39.75	D

Table 1: Condition Assessment (2021) - Forres Academy

4.6 Forres Academy is reported as a B for suitability. The last assessment was undertaken in 2013. The high level detail of this assessment is set out in Table 2.

Suitability Assessment - Forres Academy

This sheet looks at the significance of each factor across the whole school, making troubleshooting more straightforward.

	General Learning & Teaching	Practical Learning & Teaching	Internal Social	Internal Facilities	External Social	External Facilities	Total:
weighting	25%	25%	15%	15%	10%	10%	100%
score out of 20	15	11	15	14	14	15	**13.8**
Functionality	B	B	B	B	C	B	B
Accessibility	B	C	B	B	B	B	B
Environmental Conditions	B	C	B	B	B	B	B
Safety & Security	B	C	B	B	B	B	B
Fixed Furniture & Fittings	B	C	B	C	B	B	B
Total:	B	C	B	B	B	B	**B**

Table 2: Suitability Assessment (2017) - Forres Academy

4.7 An updated assessment was planned in 2020 but was cancelled due to the COVID pandemic. With the relaxation of COVID measures in school it is now intended to complete a re-assessment in the near future. It is anticipated that as a consequence of the D Condition there will be a reduction in the scoring within some areas of the suitability assessment, however we are not able to predict if this will result in a similar grade reduction.

4.8 Although the B/B condition/suitability could be achieved with a basic refurbishment of Forres Academy, the long term value for money opportunities offered by a major refurbishment, new build as a standalone or potential campus solution, would deliver a sustainable A/A school that meets the selection criteria for LEIP Phase 3 investment. There is also a need to consider the changing nature of teaching and drivers for digitally enabled education and low carbon school buildings, additional support needs and early learning and childcare when considering investment in the future Forres Academy project.

4.9 The indicative 10 year capital plan (2022-32) has assigned a capital spend of £66M to deliver a ‘Forres Academy campus’ within the 2028/9 timeframe.

4.10 Infrastructure options that are under consideration for Future Forres School project are set out in Table 2. In reviewing these options the following should be noted:

- Options 1.3, 1.4 and 1.5 fully meet LEIP Phase 3 selection criteria;

- Option 1.2, although meeting baseline learning estate condition and suitability requirements, would not qualify for LEIP Phase 3; and

- Option 1.4 falls into the LEIP Phase 3 criteria of a project that addresses both a condition and a growth issue. Either condition improvement or extension to meet increasing capacity demands would qualify for LEIP funding, but not both.

- One of the sites considered for a new build school (Options 1.5 and 1.6) would be Roysvale common good land, which the Council would need to seek a court order and the agreement of the local community to procure. In light of the risk that there is no guarantee that this would be possible within the required project timelines alternate sites will be considered.

Category of Choice	Description	Indicative cost Base cost (2022) £000	Indicative cost Inflation allowance cost (2026) £000
1.1 Do nothing	No change to the current Learning Estate Continuation of make do and mend maintenance which is average of £625k per year.	£625k pa average	
1.2 Minimum scope	Meet secondary capacity requirements of Forres ASG with Minimum Refurbishment that addresses the requirement for minimum B standard condition.	24,700	31,000
1.3 Intermediate scope A	Meet the secondary capacity requirements of Forres ASG with Major Refurbishment that meets the LEIP requirements for Low Carbon and Digital aspects, balances community and educational needs.	69,600	91,100
1.4 Intermediate scope B	Meet the secondary capacity requirements of Forres ASG with Major Refurbishment with Extension that meets the LEIP requirements for Low Carbon and Digital aspects, balances community and educational needs.	74,500	95,400
1.5 Maximum scope A	Meet secondary capacity requirements of Forres ASG with a New Build Secondary School & Community Hub that addresses Digital and Low Carbon aspects, balances community and educational needs	60,500	79,200
1.6 Maximum scope B	Meet future secondary and future primary capacity requirements of Forres ASG with a New Build 3-18 Community Campus (integration of Applegrove Primary School with the new secondary school) that addresses Digital and Low Carbon aspects, balances community and educational needs in rationalising the estate.	66,900	87,400

Table 2: Project options and indicative capital costs - Forres Academy

Option 2: LEIP Phase 3 Submission – Buckie High School

4.11 The current mainstream capacity of Buckie High School is calculated as 944 with a school roll for 2022/23 session of 836 (88% of capacity). Of this 98% of pupils are from within catchment. A total of 32 pupils were assessed as requiring additional support needs, requiring access to enhanced provision support (2021/22 census - ASN marker report).

4.12 The Buckie Associated Schools Group catchment is forecast to see an increase in secondary school capacity requirements as a consequence of planned residential development to the south and the west of the town out to 2035. The school roll is expected to increase to a maximum of 903 (96% of capacity) towards the end of the decade. However, it is anticipated that the mainstream capacity will likely need to be reassessed in the medium term as a consequence of the desire for wider curriculum choice and additional space requirements for ASN accommodation, which would reduce the mainstream maximum capacity assessment for the school.

4.13 Buckie High School has recently been assessed as C condition – a decrease from the previous assessment 10 years ago. An investment' over the last 8 years to the value of £809k for capital works and £875k of revenue spend on repairs and maintenance has not improved the situation. A breakdown of the condition assessment is set out in Table 3.

CONDITION SUMMARY MATRIX	
Good – A	Performing well and operating efficiently
Satisfactory – B	Performing adequately but showing minor deterioration
Poor – C	Showing major defects and/or not operating adequately
Bad –D	Life expired and/or serious risk of imminent failure

Elements													
Roof	Floors & Stairs	Ceilings	External Walls,	Internal Walls and Doors	Sanitary Services	Mechanical	Electrical	Decoration	Fixed Internal Facilities	External areas	Outdoor Sports	OVERALL SCORE	CATEGORY
D	D	C	C	C	D	C	C	C	B	C	B	45.25	C

Table 3: Condition Assessment (2022) – Buckie High School

4.14 Buckie High School is reported as a C for suitability. This assessment was undertaken in 2017 the high level detail is provided in Table 4 below.

Suitability Assessment - Buckie High

This sheet looks at the significance of each factor across the whole school, making troubleshooting more straightforward.

	General Learning & Teaching	Practical Learning & Teaching	Internal Social	Internal Facilities	External Social	External Facilities	Total:
weighting	25%	25%	15%	15%	10%	10%	100%
score out of 20	11	13	12	13	13	14	12.5
Functionality	C	B	C	B	C	B	B
Accessibility	B	B	B	B	B	B	B
Environmental Conditions	C	B	B	B	B	B	B
Safety & Security	C	C	C	C	C	C	C
Fixed Furniture & Fittings	C	C	C	C	B	B	C
Total:	C	B	C	B	B	B	C

Table 4: Suitability Assessment (2017) – Buckie HS

4.15 The 2017 Suitability Assessment identified issues with Safety and Security and Furniture, Fixtures and Fittings that resulted in a C-rated assessment. A review of these specific issues highlights that specific improvements have been made in these areas with the installation of CCTV, the upgrade to science practical areas, an ICT equipment refreshment programme and the demolition of external buildings. All these improvements would see an improvement to B-rated, as per the Table 5 below although a full on-site assessment would need to be undertaken to confirm this.

Suitability Assessment - Buckie High

This sheet looks at the significance of each factor across the whole school, making troubleshooting more straightforward.

	General Learning & Teaching	Practical Learning & Teaching	Internal Social	Internal Facilities	External Social	External Facilities	Total:
weighting	25%	25%	15%	15%	10%	10%	100%
score out of 20	13	14	13	14	14	15	**13.7**
Functionality	C	B	C	B	C	B	B
Accessibility	B	B	B	B	B	B	B
Environmental Conditions	C	B	B	B	B	B	B
Safety & Security	b	C	b	b	b	b	B
Fixed Furniture & Fittings	b	b	C	C	B	B	B
Total:	B	B	B	B	B	B	**B**

Table 5: Suitability Assessment (2017) (Moderated) – Buckie HS

4.16 Although the B/B condition/suitability could be achieved with minimum refurbishment of Buckie High School, the long term value for money opportunities offered by a major refurbishment, new build as a standalone or potential campus solution, would deliver a sustainable A/A school that meets LEIP project key requirements and the selection criteria for LEIP Phase 3 investment. As with Option 1, there is also a need to consider the changing nature of teaching and drivers for digitally enabled education and low carbon school buildings, additional support needs and early learning and childcare when considering investment in the future of the learning estate.

4.17 The indicative 10 year capital plan (2022-32) has assigned a budget of £75M to deliver a 'Buckie Campus' within the 2028/29 timeframe. Options that are under consideration are set out in Table 6.

Category of Choice	**Description**	**Indicative cost** **Base cost (2022)**	**Indicative cost** **Inflation allowance cost (2026)**
		£000	**£000**
1.1 Do nothing	No change to the current Learning Estate No immediate significant maintenance costs predicted in next 12/24 months. Unknown situation thereafter. Forres figures give comparison at £625k per annum		
1.2 Minimum scope	Meet secondary capacity requirements of Buckie ASG with Minimum Refurbishment and Extension that addresses the requirement for minimum B standard condition.	24,100	30,125
1.3 Intermediate scope A	Meet the secondary capacity requirements of Buckie ASG with Major Refurbishment		

Category of Choice	Description	Indicative cost Base cost (2022) £000	Indicative cost Inflation allowance cost (2026) £000
	and Extension that meets the LEIP requirements for Low Carbon and Digital aspects, balances community and educational needs.	67,100	84,700
1.4 Intermediate scope B	Meet secondary capacity requirements of Buckie ASG with a New Build Secondary School & Community Hub that addresses Digital and Low Carbon aspects, balances community and educational needs	66,600	84,100
1.5 Maximum scope	Meet future secondary and future primary capacity requirements of Buckie ASG with a New Build 3-18 Community Campus that addresses Digital and Low Carbon aspects, balances community and educational needs in rationalising the estate.	75,700	95,700

Table 6: Project options and indicative capital costs – Buckie High School

4.18 The following should be noted:

- Options 1.4 and 1.5 fully meet LEIP Phase 3 selection criteria;
- Option 1.2, although meeting baseline learning estate condition and suitability requirements, would not qualify for LEIP Phase 3; and
- Option 1.3 falls into the LEIP Phase 3 criteria of a project that addresses both a condition and a growth issue. Either the condition improvement or extension to meet increasing capacity demands would qualify for LEIP funding, but not both.
- The preferred site for a new build school (Options 1.4 and 1.5) would be land to the south of the current school. The majority of this land is already within the school grounds.
- Option 1.4 would be like-for-like replacement of the current school and community facilities. Option 1.5 provides significant opportunities to deliver the benefits of a 3-18 campus school and modern community hub; however, the development of these opportunities would require wide public engagement and consultation before they could be taken forward. This would require time to complete, which the LEIP 3 bid submission deadlines do not provide.

5. DISCUSSION ON LEIP PHASE 3 SUBMISSION OPTIONS

5.1 The requirement for significant future investment to successfully deliver and maintain suitable secondary school capacity and capability in Forres and Buckie is acknowledged and both projects identified in this report are already in scope as part of the learning estate strategy, albeit later in the decade and with options for solutions and funding yet to be fully scoped and considered. However, given the cost of undertaking major construction works (new build or refurbishment), LEIP Phase 3 provides an opportunity to accelerate one or both projects and benefit from significant Scottish Government funding support, which may not be forthcoming in future years.

5.2 If both project bids for LEIP Phase 3 funding support are successful the scale and scope of the challenge to deliver two secondary schools within the next 5 years should not be underestimated, neither, given that LEIP Phase 3 funding is facilitated through an outcome-based future revenue model, with the Council responsible for full capital funding, should the significant capital funding investment required over that same time period. The capital commitment for these projects would place constraints on the council's capacity to undertake other capital projects during the same timeframe. The LEIP funding model also entails significant on-going revenue costs to maintain LEIP funded schools at A or B condition, and this will require an increase in future schools maintenance budget.

5.3 Should a single project bid for LEIP Phase 3 funding support be successful the scale and scope of the delivery challenge is more manageable within current resourcing and the capital investment required over the next 5 years will be around half that of a two-project approach. A single LEIP Phase 3 approach does not remove the aspiration to ensure that both projects continue, albeit with longer delivery timeframes and consideration of a range of options to deliver the required outcomes.

5.4 If Moray is unsuccessful in gaining LEIP Phase 3 funding for either project the Council will still need to deliver improved secondary schools to meet requirements in both Forres and Buckie within the current or minor amendments to current project timeframes (currently planned as 2028 and 2029 respectively) rather than the LEIP timeframe. Meantime, the current approach would remain in place to maintain both schools as operational. If the schools were rebuilt or significantly refurbished then they would require to meet a minimum of B condition/ B suitability ratings in order to fulfil the objectives in the Council and Scottish Government strategies for learning estates of the future. The Council would have sole responsibility for financing the capital investment, with no revenue funding support from the Scottish Government. However, as the council would have full control to determine the design requirements the funding requirement for each project could be significantly less, given the substantial investment required to meet LEIP Phase 3 standards and to maintain them over the 25 year period of the funding envelope.

5.5 In determining a priority option for LEIP Phase 3 funding the following decision criteria have been considered: current and future building condition and suitability, future capacity requirements, alignment with LEIP Phase 3 criteria, affordability, benefits of accelerating project and time to deliver.

5.6 In terms of current and future building conditions, the recent Forres Academy surveys have identified that more than 50% of the condition criteria are rated as bad - that is 'life expired and/or at serious risk of imminent failure'. It is one of only two seconday schools in Scotland that has such a low condition rating. Despite investment of nearly £5M over the last 8 years the situation has not improved and indeed in most areas further deteriorated. It is estimated that a package of improvement works totalling £24M would be required to achieve minimum B condition standard and further significant regular investment would be required to maintain this. Buckie High School is assessed as poor – that is ‘showing major defects and/or not operating adequately’. Significantly less investment has gone into the maintenance of Buckie High School and although there are some areas of concern these are significantly less than those at Forres Academy.

5.7 In terms of suitability assessments - that is fit for the purpose of delivering the education curriculum – it has been some time since Buckie High School (2017) was rated as C – that is ‘Poor - showing major problems and/or not operating optimally’. Forres Academy (2017) was rated as B – that is ‘satisfactory – performing well but with problems’. Updated assessments for both schools are required and were planned pre-COVID but due to accessibility issues were cancelled. These are to be re-scheduled within the near future with support from experienced officers from Aberdeenshire Council. The Buckie High School 2017 rating was related to Safety and Security (e.g. limited coverage of CCTV) and Furniture, Fixtures and Fittings issues (e.g. provision of audio-visual devices was patchy). As noted para 4.15 and Table 5 above a majority of the C-rated areas of concern are assessed to have been addressed and those remaining could be with only minor investment.

5.8 In terms of capacity requirements in the future, the situation at Buckie High School is clearer than Forres Academy. The impact of residential development planned to the west and south of Buckie is that the secondary school roll is forecast to rise to a maximum of 96% in 2029. Following completion of the planned Elgin High School extension in 2026 consideration could be given to relocating the modular classroom to the Buckie High School site to mitigate capacity concerns. School capacity is forecast to steady out beyond the end of the decade, but the forecast is less accurate beyond that timeframe. However, development is planned to continue out to 2035 so an extension to school capacity is anticipated as part of the current project plan. As stated earlier this situation may change as a consequence of increasing demand for enhanced ASN support and/or curriculum change but it is viewed as manageable within the current 28/29 project timescales.

5.9 The Forres Academy capacity is not expected to increase beyond 90% over the next 10 years. Although development to the east of the town, together with the same enhanced ASN and curriculum change requirements is anticipated, it is not considered that an extension would be required.

5.10 The Forres Academy project options meet all the LEIP Phase 3 criteria for full funding consideration (max 50% of qualifying value). With the major refurbishment with extension option for Buckie, the interpretation of the LEIP criteria indicate that only one element, the refurbishment or extension but not both, would qualify for LEIP Phase 3 funding.

5.11 Both projects have a similar cost model. The additional capital costs for the Buckie High School options have assumed a new swimming pool, whereas the current Forres swimming pool would be retained.

5.12 There are benefits of delivering both projects earlier than currently planned. However, the delivery of Forres Academy earlier would mitigate the risks relating to the current school condition in terms of school operation and annual repair and maintenance costs. An earlier delivery of a future Buckie High School would, given the LEIP 3 delivery timelines, significantly reduce the time to develop the opportunities and understand the benefits of a 3-18 campus school and modern community hub proposed by Option 5 and to engage and consult with the community on these. current longer project plan, for example with a 2028/2029 operational date would factor for this.

5.13 The LEIP target date of end 2027 to deliver either project is a challenging. Any new build option in Buckie would seek to utilise land within the current Buckie High School boundary. A new build option for Forres Academy would require development land to be acquired. Although the choice to support the Forres-Applegrove campus option is the Roysvale common good land, there is a risk that efforts to acquire this land could extend the project delivery date beyond the end of 2027. Consequently other potential development sites will be investigated in the event that the Forres bid is successful.

5.14 Although a stated objective of LEIP 3 projects is project delivery by end 2027 it is not a mandated criteria. Should the Forres Academy bid be successful, early negotiations on project delivery date would take place with Scottish Government whichever preferred development site is selected.

5.15 The criteria to prioritise the acceleration of one project over the other shows that the differentiators between the Forres Academy and the Buckie High School projects are small; however, it is the current and future condition comparison that is viewed as the key factor in favouring one project over another. The prioritisation of Forres Academy rather than Buckie High School would mitigate the operational and financial risks associated with a building that is Condition D and, therefore, the priority option is recommended as Forres Academy.

5.16 In prioritising the Forres project for LEIP Phase 3 submission it is recommended that this should coincide with works to address suitability issues at Buckie High School and to ensure that a robust maintenance regime is in place to prevent Buckie High School condition from deteriorating further until delivery of the ‘future school’ project currently in the indicative capital plan for 2028/29. The additional time would also support community engagement and consultation on a new 3-18 community campus model.

6 SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)

This report supports the LOIP outcomes:

i) Building a better future for children and young people in Moray:Healthier Children: children get the healthiest start in life and are supported to achieve the best possible mental health and wellbeing and there is equity for vulnerable groups.

And the aims of the Corporate Plan to:

ii) Improve health and wellbeing for the people of Moray.

(b) Policy and Legal

There are no policy or legal implications arising from this proposal.

The Schools (Consultation) (Scotland) Act 2010 sets out the legal requirements for consultation on relevant proposals affecting individual schools. The proposed approach supports and encourages that process.

(c) Financial implications

When the Council approved the budget for 2022/23 on 22 February 2022 (paragraph 3 of the Minute refers) it balanced only by using reserves and one-off financial flexibilities. The indicative 3 year budget showed a likely requirement to continue to make savings in the order of £20 million in the next two years. All financial decisions must be made in this context and only essential additional expenditure should be agreed in the course of the year. In making this determination the Council should consider whether the financial risk to the Council of incurring additional expenditure outweighs the risk to the Council of not incurring that expenditure, as set out in the risk section below and whether a decision on funding could reasonably be deferred until the budget for future years is approved.

The indicative capital costs for each of the project options are set out in Tables 2 and 6 above. The inflation allowance columns provide indicative costs that take account of current market uncertainty and inflationary forecasts.

If both projects are progressed on a concurrent basis the cumulative impact would place considerable constraint on the scope for other capital projects to be progressed during the project delivery period. The impact on the wider capital plan would have to be taken into account in the planned review of the capital plan and may also mean less scope to review the capital borrowing implications for revenue costs in the context of the longer term revenue budget planning.

The LEIP 3 funding model is revenue based, with revenue payments made by the Scottish Government over the 25 year life of the proposed facility.

Funding is released on a phased basis on achievement of agreed outcomes evidenced as follows:

1. Condition

    i. Annual returns indicate that the facility is maintained at condition A or B.
    ii. If the building drops into Condition C more than once during a 5 year period the condition funding element will be suspended until rectified.

2. Energy Efficiency

    i. Authorities must provide evidence that the in-use energy target of 67/kWh/m2/per annum for core hours of 2,000 per annum and core facilities is achieved. This is not a pass or fail assessment and a sliding scale is applied as follows:

Energy Consumption kWh/sqm/p.a.	Energy Funding %
A 67- 83	100%
B 84- 99	90%
C 100 – 115	60%
D 116 -130	30%
E 131+	0%

    ii. Funding will commence in year 3 of operation, with reporting based on a rolling five year average (reporting in years 7, 12, 17 & 22). There is a one year grace period if you fail to meet the previously reported target.

3. Digital enabled learning
    i. The local authority must provide evidence that the underlying digital infrastructure of the facility is capable of supporting 11Gbps.

4. Economic Growth
    i. The local authority will be required to collate and provide evidence that they have met the target for jobs supported as per the Construction Industry Training Board (CITB) benchmarks published in July 2017. The number of jobs to be supported depends on the size of the investment.
    ii. It is proposed that because the achievement of this outcome will happen in the design and construction phase of the project that funding for it, if achieved, is received in the first two years of operations, rather than extend over the 25 year period.

5. Embodied Carbon
    i. The local authority is required to evidence that the construction embodied target of 600kgCO2e/m2 for core facilities is achieved.
    ii. Evidence of achieving this target using actual material, product, transport and contractor activity data will be required at project completion. As per the Energy Efficiency target this is not a pass or fail assessment and a sliding scale will be applied as follows:

Embodied Carbon kgCO2e/m2	Embodied Carbon Funding %
A <600	100%
B 601-666	90%
C 667-733	60%
D 734-800	30%
E 800+	0%

The LEIP programme has yet to confirm the level of funding attached to each core funding outcome.

(d) Risk implications

There are significant risks associated with projects of this scale and nature and these will be considered in detail as the Outline Business Cases for the projects develop. The following risks are already identified and should be noted:

(i) The developing options may be influenced by the future recommendations to come from the in-progress Additional Support Needs Review and Sport & Leisure Capital Plan development. The options will remain flexible and adaptable to any changes warranted by these reviews.

(ii) The Learning Estate Strategy and Delivery Programme has identified the need for significant capital investment in the future secondary school infrastructure in both Buckie and Forres ASGs. Should no option be submitted for Scottish Government LEIP Phase 3 funding the total cost of improvement projects will be the sole responsibility of Moray Council. However, for any LEIP funded projects the Council will carry the full risk of capital funding, with revenue budget support only provided once the school is operational, and at different stages in the building lifecycle, dependent on the achievement of outcomes as set out in the Financial Implications section above.

(iii) There is risk that the area metric proposed by the Scottish Government to value a LEIP Phase 3 project (£3,500/m2) will not correspond to the actual market rate experienced at the time of construction. The consequence is that the maximum 50% of qualifying project value provided by Scottish Government could be significantly less than that (with the Council therefore bearing a significantly higher proportion of the overall costs of the project)

(iv) The outcome based funding model requires a consistent level of investment through the life of the facility to ensure funding targets can be achieved and maintained over the 25 year period, which impacts on building whole life costs. As noted above, failure to meet these funding target throughout the 25 year funding period could put the ongoing Scottish Government contribution to funding at risk.

(v) The whole life cost (revenue) implications of the LEIP funding requirements, alongside the current differential in the area metric cost assumptions, could mean that the Scottish Government contribution is closer to 25-35% of the overall project cost. Were the Council to choose not to apply for LEIP funding, the Council would have considerably more flexibility regarding the outcomes to be delivered from each project, and therefore the overall cost of the project, including whole life costs. The Strategic Business Cases include Minimum Scope options that cannot be considered for LEIP projects, but could be retained as options should members choose not to submit one or both of the projects for LEIP 3.

(vi) Our understanding of whole life costs for a major project of the scale and complexity of the two proposed projects will become more developed as the projects progress through the different project stages, and there is clarity around design approaches and the consequent maintenance costs associated with the different elements of the build. Due to the potential risks associated with the affordability of ongoing whole life cost funding requirements for the LEIP funding model it is proposed that officers undertake affordability assessments at appropriate review points in any LEIP funded project so that Council can consider their ongoing approach, whether the project remains affordable under LEIP and, depending on the outcome of the assessment, if a different approach should be taken to meeting the project objectives.

(vii) Indicative costs take account of current market uncertainty and inflationary forecasts. There is a risk of continuing market uncertainty through the life of the projects, with a consequential impact on costs (with costs continuing to rise).

(viii) The timeframes for the majority of options assume that there will be no issues with land acquisition and planning approval timelines. In order to meet the LEIP Phase 3 December 2027 operational date target, planning approval would need to be in place before November 2025.

(ix) The development of these options is likely to generate a high degree of public interest and speculation. It is important that there is a commitment to take this work forward in a planned way and a recognition of the difficult public relations aspects that may arise as a result.

(e) Staffing implications

There are no specific staffing implications arising from this proposal at this stage. Future reports will provide staffing implications updates as appropriate. Should there be a decision to progress with two bids for LEIP 3, and should both bids be successful, there will be staffing requirements across Council services to ensure we can successfully deliver the projects within the timescales set out. These staffing implications would be developed and presented in future reports to ECLS Committee.

(f) Property

The property implications for this proposal are set out within the project options set out in Table 2 and Table 4 above.

(g) Equalities/Socio Economic Impact

The quality of the learning environment can impact on learning and attainment by as much as 16%. The condition and suitability of our learning estate, and capacity challenges associated with both growth and population decline in some areas, give rise to unequal opportunity across Moray.

This proposal supports the Learning Estate Strategy requirement that all Learning Estate buildings meet minimum standards and are fit for purpose.

Equality impact assessments will be carried out as appropriate during the development of the LEIP Phase 3 option outline business case in order to ensure that benefits are distributed fairly and impacts on groups protected under the Equality Act 2010 are identified and, where reasonably possible, mitigated.

(h) Climate Change and Biodiversity Impacts

Both options will have a climate change impact with embodied carbon impacts during construction and whole life operational carbon. The scale of this overall impact will be assessed in detail within the outline business cases for the projects and this will be balanced against the current operational carbon budgets. As required by the LEIP funding model, a design approach which ensures energy efficiency and embodied carbon savings will be key to ensuring that the forecast reductions in carbon emissions are realised by the project.

Although dependent on the design approach taken (e.g PassivHaus) it is anticipated that there will be a significant reduction in operational carbon during the life of any future school building that will outweigh the construction carbon budget. As part of the carbon management planning, wider emissions would be considered, such as opportunities to promote active travel and reduce the need for car travel to the school.

(i) Consultations

The Corporate Management Team, Head of Financial Services, Head of Education (Chief Education Officer), Head of Environmental and Commercial Services, Head of Housing and Property, Head of Development Services, Tracey Sutherland, Committee Services Officer, Human Resources Manager, Equal Opportunities Officer, members of the Learning Estate Programme Board and members of the Asset Management Working Group have been consulted and the comments received have been incorporated into the report.

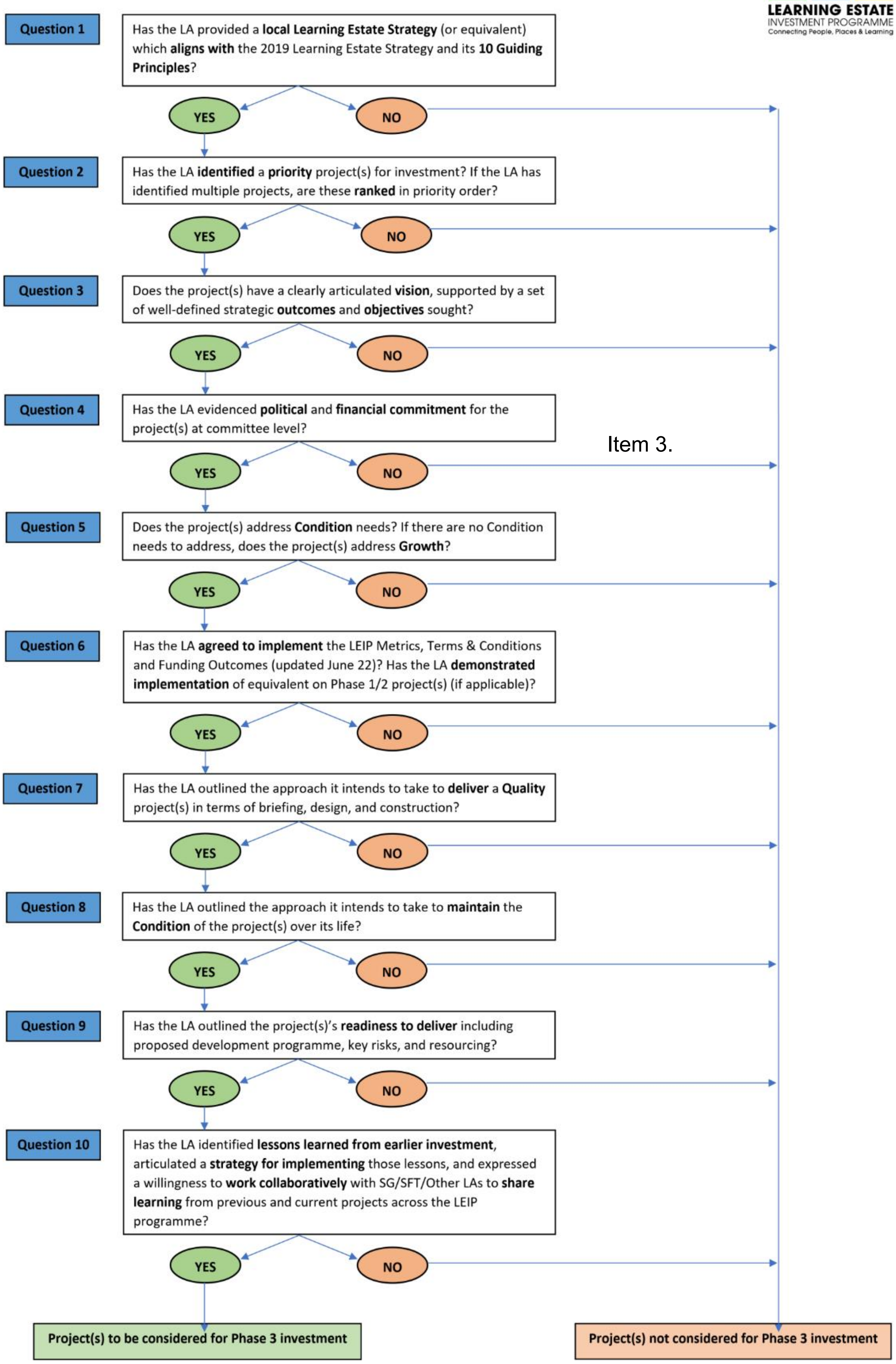
7. CONCLUSION

7.1 An opportunity for Scottish Government funding support for planned strategic learning estate project(s) is available through the Scottish Government Learning Directorate Learning Estate Investment Programme (LEIP) Phase 3 initiative. Two projects, Future Forres Academy and Future Buckie High School would qualify for submission and a number of project delivery options that have been identified within the respective Strategic Options Cases meet the selection criteria for LEIP Phase 3. As instructed by the Council on 28 September 2022, both projects have been submitted and it is now necessary to indicate which would be the Counci's priority project in accordance with the bidding requirements. Due to issues of poor building condition and the risk of further deterioration that would compromise the operational effectiveness of the current school, the Forres Academy project is the recommended priority option.

Author of Report:	Andy Hall (Programme Manager (Learning Estate))
Background Papers:	
Ref:	SPMAN-9425411-835 SPMAN-9425411-836 SPMAN-9425411-837 SPMAN-9425411-838

APPENDIX 1: Phase 3 Selection Criteria Flowchart

Item 3.



Strategic Options Case

Appendix 2

PROJECT REF/NAME	**Future Forres Academy**	
PROJECT SPONSOR	**Denise Whitworth**	
COMPLETED BY	**Andy Hall**	
DATE	**12 Aug 2022**	
Project Category	**Strategic**	
The following is to be completed by High Level Governance Board		
Approved By/Date	Group or Officer Name	Date of meeting/decision
Approval (choose from drop down menu)	Choose an item.	
Comments	Any relevant comments from the approving authority should be documented here.	

The purpose of the Strategic Outline Case (SOC) is firstly to establish the case for change and the need for the proposal; and secondly, to provide a suggested way forward for the early approval of management providing an 'initial agreement to proceed' to further develop the business case.

It is important that the 'preferred way forward' within the SOC is not confused with the 'preferred option' which emerges from the Outline Business Case (OBC). The preferred way forward provides management with a recommended direction of travel, following the initial assessment of the long list of option upon completion of the SOC, whereas the preferred option is the recommended Value for Money (VFM) choice, following the detailed appraisal of the short list of options upon completion of the OBC.

Table of Contents

1. Version History

Version	Date	Details
0.1	10 Aug 2022	Initial Draft
0.2	06 September 2022	Final draft for Committee on 14/09/2022

2. Executive Summary

This Strategic Options Case (SOC) provides a breakdown of infrastructure options to consider to address the future delivery of secondary education capacity and capability within the Forres Academy Associate School Group (ASG). Within the options is an early indication of the costs to deliver the options considered.

The need to strategically address our learning estate across all ASGs comes from capacity pressures in growth areas such as Elgin, Forres and Buckie where the predicted housing growth over the next 15 years will result in the need for additional primary and secondary school capacity.

In addition, a number of secondary schools within Moray are assessed as below the required Condition B standard mandated by the Scottish Government. In the case of Forres Academy it has been recently been assessed as overall Condition D - defined as life-expired and/or at serious risk of imminent failure.

There is also a need to consider the changing nature of teaching, drivers for digitally enabled education, low carbon schools, additional support needs and early learning & childcare when considering the future of the learning estate. The future of Forres Academy is a key project within Moray Council's Learning Estate Strategy (LES) and a number of options could be eligible for Scottish Government funding support as part of the Learning Estate Investment Programme (LEIP) Phase 3. This SOC would form a significant element of the Moray LEIP Phase 3 bid should it be approved at Committee for submission to Scottish Government in October 2022.

This SOC builds upon the Project Mandate approved by the Corporate Management Team in January 2022. It also develops the following:

- Determining and confirming value for money;
- Preparing for and contracting the case;
- Confirming affordability and financial requirement; and,
- Planning for successful delivery.

An Outline Business Case will be drafted for approval once a decision on the type of project (refurbishment or rebuild) has been made, and a final determination of project costs has been agreed, together with an agreed project delivery procurement strategy.

3. The Strategic Case

3.1 Introduction

The purpose of this section is to explain how the scope of the proposed options fit within the existing business strategies of the organisation and provides a compelling case for change, in terms of existing and future operational needs.

3.2 Organisational overview

The case has been developed by Moray Council through the Learning Estate Programme with participation from Education, Housing and Property and Planning. The case falls within the Moray Council Learning Estate Strategy and would form a project within the Learning Estate Strategy Delivery Programme. The Project Sponsor will be the Deputy Chief Executive (Education, Communities and Organisational Development) and the Senior Responsible Owner will be the Head of Education Resources and Communities. The Programme Manager (Learning Estate) will provide operational level responsibility for development of the case and will be supported in the future delivery of the agreed project by an appointed Learning Estate Project Manager.

3.3 The Strategic Context

The Moray Council geographical area covers 864 sq. miles (2,238km.sq) and of 32 Local Authorities, Moray is ranked the 8th largest area. With a relatively small population of 95,510 Moray is ranked 26th (7th smallest) area in terms of population. Overall the Scottish Index of Multiple Deprivation (SIMD) for Moray does not show a major problem with deprivation when compared with others, but there is an enduring issue with low wages and under employment and the rural geography presents many challenges which SIMD data does not reflect. Moray current has 8 secondary schools and 46 primary schools.

Currently 25 Primary Schools and 5 Secondary Schools fall below the B standard for condition. In addition, there is a requirement to increase the secondary school capacity in a number of the secondary schools that will require, as a minimum, investment in new build extensions to existing buildings.

The current repairs and maintenance backlog, which needs to be addressed to bring all school buildings to a B/B standard for condition and suitability, was estimated to cost over £110 million to clear (based on 2013/14 condition surveys and average inflationary pressure). The Council financial forecasts (10 year Capital Plan) currently identifies £258 million to be spent over the next ten years to address the current backlog, and includes an allowance of £172million to provide for capacity growth through new builds and major refurbishment projects in Forres, Buckie and Elgin. Unless Moray are to see condition and suitability further decline across the Moray learning estate, the backlog of repairs and maintenance and providing for new school capacity needs to remain resourced within the capital plan.

The Scottish Government has announced a Phase 3 of Learning Estate Investment Programme (LEIP) funding that will become available from the end of 2022 that can assist in addressing the above financial challenge.

The LEIP funding seeks to ensure a minimum B/B standard is maintained over a 25 year period for any school project and looks to take a more strategic approach to the Learning Estate, working with partners to provide greater community use and facilities at these sites.

The strategic drivers for this investment and associated strategies, programmes and plans are contained in the principles of *Scotland's Learning Estate Strategy: Connecting People, Places and Learning".* "

- Learning environments should support and facilitate excellent joined up learning and teaching to meet the needs of all learners;
- Learning environments should support the wellbeing of all learners, meet varying needs to support inclusion and support transitions for all learners;
- The learning estate should be well-managed and maintained, making the best of existing resources, maximising occupancy and representing and delivering best value;
- The condition and suitability of learning environments should support and enhance their function;
- Learning environments should serve the wider community and where appropriate be integrated with the delivery of other public services in line with the place principle;
- Learning environments should be greener, more sustainable, allow safe and accessible routes and be digitally enabled;
- Outdoor learning and the use of outdoor learning environments should be maximised;
- Good consultation about learning environments, direct engagement with learners and communities about their needs and experiences, and an involvement in decision making processes should lead to better outcomes for all;
- Collaboration across the learning estate, and collaboration with partners in localities, should support maximising its full potential; and,
- Investment in Moray's learning estate should contribute towards improving learning outcomes and support sustainable and inclusive economic growth.

The proposed Moray projects should also build on the ambition of the Local Outcome Improvement Plan to build a better future for our children and young people in Moray. They should also support our education strategies:

- For Morays Children - Education Vision and Strategy 2018 -2021;
- Getting it Right for Every Child;
- Curriculum of Excellence;
- Moray Raising Attainment Strategy 2019; and,
- Our Moray Standard- Learning and Teaching

3.4 Business Strategy and Aims

The proposed options build on the ambition in the Local Outcome Improvement Plan to build a better future for our children and young people in Moray.

The approach reflects those of the Corporate Plan

- Equalities – providing opportunities for everyone to be their best.
- Empowering – producing better results by collaborating and working to engage and involve people (partners, businesses and communities).
- Environment – look after the world we live in to protect it for the future.
- Enterprising – consider new approaches to the way we do our business to increase our income and make services more sustainable for the future.

<u>Local Development Plan 2020</u>

The Moray Local Development Plan 2020 sets out how much and where growth is proposed for land uses, including housing. The Growth Strategy for 2020-2030 focusses new development in the primary growth centres of Elgin, Buckie and Forres.

<u>Learning Estate Strategy – 2020</u>

The Developing a Strategic Approach to the Moray Learning Estate document was recommended to full Council by the Children and Young People Services Committee in March 2020 and approved in November 2020. The document outlined a new approach to managing our learning estate that will enable the authority to invest strategically to provide new capacity in growth areas and to bring schools up to a standard of condition and suitability that enhances the learning environment (B for condition and B for suitability across all elements). The strategy recommends an Associated Schools Group (ASG) based approach to engagement and decision making, with high level options developed that take account of population growth, and the condition and suitability of all schools within the ASG, with more detailed options appraisals taking place with input from all stakeholders. The strategy also highlights the need to prioritise particular areas, with Elgin, Buckie and Forres mentioned as areas of initial focus due to the requirement to develop new capacity over the next 10 years.

3.5 Investment Objectives

The strategic investment objectives for this project are as follows:

1. Provide educational benefit – with educational pathways, achievement and improvement, and opportunities for life-long learning.
    - Spaces that support non-traditional learner pathways.
    - Supporting employability skills and the transition to further and higher education and the world of work.
    - Human scale design appropriate to the user.
    - Meeting the core principles of the curriculum.

- Delivering a learning journey that supports transition.
- Maximum class sizes of 25 for P1 and composite classes, 30 for P2 and P3 and 33 for P4 to P7.
- Providing environments that support the highest quality teaching and learning and strengthen leadership in education.

2. Deliver a sustainable learning estate
    - Move all schools to a minimum B/B standard for suitability and condition.
    - Achieve A/A standard for suitability and condition for new build and major refurbishment projects.

3. Adaptable and flexible learning facilities
    - Spaces that can be flexible to meet curriculum change and community need.
    - Flexibility to suit different learner pathways.
    - Supported by a strong and resilient digital infrastructure.

4. Provide capacity for pupil forecasts up to 2035.

5. Support digitally enabled learning
    - Infrastructure supports 1.1Gbps.
    - Infrastructure that supports equity of access to digital / Wi-Fi.
    - A seamless and integrated digital environment across partners and services
    - Supporting the effective use of technology for education and community.
    - Good digital access which supports inclusive economic growth.
    - Infrastructure to support a possible role as a central hub for school clusters.

6. Delivery of environmental and energy efficiency
    - Achieve as a minimum LEIP Stage 3 in-use energy target.
    - Meet local Net Zero targets by 2030.

7. Support inclusive economic growth
    - Achieve as a minimum the LEIP funding target for jobs supported during construction.
    - Creating hubs that support best value service delivery.
    - Flexible community space that supports new ways of working.
    - Spaces that support collaborative working with partners.

3.6 The Case for Change

Moray's Local Outcome Improvement Plan (LOIP) has a partnership vision of raising aspirations and our priorities include:

- Growing a diverse and sustainable economy
- Building a better future for our children and young people in Moray.

In terms of outcomes this translates to Moray being:

- A place where children and young people thrive;
- A place where they have a voice, have opportunities to learn and get around;
- A place where they have a home, feel secure, healthy and nurtured; and,
- A place where they are able to reach their full potential.

There is evidence that attainment and post-school destinations vary across Moray communities and in some areas are below average. Any investment in the learning estate must help to achieve these ambitions along with those in the Corporate Plan, which link directly to the outcomes for our children and young people.

Investment in the learning estate should seek opportunities to create community hubs with multifunctional facilities that deliver high quality education and support the aspirations of the wider community.

Leadership in Education is a key aspect of raising attainment and addressing variances in outcomes across Moray. Whilst looking at the learning estate and where recruitment of senior leaders is a challenge, consideration of innovative opportunities such as 3-18 community campus models, as well as sustaining the current traditional secondary school with a community use approach, are considered within this SOC

Delivering these local and national priorities sit at the heart of the 3-18 learning campus model for Forres ASG. The model has been developed through a series of workshops with council officers and partners, drawing on national and local priorities and work completed to test the options for school organisation for the Forres ASG. While the aspirations and principles of the learning model are consistent, the approach to how they are delivered is flexible to accommodate the character, geography and needs of different locations.

The Moray learning campus model addresses the ten guiding principles in the National Strategy set out above. In addition there are opportunities to further enhance the quality of the learning estate as follows.

a. Placemaking

Investment in the learning estate offers the opportunity for a place based approach to improve local outcomes, co-ordinating and integrating local services to support communities and progress the public sector reform agenda. The Place Principle (adopted by the Scottish Government in March 2019) promotes a shared understanding of place and the need to take a more joined up collaborative approach to services and assets within a place to achieve better outcomes. The lens of place supports a more coherent approach across portfolios to ensure strategies and policies are aligned and helps us consider the impact of policies, interventions and investments as a whole. For capital budgets this means identifying and prioritising the right projects to achieve the goals of the Place Principle and other government objectives. The Place Principle is an enabler which helps us, our partners and local communities unlock the National Performance Framework and make it applicable to where and how we live and work.

b. Education Design Principles

New and refurbished learning estate facilities should ensure that the design is focused on the following design principles:

- Futureproofed – to allow for different curriculum approaches; pedagogical styles, age ranges (including younger children should the policy change), digital innovation, and formal and informal learning and social activities;
- Flexible – providing a range of spaces that work together to ensure maximum flexibility of use to support a wide range of learning and social activities;
- Suitable – creating high quality learning environments with well-planned acoustics, digital infrastructure, ventilation, heating and natural light that enhance the learning activities within them;
- Collaborative – with spaces that encourage pupils, staff and community to get the best from working together, enabled by high quality digital infrastructure for all users;
- Welcoming – spaces that create a sense of ownership and identity, and provide a high quality learning and social experience for a wide range of users;
- Connected – so that inside and outside spaces work together to support learning; a campus school acts as a hub for other schools in the cluster, and there are strong connections between the campus and other places of learning and skills in the community;
- Inclusive – actively celebrating education within the community by facilitating a broad range of opportunities including vocational skills development, family learning, intergenerational learning, and lifelong learning for all;
- Innovative – ensuring skills based learning activities drive the space requirements so they are not constrained by 'the way we've always done things';
- Embedded – supported by a change management process that challenges, prototypes, tests, builds ownership and creates understanding;
- Inspiring – fun, creative spaces that get the best from all users;
- Accessible – ensuring a wide range of needs can be supported now and in the future;
- Safe – prioritising security and safeguarding, but with as few 'barriers' to use as possible;
- Strengthening pathways – supporting the learner journey including through transitions and beyond to further and higher education and the world of work; and,
- Sustainable – both in terms of environmental and financial sustainability, and linking to other resources within the community to add additional value to the investment;

c. Construction Quality

In recent years there have been some examples of poor quality construction in the learning estate. The heavily publicised incident at Oxgangs Primary School in Edinburgh placed a focus on the quality of the built environment. It is essential that any new investment in the learning estate is of the highest quality in terms of both design and construction. We will work with our partners including Scottish Building Standards and across the construction industry to support a focus on improvement. The recommendations from the Independent Inquiry into the Construction of Edinburgh Schools (Cole Report), the Scottish Parliament Education and Skills Committee's Report on School Infrastructure and the Construction Procurement Review should be incorporated into any planned investment.

d. Low Carbon

The Scottish Government has an ambitious climate change policy target for all buildings in Scotland to be near zero carbon by 2050. Reaching this target will require a change in attitude towards energy, particularly in relation to new buildings. Increasing energy efficiency in building performance must be amongst the core objectives of all new infrastructure projects for these ambitious targets to be achieved. Achievement of these core objectives needs strategic level support and should be incorporated into any planned investment.

e. Digital

New forms of service delivery, and new and agile forms of learning enabled by digital technology allow integration of learning experiences and the creation of new and diverse skills. The use of digital as part of the planning of the future estate, and future strategies for learning and community use should be incorporated into any planned investment. There are a number of drivers for developing our digital ambitions including increasing digital content, along with a desire for developing opportunities for remote learning and helping to widen access to learners in rural areas. Children and young people have to be exposed to a high standard of digital technology to prepare them for work.

3.7 Existing arrangements

The current mainstream capacity of Forres Academy is calculated as 1121 with a school roll for 2022/23 session expected to be 860 (77% of capacity). Of this 99% of pupils are expected to be from within catchment. A total of 40 pupils were assessed as requiring additional support within an enhanced provision (2021/22 census - ASN marker report).

The policy of 'make do and mend' maintenance, adopted from 2017 to ease overall financial pressures, and underinvestment in previous years, has left the Moray Learning Estate below an acceptable standard for maintenance impacting on the suitability and condition of the majority of schools. Forres Academy has perhaps fared worse than most.

Forres Academy has recently been assessed as D condition and C suitability – a decrease from the previous assessment less than 10 years ago and despite some significant ‘make do and mend investment’ over the last 5 years. A breakdown of the condition assessment is set out in Table 1.

CONDITION SUMMARY MATRIX	
Good – A	Performing well and operating efficiently
Satisfactory – B	Performing adequately but showing minor deterioration
Poor – C	Showing major defects and/or not operating adequately
Bad –D	Life expired and/or serious risk of imminent failure

Elements													
Roof	Floors & Stairs	Ceilings	External Walls, Windows &	Internal Walls and Doors	Sanitary Services	Mechanical	Electrical	Decoration	Fixed Internal Facilities	External areas	Outdoor Sports Facilities	OVERALL SCORE	CATEGORY
D	D	D	D	D	D	B	C	C	C	C	C	39.75	D

Table 1: Condition Assessment (2021) - Forres Academy

3.8 Business needs – current and future

The need to strategically address the Learning Estate comes from capacity pressures in growth areas such as Forres where the predicted housing growth over the next 15 years will potentially result in the need for additional secondary and primary school capacity.

The Forres Associated Schools Group is expected to experience growth in secondary school capacity as a consequence of planned residential development to the South and the East of the town up to 2035. The school roll is expected to increase to a maximum of 997 (89% of capacity) towards the end of the decade. However, it is anticipated that the mainstream capacity will likely need to be reassessed in the near to medium term as a consequence of the desire for wider curriculum choice and additional space requirements to support an increase in pupils with Additional Support Needs (ASN).

Although a B/B condition/suitability could be achieved with significant refurbishment of Forres Academy, the long term value for money opportunities offered by new build, shared hub facilities and a potential campus solution (which would deliver a sustainable A/A school that meets LEIP project key requirements) should be considered within the option appraisals.

There is also a need to consider the changing nature of teaching and drivers for digitally enabled education and low carbon school buildings, additional support needs and early learning and childcare when considering investment in the future of the learning estate.

3.9 Potential scope and service requirements

The options within these ranges are considered within the Economic Case.

	Minimum	Intermediate	Maximum
Potential business scope	Invest in school estate to achieve B suitability and B condition	Meet Secondary Capacity Requirements of Forres ASG, Refurbish School across all elements, address Digital and Low Carbon aspects, balance community and educational needs in rationalising the estate	Deliver Digital and Low Carbon (e.g. PassivHaus) within new design and balance community and educational needs. Provide New modern Campus models.
Key service requirements	Meet capacity and B/B standard and suitability	Addresses condition, suitability, unsustainable schools, community needs, digital and low carbon	Potential transformation of Learning provision
LEIP key requirements	Achieve LEIP funding target for jobs supported during construction Digital infrastructure supports 1.1 Gbps Condition A or B for 25 years Achieve LEIP in-use energy target of 67 kWh/ sqm/ annum for core hours of 2,000/annum and core facilities Designs to be developed in line with BB101 2018/ CIBSE TMS2.		

Table 2: Potential scope and service requirements

3.10 Main Benefits Criteria

Satisfying the potential scope for this investment will deliver the following high-level strategic and operational benefits. These are set out in Table 3.

Class Of Objective	Main Benefits	Benefits Criteria	Stakeholders Affected
Strategic (wider social and Business related)	Improved Educational Outcomes Equality of opportunity	Increase Attainment Increase Subject Choice across the learning estate	Scottish Government Community Planning Partnership Moray Residents Community Councils
Operational (organisational and management related)	Value for money Sustainable financial plan	Investment in strategic interventions to deliver objectives Efficient use of resources Building and maintenance costs understood and planned	Scottish Government Moray Council Northern Alliance Community Planning Partnership Scottish Futures Trust Moray Residents Community Councils

Table 3: Main Benefits Criteria

3.11 Strategic risks

The main business and service risks associated with the potential scope for this project are set out in Table 4.

Risk categories	Description
Business risks	Lack of staffing resource to progress Competing demands for resources. Lack of engagement with the community. Miscommunication on strategic approach Unable to attract Scottish Government funding support

Risk categories	Description
Service risks	Dependencies with other projects and maintenance programme Construction risks – supplier availability, site availability, delays, overspends. Project complexity. Financial impact on Council Maintenance /refurbishment estimates
External environmental risks	Impact on economy either accelerated growth or recession Public objections (e.g. planning, education act consultation).

Table 4: Strategic risks

3.12 Constraints and dependencies

The project is subject to the following constraints:

- Compliance with procurement strategies;
- The scope of the project as defined in the economic case delivers the required benefits;
- The proposed primary site for a new build option is Common Good and would require a court order and agreement of the community to procure.
- The project can be completed within the timescale required to allow the benefits to accrue;
- The project needs to be delivered within the budget identified following extensive financial evaluation during the Outline and Full Business Case stages;
- Risks are managed to minimise the impact on timescales, costs and quality;
- Resources are available to enable the project to be delivered on time and to the right quality;
- Competing priorities within partner organisations and the Council; and,
- Provided the project is approved for LEIP Stage 3 support funding compliance with LEIP Process, Metrics, terms and conditions.

The project is subject to the following dependencies that will be carefully monitored and managed throughout the project life-cycle:

- The project is dependent on ongoing political support for the approach to the Learning Estate;
- Alignment with national policy on the Learning Estate;
- Sufficient financial backing through implementation to ongoing delivery, including the release of funding dependent on development of a full business case;

- Successful engagement with communities and the public on proposals for each school; and
- The project has sufficient external authorisations to proceed, e.g. planning / licensing permissions, land rights.

4. The Economic Case

4.1 Introduction

This is the technical core of the business case and is a fundamental requirement to demonstrate value for money.

Having determined the strategic context for the project and established a robust case for change, this stage of the planning process focuses on the main choices (or options) available for delivering the required services, with a view to formulating a preferred way forward for the subsequent approval of management.

Importantly, it should be noted that an early indication of the possible or preferred way forward could avoid considerable unnecessary work being undertaken at the Outline Business Case stage.

4.2 Critical Success Factors (CSFs)

The following Critical Success Factors have been identified to form part of the option appraisal process:

CSF1	Strategic Fit (Vision / Government Policy)	How well the option provides holistic fit and synergy with other key elements of national, regional and local strategies
CSF2	Potential VFM	How well the option maximises the return on the required spend (benefits optimisation) in terms of economy, efficiency and effectiveness from both the perspective of the organisation and wider society and minimises associated risks.
CSF3	Potential Achievability	How well the option is likely to be delivered in view of the complexity of the option, and the experience, capability and capacity of the partners involved.
CSF4	Supply side capacity	How well the option matches the ability of the service providers to deliver the required level of services and business functionality, and appeals to the supply-side.
CSF5	Potential Affordability	How well the option meets the likely availability of funding and matches other funding constraints,

		including the capital and revenue consequences associated with the proposed investment.
CSF6	Alignment with LEIP Phase 3 CSFs	To be developed in accordance with Scottish Futures Trust Guidance during project phase (RIBA Stage 1) (*will be developed within Outline Business Case if successful LEIP Phase 3 bid)*

Table 5: Critical Success Factors (CSFs)

4.3 The Long-listed Options

The purpose of the long list is to identify as wide a range of options as possible that meet the spending objectives, potential scope, and benefits criteria identified in the SOC. It also involves carrying out a detailed SWOT analysis (strengths, weaknesses, opportunities and threats) on all the options identified.

Clearly the successful bid for support from LEIP Phase 3 funding would provide significant favourable weighting in favour of the Intermediate and Maximum options but at this stage cannot be guaranteed.

These options were generated by bringing together the needs of Education, Planning and Property to develop options that met the investment objectives and CSFs at each stage. The long list of options that were considered was as follows:

The long list of options considered is set out in Table 6.

Category of Choice	Brief Description
Scoping Options	
1.1 Do nothing	No change to the current Learning Estate
1.2 Minimum scope	Meet secondary capacity requirements of Forres ASG with Minimum Refurbishment that addresses the requirement for minimum B standard condition.
1.3 Intermediate scope A	Meet the secondary capacity requirements of Forres ASG with Major Refurbishment that meets the LEIP requirements for Low Carbon and Digital aspects, balances community and educational needs.
1.4 Intermediate scope B	Meet the secondary capacity requirements of Forres ASG with Major Refurbishment with Extension that meets the LEIP requirements for Low Carbon and Digital aspects, balances community and educational needs.
1.5 Maximum scope A	Meet secondary capacity requirements of Forres ASG with a New Build Secondary School & Community Hub that addresses Digital and Low Carbon aspects, balances community and educational needs

1.6 Maximum scope B	Meet future secondary and future primary capacity requirements of Forres ASG with a New Build 3-18 Community Campus that addresses Digital and Low Carbon aspects, balances community and educational needs in rationalising the estate.
Service solution options	Option 1: Do nothing Option 2: Minimum Refurbishment of existing building Option 3: Minimum Refurbishment of existing building with new extension Option 4: Major Refurbishment of existing building with option for new extension Option 5: New build
Service delivery options	Option 1: Do nothing Option 2: In house design and delivery Option 3: Outsource design and delivery Option 4: Mix of in house and outsource design and delivery. Outsourced services if in house not available and VFM.
Implementation options	Option 1: Do nothing Option 2: Minimum refurbishment and extension by 2028 Option 3: Major Refurbishment and Extension (LEIP Stage 3) by Dec 2027 Option 4: New build (LEIP Stage 3) by Dec 2027 Option 5: Option 3: Major Refurbishment and Extension (Non-LEIP) by 2029 Option 6: New build (Non-LEIP) by 2029
Funding options	Option 1: Do nothing Option 2: Reserves Option 3: Capital Borrowing Option 4: Capital Borrowing plus Scottish Government Option 5: Private Sector

Table 6: Long list – summary of inclusions, exclusions and possible options

4.4 Scoping options

In accordance with the Treasury Green Book and Capital Investment Manual, the do nothing option has been considered as a benchmark for potential VFM.

An infinite number of options and permutations are possible; however, within the broad scope outlined in the SOC, only those in Table 6 have been considered in detail.

4.5 Short-listed Options

The summary of the assessment of the scoping options are set out in Table 7. The detail of the 'preferred' and 'possible' options are in the Economic Case at Appendix 1.

Summary assessment of scoping options

Reference to:	Option 1.1	Option 1.2	Option 1.3	Option 1.4	Option 1.5	Option 1.6
Description of Option:	Do Nothing	Minimum	Intermediate A	Intermediate B	Maximum A	Maximum B
Objective 1	x	x	?	✓	✓	✓
Objective 2	x	✓	✓	✓	✓	✓
Objective 3	x	x	✓	✓	✓	✓
Objective 4	x	x	✓	✓	✓	✓
Objective 5	x	x	✓	✓	✓	✓
Objective 6	x	x	✓	✓	✓	✓
CSF'S						
Business need	x	x	✓	✓	✓	✓
Strategic Fit	x	x	✓	✓	✓	✓
Benefits Optimisation	x	x	✓	✓	✓	✓
Potential Achievability	x	x	✓	✓	✓	✓
Supply side capacity	x	✓	✓	✓	✓	✓
Potential Affordability	✓	✓	✓	✓	✓	?
Summary	Discounted	Discounted	Possible	Possible	Possible	Possible

Table 7: Summary assessment of scoping options

The ‘preferred’ and ‘possible’ options will be carried forward into the short list for further appraisal and evaluation. On the basis of this analysis, the recommended short list for further appraisal within the OBC is as follows:

- **Option 1.3** - Meet the secondary capacity requirements of Forres ASG with Major Refurbishment that meets the LEIP requirements for Low Carbon and Digital aspects, balances community and educational needs.

- **Option 1.4** - Meet the secondary capacity requirements of Forres ASG with Major Refurbishment with Extension that meets the LEIP requirements for Low Carbon and Digital aspects, balances community and educational needs.

- **Option 1.5 -** Meet secondary capacity requirements of Forres ASG with a New Build Secondary School & Community Hub that addresses Digital and Low Carbon aspects, balances community and educational needs.

- **Option 1.6 -** Meet future secondary and future primary capacity requirements of Forres ASG with a New Build 3-18 Community Campus that addresses Digital and Low Carbon aspects, balances community and educational needs in rationalising the estate.

The indicative costs based on current market conditions and those at expected project completion (2028) are set out in able 8 below.

5. Commercial Case

5.1 Introduction

The purpose of the Commercial Case is to demonstrate that the “option” will result in a viable procurement and well-structured Deal.

5.2 Required Services

The ‘preferred’ option will require a number of project services (including design, project management, contract management, supply chain management, change management, quality management) across the following project phases:

- Concept development/LEIP Phase 3 bid (Closing date 30 Oct 2022)
- Preparation and Brief (Royal Institute of British Architects (RIBA) Stage 1)
- Pre-Construction Design Phase (RIBA Stage 2-4)
- Mobilisation and Construction Phase (RIBA Stage 5)
- Handover and Close Out (RIBA Stage 6)
- Operational Phase (RIBA Stage 7)

The procurement strategy for RIBA Stage 1-6 is still to be fully determined. Property and Housing (Design), Finance (Procurement) and Education Resources and Communities (Learning Estate) will work together to develop a corporate procurement strategy to support the project and ensure value for money is robustly demonstrated in the future Outline and Full Business Cases.

The procurement strategy will consider proposed charging mechanisms (e.g. ‘fixed price’, ‘payment of delivery of agreed outputs’,’ incentive’); proposed standard contract type and key contractual issues.

6. The Financial Case

More detailed financial analysis will be carried out in the Outline Business Case. The range for the assessed possible options indicates a required capital spend of between £60.5M - £69,600 (with Option 1.4 – Major Refurbishment with Extension expected to be of greater value) on current market rates which based on current market uncertainty and inflationary forecasts would be in the range of £79.2M - £91.1M at earliest project completion of end 2027.

The project has to sit alongside other similar requirements across the Moray Learning Estate and will account for a significant proportion of the Councils Capital spend. Scottish government funding and support, in the form of the Learning Estate Investment Programme Stage 3 commitment is considered be essential given the scale and scope of the overall project.

The overall levels of spend are higher than currently forecast in the Capital Plan and therefore may impact on the revenue budget of the Council requiring improved budget settlements and increased savings/cuts to accommodate this priority.

OPTIONS			Base Cost 2022	Inflation Allowance to Financial Close 2026	Local Authority Funding Ratios			GIFA m2
					40%	45%	50%	
Option 1.2	MINIMUM	Minimum Refurbishment to B/B Standard	£ 24,702,000	£ 31,000,000	N/A	N/A	N/A	14324 (as existing)
Option 1.3	INTERMEDIATE	Meet the secondary capacity requirements of Forres ASG with Major Refurbishment that meets the LEIP requirements for Low Carbon and Digital aspects, balances community and educational needs.	£ 69,600,000	£ 91,100,000	£ 36,400,000	£ 41,000,000	£ 45,600,000	14325 (as existing)
Option 1.4	INTERMEDIATE	Meet the secondary capacity requirements of Forres ASG with Major Refurbishment with Extension that meets the LEIP requirements for Low Carbon and Digital aspects, balances community and educational needs.	TBC	TBC	TBC	TBC	TBC	15,148 (assumed)
Option 1.5	MAXIMUM	Meet secondary capacity requirements of Forres ASG with a New Build Secondary School & Community Hub that addresses Digital and Low Carbon aspects, balances community and educational needs	£ 60,500,000	£ 79,200,000	£ 35,600,000	£ 40,000,000	£ 44,500,000	15,148
Option 1.6	MAXIMUM	Meet future secondary and future primary capacity requirements of Forres ASG with a New Build 3-18 Community Campus that addresses Digital and Low Carbon aspects, balances community and educational needs in rationalising the estate.	£ 66,900,000	£ 87,400,000	£ 35,000,000	£ 39,300,000	£ 43,700,000	16,350

Table 8: Indicative Cost Models - Options

7. The Management Case

7.1 Introduction

This section addresses the 'achievability' of the Future Forres Academy project. Its purpose is to build on the project mandate by setting out in more detail the actions that will be required to ensure the successful delivery of the project in accordance with best practice.

7.2 Programme Management Arrangements

The Case is an integral part of the Moray Council Learning Estate Strategy Delivery Programme, which comprises a portfolio of projects for the delivery of the Moray Council Learning Strategy.

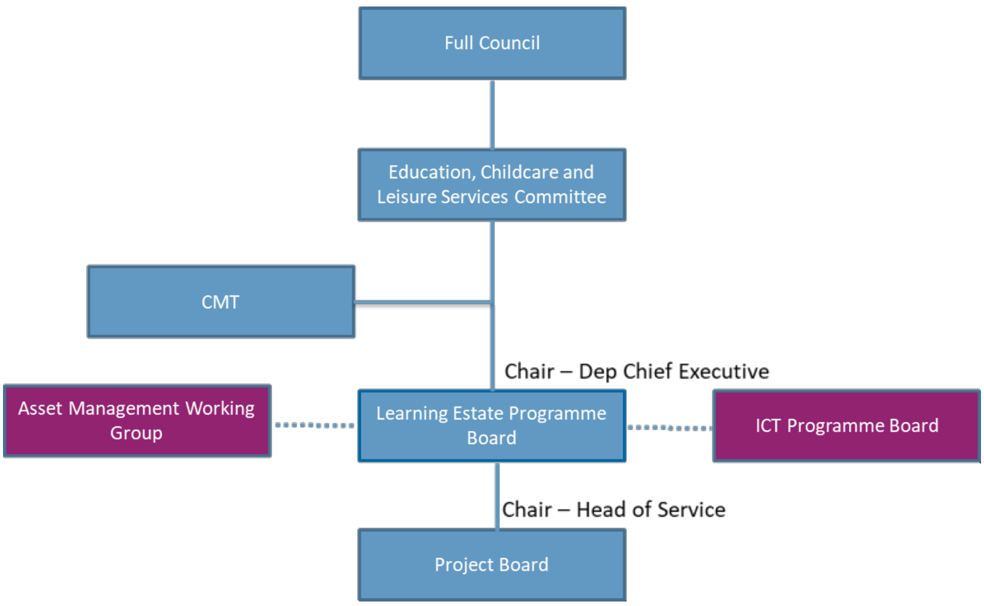
7.3 Project Management Arrangements

The project will be managed in accordance with good Project Management methodology – this will incorporate Prince 2, Association of Project Management and Treasury Green Book best practise.

The project will be managed via a Future Forres Academy Project Board who will report to the Learning Estate Programme Board that will in turn report to Education, Children and Leisure Services Committee and Full Council.

7.3.1 **Project Governance and Reporting structure**

The proposed project governance and reporting structure is set out below:



7.3.2 **Project Roles and Responsibilities**

The Project Sponsor for the Future Forres Academy project will be Deputy Chief Executive (Education, Communities and Organisational Development) – Denise Whitworth.

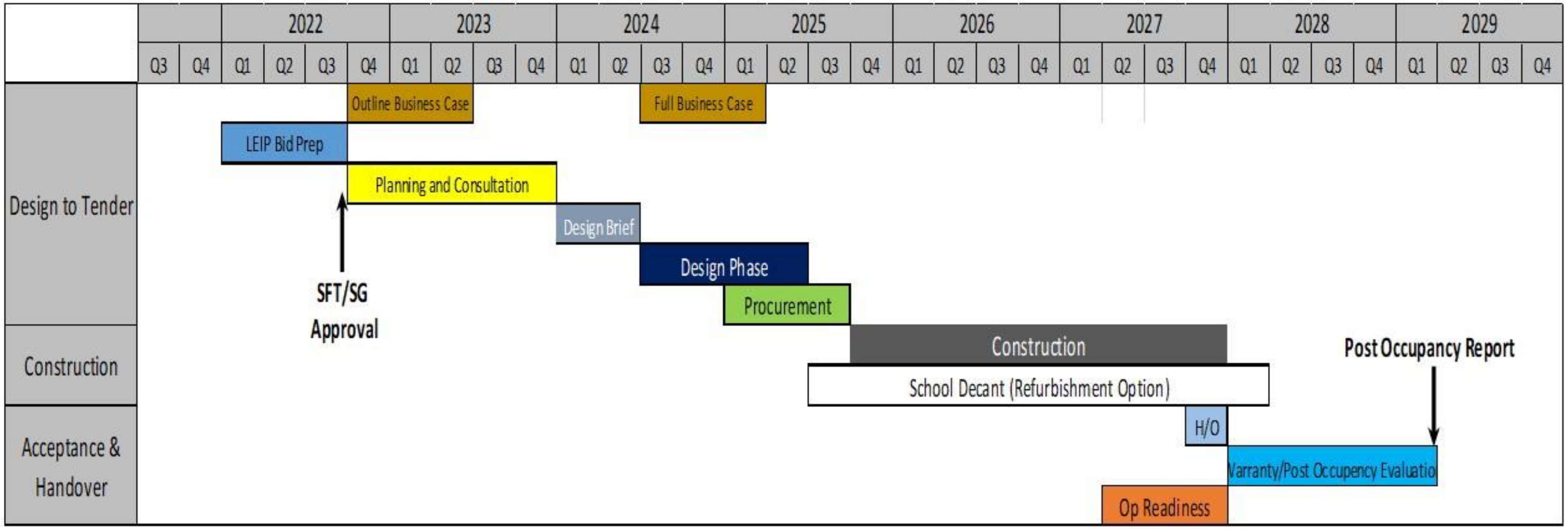
The Senior Responsible Owner for the project will be Head of Education Resources and Communities – Joanna Shirriffs

The Programme Manager (Learning Estate) - Andy Hall - will provide operational level oversight of project delivery and will be supported by a Learning Estate Project Manager.

A full Project RACI matrix will be developed for the Outline Business Case.

7.3.3 **Project Plan**

A high level indicative project plan is set out below. The project completion date of Dec 2027 is based on current LEIP Phase 3 requirements.


2022
2023
2024
2025
2026
2027
2028
2029
Q3
Q4
Q1
Q2
Q3
Q4
Design to Tender
Construction
Acceptance & Handover
Outline Business Case
Full Business Case
LEIP Bid Prep
Planning and Consultation
SFT/SG Approval
Design Brief
Design Phase
Procurement
Construction
School Decant (Refurbishment Option)
Post Occupancy Report
H/O
Warranty/Post Occupancy Evaluatio
Op Readiness

Appendices

Appendix 1: Economic Case

Strategic Options Case

Appendix 3

PROJECT REF/NAME	**Future Buckie High School Future**	
PROJECT SPONSOR	**Denise Whitworth**	
COMPLETED BY	**Andy Hall**	
DATE	**12 Aug 2022**	
Project Category	**Strategic**	
The following is to be completed by High Level Governance Board		
Approved By/Date	Group or Officer Name	Date of meeting/decision
Approval **(choose from drop down menu)**	Choose an item.	
Comments	Any relevant comments from the approving authority should be documented here.	

The purpose of the Strategic Outline Case (SOC) is firstly to establish the case for change and the need for the proposal; and secondly, to provide a suggested way forward for the early approval of management providing an 'initial agreement to proceed' to further develop the business case.

It is important that the 'preferred way forward' within the SOC is not confused with the 'preferred option' which emerges from the Outline Business Case (OBC). The preferred way forward provides management with a recommended direction of travel, following the initial assessment of the long list upon completion of the SOC whereas the preferred option is the recommended Value for Money (VFM) choice, following the detailed appraisal of the short list upon completion of the OBC.

Table of Contents

1. Version History

Version	Date	Details
0.1	10 Aug 2022	Initial Draft
0.2	6 September 2022	Final draft for Committee on 14/09/22

2. Executive Summary

This Strategic Options Case (SOC) provides a breakdown of infrastructure options to consider to address the future delivery of secondary education capacity and capability within the Forres Academy Associate School Group (ASG). Within the options is an early indication of the costs to deliver the options considered.

The need to strategically address our learning estate across all ASGs comes from capacity pressures in growth areas such as Elgin, Forres and Buckie where the predicted housing growth over the next 15 years will result in the need for additional primary and secondary school capacity.

In addition, a number of secondary schools within Moray are assessed as below the required Condition B standard mandated by Scottish Government. In the case of Buckie High School it has been recently been assessed as overall Condition C - defined as showing major defects and/or not operating adequately

There is also a need to consider the changing nature of teaching, drivers for digitally enabled education, low carbon schools, additional support needs and early years learning when considering the future of the learning estate. The future of Buckie High School is a key project within Moray Councils Learning Estate Strategy (LES) and a number of options could be eligible for Scottish Government funding support as part of the Learning Estate Investment Programme (LEIP) Phase 3. The SOC would form a significant element of the Moray LEIP Phase 3 bid should it be approved at Committee for submission to Scottish Government in October 2022.

This Strategic Outline Case builds upon the Project Mandate approved by the Corporate Management Team in January 2022. It also develops the following:

- Determining and confirming value for money
- Preparing for and contracting the case
- Confirming affordability and financial requirement
- Planning for successful delivery

An Outline Business Case will be drafted for approval once a decision on the type of project (refurbishment or rebuild) has been made and a final determination of project costs has been agreed together with an agreed project delivery procurement strategy.

3. The Strategic Case

3.1 Introduction

The purpose of this section is to explain how the scope of the proposed options fit within the existing business strategies of the organisation and provides a compelling case for change, in terms of existing and future operational needs.

3.2 Organisational overview

The case has been developed by Moray Council through the Learning Estate Programme with participation from Education, Housing and Property and Planning. The case falls within the Moray Council Learning Estate Strategy and would form a project within the Learning Estate Strategy Delivery Programme. The Project Sponsor will be the Deputy Chief Executive (Education, Communities and Organisational Development) and the Senior Responsible Owner will be the Head of Education Resources and Communities. The Programme Manager (Learning Estate) will provide operational level responsibility for development of the case and will be supported in the future delivery of the agreed project by an appointed Learning Estate Project Manager.

3.3 The Strategic Context

The Moray Council geographical area covers 864 sq. miles (2,238km.sq) and of 32 Local Authorities, Moray is ranked the 8th largest area. With a relatively small population of 95,510 Moray is ranked 26th (7th smallest) area in terms of population. Overall the Scottish Index of Multiple Deprivation (SIMD) for Moray does not show a major problem with deprivation when compared with others, but there is an enduring issue with low wages and under employment and the rural geography presents many challenges which SIMD data does not reflect. Moray has 8 secondary schools and 46 Primary Schools.

Currently 25 Primary Schools and 5 Secondary Schools fall below the B standard for condition. In addition, there is a requirement to increase the secondary school capacity in a number of the secondary schools that will require, as a minimum, investment in new build extensions to existing buildings.

The current repair and maintenance backlog, which needs to be addressed to bring all school buildings to a B/B standard for condition and suitability was estimated to cost over £110 million to clear (based on 2013/14 condition surveys and average inflationary pressure). The Council financial forecasts (10 year Capital Plan) currently identifies £258 million to be spent over the next ten years to address the current backlog and includes an allowance of £172million to provide for capacity growth through new builds and major refurbishment projects in Forres, Buckie and Elgin. Unless Moray are to see condition and suitability further decline across the Moray learning estate the backlog of repair and maintenance and providing for new school capacity needs to remain resourced within the capital plan.

The Scottish Government has announced a Phase 3 of Learning Estate Investment Programme (LEIP) funding that will become available from the end of 2022 that can assist in addressing the above financial challenge.

The LEIP funding seeks to ensure a minimum B/B standard is maintained over a 25 year period for any school projects and looks to take a more strategic approach to the Learning Estate, working with partners to provide greater community use and facilities at these sites.

The strategic drivers for this investment and associated strategies, programmes and plans are contained in the principles of "*Scotland's Learning Estate Strategy: Connecting People, Places and Learning".*

- Learning environments should support and facilitate excellent joined up learning and teaching to meet the needs of all learners;
- Learning environments should support the wellbeing of all learners, meet varying needs to support inclusion and support transitions for all learners;
- The learning estate should be well-managed and maintained, making the best of existing resources, maximising occupancy and representing and delivering best value;
- The condition and suitability of learning environments should support and enhance their function;
- Learning environments should serve the wider community and where appropriate be integrated with the delivery of other public services in line with the place principle;
- Learning environments should be greener, more sustainable, allow safe and accessible routes and be digitally enabled;
- Outdoor learning and the use of outdoor learning environments should be maximised;
- Good consultation about learning environments, direct engagement with learners and communities about their needs and experiences, and an involvement in decision making processes should lead to better outcomes for all;
- Collaboration across the learning estate, and collaboration with partners in localities, should support maximising its full potential; and,
- Investment in Moray's learning estate should contribute towards improving learning outcomes and support sustainable and inclusive economic growth.

The proposed project also builds on the ambition of the Local Outcome Improvement Plan to build a better future for our children and young people in Moray. It also supports our education strategies:

- For Morays Children - Education Vision and Strategy 2018 -2021
- Getting it Right for Every Child
- Curriculum of Excellence
- Moray Raising Attainment Strategy 2019
- Our Moray Standard- Learning and Teaching

3.4 Business Strategy and Aims

The proposed options build on the ambition in the Local Outcome Improvement Plan to build a better future for our children and young people in Moray.

The approach reflects those of the Corporate Plan

- Equalities – providing opportunities for everyone to be their best.
- Empowering – producing better results by collaborating and working to engage and involve people (partners, businesses and communities)
- Environment – look after the world we live in to protect it for the future
- Enterprising – consider new approaches to the way we do our business to increase our income and make services more sustainable for the future

Local Development Plan 2020

The Moray Local Development Plan 2020 sets out how much and where growth is proposed for land uses including housing. The Growth Strategy for 2020-2030 focusses new development in the primary growth centres of Elgin, Buckie and Forres.

Learning Estate Strategy – 2020

The Developing a Strategic Approach to the Moray Learning Estate document was recommended to full Council by the Children and Young People Services Committee in March 2020 and approved in November 2020. The document outlined a new approach to managing our learning estate that will enable the authority to invest strategically to provide new capacity in growth areas and to bring schools up to a standard of condition and suitability that enhances the learning environment (B for condition and B for suitability across all elements). The strategy recommends an Associated Schools Group (ASG) based approach to engagement and decision making, with high level options developed that take account of population growth, and the condition and suitability of all schools within the ASG, with more detailed options appraisals taking place with input from all stakeholders. The strategy also highlights the need to prioritise particular areas, with Elgin, Buckie and Forres mentioned as areas of initial focus due to the requirement to develop new capacity over the next 10 years.

3.5 Investment Objectives

The strategic investment objectives for this project are as follows:

1. Provide educational benefit – with educational pathways, achievement and improvement and opportunities for life-long learning
    - Spaces that support non-traditional learner pathways.
    - Supporting employability skills and the transition to further and higher education and the world of work.
    - Human scale design appropriate to the user.
    - Meeting the core principles of the curriculum.
    - Delivering a learning journey that supports transition.

- Maximum class sizes of 25 for P1 and composite classes, 30 for P2 and P3 and 33 for P4 to P7.
- Providing environments that support the highest quality teaching and learning and strengthen leadership in education.

2. Deliver a sustainable learning estate
    - Move all schools to a minimum B/B standard for suitability and condition.
    - Achieve A/A standard for suitability and condition for new build and major refurbishment projects.

3. Adaptable and flexible learning facilities
    - Spaces that can be flexible to meet curriculum change and community need.
    - Flexibility to suit different learner pathways.
    - Supported by a strong and resilient digital infrastructure.

4. Provide capacity for pupil forecasts up to 2035.

5. Support digitally enabled learning
    - Infrastructure supports 1.1Gbps.
    - Infrastructure that supports equity of access to digital / Wi-Fi.
    - A seamless and integrated digital environment across partners and services.
    - Supporting the effective use of technology for education and community.
    - Good digital access which supports inclusive economic growth
    - Infrastructure to support a possible role as a central hub for school clusters.

6. Deliver environmental and energy efficiency
    - Achieve as a minimum LEIP Stage 3 in-use energy target.
    - Meet local Net Zero targets by 2030.

7. Support inclusive economic growth
    - Achieve as a minimum the LEIP funding target for jobs supported during construction.
    - Creating hubs that support best value service delivery.
    - Flexible community space that supports new ways of working.
    - Spaces that support collaborative working with partners.

3.6 The Case for Change

Moray's Local Outcome Improvement Plan (LOIP) has a partnership vision of raising aspirations and our priorities include:

- Growing, a diverse and sustainable economy
- Building a better future for our children and young people in Moray.

In terms of outcomes this translates to Moray being:

- A place where children and young people thrive
- A place where they have a voice, have opportunities to learn and get around
- A place where they have a home, feel secure, healthy and nurtured
- A place where they are able to reach their full potential

There is evidence that attainment and post-school destinations vary across Moray communities and in some areas are below average. Any investment in the learning estate must help to achieve these ambitions along with those in the Corporate Plan which link directly to the outcomes for our children and young people.

Investment in the learning estate should seek opportunities to create community hubs with multifunctional facilities that deliver high quality education and support the aspirations of the wider community.

Leadership in Education is a key aspect of raising attainment and addressing variances in outcomes across Moray. Whilst looking at the learning estate and where recruitment of senior leaders is a challenge, consideration of innovative opportunities such as 3-18 community campus models as well as sustaining the current traditional secondary school with a community use approach are considered within this SOC.

Delivering these local and national priorities sit at the heart of the 3-18 learning campus model for the Buckie ASG. The model has been developed through a series of workshops with council officers and partners, drawing on national and local priorities and work completed to test the options for school organisation for the Buckie ASG. While the aspirations and principles of the learning model are consistent, the approach to how they are delivered is flexible to accommodate the character, geography and needs of different locations.

The Moray learning campus model addresses the ten guiding principles in the National Strategy set out above. In addition there are opportunities to further enhance the quality of the learning estate as follows.

a. Placemaking

Investment in the learning estate offers the opportunity for a place based approach to improve local outcomes, co-ordinating and integrating local services to support communities and progress the public sector reform agenda. The Place Principle (adopted by the Scottish Government in March 2019) promotes a shared understanding of place and the need to take a more joined up collaborative approach to services and assets within a place to achieve better outcomes. The lens of place supports a more coherent approach across portfolios to ensure strategies and policies are aligned and helps us consider the impact of policies, interventions and investments as a whole. For capital budgets this means identifying and prioritising the right projects to achieve the goals of the Place Principle and other government objectives. The Place Principle is an enabler which helps us, our partners and local communities unlock the National Performance Framework and make it applicable to where and how we live and work.

b. Education Design Principles

New and refurbished learning estate facilities should ensure that the design is focused on the following design principles:

- Futureproofed – to allow for different curriculum approaches, pedagogical styles, age ranges (including younger children should the policy change), digital innovation, and formal and informal learning and social activities;
- Flexible – providing a range of spaces that work together to ensure maximum flexibility of use to support a wide range of learning and social activities;
- Suitable – creating high quality learning environments with well-planned acoustics, digital infrastructure, ventilation, heating and natural light that enhance the learning activities within them;
- Collaborative – with spaces that encourage pupils, staff and community to get the best from working together, enabled by high quality digital infrastructure for all users;
- Welcoming – spaces that create a sense of ownership and identity, and provide a high quality learning and social experience for a wide range of users;
- Connected – so that inside and outside spaces work together to support learning; a ‘campus’ school acts as a hub for other schools in the cluster, and there are strong connections between the campus and other places of learning and skills in the community;
- Inclusive – actively celebrating education within the community by facilitating a broad range of opportunities including vocational skills development, family learning, intergenerational learning, and lifelong learning for all;
- Innovative – ensuring skills based learning activities drive the space requirements so they are not constrained by ‘the way we’ve always done things’;
- Embedded – supported by a change management process that challenges, prototypes, tests, builds ownership and creates understanding;
- Inspiring – fun, creative spaces that get the best from all users;
- Accessible – ensuring a wide range of needs can be supported now and in the future;
- Safe – prioritising security and safeguarding, but with as few ‘barriers’ to use as possible;
- Strengthening pathways – supporting the learner journey including through transitions and beyond to further and higher education and the world of work; and,
- Sustainable – both in terms of environmental and financial sustainability, and linking to other resources within the community to add additional value to the investment.

c. Construction Quality

In recent years there have been some examples of poor quality construction in the learning estate. The heavily publicised incident at Oxgangs Primary School in Edinburgh placed a focus on the quality of the built environment. It is essential that any new investment in the learning estate is of the highest quality in terms of both design and construction. We will work with our partners including Scottish Building Standards and across the construction industry to support a focus on improvement. The recommendations from the Independent Inquiry into the Construction of Edinburgh Schools (Cole Report), the Scottish Parliament Education and Skills Committee's Report on School Infrastructure and the Construction Procurement Review should be incorporated into planned investment.

d. Low Carbon

The Scottish Government has an ambitious climate change policy target for all buildings in Scotland to be near zero carbon by 2050. Reaching this target will require a change in attitude towards energy, particularly in relation to new buildings. Increasing energy efficiency in building performance must be amongst the core objectives of all new infrastructure projects for these ambitious targets to be achieved. Achievement of these core objectives needs strategic level support and should be incorporated into planned investment.

e. Digital

New forms of service delivery, and new and agile forms of learning enabled by digital technology allow integration of learning experiences and the creation of new and diverse skills. The use of digital as part of the planning of the future estate, and future strategies for learning and community use should be incorporated into planned investment. There are a number of drivers for developing our digital ambitions including increasing digital content along with a desire for developing opportunities for remote learning and helping to widen access to learners in rural areas. Children and young people have to be exposed to a high standard of digital technology to prepare them for work.

3.7 Existing arrangements

The current mainstream capacity of Buckie High School is calculated as 944 with a school roll for 2022/23 session expected to fall to 815 (86% of capacity). Of this 98% of pupils are expected to be from within catchment. A total of 32 pupils were assessed as requiring additional support needs (2021/22 census - ASN marker report).

The policy of 'make do and mend' maintenance , adopted from 2017 to ease overall financial pressures, and underinvestment in previous years, has left the Moray Learning Estate below an acceptable standard for maintenance impacting on the suitability and condition of the majority of schools. Buckie High School has seen the condition deteriorate during this period.

Buckie High School has recently been assessed as C condition and C suitability – a decrease from the previous assessment less than 10 years ago. A breakdown of the condition assessment is set out in the Table 1.

CONDITION SUMMARY MATRIX	
Good - A	Performing well and operating efficiently
Satisfactory - B	Performing adequately but showing minor deterioration
Poor - C	Showing major defects and/or not operating adequately
Bad -D	Life expired and/or serious risk of imminent failure

Elements													
Roof	Floors & Stairs	Ceilings	External Walls, Windows &	Internal Walls and Doors	Sanitary Services	Mechanical	Electrical	Decoration	Fixed Internal Facilities	External areas	Outdoor Sports Facilities	OVERALL SCORE	CATEGORY
D	D	C	C	C	D	C	C	C	B	C	B	45.25	C

Table 1: Condition Assessment (2022) – Buckie High School

3.8 Business needs – current and future

The need to strategically address the Learning Estate comes from capacity pressures in growth areas such as Buckie where the predicted housing growth over the next 15 years will potentially result in the need for additional secondary and primary school capacity.

The Buckie Associated Schools Group is expected to require growth in secondary school capacity as a consequence of planned residential development to the South and the West of the town up to 2035. The school roll is expected to increase to a maximum of 903 (96% of capacity) towards the end of the decade. The impact of residential development beyond this is less clear and there is a high likelihood that the school will have no further capacity to manage any school roll fluctuations. Further it is anticipated that the mainstream capacity will likely need to be reassessed in the near to medium term as a consequence of the desire for wider curriculum choice and additional space requirements to support an increase in pupils with Additional Support Needs (ASN). The qualitative and quantative evidence points towards the requirement for an extension in secondary school capacity in the Buckie ASG in the 2030-2032 timeframe.

Although a B/B condition/suitability could be achieved with significant refurbishment of Buckie Academy the long term value for money opportunities offered by new build, shared hub facilities and a potential campus solution (which would deliver a sustainable A/A school that meets LEIP project key requirements) should be considered within the option appraisals.

There is also a need to consider the changing nature of teaching and drivers for digitally enabled education and low carbon school buildings, additional support needs and early learning and childcare when considering investment in the future of the learning estate.

3.9 Potential scope and service requirements

The options within these ranges are considered within the economic case.

	Minimum	**Intermediate**	**Maximum**
Potential business scope	Invest in school estate to achieve B suitability and B condition	Meet Secondary Capacity Requirements of Buckie ASG, Refurbish School across all elements, address Digital and Low Carbon aspects, balance community and educational needs in rationalising the estate	Deliver Digital and Low Carbon (e.g. PassivHaus) within new design and balance community and educational needs. Provide New modern Campus models.
Key service requirements	Meet capacity and B/B standard and suitability	Addresses condition suitability, unsustainable schools, community needs, digital and low carbon	Potential transformation of Learning provision
LEIP key requirements	Achieve LEIP funding target for jobs supported during construction Digital infrastructure supports 1.1 Gbps Condition A or B for 25 years Achieve LEIP in-use energy target of 67 kWh/ sqm/ annum for core hours of 2,000/annum and core facilities Designs to be developed in line with BB101 2018/ CIBSE TMS2.		

Table 2: Potential scope and service requirements

3.10 Main Benefits Criteria

Satisfying the potential scope for this investment will deliver the following high-level strategic and operational benefits. These are set out in Table 3.

Class Of Objective	Main Benefits	Benefits Criteria	Stakeholders Affected
Strategic (wider social and Business related)	Improved Educational Outcomes Equality of opportunity	Increase Attainment Increase Subject Choice across the learning estate	Scottish Government Community Planning Partnership Moray Residents Community Councils
Operational (organisational and management related)	Value for money Sustainable financial plan	Investment in strategic interventions to deliver objectives Efficient use of resources Building and maintenance costs understood and planned	Scottish Government Moray Council Northern Alliance Community Planning Partnership Scottish Futures Trust Moray Residents Community Councils

Table 3: Main Benefits Criteria

3.11 Strategic risks

The main business and service risks associated with the potential scope for this project are set out in Table 4.

Risk categories	Description
Business risks	Lack of staffing resource to progress Competing demands for resources. Lack of engagement with the community. Miscommunication on strategic approach Unable to attract Scottish Government funding support

Risk categories	Description
Service risks	Dependencies with other projects and maintenance programme Construction risks – supplier availability, site availability, delays, overspends. Project complexity. Financial impact on Council Maintenance /refurbishment estimates
External environmental risks	Impact on economy either accelerated growth or recession Public objections (e.g. planning, education act consultation).

Table 4: Strategic risks

3.12 Constraints and dependencies

The project is subject to the following constraints:

- Compliance with procurement strategies;
- The scope of the project as defined in the economic case delivers the required benefits;
- The project can be completed within the timescale required to allow the benefits to accrue;
- The project needs to be delivered within the budget identified following extensive financial evaluation during the Outline and Full Business Case stages;
- Risks are managed to minimise the impact on timescales, costs and quality;
- Resources are available to enable the project to be delivered on time and to the right quality;
- Competing priorities within partner organisations and the Council; and,
- Provided the project is approved for LEIP Stage 3 support funding compliance with LEIP Process, Metrics, terms and conditions.

The project is subject to the following dependencies that will be carefully monitored and managed throughout the project life-cycle:

- The project is dependent on ongoing political support for the approach to the Learning Estate;
- Alignment with national policy on the Learning Estate;
- Sufficient financial backing through implementation to ongoing delivery, including the release of funding dependent on development of a full business case;
- Successful engagement with communities and the public on proposals for each school; and

- The project has sufficient external authorisations to proceed, e.g. planning / licensing permissions, land rights.

4. The Economic Case

4.1 Introduction

This is the technical core of the business case and is a fundamental requirement to demonstrate value for money.

Having determined the strategic context for the project and established a robust case for change, this stage of the planning process focuses on the main choices (or options) available for delivering the required services, with a view to formulating a preferred way forward for the subsequent approval of management.

Importantly, it should be noted that an early indication of the possible or preferred way forward could avoid considerable unnecessary work being undertaken at the Outline Business Case stage.

4.2 Critical Success Factors (CSFs)

The following Critical Success Factors have been identified to form part of the option appraisal process:

CSF1	Strategic Fit (Vision / Government Policy)	How well the option provides holistic fit and synergy with other key elements of national, regional and local strategies
CSF2	Potential VFM	How well the option maximises the return on the required spend (benefits optimisation) in terms of economy, efficiency and effectiveness from both the perspective of the organisation and wider society and minimises associated risks.
CSF3	Potential Achievability	How well the option is likely to be delivered in view of the complexity of the option, and the experience, capability and capacity of the partners involved.
CSF4	Supply side capacity	How well the option matches the ability of the service providers to deliver the required level of services and business functionality, and appeals to the supply-side.
CSF5	Potential Affordability	How well the option meets the likely availability of funding and matches other funding constraints, including the capital and revenue consequences associated with the proposed investment.

CSF6	Alignment with LEIP Phase 3 CSFs	To be developed in accordance with Scottish Futures Trust Guidance during project phase (RIBA Stage 1) (will be developed within Outline Business Case if successful LEIP Phase 3 bid)

4.3 The Long-listed Options

The purpose of the long list is to identify as wide a range of options as possible that meet the spending objectives, potential scope, and benefits criteria identified in the SOC. It also involves carrying out a detailed SWOT analysis (strengths, weaknesses, opportunities and threats) on all the options identified.

Clearly the successful bid for support from LEIP Phase 3 funding would provide significant favourable weighting in favour of the Intermediate and Maximum options but at this stage cannot be guaranteed.

These options were generated by bringing together the needs of Education, Planning and Property to develop options that met the investment objectives and CSFs at each stage. The long list of options that were considered was as follows:

The long list of options considered is set out in Table 6.

Category of Choice	Brief Description
Scoping Options	
1.1 Do nothing	No change to the current Learning Estate
1.2 Minimum scope	Meet secondary capacity requirements of Buckie ASG with Minimum Refurbishment and Extension that addresses the requirement for minimum B standard condition.
1.3 Intermediate scope A	Meet the secondary capacity requirements of Buckie ASG with Major Refurbishment and Extension that meets the LEIP requirements for Low Carbon and Digital aspects, balances community and educational needs.
1.4 Intermediate scope B	Meet secondary capacity requirements of Buckie ASG with a New Build Secondary School & Community Hub that addresses Digital and Low Carbon aspects, balances community and educational needs
1.5 Maximum scope	Meet future secondary and future primary capacity requirements of Buckie ASG with a New Build 3-18 Community Campus that addresses Digital and Low Carbon aspects, balances community and educational needs in rationalising the estate.
Service solution options	Option 1: Do nothing Option 2: Minimum Refurbishment of existing building with new build extension.

	Option 3: Major Refurbishment of existing building with new extension Option 4: New build
Service delivery options	Option 1: Do nothing Option 2: In house design and delivery Option 3: Outsource design and delivery Option 4: Mix of in house and outsource design and delivery. Outsourced services if in house not available and VFM.
Implementation options	Option 1: Do nothing Option 2: Minimum refurbishment and extension by 2028 Option 3: Option 3: Major Refurbishment and Extension (Non-LEIP) by Dec 2027 Option 4: New build (Non-LEIP) by 2029 Option 5: Major Refurbishment and Extension (LEIP Stage 3) by Dec 2027 Option 6: New build (LEIP Stage 3) by Dec 2027 Option 7: Major Refurbishment and Extension (Non-LEIP) by 2029 Option 8: New build (Non-LEIP) by 2029
Funding options	Option 1: Do nothing Option 2: Reserves Option 3: Capital Borrowing Option 4: Capital Borrowing plus Scottish Government

Table 6: Long list – summary of inclusions, exclusions and possible options

4.4 Scoping options

In accordance with the Treasury Green Book and Capital Investment Manual, the do nothing option has been considered as a benchmark for potential VFM.

An infinite number of options and permutations are possible; however, within the broad scope outlined in the SOC, only those in Table 6 have been considered in detail.

4.5 Short-listed Options

The summary of the assessment of the scoping options are set out in Table 7. The detail of the 'preferred' and 'possible' options are in the Economic Case at Appendix 1.

Summary assessment of scoping options

Reference to:	Option 1.1	Option 1.2	Option 1.3	Option 1.4	Option 1.5
Description of Option:	Do Nothing	Minimum	Intermediate A	Intermediate B	Maximum
Objective 1	x	x	✓	✓	✓
Objective 2	x	✓	✓	✓	✓
Objective 3	x	x	✓	✓	✓
Objective 4	x	x	✓	✓	✓
Objective 5	x	x	✓	✓	✓
Objective 6	x	x	✓	✓	✓
CSF'S					
Business need	x	x	✓	✓	✓
Strategic Fit	x	x	✓	✓	✓
Benefits Optimisation	x	x	✓	✓	✓
Potential Achievability	x	x	✓	✓	✓
Supply side capacity	x	✓	✓	✓	✓
Potential Affordability	✓	✓	✓	✓	✓
Summary	Discounted	Discounted	Possible	Possible	Possible

Table 7: Summary assessment of scoping options

The 'preferred' and 'possible' options will be carried forward into the short list for further appraisal and evaluation. On the basis of this analysis, the recommended short list for further appraisal within the OBC is as follows:

- **Option 1.3** - Meet the secondary capacity requirements of Buckie ASG with Major Refurbishment and Extension that meets the LEIP requirements for Low Carbon and Digital aspects, balances community and educational needs.

- **Option 1.4** - Meet secondary capacity requirements of Buckie ASG with a New Build Secondary School & Community Hub that addresses Digital and Low Carbon aspects, balances community and educational needs

- **Option 1.5 -** Meet future secondary and future primary capacity requirements of Buckie ASG with a New Build 3-18 Community Campus that addresses Digital and Low Carbon aspects, balances community and educational needs in rationalising the estate.

The indicative costs based on current market conditions and those at expected project completion (2028) are set out in Table 8.

5. Commercial Case

5.1 **Introduction**

The purpose of the Commercial Case is to demonstrate that the “option” will result in a viable procurement and well-structured Deal.

5.2 **Required Services**

The ‘preferred’ option will require a number of project services (including design, project management, contract management, supply chain management, change management, quality management) across the following project phases:

- Concept development/LEIP Phase 3 bid (Closing date 30 Oct 2022)
- Preparation and Brief (Royal Institute of British Architects (RIBA) Stage 1)
- Pre-Construction Design Phase (RIBA Stage 2-4)
- Mobilisation and Construction Phase (RIBA Stage 5)
- Handover and Close Out (RIBA Stage 6)
- Operational Phase (RIBA Stage 7)

The procurement strategy for RIBA Stage 1-6 is still to be fully determined. Property and Housing (Design), Finance (Procurement) and Education Resources and Communities (Learning Estate) will work together to develop a corporate procurement strategy to support the project and ensure value for money is robustly demonstrated in the future Outline and Full Business Cases.

OPTIONS			Base Cost 2022	Inflation Allowance to Financial Close 2026	Local Authority Funding Ratios			GIFA m2 (Uplift to metric in brackets)
					40%	45%	50%	
Option 2	MINIMUM	Minimum Refurbishment to B/B Standard	£ 24,100,000	£30,125,000	N/A	N/A	N/A	13,445 (As existing)
Option 3	INTERMEDIATE	Meet the secondary capacity requirements of Buckie ASG with Major Refurbishment and Extension that meets the LEIP requirements for Low Carbon and Digital aspects, balances community and educational needs.	£ 67,100,000	£ 84,700,000	£ 33,900,000	£ 38,100,000	£ 42,400,000	13,445 (As existing)
Option 4	INTERMEDIATE	Meet secondary capacity requirements of Buckie ASG with a New Build Secondary School & Community Hub that addresses Digital and Low Carbon aspects, balances community and educational needs	£ 66,600,000	£ 84,100,000	£ 33,600,000	£ 37,800,000	£ 42,100,000	14,498
Option 5	MAXIMUM	Meet future secondary and future primary capacity requirements of Buckie ASG with a New Build 3-18 Community Campus that addresses Digital and Low Carbon aspects, balances community and educational needs in rationalising the estate.	£ 75,700,000	£ 95,700,000	£ 38,300,000	£ 43,100,000	£ 47,900,000	18,398

Table 8: Indicative Cost Models – Options

The procurement strategy will consider proposed charging mechanisms (e.g. ‘fixed price’, ‘payment of delivery of agreed outputs’,’ incentive’); proposed standard contract type and key contractual issues.

6. The Financial Case

More detailed financial analysis will be carried out in the Outline Business Case. The range for the assessed possible options indicates a required capital spend of between £66.6M - £75.7M on current market rates which based on current market uncertainty and inflationary forecasts would be in the range of £84.1M - £95.7M at earliest project completion of end 2027.

The project has to sit alongside other similar requirements across the Moray Learning Estate and will account for a significant proportion of the Councils Capital spend. Scottish government funding and support, in the form of the Learning Estate Investment Programme Stage 3 commitment is considered be essential given the scale and scope of the overall project.

The overall levels of spend are higher than currently forecast in the Capital Plan and therefore may impact on the revenue budget of the Council requiring improved budget settlements and increased savings/cuts to accommodate this priority.

7. The Management Case

7.1 Introduction

This section addresses the ‘achievability’ of the Future Buckie HS project. Its purpose is to build on the project mandate by setting out in more detail the actions that will be required to ensure the successful delivery of the project in accordance with best practice.

7.2 Programme Management Arrangements

The Case is an integral part of the Moray Council Learning Estate Strategy Delivery Programme, which comprises a portfolio of projects for the delivery of the Moray Council Learning Strategy.

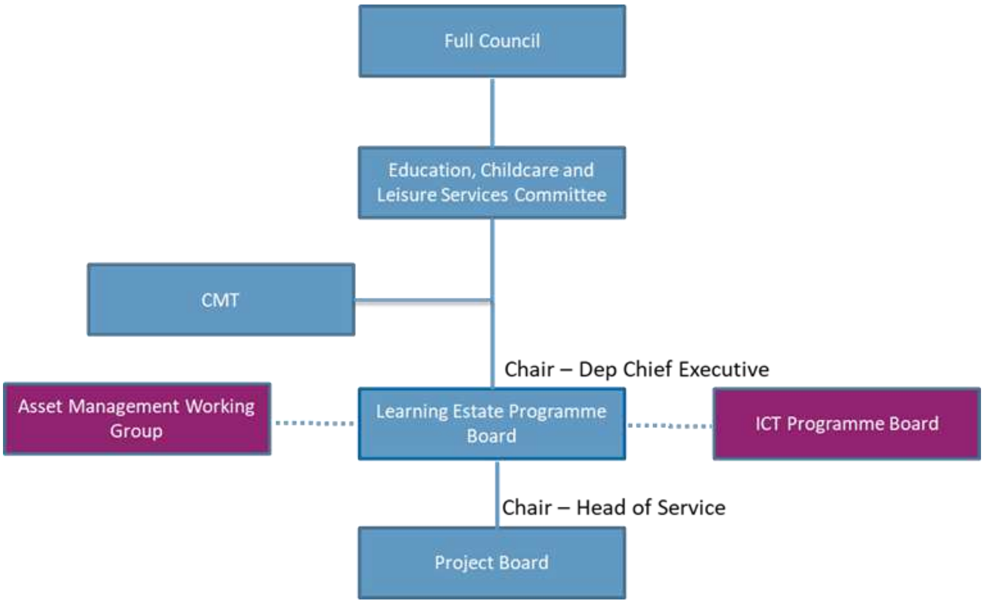
7.3 Project Management Arrangements

The project will be managed in accordance with good Project Management methodology – this will incorporate Prince 2, Association of Project Management and Treasury Green Book best practise.

The project will be managed via a Future Buckie HS Project Board who will reported to the Learning Estate Programme Board that will in turn report to Education, Children and Leisure Services and Full Council.

7.3.1 **Project Governance and Reporting structure**

The proposed project governance and reporting structure is set out below:



7.3.2 **Project Roles and Responsibilities**

The Project Sponsor for the Future Buckie HS project will be Deputy Chief Executive (Education, Communities and Organisational Development) – Denise Whitworth.

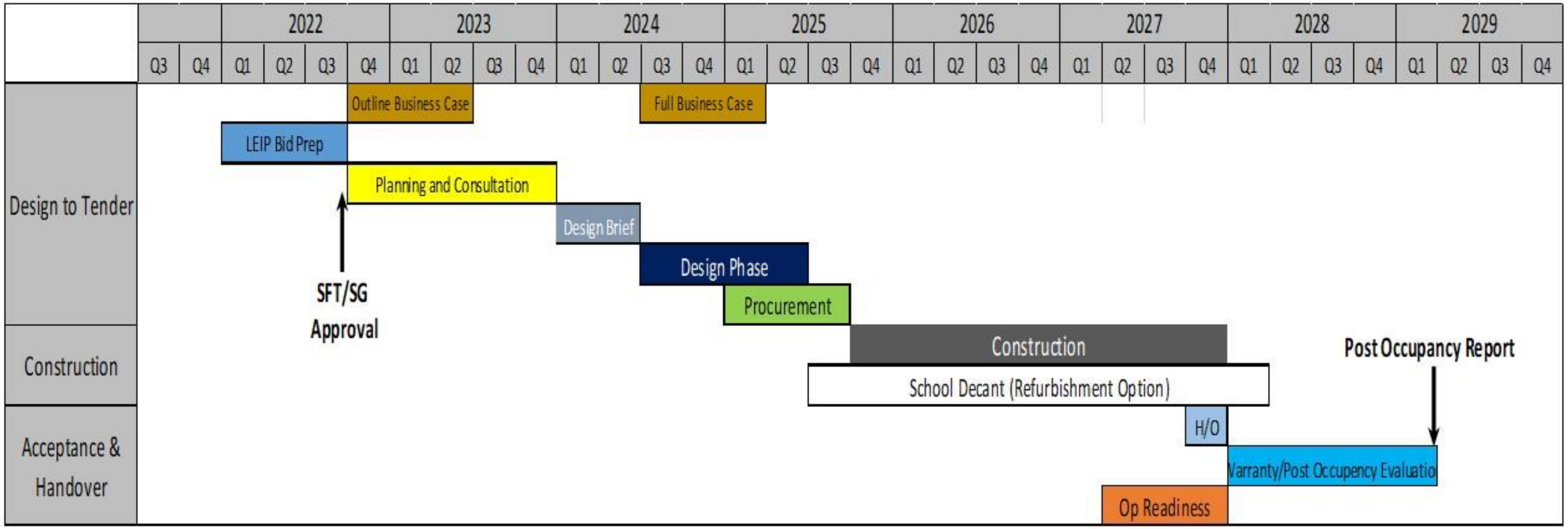
The Senior Responsible Owner for the project will be Head of Education Resources and Communities – Joanna Shirriffs

The Programme Manager (Learning Estate) - Andy Hall - will provide operational level oversight of project delivery and will be supported by a Learning Estate Project Manager.

A full Project RACI matrix will be developed for the Outline Business Case.

7.3.3 **Project Plan**

A high level indicative project plan is set out below. The project completion date of Dec 2027 is based on current LEIP Phase 3 requirements.


2022
2023
2024
2025
2026
2027
2028
2029
Q3
Q4
Q1
Q2
Q3
Q4
Design to Tender
Construction
Acceptance & Handover
Outline Business Case
Full Business Case
LEIP Bid Prep
Planning and Consultation
Design Brief
Design Phase
Procurement
SFT/SG Approval
Construction
Post Occupancy Report
School Decant (Refurbishment Option)
H/O
Varranty/Post Occupency Evaluatio
Op Readiness

Appendices

Appendix 1: Economic Case

REPORT TO: SPECIAL MEETING OF MORAY COUNCIL ON 7 NOVEMBER 2022

SUBJECT: EXTERNAL AUDIT – ANNUAL REPORT TO MEMBERS ON 2021/22 AUDIT

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

1.1 To provide Council with a copy of the External Auditor's Annual Audit Report to Council on the 2021/22 audit.

1.2 This report is submitted to the Council for consideration as part of a suite of reports on the Annual Audit and Accounts for 2021/22.

2. RECOMMENDATION

2.1 It is recommended that the Council consider and note the contents of the attached report (Appendix 1 and 2) from the Council's External Auditors.

3. BACKGROUND

3.1 The Council's External Auditor, Audit Scotland, provides an Annual Report to those in charge of governance who are the Council and the Controller of Audit each year. This report is a significant document and covers:

- The audit of the 2021/22 annual accounts
- Financial management and sustainability
- Governance and transparency
- Value for Money
- Findings which require action and management's response

3.2 A copy of the External Auditor's covering report is attached as **APPENDIX 1** for information and the report itself forms **APPENDIX 2** to this report. A representative of the Council's External Auditors will present the report at the meeting.

3.3 The report coincides with the completion of the Annual Audit of the Council's Annual Accounts. The Council has received an unqualified Audit Opinion for

2021/22 on the council's annual accounts and on the Connected Charities accounts.

3.4 The report includes an Action Plan (**APPENDIX 1** to the Auditor's Report) dealing with areas where the External Auditor has identified room for improvement. The most significant of these for the Council is financial sustainability, with the need to identify what savings will be made to meet the funding gaps anticipated in the short to medium term and a cross-Council transformation plan to generate long-term savings.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))
This is referenced in **Appendix 1** to the report.

(b) Policy and Legal
The audit is conducted in terms of statutory powers afforded to Audit Scotland, the appointed External Auditor for the Council.

(c) Financial Implications
There are no issues arising directly from this report. The report notes that the current level of service provision is not financially sustainable.

(d) Risk Implications
The work undertaken by External Audit provides assurance to Members on the Council's performance management, financial statements and the actions taken by the Council to address significant matters arising out of the audit process.

(e) Staffing Implications
Preparation of the Council's annual financial statements requires significant resource input as part of the scheduled work of the accountancy team within Financial Services.

(f) Property
There are no property issues arising directly from this report.

(g) Equalities/Socio Economic Impact
There are no equalities issues arising directly from this report.

(h) Climate Change and Biodiversity Impacts
There are no climate change and biodiversity issues arising directly from this report.

(h) Consultations
The content of the **APPENDIX 2** to this report has been discussed with CMT and relevant officers of the Council.

5. CONCLUSION

5.1 The annual audit by External Audit gives members assurance that the Council's Financial Statements give a true and fair view of its financial position at 31 March 2022 and that appropriate internal control systems are in place. The Report to those in charge of governance details External Audit's findings and conclusions arising from the audit and the planned management actions to address matters which have been highlighted.

Author of Report: Lorraine Paisey, Chief Financial Officer – Ext 3213
Background Papers: Attached
Ref: LP/LJC/*SPMAN-1293228629-760*

102 West Port
Edinburgh
EH3 9DN

8 Nelson Mandela Place
Glasgow
G2 1BT

The Green House
Beechwood Business Park North
Inverness
IV2 3BL

T: 0131 625 1500
E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

AUDIT SCOTLAND

Moray Council
High Street
Elgin
IV30 1BX

27 October 2022

Moray Council
Audit of 2021/22 annual accounts

Independent auditor's report

1. Our audit work on the 2021/22 annual accounts of Moray Council and The Moray Council – Connected Charity Trust Funds is now substantially complete. Subject to receipt of revised sets of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 27 October 2022 for the council and the charitable trusts. The proposed reports are attached at **Appendix A** (Council) and **Appendix B** (The Moray Council – Connected Charity Trust Funds).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for Moray Council's consideration our draft annual report on the 2021/22 audit. This sets out the issues identified in respect of the annual accounts.

3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.

4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected. There are no uncorrected misstatements to bring to your attention.

Fraud, subsequent events and compliance with laws and regulations

6. In presenting this report to the Moray Council we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

Representations from Section 95 Officer and Trustees

7. As part of the completion of our audit, we are seeking written representations from the Section 95 Officer and Trustees on aspects of the annual accounts, including the judgements and estimates made.

8. Draft letters of representation are attached at **Appendix C** (Council) and **Appendix D** (The Moray Council – Connected Charity Trust Funds). These should be signed and returned to us with the signed annual accounts prior to the independent auditor's reports being certified.

Appendix A: Council's proposed Independent Auditor's Report

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

Reporting 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 2022 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash Flow Statement, 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 UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the council and its group as at 31 March 2022 and of the income and expenditure of the council and its group for the year then ended;

- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 6 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.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements 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 ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The 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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the council and its group is complying with that framework;
- identifying which laws and regulations are significant in the context of the council and its group;

- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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 skilfulness 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.

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.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

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

Other information

The Chief Financial Officer is responsible for other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities for the Annual Accounts and the unaudited part of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

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.

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
Audit Director
Audit Scotland
4th Floor,
8 Nelson Mandela Place
Glasgow
G2 1BT

27 October 2022

Appendix B: Charities' proposed Independent Auditor's Report

Independent auditor's report to the trustees of The Moray Council - Connected Charity Trust Funds and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of The Moray Council – Connected Charity Trust Funds for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charities as at 31 March 2022 and of their incoming resources and application of resources for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

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 am independent of the charities 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charities ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of trustees' responsibilities, the trustees are 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 trustees 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 trustees are responsible for assessing the charities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees intend to discontinue the charities' operations, or have no realistic alternative but to do so.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the charities are complying with that framework;
- identifying which laws and regulations are significant in the context of the charities;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charities' controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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 skilfulness 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.

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.

Reporting on other requirements

Other information

The trustees are responsible for other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

In my opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report 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 Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

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.

Maggie Bruce CA
Senior Audit Manager
Audit Scotland
1st Floor, Room F03
The Green House
Beechwood Business Park North
Inverness, IV2 3BL

27 October 2022

Maggie Bruce is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

Appendix C: Letter of Representation (ISA 580)

Brian Howarth, Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

27 October 2022

Dear Brian

Moray Council
Annual Accounts 2021/22

1. This representation letter is provided about your audit of the annual accounts of Moray Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.

2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of Moray Council's annual accounts for the year ended 31 March 2022.

General

3. Moray Council and I have fulfilled our statutory responsibilities for the preparation of the 2021/22 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Moray Council have been recorded in the accounting records and are properly reflected in the financial statements.

4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (2021/22 Code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of Moray Council and its Group at 31 March 2022 and the transactions for 2021/22.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2021/22 Code where applicable. Where the 2021/22 Code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Moray Council and its Group's circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed Moray Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Moray Council's ability to continue as a going concern.

Assets

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2022 does not differ materially from that which would be determined if a revaluation had been carried out at that date.

11. I carried out an assessment at 31 March 2022 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.

12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2022.

13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.

14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

15. All liabilities at 31 March 2022 of which I am aware have been recognised in the annual accounts.

16. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2022 of which I am aware where the conditions specified in the 2021/22 Code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2022. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

17. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2022 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

18. The accrual recognised in the financial statements for holiday untaken by 31 March 2022 has been estimated on a reasonable basis.

19. The pension assumptions made by the actuary in the IAS 19 report for Moray Council have been considered and I confirm that they are consistent with management's own view.

20. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent liabilities

21. There are no significant contingent liabilities, other than those disclosed in Note 43 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2021/22 Code and IAS 37.

Fraud

22. I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

23. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

24. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2021/22 Code. I have made available to you the identity of all Moray Council's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

25. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

Management Commentary

26. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

27. I confirm that Moray Council has undertaken a review of the system of internal control during 2021/22 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

28. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2022, which require to be reflected.

Group Accounts

29. I have identified all the other entities in which Moray Council has a material interest and have classified and accounted for them in accordance with the 2021/22 Code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

Common Good Funds

30. I confirm, to the best of my ability, that all material common good assets have been identified and correctly accounted for within the common good funds' financial statements. Where appropriate those common good assets used operationally by the council are recognised as finance leases.

Events Subsequent to the Date of the Balance Sheet

31. All events subsequent to 31 March 2022 for which the 2021/22 Code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Lorraine Paisey

Section 95 Officer

APPENDIX D: Charities' Letter of Representation (ISA 580)

Maggie Bruce
Senior Audit Manager
Audit Scotland
1st Floor, Room F03
The Green House
Beechwood Business Park North
Inverness
IV2 3BL

Dear Maggie

The Moray Council – Connected Charity Trust Funds
Trustees' Report and Financial Statements 2021/22

1. This representation letter is provided in connection with your audit of the financial statements of The Moray Council - Connected Charity Trust Funds for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of The Moray Council - Connected Charity Trust Funds as at 31 March 2022 and their comprehensive income and expenditure for the year then ended.

2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Council, the following representations given to you in connection with your audit of The Moray Council - Connected Charity Trust Funds for the year ended 31 March 2022.

General

3. The Trustees and I have fulfilled our statutory responsibilities for the preparation of the 2021/22 Trustee's Report and Financial Statements. All the accounting records, documentation, and other matters which I am aware are relevant to the preparation of the financial statements have been made available to you for the purposes of your audit. All transactions undertaken by the charities have been recorded in the accounting records and are properly reflected in the financial statements.

4. The information given in the Trustees' Annual Report to the financial statements presents a balanced picture of The Moray Council – Connected Charity Trust Funds and is consistent with the financial statements.

5. I am not aware of any uncorrected misstatements.

Financial Reporting Framework

6. The financial statements comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

7. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of The Moray Council - Connected Charity Trust Funds for the year ended 31 March 2022 and the transactions for 2021/22.

Accounting Policies & Estimates

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Going Concern

9. The Trustees have assessed the ability of The Moray Council - Connected Charity Trust Funds to carry on as a going concern and have disclosed in the financial statements any material uncertainties that have arisen as a result.

Related Party Transactions

10. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of FRS 8.

Events Subsequent to the Date of the Balance Sheet

11. There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.

12. Since the date of the Balance Sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Corporate Governance

13. I confirm that a review of the system of internal control was undertaken during 2021/22. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

Fraud

14. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Assets

15. The assets shown in the Balance Sheet at 31 March 2022 were owned by The Moray Council - Connected Charity Trust Funds. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements. There are no plans or intentions that are likely to affect the carrying value or classification of the assets within the financial statements.

Liabilities

16. All liabilities at 31 March 2022 have been recognised in the financial statements.

Laws and Regulations

17. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Yours sincerely

Trustee

Item 4.

Moray Council

DRAFT 2021/22 Annual Audit Report

AUDIT SCOTLAND

Prepared for the members of Moray Council and the Controller of Audit
7 November 2022

Contents

Key messages

2021/22 annual accounts

1 Our audit opinions on the annual accounts of the council, its group and the section 106 charities administered by the council are unmodified.

2 Significant misstatements in the revaluation and classification of non-current assets were corrected in the audited accounts.

Financial management and sustainability

3 The council planned to use £20 million of reserves during 2021/22 but due to additional funding, slippage and underspends it underspent by £25 million.

4 Financial systems of internal control generally operated effectively but we identified some areas where adequate controls don't exist. Weaknesses in payroll controls which have resulted in overpayments.

5 The council plans to use £17.3 million (43 per cent) of its earmarked reserves to balance its budget in 2022/23.

6 Medium term financial plans forecast funding gaps of £21.5 million in 2023/24 and £8.9 million in 2024/25, with savings not yet identified to meet these.

7 The council's current transformation programme will not deliver sufficient savings to deliver financial sustainability in the medium-term.

Governance and transparency

8 Overall governance arrangements are appropriate, but members have yet to conclude on the Audit and Scrutiny Committee's remit and agree a shared view on the role and nature of scrutiny.

9 Political leadership of the council continues to be finely balanced.

Best Value

10 Given the challenges presented by the pandemic, the council has made adequate progress against its BVAR recommendations. Challenges remain, however, as it seeks to deliver financial sustainability through strategic change.

Introduction

1. This report summarises the findings arising from the 2021/22 audit of Moray Council (the council) and its group.

2. The scope of the audit was set out in our 2021/22 Annual Audit Plan presented to the June meeting of the Audit and Scrutiny Committee. This report comprises the findings from an audit of the annual accounts and consideration of the four audit dimensions that frame the wider scope of public audit set out in the Code of Audit Practice 2016 namely, financial management, financial sustainability, governance and transparency and value for money.

3. The main elements of our audit work in 2021/22 have been:

- an audit of the annual accounts of the council and its group including the statement of accounts of the eight section 106 charities administered by the council, and the issue of independent auditor's reports setting out our opinions
- a review of the council's key financial systems
- a review of the council’s progress in implementing the recommendations contained in our Best Value Assurance Report published in August 2020
- consideration of the four audit dimensions

4. The global coronavirus pandemic has had a considerable impact on Moray Council during 2021/22. This has had significant implications for the services it delivers and its ability to progress its transformation agenda. We considered the risks related to the pandemic as part of our audit planning and did not consider there to be any significant audit risks for 2021/22.

Adding value through the audit

5. We add value to the council through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports (Appendix 2) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

Responsibilities and reporting

6. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

7. The council is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

8. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the Code of Audit Practice 2016 and supplementary guidance, and International Standards on Auditing in the UK.

9. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the effectiveness of the council's performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements, and financial position
- the arrangements for securing financial sustainability and,
- Best Value arrangements.

10. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice 2016. and supplementary guidance.

11. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

12. Our annual audit report contains an agreed action plan at Appendix 1 setting out specific recommendations, responsible officers, and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

Auditor Independence

13. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and that the 2021/22 audit fee of £251,340 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

15. External auditors are usually appointed for a five-year term either from Audit Scotland’s Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

16. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 Grant Thornton UK LLP will be the appointed auditor for Moray Council. We are working closely with the new auditors to ensure a well-managed transition.

17. A new Code of Audit Practice applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016. There are several significant changes introduced by the new Code, including the integration of Best Value work into wider scope audit work.

18. We would like to thank elected members, the Chief Executive, the Chief Finance Officer, and other staff, particularly those in finance for their co-operation and assistance over the last six years.

1. Audit of 2021/22 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

Our audit opinions on the annual accounts of the council, its group and the section 106 charities administered by the council are unmodified.

Significant misstatements in the revaluation and classification of non-current assets were corrected in the audited accounts.

Our audit opinions on the annual accounts are unmodified

19. The accounts for the Council and its group for the year ended 31 March 2022 were approved by the Council on 7 November 2022. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

20. Our audit opinions on Section 106 charities (The Moray Council – Connected Charity Trust Funds) were also unmodified.

The annual accounts were submitted in line with our agreed audit timetable

21. The unaudited annual accounts were received in line with our agreed audit timetable on 30 June 2022. The working papers provided with the unaudited accounts were of a good standard and finance staff provided support to the audit team during the audit.

There were no objections raised to the annual accounts

22. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. No objections were received to the 2021/22 accounts.

Overall materiality is £4.1 million

23. We apply the concept of materiality in both planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values, we also determine a lower performance materiality threshold.

24. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the annual accounts. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

25. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in Exhibit 1.

Exhibit 1
Materiality values

Materiality level	Amount
Overall materiality	£4.1 million
Performance materiality	£2.5 million
Reporting threshold	£150 thousand

Source: Audit Scotland

We have significant findings to report from our audit of the annual accounts

26. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. The significant findings are summarised in Exhibit 2.

Exhibit 2
Significant findings from the audit of financial statements

Issue	Resolution
1. Non-current asset valuations At 31 March 2022, the council made an adjustment to non-current asset valuations of £108.9 million based on a desktop revaluation exercise of council dwellings and schools. This was to reflect the estimated material movements in fair value since the last full valuation, to ensure the carrying value of assets does not differ materially from current value. The Accounting Code of Practice requires that the carrying value of assets does not differ materially from current value. Audit testing identified that the adjustment did not take account of additions to non-current assets since the last valuation. We also identified minor errors in how the revaluation adjustments were split between the capital adjustment account and revaluation reserve for some assets.	This misstatement was corrected in the audited accounts. As a result, net assets and the revaluation reserve increased by £17.3 million and £19.2 million respectively, and the capital adjustment account reduced by £1.9 million. Although a five-year rolling revaluation programme is permitted by the Code of Accounting Practice, significant movements in intervening years may suggest that revaluing each class of assets once every five years is not sufficient and this should be re-considered, particularly as inflationary pressures are having a significant impact on retender and rebuild prices. **Recommendation b/f 1** The council should review the suitability of its 5-year revaluation policy and programme. (Refer Appendix 1, action plan)
2. Classification on non-current assets Audit testing identified that £0.9 million of expenditure on a third-party asset had been incorrectly included as an addition to council assets. We also identified that £2.6 million of assets were classified as assets under construction (AUC) when they had been completed by 31 March 2022.	These misstatements were corrected in the audited accounts. As a result, non-taxation and non-specific grant income, and non-current assets were overstated by £0.9 million. **Recommendation 1** The council should update their procedures to ensure they adequately review the classification of additions and the status of all projects classified as AUC at year end. (Refer Appendix 1, action plan)
3. Repayment and reporting of loans fund advances The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 requires the council to make loans fund advances for the amount of expenditure and lending that the	There is no impact on our audit opinion on the 2021/22 accounts. **Recommendation 2** The council should update its loans fund working papers to include advances

Issue	Resolution
authority has determined is to be financed by borrowing. It should also determine, for each loans fund advance, at the time it is made: • the period over which the advance is to be repaid • the amount of repayment in each financial year in that period. The council made loans fund advances of £21.5 million to services in 2021/22 but did not include these in its loans fund working papers, set out the repayment period for each loans fund advance nor calculate the amount of repayment due in each financial year. In addition, Local Government Finance Circular 7/2016 requires the council to report on its commitment to repay loans fund advances. The report should identify the opening balance of the loans fund as at 1 April, the value of new advances, the value of repayments, and the closing balance as at 31 March. The report should also provide a breakdown of future repayments in five-year periods. This needs to be included within the Management Commentary or cross-referred to these disclosures within the annual Treasury Management Strategy and annual Report. The council has not included the required disclosures in either the Management Commentary or the annual Treasury Management Strategy or annual Report.	made in 2021/22, the repayment period for each loans fund advance, and the amount of repayment in each financial year. The council should disclose the loans fund repayment profile in its management commentary in 2022/23. (Refer Appendix 1, action plan)

Source: Audit Scotland

27. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. Exhibit 3 sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3
Significant risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
1. Risk of material misstatement due to fraud caused by the management override of controls As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	Assessed the design and implementation of controls over journal entry processing. Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Tested journals at the year-end and post-closing entries focusing on significant risk areas. Considered the need to test journal entries and other adjustments during the period. Evaluated significant transactions outside the normal course of business. Assessed the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. Assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. Substantively tested income and expenditure transactions around the year-end to confirm they were accounted for in the correct financial year. Tested accounting accruals and prepayments focusing on significant risk areas.	**Results and Significant Judgements:** Controls over journal entry processing lack authorisation procedures and we increased our sampling as a result. Officers involved in financial reporting processes did not identify any unusual activity. Our data analytics-based approach to journal testing ensured that we considered those journals that appeared unusual. No inappropriate journals were identified. Testing of journals found no errors. We did not identify any issues with council processes for identifying and disclosing related party relationships and transactions. Methodologies and assumptions employed by management in preparing accounting estimates did not significantly vary from the prior year and were consistently applied. Our testing of accruals and prepayments did not identify any errors and there were no significant transactions outside the normal course of business. **Conclusion:** No issues were identified that indicate management override of controls.

Audit risk	Assurance procedure	Results and conclusions
2. Estimation in the valuation of land and buildings The council held land and buildings with a net book value of £707 million at 31 March 2021, with land and buildings revalued on a five-year rolling basis. There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations. A full valuation exercise of council dwellings was completed during 2020/21, with schools valued in 2018/19. The council has not applied indexation in intervening years previously but plans to introduce this for housing and schools in 2021/22. The council is also introducing a new asset register system in 2021/22. There is a risk that the carrying amount of assets differs materially from the current value at the end of the reporting period.	Reviewed the information provided to the valuer to assess for completeness. Evaluated the competence, capabilities, and objectivity of the professional valuer. Completed a walkthrough of the valuation process to obtain an understanding of the process, including the methodologies and assumptions applied. Reviewed reports from the valuer to confirm overall asset valuation. Obtained an understanding of management's involvement in the valuation process to assess if appropriate oversight had occurred. Examined management's assessment of any assets not revalued in 2021/22 against evidence of changes in other revalued assets. Tested the reconciliation between the financial ledger and the property asset register. Tested a sample of individual asset valuations and useful lives.	**Results & Significant Judgements:** The information provided to the external valuer was found to be complete and accurate. No issues were identified in relation to the competence, capabilities, and objectivity of the professional valuer. An understanding of the valuation process was obtained via a walkthrough. No issues were identified in relation to the controls in place around non-current asset valuations. For schools and council dwellings not fully revalued in 21/22, the valuer provided desktop revaluation based on BCIS indices to bring the carrying value of these assets to a fair value. Non-current asset notes in the financial statements were agreed to the property asset register with no errors identified. Testing of individual valuations noted an issue with how the desktop valuations had been included in the accounts (Exhibit 2, no.1). Testing of asset lives identified no errors. **Conclusion:** appropriate procedures were undertaken by the council to ensure the carrying amount of non-current assets was appropriately reflected at 31 March 2022.

Source: Audit Scotland

Other areas of audit focus

28. We identified in our 2021/22 Annual Audit Plan areas where we considered there to be other risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we did not consider these to represent significant risks. The areas of specific audit focus were:

- Valuation of the present value of promised retirement benefits and Moray Council's share of the pension asset/liability of North East Scotland Pension Fund.

29. We considered the reasonableness of actuarial estimates on material elements of the valuation using PwC LLP to review actuarial assumptions across Scottish LGPS and the accuracy of information provided to the actuary by the council and assurances from the auditor of North East Scotland Pension Fund. There are no matters which we need to bring to your attention.

Across the UK, a technical accounting issue has been identified covering infrastructure assets

30. Infrastructure assets typically include highways, footpaths, bridges, and culverts and are included at depreciated historical cost in the accounts (£236 million at Moray Council). A replaced component of an asset has to be derecognised and at some councils the records of additions were not detailed enough to comply with accounting code requirements. A failure to derecognise assets correctly would have resulted in double-counting and an overstatement of the gross book value, accumulated depreciation and potentially the net book value of the assets.

31. CIPFA/LASAAC considered the matter and proposed amendments to the 2021/22 accounting code to allow a reasonable assumption that the net book value of replaced parts of infrastructure assets are £nil and a temporary adaptation to remove the requirement to disclose gross book value and accumulated depreciation in the financial statements. The Scottish Government has issued Finance Circular 9/2022 to implement these changes.

32. Moray Council management considered the records available to support infrastructure additions and concluded that both statutory overrides permitted by Finance Circular 9/2022 should be applied resulting in amendments to the infrastructure disclosures in the audited accounts.

All identified misstatements were adjusted in the audited accounts

33. Total misstatements identified were £22.2 million which exceeds our performance materiality threshold. We have reviewed the nature and causes of these misstatements which mainly relate to accounting for non-current assets. We have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. All misstatements above our reporting threshold have been adjusted for in the audited accounts.

Only two of the council's eight section 106 charities have disbursed funds in the last six years

34. Section 46 of the Charities and Trustee Investment (Scotland) Act 2005 requires auditors to report to the Office of Scottish Charity Regulator (OSCR) when the charity test is not met. The OSCR website states that *'in general, if a charity does nothing for a prolonged period, it is unlikely to be providing public benefit and this may result in it failing the charity test'.*

35. There are eight section 106 charities included in The Moray Council – Connected Charity Trust Funds accounts. Of these, two have a nil balance and a further four have not disbursed any funds during the six years of our audit appointment. As a result, it is unclear how these charities meet the public benefit requirement.

36. We have been advised that three of the four trusts will be considered for transfer into 'The Moray Council Charitable Trust' which was set up to allow disbursement of funds from trusts with outdated or unclear purposes. The reason for the nil balances will be considered, and if permanent, these will be wound up and an application made to remove them from the Scottish Charity Register.

37. The Moray Council Charitable Trust has £0.3 million of assets at 31 March 2022 but has not disbursed any funds since it was set up in August 2016. It is unclear how Trustees plan to use these funds to provide public benefit.

Recommendation 3

Trustees should develop clear plans for the use of The Moray Council Charitable Trust funds.

Some progress was made on prior year recommendations

38. The council has made some progress in implementing our prior year audit recommendations. Three of the ten brought forward recommendations are complete or substantially complete with three others in progress and the rest outstanding. For actions not yet fully implemented, revised responses and timescales have been agreed with management, and are set out in Appendix 1.

2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Main judgements

The council planned to use £20 million of reserves during 2021/22 but due to additional funding, slippage and underspends it underspent by £25 million.

The council needs to review its forecasting process to improve its projections of year-end outturns.

Financial systems of internal control generally operated effectively but we identified some areas where adequate controls don't exist. Weaknesses in payroll controls have resulted in overpayments.

The council planned to use £20 million of reserves in 2021/22 but due to additional funding, slippage and underspends it underspent by £25 million

39. The council approved its 2021/22 budget in March 2021. The net revenue general services budget was set at £214 million. In order to balance the budget, the council required to make savings of £1.3 million and use financial flexibilities of £1.2 million. The council updated its budget during the year to reflect additional budget pressures, receipt of additional government grant, the 2021/22 outturn and the decision to fund financial flexibilities from the Covid-19 earmarked reserve. As a result, the council's final budget included a planned draw of £20 million of funding from reserves.

40. The council underspent its revised general fund budget by £25 million. The majority of this underspend (£13.4 million) resulted from slippage against the council's plans to use the Covid-19 (£8.3 million) and transformation (£1 million) earmarked reserves some of which was met from additional Scottish Government funding, and inclusion of the whole budget for transformation projects which are due to be delivered over more than one year (£4.2 million). In addition, services underspent by £8.5 million and additional income of £3 million was generated.

41. The more significant service underspends are summarised in Exhibit 4. There were no significant overspends.

Exhibit 4
Summary of significant underspends against budget

Area	£m	Reason for variance
Underspends		
Education	2.8	Devolved School budgets were underspent largely due to delays in delivery of ICT and building works and Pupil Equity Funds underspent based on funding covering the academic year.
Children's Social Work Services	2.4	Reduced costs of care due to number and type of placements.
Education Resources & Communities	0.9	Mainly staff vacancies. Additional expenditure of repairs of schools after Storm Arwen.
Economic Growth & Development	0.9	Staff vacancies and delays in projects. Building Control and Planning fees below budget.

Source: Moray Council 2021/22 Annual Accounts

The council needs to review its forecasting process to improve its projections of year-end outturns

42. As reported in our Best Value Assurance Report, the council receives good quality information about its finances. During 2021/22 quarterly budget monitoring reports continued to be reported to committee or full council. Regular financial planning updates were also provided to members containing information on the financial impact of Covid-19 on the council's finances, financial forecasts, and savings proposals for inclusion in the 2022/23 budget.

43. There was, however, significant movement (£19.7 million) between the forecast outturn at 31 December 2021 and that achieved. The majority of this (£15.6 million) relates to monies held centrally for projects to be funded by Covid-19 and transformation earmarked reserves whilst services underspent by £4.1 million against forecast. The outturn report acknowledges that a review of these service variances may highlight scope for additional savings.

Recommendation 4

The council should review its forecasting process to ensure the most accurate projection possible of the year end position.

The Covid-19 pandemic had a significant impact on the 2021/22 budget

44. The Covid-19 pandemic had a significant impact on the Council's 2021/22 budget which included £10.8 million of expenditure to be funded from the Covid-19 reserve. The main elements of this expenditure include education recovery (£4 million), loss of income (£1.6 million), early learning and childcare expansion (£1 million) and discretionary business grants (£1.2 million).

45. The council continued to administer a number of grant schemes on behalf of the Scottish Government and made grant payments of £15 million in 2021/22. The majority of this (£10.9 million) was through the Strategic Framework Business Fund which provided one-off restart grants to businesses. These amounts are not included in the council's accounts.

The council has a good track record of delivering savings

46. As reported in our Best Value Assurance Report, the council has a good track record of delivering or exceeding its savings targets. The 2021/22 budget included planned savings of £1.3 million. The council exceeded this target with £1.5 million of savings achieved, of which £1.4 million are recurring. Not all individual planned savings were achieved (for example, the Improvement and Modernisation Programme stalled during the year and indicative savings of £0.1 million were not realised) but additional savings were found to replace these.

The council spent £42.8 million on capital projects, less than planned due to Covid-19 and supply chain challenges

47. In February 2021, the council approved capital plans for general services and HRA. Since then, a number of challenges have been encountered as a result of recovering from the pandemic and due to Brexit affecting the availability of labour and raw materials. These factors led to lower-than-expected expenditure with only £42.8 million (67% of budget) spent on capital projects in 2021/22. The majority of the underspend was due to reduced spend on housing new builds (£11.3 million) and housing improvements (£3.8 million) resulting from Covid-19 and supply chain challenges.

Capital receipts have been used to fund transformation projects during 2021/22

48. Scottish Ministers permit councils to use capital receipts to fund projects designed to transform service delivery to reduce costs and/or reduce demand, or both. The council used £0.3 million of its capital receipts to fund transformation projects during 2021/22.

49. The guidance has been extended to permit councils to use capital receipts to fund transformation for one more year: 2022/23. The council has £3.7 million of capital receipts at 31 March 2022 available to fund transformation projects in 2022/23.

Financial systems of internal control generally operated effectively but we identified some areas where adequate controls don't exist

50. Auditing standards require external auditors to obtain an understanding of the accounting and internal control systems that exist within the audited body to allow us to plan and develop an effective audit approach for the annual accounts.

51. Our 2021/22 testing identified a number of areas where adequate controls don't exist. There are other controls in these areas which mean that related systems are not completely undermined. See Exhibit 5 for details. We carried out additional work in response to these findings as part of our audit of the 2021/22 financial statements. Management has previously accepted the risks associated with some of these weaknesses. However, we consider these to be significant weaknesses and highlight the risk that these may have to the accurate and valid processing of payments and income, and the potential for this to increase audit fees going forward.

Exhibit 5
Key controls - findings and additional audit work

Issue identified	Additional audit work / Recommendation
1. Authorisation of Journals There is no authorisation of journals posted to the ledger. **There is a risk that incorrect or fraudulent changes could be processed within the ledger system.**	We tested an increased sample of journals and used data analytics to identify and test a sample of high-risk journals. No issues were identified. **Management has previously accepted the associated risks**
2. Payroll validation Regular validation exercise to verify the existence of employees on the payroll system have not been undertaken since the introduction of the new payroll system on 1 April 2017. Establishment lists were sent out to managers in November 2018, but this highlighted that these lists were out of date. No further validation exercise was carried out until March 2022 following identification of a significant overpayment (see paragraphs 52 to 57 below). **Without regular confirmation of payroll details, there is an increased risk of fraudulent payments being made.**	We substantively tested a sample of paid employees through confirmation of existence to other records or management confirmation. No issues were identified. **Management has previously accepted the associated risks but has instigated a validation exercise in March 2022 and we have recommended that this continues going forward.** **Recommendation b/f 5**

Issue identified	Additional audit work / Recommendation
3. Housing rents reconciliation A reconciliation between the ledger and the housing rents system is only performed at the year-end. The last four annual reconciliations have had unexplained differences which have subsequently been written-off. Finance and housing staff have attempted to identify the reasons for these differences but have been unable to do so due to the volume of transactions involved. **The lack of regular reconciliations between the financial ledger and the housing rents system increases the risk that fraudulent transactions or errors will not be identified and corrected.**	We reviewed the annual reconciliation between the ledger and the housing rents system to ensure that any material difference had been investigated and explained. There was a difference of £2,000 on the housing reconciliation which was written-off as part of the year-end procedures. We also substantively tested a sample of housing rents transactions to ensure that they have been accurately processed through the housing rents system. No issues were identified. **Management has previously accepted the associated risks** **Recommendation b/f 5**
4. Changes to Chart of Accounts The council does not have a formal process in place for recording new/amended ledger code requests. Changes are made by the accountancy section following correspondence with the relevant department requesting the change, but audit trails of changes were not evident. **There is an increased risk of misclassification of transactions if there is no audit trail evidencing the basis for account code changes.**	We reviewed the mapping of balance sheet codes from the ledger to the accounts using data analytics to identify any significant changes and confirmed that the mapping for the balance sheet was consistent, accurate and complete. No issues were identified. **Management has previously accepted the associated risks**
5. Payroll user access There is no formal review of user access to the 'iTrent' payroll and HR system to ensure access rights remain appropriate. Instead, reliance is placed on the payroll team's knowledge of staffing changes within the council. **There is a risk that individuals continue to have inappropriate access to the payroll and HR system.**	We reviewed the active user list and did not identify any users that we were aware had left the council. **Recommendation 5** The council should regularly review user access to the 'iTrent' payroll and HR system to ensure access rights remain appropriate. (Refer Appendix 1, action plan)
6. Council tax discounts and non-domestic rates reliefs	We do not consider this a key risk to our audit opinion and so no additional work has been done in this area. We have taken controls assurance from the checks

Issue identified	Additional audit work / Recommendation
Regular reviews are not undertaken to ensure those in receipt of continuing discounts and reliefs awarded in previous years are still eligible to receive them. **There is a risk that council tax discounts and non-domestic rates reliefs are awarded to ineligible taxpayers.**	undertaken on the award of new reliefs and deductions during the year and the annual canvass of council taxpayers in receipt of single person discounts. **Recommendation 6** The council should regularly review whether individuals in receipt of discounts and reliefs awarded in prior years remain eligible to receive them. (Refer Appendix 1, action plan)

Source: Audit Scotland

Weaknesses in payroll controls have resulted in overpayments

52. The lack of a formal payroll validation exercise, with positive confirmation required from budget managers, poses a risk that fraudulent payments made be made from the payroll system.

53. During our interim audit work, council staff advised us of an overpayment of approximately £10,000 which had been made to a former member of council staff, previously seconded to another organisation. They continued to be paid after leaving council employment due to the employee's line manager not completing a termination form and the lack of ongoing validation exercises.

54. The overpayment came to light when the organisation queried the invoice sent by the council to recover the employee's payroll costs. Internal audit has undertaken an investigation and Police Scotland have been informed.

55. In response to the overpayment, the council initiated a full payroll validation exercise in March 2022, with positive confirmation required from budget managers to validate the information held on the HR and payroll system. 70% of budget managers responded to the exercise, with 74% of those who responded querying the information provided.

56. The HR department are continuing to work through the responses to the exercise. Two further overpayments totalling approximately £5,600 have been identified so far. The council has initiated procedures to recover all instances of overpayment which the council has estimated represent around 0.01% of the annual paybill.

57. As noted above, we revised our audit procedures due to these control weaknesses and undertook additional testing of employee existence and the processing of payroll changes. Although our additional testing did not identify any material issues, the instances of overpayment identified by the council highlight the need for a regular, formal, payroll validation exercise to be undertaken.

Recommendation b/f 5

The Council should implement regular, formal, payroll validation exercises with positive confirmation sought from budget managers.

Arrangements for the prevention and detection of fraud and error and standards of conduct are appropriate

58. The council is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery, and corruption. Furthermore, it is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

59. The council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, anti-fraud strategy and codes of conduct for members and officers. We concluded that these were appropriate and readily available to staff. There are also established arrangements to maintain standards of conduct.

60. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The council has taken a risk-based approach to the investigation of NFI matches. We considered that the approach was appropriate with the results reported to the Audit and Scrutiny Committee in February 2022.

3. Financial sustainability

Financial sustainability looks forward to the medium and long term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered

Main judgements

The council plans to use £17.3 million (43 per cent) of its earmarked reserves to balance its budget in 2022/23.

Medium term financial plans forecast funding gaps of £21.5 million in 2023/24 and £8.9 million in 2024/25, with savings not yet identified to meet these.

The council's current transformation programme will not deliver sufficient savings to deliver financial sustainability in the medium-term.

The council plans to use £17.3 million (43 per cent) of its earmarked reserves to balance its budget in 2022/23

61. In February 2022, the council approved its 2022/23 general services revenue budget. Budgeted net expenditure of £240.7 million was approved after deduction of savings totalling £1.6 million (2020/21: £1.3 million). The most significant savings are in Children's Services (£0.8 million) and £0.3 million from the council's transformation programme. The council balanced its budget through the use of financial flexibilities (£3.1 million) and £10.3 million of reserves.

62. The council has updated its budget during the year to reflect additional budget pressures, receipt of additional government grant (£11.2 million) and the 2021/22 outturn. The current budget is £253.8 million. As part of these revisions, the council agreed to use more of the Covid-19 earmarked reserves, in place of financial flexibilities (£3.1 million) no longer permitted by the Scottish Government, and to fund expenditure on projects carried forward from 2021/22 (£1.4 million). As a result, the council currently plans to use £17.3 million (43 per cent) of its earmarked reserves in 2022/23.

Budget monitoring for 2022/23 notes the council has underspent its quarter 1 budget by £0.7 million

63. The latest budget monitoring report notes that the council had underspent its budget by £0.7 million (1% of the phased budget) as at 30 June 2022.

General Fund reserves have increased by £3.5 million

64. One of the key measures of the financial health of a body is the level of reserves held. The level of usable reserves held by the council increased from £53 million in 2020/21 to £59 million in 2021/22. The general fund is the largest usable reserve and is used to support the delivery of services. The general fund balance at 31 March 2022 was £45 million, an increase of £3.5 million during the year.

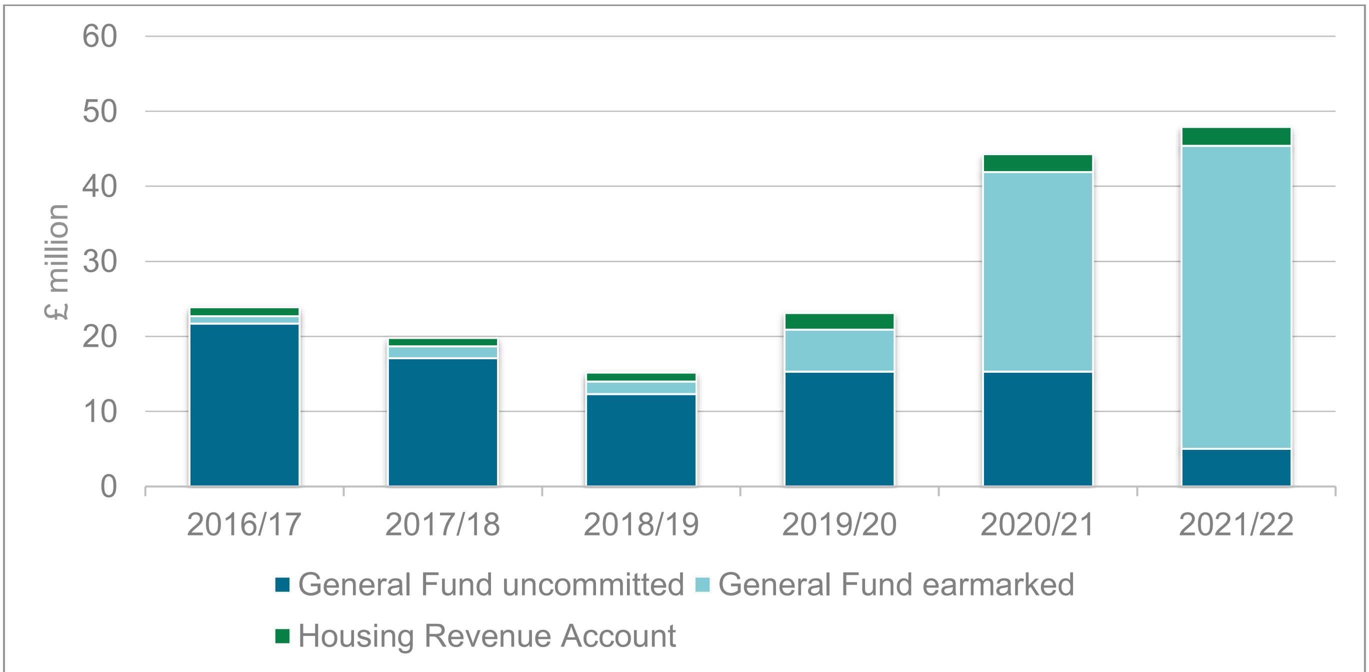
65. The general fund reserve includes £22.3 million of earmarked Covid-19 funding and £18.1 million earmarked for specific future commitments such as council priorities (£9.9 million), transformation (£5.5 million), devolved school management (£1.3 million) and pupil equity fund (£1.3 million).

66. Exhibit 6 provides an analysis of the general fund and HRA over the last six years and shows the significant increase in reserves over the last three years due to surpluses and Covid-19 funding.

67. During the year, the council agreed to earmark £8.8 million of the uncommitted General Fund balance for council priorities (£7 million) and transformation (£1.8 million), reducing the unearmarked balance to £5 million.

68. The unearmarked General Fund balance of £5 million is the minimum the council considers necessary to hold as a contingency to provide cover for unexpected expenditure and as a working balance to help cushion the impact of uneven cash flows.

Exhibit 6
Analysis of general fund balance



Source: Moray Council's 2016/17 to 2021/22 Annual Accounts

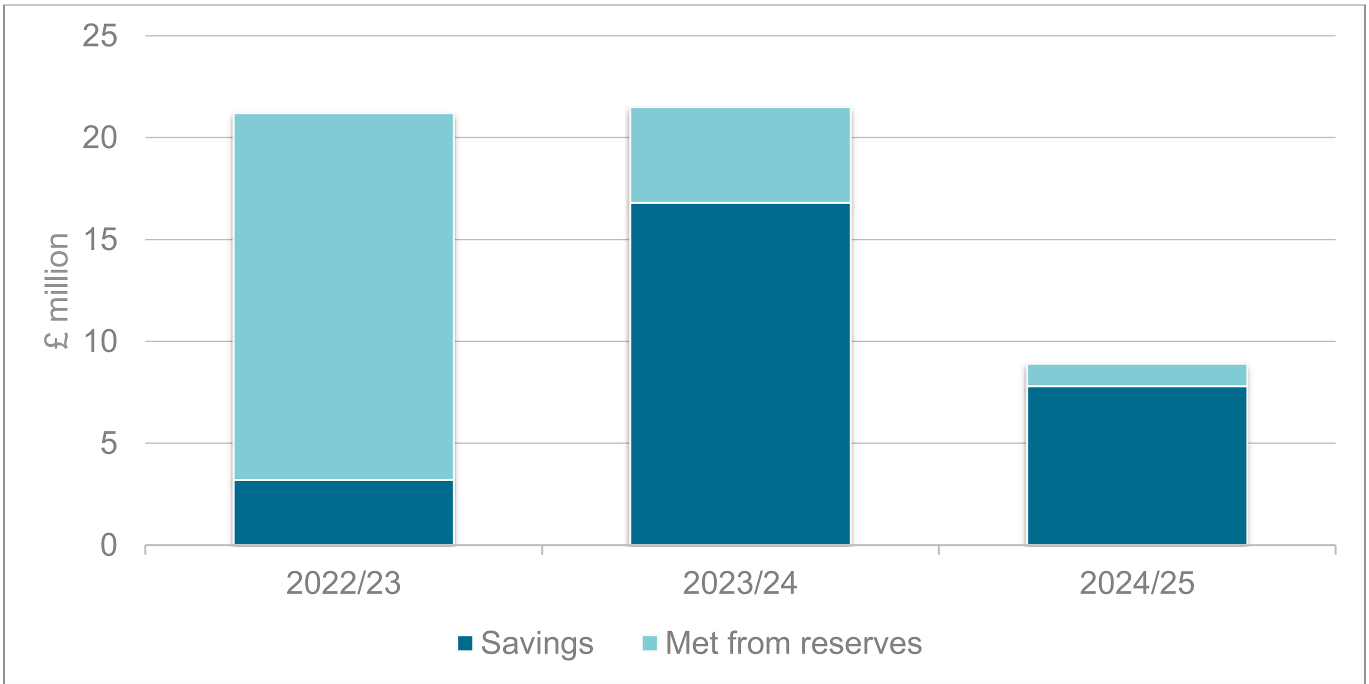
Medium term financial plans forecast funding gaps of £21.5 million in 2023/24 and £8.9 million in 2024/25, with savings not yet identified to meet this

69. An updated medium to long term financial strategy was approved as part of the council's budget setting process in March 2021. This was further updated during the year, most recently in September 2022, to reflect the impact of additional budget pressures on the council's short to medium term financial plans.

70. Exhibit 7 shows the projected funding gaps to 2024/25 and how these will be funded. Savings of £20.9 million have yet to be identified to balance the budget in 2023/24 and 2024/25. The council is considering taking a loans fund repayment holiday in 2022/23 which would delay the need to find some of the savings by up to one year but recognises that more needs to be done to address the underlying deficit against a backdrop of planned reductions in reserves.

71. The report notes that there is considerable uncertainty regarding key budget pressures including pay awards, inflationary price increases, and the impact of the Scottish Government Spending Review, and that savings targets may need to increase further. The updated plan reflects an estimated pay award of 5% although it is recognised these are unlikely to be sufficient. The Scottish Government continues to review the potential for additional flexibilities to support councils to fund the pay award.

Exhibit 7
Identified funding gaps 2022/23 – 2024/25



Source: Moray Council's Short to Medium Term Financial Planning report – September 2022

The council's current transformation programme will not deliver sufficient savings to deliver financial sustainability in the medium term.

72. The council approved an Improvement and Modernisation Programme (IMP), in December 2018, to deliver transformational change. In previous years, we have reported that progress has been slower than expected and that this was exacerbated due to the redeployment of the Head of Transformation to assist in managing the council's response to the Covid-19 pandemic during 2020/21. The impact of the pandemic on delivery of the transformation programme was recognised in the BVAR progress report, published in March 2022, which concluded that *'immediate progress now needs to be evidenced in more urgent implementation of the improvement and modernisation programme.'*

73. The council reviewed its IMP in March and August 2022. An additional workstream (Strategic and Corporate Workstream) has been added to capture work on projects such as Climate Change, Poverty and Participatory Budgeting. A review of project governance arrangements and how projects will contribute to the council's financial sustainability has also been undertaken. The council continues to review how it delivers services with a view to developing new projects which will generate more savings. There is a risk, however, that the introduction of new projects could impact on the council's ability to deliver current ones.

74. The council has agreed a hierarchical approach to budget savings, with preference given to transformation of services, thereafter to income generation and finally to service reduction/cessation. The latest IMP report (August 2022) predicts cashable savings totalling £1.6 million will be generated from transformation projects. The 2022/23 budget includes £0.3 million of savings to be delivered from council's transformation programme. The remainder (£1.3 million) represents only 5.3% of the £24.6 million of savings the council needs to find to balance its budgets in 2023/24 and 2024/25.

4. Governance and transparency

The effectiveness of scrutiny and oversight and transparent reporting of information

Main Judgements

Overall governance arrangements are appropriate.

Members have yet to conclude on the Audit and Scrutiny Committee's remit and agree a shared view on the role and nature of scrutiny.

Political leadership of the council is still finely balanced.

The council has improved its approach to monitoring and reporting progress against its equality outcomes.

Overall governance arrangements are appropriate

75. As part of our audit process, we are continually assessing the governance arrangements within Moray Council. Our previous years' conclusion is still relevant: that, overall, appropriate governance arrangements are in place.

Members have yet to conclude on the Audit and Scrutiny Committee's remit and agree a shared view on the role and nature of scrutiny

76. The 2022 BVAR progress report noted that the remit of the Audit and Scrutiny Committee had still to be reviewed and clarified, and that the council needed to address the lack of a shared view of the role and nature of scrutiny. Members had previously agreed to postpone this review until after the local elections in May 2022. Our review of committee minutes noted that this key finding has still to be addressed.

Political leadership of the council is still finely balanced

77. Initially, the Local Government elections held in May 2022, and subsequent meeting of the council, led to a change in council leadership from a minority SNP administration to a minority Conservative administration.

78. However, there have been a number of changes to the leadership of the council in the five months since the elections. One of the co-Leaders left the administration group after two months and now sits as an Independent councillor. The Convener resigned from their post and a new leadership structure was approved in August 2022, consisting of a Leader, Depute Leader and Civic Leader. In addition, a by-election is due to be held in early November following the resignation of one of the new intake of councillors in May.

The council has improved its approach to monitoring and reporting progress against its equality outcomes.

79. Every public sector body must be able to demonstrate how it fulfils the general equality duty under the Equality Act 2010. We have undertaken a high-level review of how the council demonstrates its compliance with the Act, and how it advances equalities within the organisation and in its business activities.

80. In line with the requirements, reports are produced every two years which focus on progress against the council's equality outcomes. The latest (2021) report reviewed progress against the outcomes covering the period 2017 to 2021 under five themes: bullying, domestic violence, access to streets, the gender pay gap and support of Syrian refugees in their process of integration in Moray.

Progress against the 2017-21 outcomes which have performance data, has been mixed, with progress being made in some areas but declining in others:

- the employee survey 2019 showed a reduction in the number of employees subject to bullying (from 16% to 14%) and harassment (from 11% to 10%)
- incidents of domestic violence show an upward trend, with a marked uplift in 2020/21 associated with the Covid-19 pandemic lockdown period. A community safety strategy is being developed to mainstream this issue within Moray
- the mean gender pay gap has reduced to 6.14% (exceeding the target of 5%) from 7.59% reported in 2018/19. A reduction in the gender pay gap is included as one of the key outcomes of the latest Corporate Plan 2024 and actions to tackle the gap has been incorporated into various projects proposed under the Moray Growth Deal
- the council employs more women (78%) than men (22%), but more women tend to be in lower grade posts, with 35% of the total workforce being women in Grade 3 posts or below, compared to 5% of the total workforce being men in Grade 3 posts or below
- the implementation of the Living Wage has benefitted both genders, but with a more significant impact for women as more women occupy lower grade posts.

81. The report recognises there have been challenges in collecting and disseminating data as the equality outcomes cut across services within Moray Council. Work is ongoing to ensure that the outcomes are captured within the cyclical performance reporting mechanisms so that progress on the equality outcomes will be captured every 6 months.

82. Equality outcomes have been revised for 2021-2025 and are now more clearly linked to the Corporate Plan (and through that the Local Outcomes Improvement Plan), with a defined set of actions and outcome measures. The revised themes are intended to tackle inequalities in the following areas: bullying, domestic violence, housing, inclusive economic growth (which includes reducing the gender pay gap) and ethnicity.

83. We concluded that the council shows a strong commitment to promoting and complying with equality legislation.

5. Best Value

Using resources effectively and continually improving services.

Main judgements

Given the challenges presented by the pandemic, the council has made adequate progress against its BVAR recommendations. Challenges remain, however, as it seeks to deliver financial sustainability through strategic change.

The council has made adequate progress against its BVAR recommendations. Challenges remain, however, as it seeks to deliver financial sustainability through strategic change.

84. Best value is assessed over the audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council is considered by the Accounts Commission at least once in this period. The BVAR for the council was published in August 2020 and a progress report in March 2022.

85. The progress report concluded that the council '*has put in place elements needed to deliver improvements, against a backdrop of the challenges of the Covid-19 pandemic, to which the council responded well. We note in particular the attention being given by the council to its approach to improving educational attainment and housing. We are not, however, assured that this momentum will be maintained. We remain disappointed that the strong cohesive leadership required from elected members is not yet being demonstrated.'*

86. In June 2022, the council updated the BVAR action plan, approved in October 2020, to reflect the findings of the BVAR progress report. The updated action plan includes actions under the following themes:

- Increase the pace of transformational change
- Improve performance management reporting
- Financial Planning
- Continue to progress the Governance Review
- Improve Educational Attainment
- Committed and Decisive Leadership
- Workforce and Capacity

87. Exhibit 8 summarises Appendix 1 of the BVAR progress report which set out progress against each of the recommendations in the original BVAR, and our assessment. Due to the recent timing of the BVAR progress report, our best value work this year has focussed on the council's financial position, scrutiny arrangements and performance reporting.

88. The new auditors will continue to monitor and report on the council's progress against the improvement actions as part of the new approach to auditing and reporting Best Value. The Accounts Commission has requested that the Controller of Audit monitor the situation closely and report back in 2023.

Exhibit 8
Progress on Best Value Recommendations

BVAR Recommendation	Summary of progress
The council needs to make some difficult strategic decisions on areas such as, asset management, leisure services, flexible working, income generation and service transformation in education and social work.	**Recent progress after delays** The council approved a revised and re-prioritised improvement and modernisation programme, this more clearly aligns the IMP to council priorities, and sets short and medium- to long-term targets. **Update from 2021/22 audit:** The IMP stalled during 2021/22 resulting in planned savings of £0.1 million not being delivered. The council has recently reviewed project governance arrangements and how projects will contribute to the council's financial sustainability. It has also reviewed processes to provide assurance that projects will be delivered on time. **There needs to be more urgent implementation of the improvement and modernisation programme.**
The council needs to complete its performance management suite of documents. This should include key indicators to support priorities and address the level of reporting at an overall council level versus service level. Improvements to reporting should include a review of targets and better summary of key areas of good and poor performance and any specific actions to be taken.	**Good progress** Performance reports are now more focused on strategic priorities, summarising key areas of good and poorer performance and identifying what needs to improve. The performance management team continue to work closely with services to ensure indicators and targets are relevant. The emphasis is now on continuing to refine and build on what is in place, using it to drive priorities and making sure there is a good understanding of outcome-based performance management among officers and members.

BVAR Recommendation	Summary of progress
The medium- and longer-term financial position needs to be addressed and the continued reduction in the council's reserves position halted before the position becomes acute.	**Recent improvement, but the outlook is for reserves to again be used increasingly to balance future budgets** The council's financial position has improved over the last two years and Moray Council is no longer in danger of running out of reserves in the medium term. The council plans to use significant Covid-19 reserves to balance its budget in 2022/23 and 2023/24 and use this time to develop new transformation projects and consider other approaches to deliver the savings required to ensure services are financially sustainable in the medium to longer term. **Update from 2021/22 audit:** The council increased its usable reserves by £5.8 million during 2021/22 but plans to use £17.3 million (38%) of its General Fund to balance its 2022/23 budget. The council's current transformation programme will not deliver sufficient savings to deliver financial sustainability in the medium-term. Cashable savings of £1.6 million will be generated by these projects, of which £0.3 million has been included in the 2022/23 budget. The remainder represents 5.3% of the savings required to balance the 2023/24 and 2024/25 budgets. The council continues to review how it delivers services with a view to developing new projects which will generate more savings. There is a risk, however, that the introduction of new projects could impact on the council's ability to deliver current ones.
The elected member development strategy should be implemented through programmed activity and personal development plans.	**In progress** The council now has a comprehensive elected member development strategy which is being implemented. The council plans to roll this out to new members from May 2022. It is important that all elected members take responsibility for their training and development.
To help streamline processes, the council needs to continue to progress its governance review, including reviews of committee structures, schemes of delegation and reporting to committees.	**In progress** A governance review is being finalised, the remit of the Audit and Scrutiny Committee is still to be reviewed and clarified and the council needs to address the lack of a shared view on the role and nature of scrutiny. Cross-party working has been affected by political differences between some groups and some poor relationships. The administration group has been

BVAR Recommendation	Summary of progress
	able to gain support for key decisions, but this can be time-consuming and challenging. It is the responsibility of all officers and members to work together to create a positive culture in the best interests of the people of Moray. This should be a priority of the council and external support will be helpful. **Update from 2021/22 audit:** Members had previously agreed to postpone the review of the Audit and Scrutiny Committee until after the local elections in May 2022. Our review of committee minutes since May 2022 noted that members have yet to conclude on this review or agree a shared view of the role and nature of scrutiny. We have been advised that this will be considered at the Council meeting in December 2022.
Considerable development work and additional measures are required to improve educational attainment, alongside making significant changes to the school estate.	**Data not yet available to assess, but good progress in approach** Measures have continued to be taken to improve attainment over the audit period, alongside responding to Covid-19, although it is not possible to make national comparators on performance due to the absence of external assessment information.
The council should investigate and better understand the reasons for poorer satisfaction levels in housing, learning from councils with higher satisfaction levels.	**Complete** The Scottish Housing Regulator has no major concerns about the housing services in Moray and actions are being taken to better understand tenant satisfaction.
The council needs to continue working with CPP partners to determine clear outcome milestones and performance reporting.	**Good progress has been made.** Performance management is being refocused. This is an evolving area of work which has been affected by the pandemic. Now need to focus on making improvements required. **Update from 2021/22 audit:** Performance against the outcomes in the 10-year Local Outcomes Improvement Plan (LOIP) is now reported quarterly to the Community Planning Board, with reports published on the ‘Community Performance’ section of the council’s website. Timeliness of performance reporting has improved.

The council complies with the Accounts Commission's statutory performance indicators (SPIs) Direction

89. The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibility, under their Best Value duty, to report performance to the public. The commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced, and engaging performance information.

90. The Accounts Commission issued a revised Statutory Performance Information Direction in December 2018. It requires a council to report:

- its performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes
- its own assessment and independent audit assessments of how it is performing against its duty of Best Value, and how it plans to improve these assessments
- how it (with its partners where appropriate) has engaged with and responded to its diverse communities

91. We have evaluated the council's arrangements for fulfilling the above requirements and concluded that the council complies with the Direction. Last year we noted that performance reporting in the early part of 2020/21 had been adversely impacted by the Covid-19 pandemic. There has been a significant improvement in the timeliness of performance reporting in 2021/22 with performance information promptly published on the council's website after approval by committee.

92. During 2020/21 and 2021/22, the council's focus has been on responding to the findings and recommendations made in our Best Value Assurance Report (August 2020) and BVAR progress report (March 2022). Going forward, the council should ensure it completes its own internal assessments of performance against its duty of Best Value. These assessments should include plans for improvement.

Recommendation 7

The council should complete its own internal assessments of performance against its duty of Best Value and report these and how it plans to improve them.

National performance audit reports

93. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2021/22, Audit Scotland published a number of reports which may be of interest to the council. These are outlined in Appendix 2.

94. The council has a process in place to ensure that findings from national reports are reviewed, and where relevant, presented to the Audit and Scrutiny Committee. This reporting includes an assessment of current arrangements and the identification of actions to be taken to apply good practice examples highlighted in the reports.

Appendix 1. Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
1. **Non-current assets** Audit testing identified that £0.9 million of expenditure on a third-party asset had been incorrectly included as an addition to council assets. We also identified that £2.6 million of assets were classified as assets under construction (AUC) when they had been completed by 31 March 2022. Risk – non-current assets are misclassified in the accounts.	The council should update their procedures to ensure they adequately review the classification of additions and the status of all projects classified as AUC at year end. Exhibit 2, no. 2	Year-end procedures will be updated to include checks on assets under construction and to review capital expenditure for payments to third parties. **Responsible officer:** Principal Accountant **Agreed date:** 31 March 2023
2. Loans Fund advances The council made loans fund advances of £21.5 million to services in 2021/22 but did not include these in its loans fund working papers, set out the repayment period for each loans fund advance or calculate the amount of repayment due in each financial year. In addition, the council has not included the disclosures required by Finance Circular 7/2016 in either the Management Commentary or the annual Treasury Management Strategy or annual Report.	The council should update its loans fund working papers to include advances made in 2021/22, the repayment period for each loans fund advance, and the amount of repayment in each financial year. The council should disclose the loans fund repayment profile in its management commentary in 2022/23. Exhibit 2, no. 3	Loans pool working papers will be updated to include the 2021/22 loans fund advances. **Responsible officer:** Principal Accountant **Agreed date:** 30 April 2023 Loan pool procedures will be updated, and the appropriate disclosures included in the annual accounts. **Responsible officer:** Chief Financial Officer **Agreed date:** 30 June 2023

Issue/risk	Recommendation	Agreed management action/timing
Risk – the council does not comply with the requirements set out in Finance Circular 7/2016.		
3. Charities The Moray Council Charitable Trust has £0.3 million of assets at 31 March 2022 but has not disbursed any funds since it was set up in August 2016. Risk – the charity does not provide public benefit requirements and so does not meet the charity test.	Trustees should develop clear plans for the use of The Moray Council Charitable Trust funds. Paragraph 34 to 37	This will be progressed as staff resource permits **Responsible officer:** Head of Governance, Strategy and Performance **Agreed date:** Date dependent on available resource
4. Financial management Budget monitoring reports did not satisfactorily forecast and report the development of the final position shown in the audited financial statements. Risk – members do not have up to date and accurate financial information on which to base their decision-making.	The council should review its forecasting process to ensure the most accurate projection possible of the year end position. Paragraph 42 to 43	The projected use of reserves will be scrutinised as part of the estimation process. **Responsible officer:** Chief Financial Officer **Agreed date:** 30 November 2022
5. Payroll user access There is no formal review of user access to the 'iTrent' payroll and HR system to ensure access rights remain appropriate. Risk – individuals continue to have inappropriate access to the payroll and HR system.	The council should regularly review user access to the 'iTrent' payroll and HR system to ensure access rights remain appropriate. Exhibit 5, no. 5	User access to 'iTrent' will be cross checked with the leavers report on a quarterly basis. **Responsible officer:** Head of HR, ICT & OD / Assistant Payroll Manager **Agreed date:** 31 December 2022
6. Council tax discounts and non-domestic rates reliefs Regular reviews are not undertaken to ensure those in receipt of continuing	The council should regularly review whether individuals in receipt of discounts and reliefs awarded in prior years remain eligible to receive them.	A timetable for the review of all Council Tax reductions will be put in place. All NDR reliefs will terminate on 1 April 2023 as part of the national revaluation of all

Issue/risk	Recommendation	Agreed management action/timing
discounts and reliefs awarded in prior years are still eligible to receive them. Risk – discounts and reliefs are awarded to ineligible taxpayers.	Exhibit 5, no. 6	NDR subjects. Ratepayers will be invited to reapply for relief. **Responsible officer:** Taxation Manager **Agreed date:** 31 March 2024
7. Statutory Performance Indicators (SPIs) Going forward, the council should ensure it completes its own internal assessments of performance against its duty of Best Value. These assessments should include action plans for improvement Risk – the council does not comply with the requirements of the SPI Direction.	The council should complete its own internal assessments of performance against its duty of Best Value and report these and how it plans to improve them. Paragraph 89 to 92	The range of BVAR related reporting across the Performance Management Framework will be reviewed to ensure compliance with the SPI directive. **Responsible officer:** Head of Governance, Strategy and Performance **Agreed date:** 31 March 2023

Follow-up of prior year recommendations

Issue/risk	Recommendation	Update/revised management action/timing
b/f 1. Non-current asset valuations	The council should complete a management review of its fixed asset register at each year end and reconsider its approach to five-year programme of revaluation	**Substantially complete** At 31 March 2022, the council applied an adjustment of £108.9 million based on a desktop review of BCIS rebuild costs to reflect estimated material movements in current value since the last valuation. Refer to Exhibit 2, no. 1. Recent increases in rebuild/retender prices due to high levels of inflation may indicate that the council's five-year approach to full revaluation may no longer be

Issue/risk	Recommendation	Update/revised management action/timing
		appropriate to reflect fair value movements. We recommend that the council reviews its rolling approach to asset revaluation over 5 years. **Revised action:** No change proposed The annual review process agreed with the auditors and implemented in 2021/22 is designed to capture material changes in asset values in the most effective manner in the context of limited staff resources.
b/f 2. Moray Leisure Limited	The council should review its treatment of Moray Leisure Limited (MLL) in 2021/22	**Outstanding** The council has not reviewed its treatment of Moray Leisure Limited and has continued to consolidate MLL as an associate within the group financial statements. In our opinion, MLL should be accounted for as a subsidiary. The amounts are not material to our opinion on the group accounts. **Revised action:** Review (not necessarily amend) treatment. **Responsible officer:** Principal Accountant **Revised date:** 31 March 2023
b/f 3. Cyber Security	The council should reapply for PSN and Cyber Essentials Plus accreditations as soon as practical.	**Outstanding** The council has recently completed an external IT Health Check. Any high impact risks will need to be addressed before applying for

Issue/risk	Recommendation	Update/revised management action/timing
		PSN or Cyber Essentials Plus accreditations. **Revised action:** The service provider has submitted the IT Health Check report. This is currently being assessed with a view to compiling a list of remedial actions to address the high impact risks. Submissions for accreditation will be made once the appropriate risks have been remediated. **Responsible officer:** ICT Infrastructure Manager **Revised date:** 31 Jan 2023
b/f 4. Management Commentary	The council should review its management commentary against the expectations set out in Audit Scotland's Financial Overview 2017/18 report and the recommended good practice example (Comhairle Nan Eilean Siar).	**Complete** The council has improved the clarity of the reporting of financial performance against budget and how it reconciles to the financial statements.
b/f 5. Internal controls	The council should ensure that a robust payroll validation process is introduced across all services, and any differences on the annual housing rents reconciliation are timeously investigated and cleared.	**Outstanding** Establishment lists were issued to all budget managers in March 2022 following identification of a £10k overpayment to an ex-employee. HR are still processing responses received but so far two further overpayments have been identified totalling £5.6k. Refer to paragraphs 52 to 57. There was a difference of £2,000 on the housing reconciliation which was written-off as part of the year-end procedures.

Issue/risk	Recommendation	Update/revised management action/timing
		Revised action: Payroll - regular routine for review of establishment list by managers being scheduled. Housing - no amendment to current procedures proposed. **Responsible officer:** Head of HR, ICT & OD and Assistant Payroll Manager **Revised date:** Schedule in place by Nov/Dec 2022
b/f 6. Financial sustainability	The council needs to increase the pace of delivery of its Improvement and Modernisation Programme so that it can deliver the savings necessary to deliver sustainable services.	**Outstanding** The council's programme stalled in 2021/22 and, as a result, planned savings of £0.1 million were not delivered. **Revised action:** Progress was reported to Corporate Committee on 30 August 2022 and progress will continue to be reported to committee **Responsible officer:** Depute Chief Executive (EC&OD) **Revised date:** Ongoing
b/f 7. Business continuity planning	The council should review its business continuity arrangements to ensure that they are up to date and fit for purpose. Lessons learned from the pandemic should also be incorporated.	**In progress** The council has appointed a Business Continuity and Risk Management Officer and work is ongoing to review procedures and support services to update their business continuity plans. **Revised action:** As above

Issue/risk	Recommendation	Update/revised management action/timing
		Responsible officer: Audit and Risk Manager **Revised date:** 31 March 2023
b/f 8. Money Laundering policy	The council should ensure that the money laundering guidance is updated.	**In progress** The council has reviewed its money laundering policy, but it has not yet been updated. **Revised action:** Update policy **Responsible officer:** Chief Financial Officer **Revised date:** 31 March 2023
b/f 9. Capitalisation of borrowing costs	The council should review its procedures for the capitalisation of borrowing costs to ensure that they meet the requirements of the Code.	**Complete** The council reviewed its procedures in previous years and the issue identified last year did not recur this year.
b/f 10. Risk Management (from 2020/21 Management Report)	The council should ensure that adequate resources are put in place to support its risk management processes.	**In progress** The council has appointed a Business Continuity and Risk Management Officer and work is ongoing to review procedures and support services to update their risk registers. **Revised action:** As above **Responsible officer:** Audit and Risk Manager **Revised date:** 31 March 2023

Appendix 2. 2021/22 national reports and briefing papers

May

Local government in Scotland Overview 2021

June

Covid 19: Personal protective equipment

July

Community justice: Sustainable alternatives to custody

September

Covid 19: Vaccination programme

January

Planning for skills

Social care briefing

February

NHS in Scotland 2021

March

Local government in Scotland: Financial Overview 20/21

Drug and alcohol: An update

Scotland’s economy: Supporting businesses through the Covid 19 pandemic

Moray Council

Draft 2021/22 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:
www.audit-scotland.gov.uk/accessibility

For the latest news follow us on social media or
subscribe to our email alerts.

Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: **info@audit-scotland.gov.uk**
www.audit-scotland.gov.uk

AS.4.0

REPORT TO: SPECIAL MEETING OF MORAY COUNCIL ON 7 NOVEMBER 2022

SUBJECT: MORAY COUNCIL'S AUDITED ANNUAL ACCOUNTS FOR THE PERIOD 1 APRIL 2021 TO 31 MARCH 2022

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

1.1 To submit to the Council the Audited Annual Accounts for the Moray Council for the year ended 31 March 2022.

1.2 This report is submitted to the Council to ensure the deadline for signing the accounts by 31 October is met and for consideration as a suite of reports on the Annual Audit and Accounts for 2021/22.

2. RECOMMENDATION

2.1 It is recommended that the Council:

i) consider and note the Audited Annual Accounts for the financial year 2021/22; and

ii) approve that the Annual Accounts are signed, having regard to the Annual Report from the external auditor considered earlier at this meeting.

3. BACKGROUND

3.1 The unaudited Annual Accounts were submitted to a meeting of Moray Council on 29 June 2022 (paragraph 26 of the minute refers). A copy of the Audited Annual Accounts for 2021/22 is available as another meeting document on this agenda. Subject to approval, the signed accounts will be posted to the Council's website following this meeting.

3.2 As a result of the audit process a number of changes have been made to the Core Statements and these are described below.

3.3 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. The Council adopted a desktop indexation exercise for specific classes of assets during 2021/22 and corrections were required as a result of the audit. Corrections were also identified in regards items that were classified as Under Construction in error and these were also corrected. The effect of these amendments was to increase net assets and unusable reserves by £16.332 million. There was no impact on the Council's useable reserves.

3.4 Following completion of the draft Annual Accounts the Council were notified by the North East Pension Fund of errors in the information provided by the scheme actuaries. The revised figures are incorporated in the audited accounts. This has resulted in an increase of the Pension Liability of £0.019 million. This impacted on the Comprehensive Income and Expenditure Statement (CIES) by increasing the re-measurement of the net defined liability. This also affected the Movement in Reserves Statement (MIRS) to increase the unusable reserves value; the Balance Sheet for the long term pension liability and pension reserve, along with the associated notes and group accounts.

3.5 During the audit an error was identified in relation to a creditor and this was corrected. The effect of this was to reduce the net cost of services in the Comprehensive Income and Expenditure Statement (CIES) by £0.180 million and increase useable reserves by the same amount, which is split as a £0.173 million increase to the General Fund and £0.007 million increase to the Housing Revenue Account (HRA). The General Fund increase has been added to the Covid-19 earmarked portion of the General Fund.

3.6 The overall impact of the amendments is to increase net assets by £16.493 million, unusable reserves by £16.313 million and useable reserves by £0.180 million.

3.7 The External Auditors have given the Council an unqualified opinion in the Independent Auditors' Report, which can be found on pages 117-119 of the Accounts.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

The draft Annual Accounts were completed within the target timescale.

(b) Policy and Legal

According to Paragraph (1) of the Local Authority Accounts (Scotland) Regulations 2014, a Local Authority is required to submit its Audited Accounts to the Council each year and state that a local authority must meet to consider the Audited Accounts and aim to approve them no later than 30 September immediately following the financial year to which they relate. 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), the regulations have been relaxed in response to the Covid-19 pandemic but the relaxations mainly relate to the timing of the audit and the consideration date was consequently delayed until 31 October 2022, with a publication deadline of 15 December 2022.

The review by the External Auditors of the Council's Accounts is in accordance with the Council's Code of Corporate Governance and ensures that the Council complies with established policies, procedures, laws and regulations.

(c) Financial implications
Amendments to the accounts were identified as part of the audit process. The impact of these was to increase the Council's useable reserves by £0.180 million.

(d) Risk Implications
There are no risk issues arising directly from this report. The work undertaken by Audit Scotland provides assurance to the Committee that the Accounts for 2021/22 give a true and fair view of the financial position and expenditure and income of the Council and its group for the year.

(e) Staffing Implications
Many staff throughout the Council Provide information for the inclusion in the Annual Accounts.

(f) Property
There are no property issues arising directly from this report.

(g) Equalities/Socio Economic Impact
There are no equalities issues arising directly from this report.

(h) Climate Change and Biodiversity Impacts
There are no climate change and biodiversity issues arising directly from this report.

(i) Consultations
None.

5. CONCLUSION

5.1 The Council's External Auditor has issued an opinion with no qualifications for the 2021/22 Annual Accounts which means that the audited financial statements give a true and fair view of the financial position and expenditure and income of the Council and its group for the year.

Author of Report:	Laurie Milne, Senior Accountant
Background Papers:	Held in Financial Services
Ref:	*SPMAN-1293228629-758*

AUDITED ACCOUNTS

ANNUAL ACCOUNTS FOR
THE YEAR ENDED

31 MARCH 2022

If you need information from Moray Council in a different language or format, such as Braille, audio tape or large print, please contact:

إذا كنتم في حاجة إلى معلومات من قبل مجلس موراي وتكون بلغة مختلفة أو على شكل مختلف مثل البراي، أسطوانة أوديو أو أن تكون مطبوعة باستعمال حروف غليظة فالرّجاء الإتّصال ب

Jei pageidaujate tarnybos Moray tarybos teikiamą informaciją gauti kitokiu formatu, pvz., Brailio raštu, garso įrašu ar stambiu šriftu, kreipkitės:

Jeśli potrzebują Państwo informacji od Rady Okręgu Moray w innym formacie, takim jak alfabet Braille'a, kasety audio lub druk dużą czcionką, prosimy o kontakt:

Se necessitar de receber informações por parte do Concelho de Moray num formato diferente, como Braille, cassete áudio ou letras grandes, contacte:

Ja Jums vajadzīga informācija no Marejas domes (*Moray Council*) citā valodā vai formātā, piemēram, Braila rakstā, audio lentā vai lielā drukā, sazinieties ar:

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

Chief Financial Officer, High Street
Elgin, IV30 1BX

01343 *563125*
accountancy.support@moray.gov.uk

Contents

Management Commentary

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 2021/22. 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, 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 and Key Performance Indicators relating to the Council's Corporate Priorities for 2021/22 can be found on our website as well as detailed performance information.http://www.moray.gov.uk/moray_standard/page_92320.html

In common with all other organisations, the Covid-19 pandemic has continued to have significant impact on the Council as we responded to the challenges posed to the people of Moray, to our services and to our local businesses and communities, and the management commentary gives some context to this.

Management Commentary (continued)

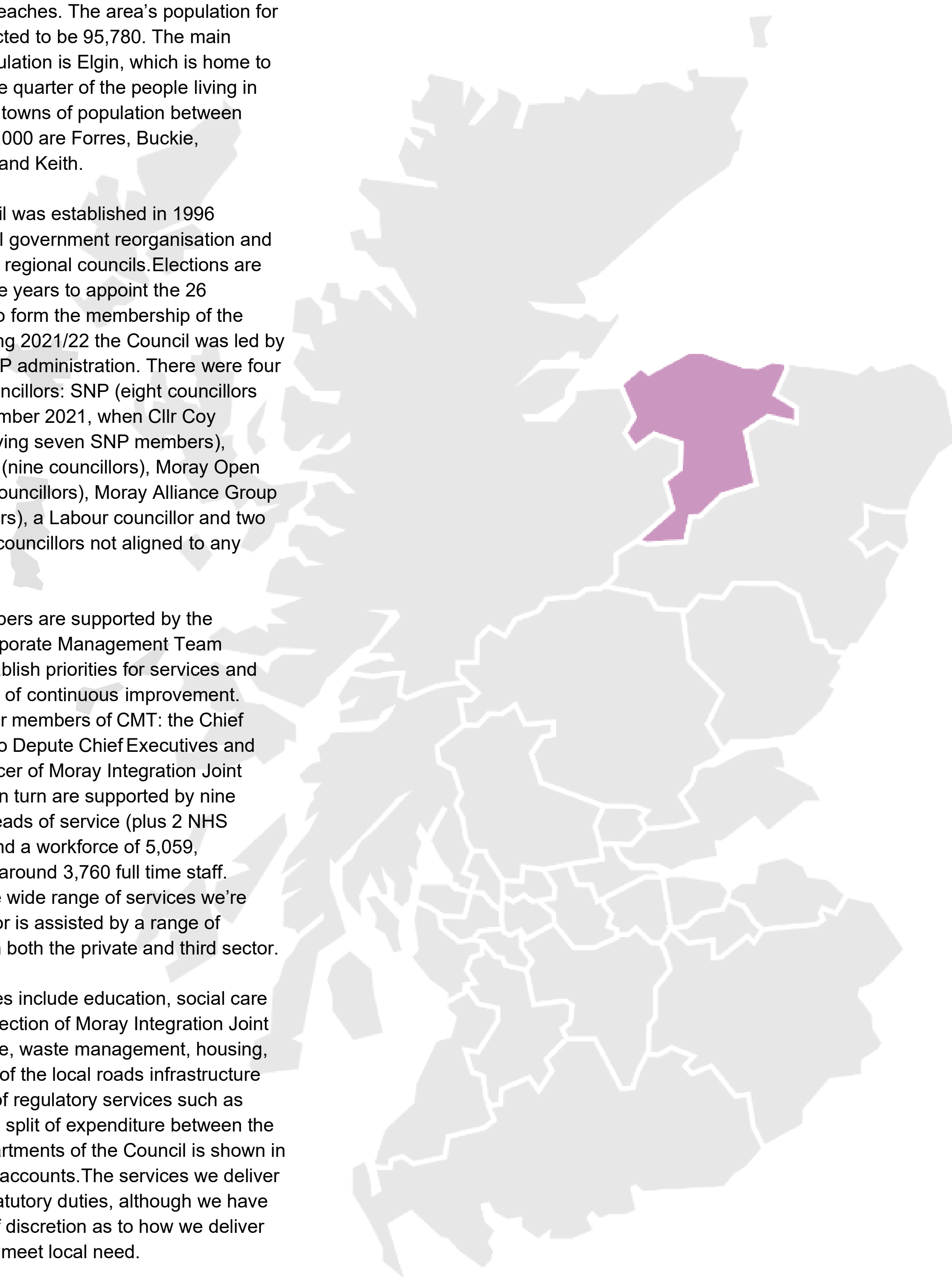
About us

Moray is a largely rural area covering a land mass of 2,238km². It has a long coastline on the Moray Firth with harbours, fishing villages and world-class beaches. The area's population for 2022 is projected to be 95,780. 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 2021/22 the Council was led by a minority SNP administration. There were four groups of councillors: SNP (eight councillors until 24 November 2021, when Cllr Coy resigned, leaving seven SNP members), Conservative (nine councillors), Moray Open Group (four councillors), Moray Alliance Group (two councillors), a Labour councillor and two independent councillors not aligned to any group.

Council members are supported by the Council's Corporate Management Team (CMT) to establish priorities for services and a programme of continuous improvement. There are four members of CMT: the Chief Executive, two Depute Chief Executives and the Chief Officer of Moray Integration Joint Board. They in turn are supported by nine permanent heads of service (plus 2 NHS equivalent) and a workforce of 5,059, equivalent to around 3,760 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 ensuring a Sustainable Council for the future, including financial stability.

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. Due to the uncertain economic climate this Plan was not updated in February 2022 . It will be updated prior to the budget for 2023/24 being approved. General funding from Scottish Government has been reduced over the past 11 years. We have made savings and we have also made planned use of reserves to cushion the effect on services of reduced funding. However, this is not sustainable. We have agreed an Improvement and Modernisation Programme (IMP) as a vehicle to assist in driving out savings by changing the way in which we operate as a Council. Work on this was stalled due to the pandemic but it will be a focus of attention as part of the budget setting process during 2022.

Although our financial planning process in normal times focuses on the medium term, successive single-year settlements from the Scottish Government have resulted in annual budgets being approved. And during the pandemic our focus was more on the short term due to the economic turbulence created by the pandemic. The budgets for 2021/22 (General Fund revenue and capital and HRA revenue and capital) were approved by Council on 3 March 2021.

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 capped the level of increase which councils could set in successive years. A freeze was reintroduced for 2021/22 (for the one year).

In addition to general grant funding we receive 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 income generation is seen as an important means of protecting service delivery. Income fell considerably during pandemic restrictions, and it is considered that patterns of income generation will continue to show changes due to e.g. increased working from home, with car parking income likely to be permanently at a lower level than pre-pandemic.

We measure our performance using the Council's Performance Management Framework. Performance is reported to the appropriate service committee on a six monthly basis. Quarterly reports on our financial performance against the budget for the Council's general fund are reported to the Corporate Committee or (depending on the committee cycle) to the full Council.

Highlights of successes and challenges for strategic objectives are summarised below (these have been extracted from final 2021/22 performance reports to committees, which also include service level performance information).

Education Resources and Communities:

Successes: public engagement on the future of council services and locality planning in Buckie, Elgin, Keith, Lossiemouth and Forres; Leisure Services review complete.
Challenges: completion of Community Asset Transfer with three of the eight anticipated approved, allocation of budget using Participatory Budgeting, improvement of the Learning Estate.

Children Services:

Successes: Looked After Children – reduction in number per 1000 of population and reduction in proportion with more than one placement in a year
Challenges: cost of the provision of community and residential placements; increase of neglect and domestic abuse of children on the Child Protection Register

Education Services:

Successes: work on improving attainment; development of post-covid parental engagement strategy
Challenges: staff recruitment; still in bottom quartile for a number of indicators of attainment

Environmental and Commercial Services:

Successes: promoting active and green travel, with Bikeability lessons recommenced in primary schools and an increase in electric car charging points
Challenges: none reported at Strategic level.

Economic Development and Growth

Successes: the Local Employability Partnership, a collaborative approach
Challenges: developing Moray Growth Deal full business cases; Moray Skills Investment Plan on hold due to the pandemic.

Housing and Property Services:

Successes: Target for delivery of specialist housing achieved; findings of Tenant Survey largely positive
Challenges: Responding to the housing needs of older people, progress made but delayed

HR, ICT and Organisational Development:

Successes: Elected Member Development Strategy complete.
Challenges: All plans impacted by covid-related work. Developing the workforce through transformation and change; leadership development

Governance, Strategy and Performance:

Successes: Reporting under the Performance Management Framework
Challenges: Governance review and customer contact revisions delayed by covid-related work.

Financial Services:

Success: Short to Medium term financial strategy updated
Challenges: Long to Medium Term financial strategy still to be reviewed, post covid

Key Performance Indicators (KPIs)

The KPIs below are mainly for 2020/21 as these are the latest figures currently available across all services. Where figures are available for 2021/22 these have been included. As with the successes and challenges above, these are highlights, and a comprehensive performance report including 2021/22 figures will be published later this year. The Performance Report for 2020/21 can be found http://www.moray.gov.uk/downloads/file143920.pdf

Our People

Children & Families	Target	2021/22	2020/21	2019/20	Short term trend
Percentage of leavers achieving 1+ awards at SCQF level 4 or above	Increase	March 2023	96.8%	95.2%	↑
Proportion of pupils entering positive destinations	96%	December 2022	94.1%	93.1%	↑
Percentage of Looked After Children cared for in a community setting	81.7%	81.5%	82.5%	78.75%	↓

Percentage of Looked after leavers achieving 1+ awards at SCQF level 4 or above	Increase	March 2023	75%	68.4%	
Child Protection – Rate of registration (per 1,000 1-15 population)	2.7	2.3	1.6	2.2	

Adults	Target	2021/22	2020/21	2019/20	Short term trend
Percentage of adults able to look after their health very well or quite well	91%	93%	N/A	93%	
Emergency admission rate (per 100,000 population)	11,635	9,312	8,713	9,322	
Percentage of adults supported at home who agreed they felt safe	80%	72%	N/A	79%	

Our Place

	Target	2021/22	2020/21	2019/20	Short term trend
Number of Community Asset Transfers completed	8	3	2	N/A	
Percentage of Participatory Budgeting (PB) expenditure achieved	100%	2.8%	2.8%	N/A	
Number of new Community Action Plans in place	2	1	0	N/A	

Scottish Government have set a target of 1% of a local authority’s budget to be allocated by PB – our target is to achieve 100% of the Scottish Government target; so far we have achieved 2.8% of that target, with progress delayed by the pandemic. However, we have plans to expand upon that in 2022/23.

Our Future

	Target	2021/22	2020/21	2019/20	Short term trend
Economic impact of tourism, in Moray	Increase	N/A	£57.63m	£134.18m	
Proportion of 16-29 year old in Moray population (NRS mid-year)	Increase	15.3%	15.1%	15.3%	
Proportion of people earning less than living wage (ASHE)	Reduce	N/A	21.5%	24%	
Median gross weekly earnings (excluding overtime)	Increase	N/A	£565.80	£561.60	
Median gross weekly earnings – pay gap	Improve	£176.10	£84.50	£179.80	
Modern Apprenticeship – achievement rate	76%	N/A	78%	76%	

Our People indicators – the Education KPIs are generally showing an improving trend; the children's social KPIs improved between 2019/20 and 2020/21 and are showing a slight deterioration between 2020/21 and 2021/22.

Our Place indicators – two indicators show an improving trend. The proportion of budget allocated by PB remains significantly below target.

Our Future indicators – a mix of improvement and a significant drop in economic impact of tourism (showing the impact of the period of lockdown and significant pandemic restrictions). The 2020/21 dramatic decrease in the pay gap reflects the impact of furlough and 2021/22 shows a pay gap of the same order as in 2019/20, albeit slightly improved from that year.

Management Commentary (continued)

Highlights of the year

14 April | Our People

Pupils move into £42m new Lossiemouth High School. Phase 3 was still underway at 31st March 2022.

11 June | Our people

Re:connect partnership launched

16 November | Our people

Over 80 new homes for Hopeman and Lhanbryde

16 March | Our people

Dedicated team being recruited to offer intensive housing support to vulnerable residents

22 April | Our place

Cooper Park design competition for Moray's young people launched

19 July | Our place

New gateway feature for Buckie unveiled

Management Commentary (continued)

10 February Our
place

Public invited to discuss Moray's £300m Learning Estate Strategy

1 March Our place

Moray communities to create vision for their locality

12 May Our future

New £1.8m bridge secured for Lossiemouth

30 June Our future

Buckie harbour gets £770,000 regeneration boost

9 July Our future

Celebrating the Speyside low carbon hub

20 December Our
future

Moray Growth Deal signed - £100 million investment in Moray

Management Commentary (continued)

Impact of the pandemic

Responding to the pandemic and supporting recovery continued to be a major focus for services in 2021/22.

Education recovery has been a focus at national level, with £110 million funding provided for additional teachers and support staff (Moray's share was £1.851 million) and a package of funding for the provision of carbon dioxide monitors in schools. A comprehensive recovery plan was developed by schools and central Education staff, and additional funding added to that received from Scottish Government to fully fund the plan.

The Council administered a number of grants to local businesses on behalf of Scottish Government, as well as a local scheme of support. Grants totalling £12.7 million were made during 2021/22. The Economic Recovery Plan approved in 2020/21, with £3.8 million investment in the local economy planned, continued to be implemented, with a number of initiatives such as pop-up shops to encourage economic activity.

Support was provided to individuals who had to self-isolate (£0.419,million in self-isolation grants); through the Flexible Food Fund (1,985 applications and grants totalling £0.62 million); family pandemic payments (3,437 families supported with grants totalling £0.81 million) and support for families entitled to school meals during school vacations; Low Income Pandemic Payments to reduce Council Tax for people on lower tax bands or entitled to Council Tax Reduction.

Much funding was announced by Scottish Government in March 2021. Moray's share amounted to almost £12 million and was carried forward into 2021/22 in an ear-marked reserve for pandemic-related expenditure because it would not be spent in the year received. Further funding was received in 2021/22 and there is again a significant balance carried forward into 2022/23. The ear-marked reserve for pandemic related expenditure stands at £22.259 million as at 31 March 2022.

The Council continued to see a significant reduction in income, from leisure facilities, parking charges, planning and building control fees, school meals.

Supplier relief was introduced at the start of the pandemic lock down and was originally anticipated to be a short term measure. The deadline has been extended on a number of occasions. Although planned to end completely on 30 June 2022, the scheme was extended but with a restricted range of eligible costs, with costs of resting and vaccination of staff eligible for relief until 31 March 2023. Administering supplier relief has been a considerable additional task for those involved.

Another area of significant additional work was for Environmental Health Officers. During the year they inspected business premises and provided guidance in relation to the ever changing Coronavirus Act and subsequent regulations; investigated complaints of businesses non-compliance and took appropriate corrective actions; investigated outbreak control at businesses and ensure compliance; served notices where continued non-compliance; provided guidance and support to businesses, communities and the public as necessary; liaised with NHS to ensure all data shared timeously and work in partnership with same; attended incident management teams (IMT) as investigators and participants and action as tasked; collated and submit relevant data; set up and maintained LFD testing stations and staff; provided a point of contact for all things COVID to all of Moray (Local Authority (LA), businesses and public); co-ordinated sector specific targeted inspection/guidance with other North of Scotland LA's; co-ordinated and participated in joint visits with Police Scotland who had separate enforcement requirements in relation to Covid.

The disruption to supply chains seen in 2020/21 has been intensified in 2021/22. This has resulted in increased tender prices for construction work and lengthy lead-in time for ICT equipment and vehicles.

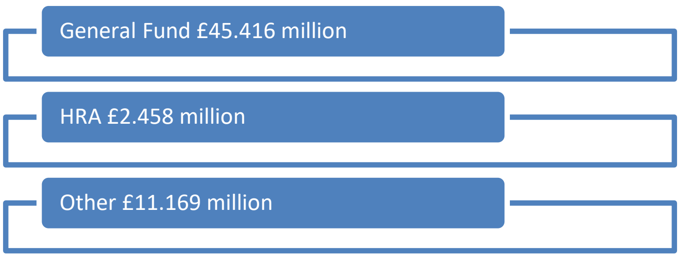
The impact of the pandemic is still being felt and work continues to review existing strategies looking at how they might need to change in a world living with Covid-19, and the impact of Brexit and the war in Ukraine. To maximise the funding allocated for future costs for Covid and other similar budget pressures the transfer to the ear-marked Covid reserve includes not only amounts given for specific areas such as education recovery but also the maximum general funding consistent with maintaining the balance of free general reserves at the policy minimum of £5 million.

Management Commentary (continued)

Financial Results for the year

The Council's Annual Accounts are prepared on a different basis from the basis on which it sets its budget. The net income for 2021/22 in the Comprehensive Income and Expenditure Statement (CIES) is £121.836 million (2020/2021: £156.780 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.

Usable reserves



Unusable reserves

The Movement in Reserves Statement shows the net income to the Council per the CIES analysed across the General Fund, HRA,other usable reserves and unusable reserves. The net income of £121.836 million shown in the CIES is the increase in overall reserves: an increase of £115.988 million in unusable reserves and £5.848 million usable reserves. Note 11 to the accounts further analyses the movement in the General Fund, showing allocation of £8.816 million from free reserves to ear-marked reserves for transformation and Council priorities, leaving a balance of £5 million in free general reserves (2020/21 £15.349 million) and an increase in ear-marked reserves (reserves set aside for specific purposes) of £13.893 million to £40.416 million (2020/21: £26.523 million).

General fund revenue expenditure

We set the budget for 2021/22 on 3 March 2021. During the year the budget was revised, mainly to reflect additional funding from Scottish Government relating to the pandemic and to other Scottish Government priorities. The original and revised budgets and actual out-turn are set out below, with explanations of main variances on page 13:

	We planned	We revised to	We out-turned	2020/21 results
Expenditure	£m	£m	£m	£m
Departmental	194.363	213.000	204.526	188.750
Loans Fund	15.207	19.820	19.702	18.953
Additional provisions - monies held centrally	4.536	13.442		
	214.106	246.262	224.228	207.703
Funded from:				
SG Grant	167.832	180.086	183.381	181.546
BRIS	1.859	1.882	0.023	1.859
Council Tax	44.405	44.405	45.979	45.079
Capital receipts				0.220
Use of reserves	0.010	19.889		
Return to reserves			(5.155)	(21.001)
	214.106	246.262	224.228	207.703

Management Commentary (continued)

The Council Tax Income Account in the Accounts show Council Tax income of £45.979 million. £0.662 million was transferred to the HRA in respect of second homes and long-term empty dwellings (2020/21: £0.652 million). 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 2020/21 we were able to retain £1.859 million of the NDR collected locally for local use under the Business Rates Incentivisation Scheme (BRIS). In 2021/22 the BRIS retention was £0.023 million. This amount was notified after the budget had been set. Moray has 5,569 rateable properties (2020/21 5,537) with a combined rateable value of over £126 million.

Commentary on year-end position

The table below gives high level detail of the Movements in Reserves for the General Fund. Despite loss of income from charges for services overall the cost of services was under budget. Children's social work services have been reviewing their service delivery to bring about better outcomes for less cost and underspent by £2.4 million. Significant levels of staff vacancies, £0.5 million more than predicted and £2m higher than budgeted lead to direct underspend on staff and indirectly to underspend because of slippage in projects, with insufficient staff to take all planned initiatives. Slippage in projects is reflected in the high level of budgeted use of reserves held centrally at the year end as projects either did not proceed or were funded by additional grants received from Scottish Government.

Use of general reserves	Amount
Planned use of reserves, including devolved school budgets	£19.889m
Less balance of monies held centrally	
Transformation spend – budget reflects full commitments but an element planned for later use	(£4.182m)
Slippage: Transformation	(£0.979m)
Covid-related spend (some met from additional in year funding)	(£8.281m)
Less underspend in services delivered	(£8.474m)
Less underspend on loans charges	(£0.118m)
Less income from grants and taxation above budget	(£3.010m)
Plus net transfer to Capital Grants and Receipts Unapplied Account	£0.928m
IORB	£0.028m
HRA (Council Tax Discount on Second Homes)	£0.662m
Results in transferred to general reserves	(£3.537m)

Ear marked reserves	Amount
Note 11 shows the detail of this Movement in Reserves:	
Free general reserves - reduction	(£10.349m)
Devolved School Management -reduction	(£0.055 m)
Expansion of Early Learning and Childcare –reserve fully used	(£0.573m)
Pupil Equity Funding – increase	£0.244m
Transformation – increase	£1.816m
Council priorities – increase	£7.000m
Covid-19 – increase	£5.838m
Other ear-marked reserves - decrease	(£0.384 m)
Total movement in general reserves - increase	£3.537m

.

Although reserves have increased, there has been slippage in some planned expenditure and late receipt of Scottish Government grant related to specific initiatives and so some of the reserves are already committed to fund expenditure in 2022/23 and beyond. Nearly £3m of the increase in reserves arises from fund slippage in departments / late receipts, with a further £13million funds approved but held centrally at the year end as projects did not proceed or were otherwise funded.

Management Commentary (continued)

Service expenditure
Expenditure is shown analysed by service in Note 8 to the accounts. The table below compares budgeted expenditure to actualexpenditure and highlights the main reason for the variance in each service.

Service	**Budget £000s**	**Actual £000s**	**Reason for variance**
Education	71,569	68,796	Mainly Devolved School (DSM) budgets and Pupil Equity Funds (PEF), all of whichare carried forward in separate ear-marked reserves. Delays in delivery of ICT and building works are a large part of the underspend in DSM. PEF is spent across the academic year and carry forward is expected.
Education Resources and Communities	21,778	20,824	Mainly staff vacancies. Additional expenditure of repairs of schools after Storm Arwen.
Children's Social WorkServices	19,685	17,312	Reduced cost of care due to number and type of placements.
General Services Housing and Property Service	3,220	2,757	Delay in implementing Rapid Rehousing Transition Plan – this will be carried forward to 2022/23. Overspend in temporary accommodation. Additional income from Industrial Estates.
Environmental and Commercial Services	25,486	25,486	Reduction in income from car parking and school meals but increased income from recycling. Overspend on winter maintenance due to worse weather than budgeted for.
Economic Growth and Development	5,243	4,285	Staff vacancies and delays in projects. Building Control and Planning fees below budget.
HR, ICT & OD	5,698	5,329	Staff vacancies.
Financial Services	1,949	1,923	No major variances.
Governance, Strategyand Performance	6,145	5,580	Staff vacancies. Spending on benefits (funding will be carried forward).
Social Care services	49,784	49,624	Moray Integration Joint Board expenditure was within budget and a surplus transferred to MIJB reserves.
Other expenditure	2,443	2,610	Release of grant for Grampian Valuation Joint Board, held in an ear-marked reserve and carried forward for spend in 2021/22.
Total departmental spend	213,000	204,526	

Management Commentary (continued)

The out-turn figures are those reported to Council on 29 June 2022 – these are expressed on the same basis as the budget figures.The out-turn included in the CIES is calculated in accordance with accounting requirements. The main difference between the 2 bases are set out in Note 8 to the accounts and can be summarised as below:

Description	Amount
Departmental Outturn per Management Commentary	204,526
Statutory Adjustments per EFA	38,430
Adjustments to Usable Reserves Permitted by Accounting Standards	1,799
Bad Debt Provision – reflected in service outturn but in Financing and Investment Income in the CIES per IFRS 9	16
CFCR – reversed in the department for monitoring but reflected in Other Income andExpenditure in CIES	(550)
	244,221
Net Cost of Services in CIES	244,221

Savings

When the Council set its budget for 2021/22 it included savings of £1.333m – £0.143 million were one off savings with recurring savings of £1.190 million, £0.095 million from increased income, £0.936 million from efficiencies and £0.159 million other savings. The bulk of the savings were achieved. Anticipated savings associated with the introduction of cashless car parking were not, due to the reduction in car parking during pandemic restrictions. Further savings from the closure of Auchernack in Forres will not be achieved until the property is sold. Progress on the Improvement and Modernisation Programme stalled during the year and the indicative savings of £0.138 million were not realised. However, additional savings identified after the budget was approved – on school transport, from the installation of LED lighting in schools, halls and Elgin Library, staff travel, staffing structures and the re-location of waste management staff to the new depot at Moycroft – more than covered the shortfall and in all a total of £1.541 million savings were removed for the budget, with £1.363 million of these recurring.

Financial flexibilities

When the Council set its budget for 2021/22 it assumed that it would require to use one of the financial flexibilities permitted by Scottish Government to facilitate additional expenditure arising from the covid-19 pandemic, amounting to £1.166 million. After the budget was set Scottish Government announced very significant levels of funding to local authorities to assist with response to the pandemic. Consequently the Council had no need to make use of financial flexibilities in 2021/22.

Housing Revenue Account

Our 6,287 houses (2020/21: 6,241) 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 2021/22 the balance had increased by £0.057 million from the balance at the end of 2020/21 bringing the total balance to £2.458 million. The HRA budgeted to break even in 2021/22, with planned expenditure of £21.203 million met from rent and other income.

As budgeted	Budget £000s	Actual £000s	Reason for variance
Rental income	(21,109)	(21,075)	No significant variance
Other income	(94)	(67)	
Supervision and management	4,297	4,247	Staff vacancies and reduction in recharge for support services offset by increased cost of voids due to increased activity.
Repairs and maintenance	7,678	7,401	Less work carried out due to market conditions; unplanned repairs following Storm Arwen
Financing cost	3,880	4,298	Increased interest rates
CFCR	4,910	4,863	No significant variance
Other expenditure	438	269	
Use of/ (return to reserves)		(64)	£57,000 net underspend

Reconciliation to accounts	***£000s***
Use of/ (return to reserves)	(64)
Statutory Adjustments (per Note 8)	(1,537)
Adjustments to Usable Reserves Permitted by Accounting Standards	4,124
CFCR (net of Council tax Discount on 2nd Homes)	(4,863)
IORB – included in outturn but not in the Net Cost of Services	27
Financing Costs – included in outturn but not in the Net Cost of Services	(4,298)
Net Cost of Services per CIES	(6,611)

Management Commentary (continued)

We invest in building new homes and improve the existing ones, supported where possible by government grant.

New build

2021/22 – planned £16.305 million actual £4.976 million – 31% of planned

2020/21 – planned£18.454 million actual £8.090 million – 44% of planned

Planned expenditure for 2021/22 included new build at Bilbohall, Elgin. There were delays in getting planning permission for this development. Thereafter there were difficulties in attracting a contractor to tender at a fixed price, reflecting the state of the market with fluctuating costs, labour shortages and difficulties with the supply chain. There were also delays with planned new build in Aberlour, but the values of those developments is comparatively small.

.

Housing improvements

2021/22 – planned £10.620 million actual £6.793 million – 64% of planned

2020/21 – planned £10.060 million actual £3.769 million – 37% of planned

Ongoing pandemic restrictions and supply chain issues resulted in a significant underspend in planned housing improvements.

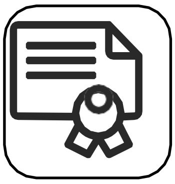
Management Commentary (continued)

General Services Capital Programme

We originally planned to spend £37.2 million on capital projects in 2021/22, which was amended to £44.4 million following carry forward of slippage from 2020/21. Following delays in a major construction project (£5.5m slippage), delays in delivery of vehicles because of supply chain difficulties (£1 m slippage), review of ICT programmes to meet post covid requirements coupled with supply chain difficulties (£0.7m slippage), and other delays we actually spent £31.0 million (2020/21: £39.2 million).

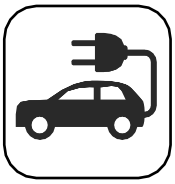
£31.0m

Invested in Moray during the year – main items summarised below



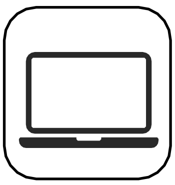
- **£9.9m**
  New schools, improvements to existingschools and facilities for early learning and childcare

- **£7.1m**
  Waste management facilities, including a joint project with Aberdeen City and Aberdeenshire councils to build an energy from waste plant (£6.3m) and completion of works at Moycroft depot



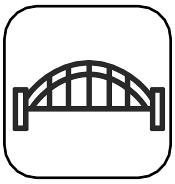
- **£2.0m**
  Vehicles and electric car chargers

- **£4.9m**
  Road improvements, road safetymeasures and sustainable travel

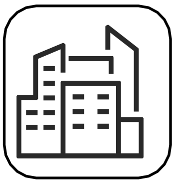


- **£0.9m**
  ICT and other equipment

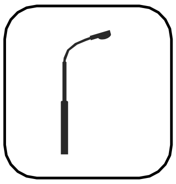
- **£1.0m**
  Various works at harbours, including pontoons at Findochty



- **£2.6m**
  Bridge renovations and the replacement bridge on Lossiemouth beach



- **£1.3m**
  Other land and buildings

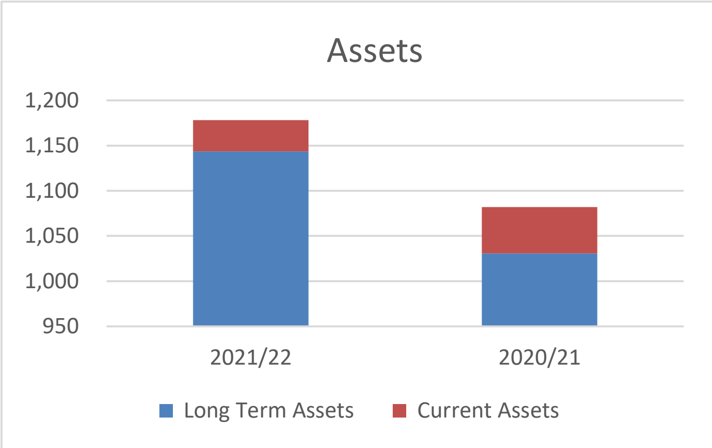


- **£0.4m**
  Street lighting

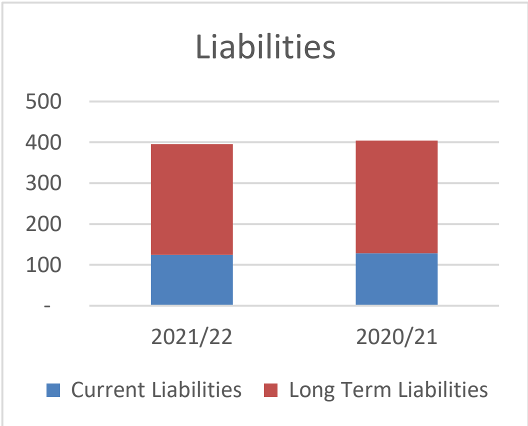
Management Commentary (continued)

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 2022.

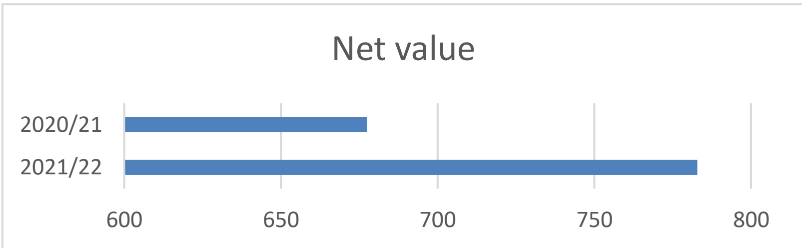
Our Assets



Less our liabilities



Give our net value



Our net value has increased by £122 million during 2021/22.

Significant movements are:

- £130m increase in the value of property, plant and equipment, through additions and revaluations.
- £15 million decrease in cash and cash equivalents.
- £10 million decrease in short term borrowing.
- £8 million decrease in long term borrowing

Management Commentary (continued)

Future risks

The Council maintains and keeps under review a corporate Risk Register, with risks grouped under nine themes. This section of the management commentary identifies the Council's main concerns for financial risk and also areas of planned development.

We expect to need to make savings over the next two years with the ultimate goal of balancing our budget without relying on reserves. However, there is considerable lack of clarity about our future financial position.

Our main risks are:

- Risks arising from increased inflation and interest rates, with likely impact on pay claims and general increases in prices across the board;
- Future funding, with Scottish Government finances under pressure and being targeted to specific priorities;
- Significant funding at UK and Scottish Government level coming from bid funds, requiring expertise and effort to access and with considerable monitoring requirements;
- Demographic pressures and emerging social needs post pandemic;
- Significant difficulties in recruiting staff ;
- Moray Integration Joint Board (MIJB) is overcommitted against its budget and we will have to fund our share of any overspend. The long-term impact of the pandemic on MIJB services is as yet unknown;
- Our school estate requires significant investment to bring facilities up to the Scottish Government's recommended'B-B' standard;
- Meeting our target of carbon neutral by 2030 will be a financial and technical challenge.

How we are managing these risks

- Financial monitoring and review;
- Working within Moray Economic Partnership to support the local economy;
- Developing Community Wealth Building;
- Creating teams with expertise in bidding for funds;
- Workforce planning;
- Reviewing our capital programme for areas of increased risk of slippage and / or costs increase and developing a mechanism to further prioritise our capital spend;
- Engaging with local communities on council services and locality planning;
- Joint monitoring reviews with MIJB officers and officers and Board members from NHS Grampian;
- We have commenced a comprehensive Learning Estate Review;
- We have mapped out a high-level route map to net zero.

…….and opportunities

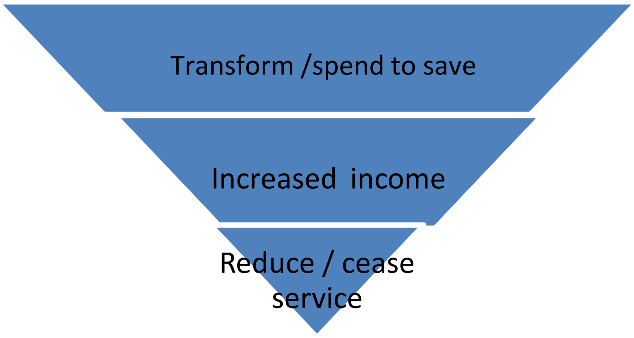
- The Moray Growth Deal, which will see significant investment in Moray's economy;
- Learning lessons from the pandemic about new ways of working and opportunities which arise from this;
- Our Improvement and Modernisation Programme, redesigning how we deliver services in today's world to deliver efficiencies, building on our investment in ICT for flexible working and investing in Council priorities;
- Our Learning Estate Review, looking at how we can improve the learning experience by enhancing the environment in which it takes place;
- Our Climate Change Strategy, looking to become carbon neutral by 2030.

Management Commentary (continued)

Next steps

The Council is preparing its budget for 2023/24 and indicative budgets for 2024/25 and 2025/26. Although our level of funding from Scottish Government has not yet been confirmed, we expect the need to make savings to continue. The Scottish Government Spending Review indicates a flat cash settlement for Local Government as a whole, but there is no indication of how much of the settlement will be specifically tied to Scottish Government priorities.

We have proposed adopting a hierarchical approach:



Our focus is on Improvement and Modernisation of services through our change programme, with significant provision made for investment to transform how the Council delivers services with an eye to the future, while also generating efficiencies. This will take time and the challenge is how to achieve this whilst also recovering from the impact of the pandemic and managing the impact of the wider economy on Council services. The Council's key strategic documents including the Corporate Plan and LOIP are being refreshed to reflect recovery from the pandemic and these set out how this will be achieved. Known risks and opportunities are highlighted above. In addition to this there are emerging factors such as the impact of the war in Ukraine and emerging Scottish Government proposals for a National Care Service. We work in a constantly changing environment and strive to be an agile organisation, well equipped to cope with the many changes we encounter.

Councillor Kathleen Robertson
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 Chief Financial Officer.
- 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 Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021), 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 for signature by the Council at its meeting on 27 October 2022.

Signed on behalf of Moray Council.

Councillor Kathleen Robertson
Leader of Moray Council

The Chief Financial Officer's 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 2021/22 (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 Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2022.

Lorraine Paisey CA
Chief Financial Officer

Annual Governance Statement

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 has a statutory duty to make arrangements to secure Best Value under the Local Government in Scotland Act 2003.
In discharging these responsibilities, Elected Members and the Corporate Management Team are responsible for putting in place proper arrangements for the governance of the Council's affairs and for facilitating the effective exercise of its functions. In meeting these functions, there is also a requirement to ensure effective procedures and agreements are in place with all partner organisations, e.g. Moray Integration Joint Board, Grampian Valuation Joint Board.
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 COVID 19 pandemic still has a significant impact on the day to day operations of the Council yet the principles of the Framework remain relevant in the context of 'managing and controlling the organisation.'

Framework for Good Governance

The overall aim of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' is to ensure that: resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
The CIPFA/SOLACE Framework defines the seven core principles of good governance, namely:
1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
2. Ensuring openness and comprehensive stakeholder engagement;
3. Defining outcomes in terms of sustainable, economic, social and environmental benefits;
4. Determining the interventions necessary to optimise the achievement of the intended outcomes;
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
6. Managing risks and performance through robust internal control and strong public financial management; and
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

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:

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 procedural standing orders, scheme of administration, scheme of delegation, and financial regulations, which are reviewed and revised where appropriate. Codes of conduct are in place for and define the high ethical values and standards of behaviour expected from elected members and officers to make sure that public business is conducted with fairness and integrity.

The Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. The Council also seeks feedback from the public through its complaints procedures and responds to the outcomes as appropriate, and reports the results annually.

The tenets of this principle remained unaffected by the pandemic. The Council agreed in June 2021 to continue with the webcasting of meetings and the temporary change to the Scheme of Delegation in allowing the Chief Executive to discharge the Authority's functions without the need for homologation. However, the Council intends to review this temporary change in the Scheme of Delegation during 2022/23.

2. Ensuring openness and comprehensive stakeholder engagement

All Council meetings are open to the public unless there are good reasons for not doing so on the grounds of confidentiality. However, due to Covid restrictions in 2021/22 meetings continue to be live-streamed. Unless confidential, decisions made by Council or partner organisations, e.g. Moray Integration Joint Board, Grampian Valuation Joint Board that relate to the delivery of Council functions are documented in the public domain. All decisions are explicit about the criteria, rationale and considerations used. The impact and consequences of all decisions are clearly set out.

Stakeholder engagement is central to the Council's work at a strategic level, e.g. with community planning partners and on policy development or planned changes to services affecting communities or individual services users. Such engagement informs decision making processes with recent consultations covering topics including Community Learning & Development (CLD) Plan, Community Asset Transfer, Rent Setting, Elgin City Masterplan and Active Travel Strategy.

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'.

Key priorities remain broadly unchanged, with an underlying theme of addressing poverty and the potential for widening inequalities associated with the pandemic. These cover 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 a broadened objective of improving the wellbeing of our population.

In addition to working within Moray Economic Partnership to support the local economy, the Council has been involved in support for a range of retail and business activities in terms of the Economic Recovery Plan. These and other areas of activity are incorporated into the Council's Recovery and Renewal Strategy Framework. In addition, there has also been the agreement of a Moray Growth Deal in bringing planned total investment to the area of over £100 million.

The Council's vision, strategic objectives, and priorities are reflected in the Corporate Plan 2019-2024, which suggests where individuals, families, businesses, partners, and communities can "'play their part'' to improve outcomes for Moray. The Plan provides the context for implementation, the constraints within which the Council must operate, the challenges and pressures and the organisational change required to deliver the priorities successfully. It provides a link between the national priorities, the Moray Community Planning Partnership's plans, and the Council's own plans and priorities so that these can be cascaded into actions and delivery within service plans. The Plan is regularly reviewed and progress reported to Committee.

The Council is also committed to improving the quality of life for people in Moray, and making this the best possible place to live, work and do business. Climate change presents a significant challenge to delivering this commitment. Moray Council has now formally agreed on a Climate Change Strategy with an agreed action plan to make the local authority carbon neutral by 2030.

4. Determining the interventions necessary to optimise the achievement of the intended outcomes;

Decision makers receive detailed information indicating how intended outcomes would be achieved together with the risks, financial and other implications associated with the proposals by way of the compulsory sections of the Committee report. In determining how services and other courses of action should be planned and delivered, the Council is increasingly engaging with internal and external stakeholders. Community benefit is an important consideration in the procurement of goods and services.

The Council fosters effective relationships, collaborative working and contractual arrangements with the Moray Integration Joint Board and other public, private, and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council's Corporate Plan.

The financial administration of the Council has been undertaken in accordance with the core requirements of the Financial Management Code promoted by CIPFA. This has been reflected in reports to the Council on budget setting, including projections for the next two years; a longer-term financial strategy covering a ten year period; a capital strategy; and regular budget monitoring reports.

The Council recognises the financial challenges it faces and through its established committee structures, has furnished elected members with an extensive volume of information on both the availability of resources and options for future service delivery. The Council agreed a balanced budget for 2022/23.

5. Developing the entity's capacity, including the capability of its leadership and the individuals within it;

The corporate management structure consists of the Chief Executive, two Depute Chief Executives and the Chief Officer Health & Social Care (Moray Integration Joint Board). The Corporate Management Team (CMT) meets weekly and the Corporate and Senior Management team with CMT and Heads of Services meets fortnightly to discuss and provide leadership on the strategic direction of the Council. The roles of officers are defined in agreed job profiles.

The Chief Executive is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision making and scrutiny, supporting other statutory officers and building relationships with all Councillors.

Leadership capacity of senior officers is supported through the 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. Forum meetings were suspended temporarily during the pandemic but have been reintroduced remotely to ensure consistent messaging is available from senior management to managers. Human Resources have continued to review and develop the leadership development strategy and provide training opportunities online.

The Council has an agreed elected members development strategy that includes an Induction Programme supplemented by an additional training programme of learning, development and briefings. Members appointed to certain committees also received specific training related to the responsibilities of these committees.

Elected members also represent the Council on a range of outside bodies, including boards of other Community Planning Partners, across 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.

6. Managing risks and performance through robust internal control and strong public financial management

The Council has a risk management policy and strategy designed to support the identification, evaluation and mitigation of risks that 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 consider 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 has implemented a Performance Management Framework (PMF) to:

- Support the corporate vision for Moray;
- Support better diagnosis of issues and so better decision making;
- Help to clarify corporate objectives and priorities and how they fit in the bigger picture;
- Drive better service performance and the delivery of improved outcomes;
- Promote accountability and transparency;
- Instil confidence in stakeholders including service users and employees;
- Enable Best Value to be demonstrated.

Elected Members are provided with reports to review, scrutinise and note actions undertaken by Services to improve performance.

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.

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 advises the Council on all financial matters and ensures the timely production and reporting of budget estimates, budget monitoring reports and annual accounts.

7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Council business is conducted through an established cycle of committee meetings. These meetings are normally held in person but during the pandemic were held remotely. The meetings are available on the internet by live webcast (unless exempt under statutory provision). Webcasts remain available for viewing for 12 months following a meeting. Meeting dates are published in advance, and agenda papers are made available at least one week before holding meetings.

Reports are regularly presented to Committees on the progress undertaken by Services in meeting Council priorities and the reporting of key performance indicators. Examples of this include updates on the implementation of Corporate Plan 2019-24, progress made on the Best Value Assurance Report (BVAR), etc.

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.

The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies including associated Action Plans for improvement. The Audit and Scrutiny Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance. This is an area that has been identified for review and action is included in the forward planning section below.

Review of Adequacy and Effectiveness of the Council's Governance Framework

Council governance arrangements have been developed and maintained to comply with the core functions of various good framework guidelines, including Audit Committees: Practical Guidance for Local Authorities and Police, Code of Practice on Managing the Risk of Fraud and Corruption, Public Sector Internal Audit Standards (incorporating the principles of the Role of the Head of Internal Audit), etc.

Annual Governance Statement (continued)

The Covid-19 pandemic continues to affect the delivery of services. However, a review of governance arrangements was undertaken during the year that not only included agreed changes to reflect different ways of working, including the continuation of webcasting for meetings, changes to the Scheme of Delegation in allowing the Chief Executive to discharge the Authority's functions; but also to a revised Scheme of Administration and a Scrutiny Guide.
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 committees 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 the Moray Integration Joint Board for Health and Social Care, the Grampian Valuation Joint Board, and the Moray Leisure Arm's Length External Organisation (ALEO), each of which has its own governance arrangements. In addition, Councillors have membership and represent Moray Council interests in associated organisations that contribute to meeting Council aims and objectives, e.g. Moray Growth Deal.

- **Audit and Scrutiny Committee**

The Council has an Audit and Scrutiny Committee where elected members review the financial reporting process, audit process, system of internal controls and compliance with laws and regulations. The Committee also receives reports on the performance of and trends from all Council's Services regarding service standards and performance information. This Committee is a critical component in the overall corporate governance arrangements of the Council, where good corporate governance requires independent and effective assurance about the adequacy of financial management and reporting. These functions are delivered independent from the scrutiny functions of the Corporate Management Team.

- **The Corporate Management Team**

The Corporate Management Team (CMT), which has operational responsibility for good governance arrangements, comprises the Chief Executive and two Depute Chief Executives with portfolio responsibilities for Education, Communities and Organisational Development, and Economy, Environment and Finance respectively. In addition, the Chief Officer (Health and Social Care Moray) is a member of the CMT and receives the full agenda with attendance on an issue by issue basis. The Chief Financial Officer also participates in the CMT during consideration of financial matters, as do other officers on topics relevant to their statutory role, including the Monitoring Officer.

- **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 and the consequential disruption experienced by all council services. A common theme in the management responses was the significant role that ICT has played and will continue to play in maintaining continuity of service delivery, as a combination of home/ office working continues as a feature of many council services moving forward.

- **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 a meeting of the Council.

- **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 2020/21 year sets out the governance and accountability arrangements of the role and its relationships with reference to Children and Families.
Accountability of the CSWO is to the Integrated Joint Board (IJB) for adult services and to Education, Communities and Organisational Development Committee/ Full Council on matters relating to children and young people and justice social work. Internally the quality of social work is assured by Practice Governance meetings. Line management is through the

Chief Officer (Health and Social Care Moray) and the work is progressing towards the integration of Children's Services into Health and Social Care Moray. Any issues are reported to the Clinical & Care Governance Committee of the IJB for adults. Posts of Consultant Social Work Practitioner are well established in adult services and also now in children's services. Consultants work with line managers to support social work in complex cases, model best practice, and set practice standards in their respective areas.

- **Internal Audit**

The Council has a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The Audit and Risk Manager is accountable on a day-to-day basis to the Head of Governance, Strategy and Performance and to the 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 impact of Covid-19 has affected the Internal Audit Service in that officers have been working from home with a need to change established working practices and make greater use of audio, video, and screen sharing software applications. In addition, the Service has also had several staff vacancies during the year. Despite these constraints, it has been possible to progress completion of the Audit Plan for 2021/22. However, due to the limitations detailed, the audit review of Cyber Security has been started, but has not been finalised. Due to the complexities of this topic, it has also been included within the Audit Plan for 2022/23.

The Public Sector Internal Audit Standards 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 Audit and Risk Manager that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during 2021/22 in the Council.

- **Health & Social Care Integration**

The Council, as a key partner within the Health and Social Care Moray has an interest in the governance arrangements within the Moray Integration Joint Board (MIJB). Internal Audit arrangements for the MIJB are provided jointly by the Council's Internal Audit service and NHS Grampian's Internal Auditors. The Council's Internal Audit Service provides assurance over social care services, and oversight of the MIJB governance arrangements.

A report to the Audit, Performance and Risk Committee of the MIJB on 31 March noted the outcome of a review into how social care contracts are managed within Health and Social Care Moray Commissioning Service. The Audit, Performance and Risk Committee agreed that and external organisation should undertake a review of the Commissioning Service during 2022/23. The outcome of this audit review will be closely monitored. An Internal Audit Report received regarding a review of payments made by Health and Social Care Moray noted findings where further improvements are required in the recording and processing of invoices. All recommendations have been agreed for implementation.

- **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 other inspectorate agencies.
Audit Scotland's Best Value Assurance Report on Moray Council contained eight recommendations. An action plan was agreed, and progress in implementing these recommendations has been reported to Elected Members on a quarterly basis. The actions in the Plan fall into short, medium and long term categories. The short term actions are largely completed.

Audit Scotland has completed a Best Value Assurance Follow Up Review in October 2021, reported in March 2022. The report detailed that the Council has progressed in some important areas over a difficult period, but the pandemic had affected the overall pace of change and that the council would need to build on the momentum gained in order to achieve its longer term strategic aims. Challenges remain to deliver strategic changes successfully. The Council remains committed to responding positively to the recommendations of the report, including finalising the remit of Audit and Scrutiny Committee and role of scrutiny and continuing to review and address capacity issues to ensure priorities are achievable and that staff well-being is safeguarded, albeit these actions are being addressed alongside more immediate priorities arising from the pandemic.

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 not inconsistent with the seven principles identified in the ‘CIPFA/SOLACE’ Framework ‘Delivering Good Governance in Local Government.’

Prior year governance issues

Governance issues highlighted as priorities in the annual governance statement for 2020/21 were as follows:

- Continue to develop more flexible working arrangements for staff due to the ongoing restrictions of the pandemic;
- Steering the Council through the continuing challenges arising from the pandemic;
- Continuing the focus on delivery of the outcomes specified within the Council’s strategic planning framework i.e. the Local Outcomes Improvement Plan, the Corporate Plan and the Recovery and Renewal Strategic Framework;
- Taking Forward Moray’s Growth Deal projects with partner bodies in the public and private sector;
- Maintaining the commitment to deliver effective Children’s Services and progressing integration with Adult Services under the Integration Joint Board;
- Addressing the key challenges in education around improving attainment and identified in the Learning Estate Strategy;
- Continuing to promote sound financial management practice to secure the best use of available resources;
- Seeking to progress, to the extent possible, implementation of actions arising from the recent Best Value inspection.

Many of these are multi-year objectives and some have been slowed by the impact of the pandemic, notable though are the following achievements:

- Development of the Council's Improvement and Modernisation programme. Transformation funds have been earmarked to fund several projects to improve Council services future efficiency and sustainability;
- Continuation of the alignment of strategic plans and programmes with resources to support service delivery. This includes the 'Transforming the Council' and Programme Boards which also incorporate the Best Value Audit Report and the Improvement and Modernisation Programme to inform further change;
- Recruitment for key project leads in the Early Years STEM, Housing Mix and the Cultural Quarter projects. Progression of the Recovery and Renewal Action Plan (RRAP), including the Economic Recovery Action Plan. Most recently, this has included the appointment of the Head of Transformation post;
- The Council remained in a pandemic response phase during 2021/22. However, as the Council eased out of the restrictions imposed by the pandemic, changes were agreed to the Scheme of Administration and a revised committee structure;
- Governance oversight by Corporate Management Team, Monitoring Officer and audit bodies, in accordance with agreed plans where applicable. This has included an update to the remit of the Audit and Scrutiny Committee and the development of a Scrutiny Guide;
- National Improvement Framework (NIF) Plan has been submitted to the Scottish Government. The Framework supports the Scottish Government's ambition to achieve excellence and equity for every child in Scotland and builds on the Raising Attainment for All (RAFA) agenda. It was noted the Council was also awarded approximately £1 million of additional funds to support education recovery;
- Continuation and development of a leadership development strategy and associated activity. Human Resources have continued to provide regular updates on safe working practices and the development of training opportunities for staff.

The Best Value Progress Report on Moray Council by the Controller of Audit noted that good progress had been made the Council in a number of areas e.g. revised Improvement and Modernisation Programme, Performance and Performance Reporting, Elected Member Development Strategy etc. The Report confirmed the Council has made progress in some important areas, whilst dealing with the ongoing demands of the Covid-19 pandemic, but ongoing challenges remain.

Covid-19

The Covid-19 pandemic impacted business as usual in the delivery of services during the response and recovery phases in 2021/22, and this continues. However, the logistics of delivering services in a radically different way, in order to keep staff, elected members and service users safe, and adhere to social distancing and self-isolation measures at the same time, meant significant changes in when and where services were provided. All levels of government have taken action to support and protect the most vulnerable citizens, local businesses, key suppliers, and the third sector during this challenging and unprecedented time. This action seeks to maintain resilience during this crisis and ensure that people and organisations emerge from the crisis in the best possible shape.

Annual Governance Statement (continued)

Looking forward - significant governance issues

Key governance challenges going forward will involve:

- Responding to the range and scale of external funding associated with covid and economic recovery, many requiring review of partnership based governance and financial arrangements;
- Developing place based and locality working, partnership and community based responses, governance, planning and reporting;
- Balancing finite resources across national, local and emerging recovery agendas while managing business as usual;
- The outcome of a planned audit review into how Health and Social Care Moray Commissioning Service manages social care contracts will be closely monitored. In accordance with established arrangements, the Internal Audit Service will undertake a follow up audit to evidence the implementation of recommendations from a review completed of payments made by Health and Social Care Moray;
- Implementation of the Improvement and Modernisation programme at pace to deliver transformational change within the Council;
- Development of the Council's medium to long-term financial plan to ensure changes in public finances are reflected and the council has plans in place to address its longer term financial position ensuring the reliance on reserves for operational revenue spend is halted;
- The continuation in delivering the outcomes specified within the Council's strategic planning framework, i.e., the Local Outcomes Improvement Plan and the revised Corporate Plan incorporating the previously agreed Recovery and Renewal Strategic Framework;
- Progression in the delivery of Moray's Growth Deal programme. An audit of Moray's Growth Deal has been included within the Internal Audit Plan for 2022/23;
- Addressing the key challenges to support education recovery and the need for improving attainment;
- Managing the fine political balance with new Members through a commitment to collaboration across all Councillors;
- Additional development in the Council's risk management and business continuity arrangements. This will include the appointment of an officer to assist in the assessment of risks affecting the Council, e.g., cyber-attack, and the preparation of effective business continuity plans to ensure continuous delivery of critical services in the event of a disruption;
- Increased data breaches resulting in a requirement to report some to the Information Commissioner have highlighted the need for further data protection action and training;
- Integration of Children and Families Social Work and Criminal Justice to the Moray Integrated Joint Board (MIJB). Work to consider delegation has commenced, but delays have occurred because of service demands due to the public health situation and competing priorities. Account will also be required of the emerging national care service;
- Implementation of actions arising from the recent Best Value Progress Report by the Accounts Commission. The Council has strengthened its performance management framework and is working to address areas of poorer performance. Community planning partners are increasing their focus on outcomes, but further improvements are required;
- Finalising a governance review. A review of the Audit and Scrutiny Committee has been deferred until after the local election in May 2022.

Concluding Remarks

The conclusion from the review activity outlined above and our opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of Moray Council's internal control and governance systems. 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. There are inevitably issues on which future work is required, and the full and longer-term impact of the Covid-19 pandemic has not yet been established. Systems are in place to continually review and improve the governance and internal control environment, and action plans are in place to address identified areas for improvement.

……………………………….	…………………………………………
Cllr Kathleen Robertson 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 33 and the Trade Union disclosures, has been 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 2021. The salary for the Leader of the Council is £31,010 per annum (2020/21 £29,760) and for the Convener is £23,257 per annum (2020/21 £22,320).

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 £188,375 (2020/21 £180,783) and whose salaries individually must be on a specified scale, currently £18,604 to £23,257 (2020/21 £17,854 to £22,320).

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 2021/22, Moray had eight Senior Councillors, (seven committee chairs/depute chairs and the Leader of the largest opposition group), each paid a salary of £23,257 per annum (2020/21 £22,320). 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 2021/22. The Vice-Chair/Chair of the Moray Integration Joint Board was also the Convener of Moray Council in 2021/22 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 2022. 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 2020/21	Salary, Fees and Allowances	Total Remuneration 2021/22
		£	£	£
Graham Leadbitter	Leader of the Council and Convener of Grampian Valuation Joint Board. Chair Economic Growth, Housing and Environmental Sustainability Committee and Chair of Economic Development and Infrastructure from 20th September 2021	29,760	31,010	31,010
Shona Morrison	Convener of the Council and Chair/Vice-Chair, Moray Integration Joint Board.	22,320	23,257	23,257
David Bremner	Chair, Planning and Regulatory Services Committee	22,320	23,257	23,257
Theresa Coull	Chair, Police Fire and Rescue Services from 12 December 2021	4,092	7,002	7,002
Gordon Cowie	Chair, Licensing Committee	8,308	23,257	23,257
Paula Coy	Chair, Police Fire and Rescue Services until 24 November 2021	22,320	15,117	15,117
Timothy Eagle	Leader of the largest Opposition Group	22,320	23,257	23,257
Donald Gatt	Chair, Audit and Scrutiny	22,320	23,257	23,257
Louise Laing	Depute Chair Economic Growth, Housing and Environmental Sustainability Committee. Chair, Communities Committee from 20 September 2021.	22,320	23,257	23,257
Aaron McLean	Chair Education, Communities and Organisational Development. Chair Corporate Committee from 20 September 2021.	22,320	23,257	23,257
Sonya Warren	Depute Chair Education, Communities and Organisational Development. Chair Education, Children's Services and Leisure Committee from 20 September 2021.	22,320	23,257	23,257
Total		**220,720**	**239,185**	**239,185**

No taxable expenses were paid in 2021/22 or 2020/21.

As a result of the pandemic, a number of committees were temporarily amalgamated during 2020/21. This continued until 20th September 2021 when a new committee structure was agreed.

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://www.moray.gov.uk/moray_standard/page_90017.html

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	2020/21	2021/22
	£	£
Salaries	517,590	531,247
Expenses	4,491	4,254
Total	**522,081**	**535,501**

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 (SPPA). Circular CO/151 was issued on 14 December 2021 and covers salary scales to be paid to Chief Officers for the period of 1 April 2021 to 31 March 2022. Depute Chief Executives receive 84% of the Chief Executive's salary. The Depute Chief Executive for Education, Communities and Organisational Development is also the Presiding Officer and therefore the amount included in table 3 is higher than this. 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 2022. Salaries are paid monthly.

TABLE 3: Remuneration of Senior Employees of the Council

Name	Post Title	Total Remuneration 2020/21	Salary, fees and allowances	Other Amounts	Total Remuneration 2021/22
		£	£	£	£
Roderick D Burns	Chief Executive	116,508	117,449	-	117,449
Rhona Gunn	Depute Chief Executive for Economy, Environment and Finance	97,939	99,038	-	99,038
Denise Whitworth	Depute Chief Executive for Education, Communities and Organisational Development	98,909	102,472	-	102,472
Vivienne Cross	Chief Education Officer	87,705	86,441	7,928	94,369
Jane Mackie	Head of Community Care (Chief Social Work Officer)	82,905	84,881	-	84,881
Alasdair McEachan	Head of Governance, Strategy and Performance (Monitoring Officer)	82,146	83,436	-	83,436
Lorraine Paisey	Chief Financial Officer (s95)	81,940	83,057	-	83,057
Total		**648,052**	**656,774**	**7,928**	**664,702**

No taxable expenses were paid in 2021/22 or 2020/21.

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.

Remuneration Report (continued)

A LGPS member's contribution depends upon his or her full time equivalent pay. The tables of rates for 2020/21 and 2021/22 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 2020-21	**Contribution rate 2020/21**	**Whole time pay 2021-22**	**Contribution rate 2021/22**
On earnings up to and including £22,852	5.50%	On earnings up to and including £22,955	5.50%
On earnings above £22,853 and up to £29,683	Between 5.6% - 6.0%	On earnings above £22,956 and up to £29,857	Between 5.6% - 6.0%
On earnings above £29,684 and up to £37,262	Between 6.1% - 6.5%	On earnings above £29,858 and up to £37,474	Between 6.1% - 6.5%
On earnings above £37,263 and up to £52,567	Between 6.6% - 7.5%	On earnings above £37,475 and up to £52,876	Between 6.6% - 7.5%
On earnings above £52,568 and up to £59,221	Between 7.6% - 8.0%	On earnings above £52,877 and up to £59,569	Between 7.6% - 8.0%
On earnings above £59,222 and up to £79,296	Between 8.1% - 9.0%	On earnings above £59,570 and up to £79,762	Between 8.1% - 9.0%
On earnings above £79,297 and up to £119,961	Between 9.1% - 10.0%	On earnings above £79,763 and up to £120,666	Between 9.1% - 10.0%
On earnings above £119,962	10.1% and over	On earnings above £120,667	10.1% and over

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

The pension entitlements for Senior Councillors for the year to 31 March 2022 are shown in the table below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

TABLE 4: Senior Councillors

Councillor Name	Responsibility	In-year pension contributions For the year to 31 March 2021 £	For the year to 31 March 2022 £		Accrued pension benefits As at 31 March 2022 £'000	Difference from March 2021 £'000
Graham Leadbitter	Leader of the Council & Convener of Grampian Valuation Joint Board. Chair Economic Growth, Housing and Environmental Sustainability Committee & Chair of Economic Development and Infrastructure from 20th September 2021	5,744	5,985	Pension	7	1
				Lump Sum	2	-
Shona Morrison	Convener of the Council and Chair/Vice-Chair, Moray Integration Joint Board.	4,308	4,489	Pension	2	-
				Lump Sum	-	-
David Bremner	Chair, Planning and Regulatory Services Committee	4,308	4,489	Pension	2	-
				Lump Sum	-	-
Theresa Coull	Chair, Police Fire and Rescue Services from 12 December 2021	790	1,351	Pension	2	1
				Lump Sum	-	-
Gordon Cowie	Chair, Licensing Committee	1,603	4,489	Pension	5	1
				Lump Sum	-	-
Paula Coy	Chair, Police Fire and Rescue Services until 24 November 2021	4,308	2,918	Pension	2	-
				Lump Sum	-	-
Timothy Eagle	Leader of the largest Opposition Group	4,308	4,489	Pension	2	-
				Lump Sum	-	-
Donald Gatt	Chair, Audit and Scrutiny	4,308	4,489	Pension	2	-
				Lump Sum	-	-
Louise Laing	Depute Chair Economic Growth, Housing and Environmental Sustainability Committee. Chair, Communities Committee from 20 September 2021.	4,308	4,489	Pension	2	-
				Lump Sum	-	-
Aaron McLean	Chair Education, Communities and Organisational Development. Chair Corporate Committee from 20 September 2021.	4,308	4,489	Pension	4	-
				Lump Sum	-	-
Sonya Warren	Depute Chair Education, Communities and Organisational Development. Chair Education, Children's Services and Leisure Committee from 20 September 2021.	4,308	4,489	Pension	3	1
				Lump Sum	-	-
Total		**42,601**	**46,166**		**35**	**4**

TABLE 5: Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2022 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

		In-year pension contributions			Accrued pension benefits	
		For the year to 31 March 2021	For the year to 31 March 2022		As at 31 March 2022	Difference from March 2021
		£	£		£'000	£'000
Name	**Post Title**					
Roderick D Burns	Chief Executive	22,479	22,661	Pension	68	4
				Lump Sum	117	1
Rhona Gunn	Depute Chief Executive for Economy, Environment and Finance	18,899	19,109	Pension	35	2
				Lump Sum	34	1
Denise Whitworth	Depute Chief Executive for Education, Communities and Organisational Development	19,085	19,772	Pension	47	3
				Lump Sum	69	-
Vivienne Cross	Chief Education Officer	15,630	17,291	Pension	11	2
				Lump Sum	-	-
Jane Mackie	Head of Community care (Chief Social Work Officer)	15,508	16,259	Pension	43	3
				Lump Sum	68	1
Alasdair McEachan	Head of Governance, Strategy and Performance	15,845	16,004	Pension	33	2
				Lump Sum	39	-
Lorraine Paisey	Chief Financial Officer (s95 officer)	15,809	16,022	Pension	36	2
				Lump Sum	51	-
Total		**123,255**	**127,118**		**651**	**21**

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

The pension information for the Chief Education Officer excludes her teachers' pension as information was not available from the Scottish Public Pensions Agency (SPPA).

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	
	2020/21	2021/22
£50,000-£54,999	110	144
£55,000-£59,999	62	56
£60,000-£64,999	31	33
£65,000-£69,999	16	19
£70,000-£74,999	6	3
£75,000-£79,999	4	3
£80,000-£84,999	7	10
£85,000-£89,999	2	1
£90,000-£94,999	-	1
£95,000-£99,999	2	1
£100,000-£104,999	-	1
£115,000-£119,999	1	1
Total	**241**	**273**

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	2020/21 Compulsory Redundancies	2020/21 Other Departures	2020/21 Total Cost	2021/22 Compulsory Redundancies	2021/22 Other Departures	2021/22 Total Cost
	Number of Employees	Number of Employees	£	Number of Employees	Number of Employees	£
£0-£20,000	2	-	11,119	4	-	3,925
£20,001-£40,000	1	-	24,822	-	-	-
£40,001-£60,000	-	-	-	-	1	47,432
Total	**3**	**-**	**35,941**	**4**	**1**	**51,357**

Termination Benefits

During 2021/22 the Council terminated the contracts of 5 employees. The contracts were terminated as a result of either budget savings, the redesign of Council services or Council restructuring. The cost to the Council was £0.021m comprising £0.021m of redundancy payments and strain on pension fund costs (2020/21 £0.005m) and no settlement costs for loss of employment were agreed in 2021/22 (2020/21 £0.025m).

Payments to the pension fund for early retirement are not included in the termination benefits figures above but are included in the figures in Table 7.

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	
2021/22		2021/22	
Teaching	Non-Teaching	Teaching	Non-Teaching
7	15	6.2	13.62

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	
	2021/22	
	Teaching	Non-Teaching
0%	-	-
1%-50%	6	14
51%-99%	1	1
100%	-	-

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.

	2021/22	
	Teaching	Non-Teaching
Provide the total cost of facility time	80,542	39,077
Provide the total pay bill	57,752,000	105,130,000
Provide the percentage of the total pay bill spent on facility time calculated as: (total cost of facility time/total pay bill) x 100	0.14%	0.04%

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?

	2021/22	
	Teaching	Non-Teaching
Time spent on paid trade union activities as a percentage of total paid facility time hours caluclated as: (total hours spent on trade union activities by relevant union officials during the relevant period/total paid facility time hours) x 100	4.66%	3.13%

Councillor Kathleen Robertson | **Roderick D Burns**

Leader of the Council | **Chief Executive**

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost for the year ended 31 March 2022 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 8.

2020/21					2021/22			
	Council		Group			Council		Group
Expenditure	Income	Net	Net		Expenditure	Income	Net	Net
£000	£000	£000	£000		£000	£000	£000	£000
85,774	(11,801)	73,973	74,278	Education	91,406	(13,271)	78,135	78,260
24,563	(3,258)	21,305	21,305	Education Resources & Communities	29,595	(4,406)	25,189	25,189
18,958	(1,738)	17,220	17,252	Social Work	20,342	(1,885)	18,457	18,504
11,489	(6,970)	4,519	4,519	General Services Housing and Property Services	14,242	(9,006)	5,236	5,259
48,867	(9,239)	39,628	39,663	Environmental & Commercial Services	56,486	(14,792)	41,694	41,730
6,661	(3,043)	3,618	3,618	Economic Growth & Development	9,648	(4,543)	5,105	5,105
6,669	(334)	6,335	6,335	HR, ICT & Organisational Development	7,118	(400)	6,718	6,718
21,307	(15,210)	6,097	6,707	Governance, Strategy & Performance	20,175	(14,045)	6,130	6,719
2,566	(512)	2,054	2,054	Financial Services	3,332	(831)	2,501	2,517
2,121	(317)	1,804	1,856	Other	1,904	(142)	1,762	1,813
109,184	(62,715)	46,469	46,469	Health and Social Care	119,454	(66,160)	53,294	53,294
6,023	(20,210)	(14,187)	(14,187)	Housing Revenue Account	14,618	(21,229)	(6,611)	(6,611)
344,182	(135,347)	208,835	209,869	**Cost Of Services**	388,320	(150,710)	237,610	238,497

Comprehensive Income and Expenditure Statement (continued)

2020/21 Council Expenditure £000	2020/21 Council Income £000	2020/21 Council Net £000	2020/21 Group Net Restated £000		2021/22 Council Expenditure £000	2021/22 Council Income £000	2021/22 Council Net £000	2021/22 Group Net £000
344,182	(135,347)	208,835	209,869	**Cost Of Services brought forward**	388,320	(150,710)	237,610	238,497
		2,202	3,440	Other Operating Expenditure (Note 12)			8,707	8,740
		14,311	14,025	Financing and Investment Income and Expenditure (Note 13)			13,157	12,869
		(242,904)	(242,904)	Taxation and Non-Specific Grant Income (Note 14)			(243,650)	(243,650)
		-	(3,064)	Associates accounted for on an equity basis			-	(5,087)
		(17,556)	**(18,634)**	**Deficit on Provision of Services**			**15,824**	**11,369**
		(73,548)	(72,519)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment (Notes 15 & 23)			(124,386)	(124,439)
		-	(586)	(Surplus)/Deficit on revaluation of available for sale financial assets			-	(216)
		(65,676)	(65,676)	Remeasurement of the net defined benefit liability (Note 28 & 42)			(13,274)	(13,274)
		-	-	All other (gains)/losses for the year			-	-
		-	(783)	Share of other Comprehensive (Income) and Expenditure of Associates			-	8
		(139,224)	**(139,564)**	**Other (Income)/Expenditure**			**(137,660)**	**(137,921)**
		(156,780)	**(158,198)**	**Total Comprehensive Net (Income)/Expenditure**			**(121,836)**	**(126,552)**

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 housing 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 Fund	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**	**Authority's Share of Subsidiaries Reserves**	**Authority's Share of Associates Reserves**	**Total Group Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2020	**20,871**	**2,219**	**983**	**2,264**	**206**	**4,132**	**30,675**	**490,072**	**520,747**	**32,707**	**(354)**	**553,100**
Movement in Reserves 2020/21												
Total Comprehensive Expenditure and Income	4,035	13,521	-	-	-	-	17,556	139,224	156,780	(2,429)	3847	158,198
Adjustments to usable reserves permitted by accounting	4,863	3,335	-	-	-	-	8,198	(8,198)	-	-	-	-
Adjustments between accounting basis & funding basis under regulations (Note 10)	12,537	(17,531)	-	1,760	-	-	(3,234)	3,234	-	-	-	-
Net increase/(decrease) before transfers tofrom earmarked and other statutory reserves	**21,435**	**(675)**	**-**	**1,760**	**-**	**-**	**22,520**	**134,260**	**156,780**	**(2,429)**	**3,847**	**158,198**
Transfers to/from statutory reserves	**(434)**	**857**	**1**	**(220)**	**(206)**	**2**	**-**	**-**	**-**	-	-	-
Increase/Decrease in 2020/21	**21,001**	**182**	**1**	**1,540**	**(206)**	**2**	**22,520**	**134,260**	**156,780**	**(2,429)**	**3,847**	**158,198**
Balance at 31 March 2021	**41,872**	**2,401**	**984**	**3,804**	**-**	**4,134**	**53,195**	**624,332**	**677,527**	**30,278**	**3,493**	**711,298**
<u>Note</u>												
Minority Interest										693		693
Total Reserves as per Balance Sheet										**30,971**		**711,991**

Movement in Reserves Statement (continued)

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants and Receipts Unapplied Account	Capital Fund	Revenue Statutory Fund	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**	**Authority's Share of Subsidiaries Reserves**	**Authority's Share of Associates Reserves**	**Total Group Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2021	**41,872**	**2,401**	**984**	**3,804**	**-**	**4,134**	**53,195**	**624,332**	**677,527**	**30,278**	**3,493**	**711,298**
Movement in Reserves 2021/22												
Total Comprehensive Expenditure and Income	(20,790)	4,966	-	-	-	-	(15,824)	137,660	121,836	(363)	5,079	126,552
Adjustments to usable reserves permitted by accounting standards	1,799	4,124					5,923	(5,923)	-	-	-	-
Adjustments between accounting basis & funding basis under regulations (Note 10)	24,144	(9,676)	-	1,281	-	-	15,749	(15,749)	-	-	-	-
Net increase/(decrease) before transfers tofrom earmarked and other statutory reserves	**5,153**	**(586)**	**-**	**1,281**	**-**	**-**	**5,848**	**115,988**	**121,836**	**(363)**	**5,079**	**126,552**
Transfers to/from statutory reserves	**(1,616)**	**650**	**4**	**944**		**18**	**-**		**-**	**-**		**-**
Increase/Decrease in 2021/22	**3,537**	**64**	**4**	**2,225**	**-**	**18**	**5,848**	**115,988**	**121,836**	**(363)**	**5,079**	**126,552**
Balance at 31 March 2022	**45,409**	**2,465**	**988**	**6,029**	**-**	**4,152**	**59,043**	**740,320**	**799,363**	**29,915**	**8,572**	**837,850**
<u>Note</u>												
Minority Interest										731		731
Total Reserves as per Balance Sheet										**30,646**		**838,581**

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 differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31 March 2021			Notes	31 March 2022	
Council	**Group**			**Council**	**Group**
£000	**£000**			**£000**	**£000**
1,028,227	1,047,830	Property, Plant & Equipment	15	1,158,116	1,176,956
1,151	1,355	Heritage Assets	16	1,151	1,355
862	3,276	Investment Property	17	222	2,596
42	42	Intangible Assets	18	30	30
-	2,863	Long Term Investments		-	3,079
-	3,493	Investments in Associates		-	8,572
537	537	Long Term Debtors	19	484	484
1,030,819	**1,059,396**	**Long Term Assets**		**1,160,003**	**1,193,072**
1,505	1,506	Inventories	20	1,642	1,643
18,348	18,360	Short Term Debtors	21/22	17,017	17,031
1,000	1,000	Assets held for sale	23	877	877
30,355	30,355	Cash and Cash Equivalents	24	15,409	15,409
51,208	**51,221**	**Current Assets**		**34,945**	**34,960**
(85,539)	(85,539)	Short Term Borrowing	19	(75,973)	(75,973)
(42,246)	(36,372)	Short Term Creditors	25	(48,265)	(42,131)
(478)	(478)	Donated Inventories Account	20	(649)	(649)
(128,263)	**(122,389)**	**Current Liabilities**		**(124,887)**	**(118,753)**
(149)	(149)	Provisions	26	(149)	(149)
(168,439)	(168,439)	Long Term Borrowing	19	(160,784)	(160,784)
(55,686)	(55,686)	Other Long Term Liabilities	19	(55,207)	(55,207)
(51,963)	(51,963)	Pensions Liability	42	(54,558)	(54,558)
(276,237)	**(276,237)**	**Long Term Liabilities**		**(270,698)**	**(270,698)**
677,527	**711,991**	**Net Assets**		**799,363**	**838,581**

Balance Sheet (continued)

31 March 2021 Council	31 March 2021 Group Restated		Notes	31 March 2022 Council	31 March 2022 Group
£000	£000			£000	£000
41,872	52,297	General Fund Balance	27	45,409	56,241
2,401	2,401	Housing Revenue Account	27	2,465	2,458
984	984	Capital Receipts Reserve	27	988	988
3,804	3,804	Capital Grants and Receipts Unapplied Account	27/29	6,029	6,029
4,134	4,134	Revenue Statutory Funds	27	4,152	4,152
53,195	**63,620**	**Usable Reserves**		**59,043**	**69,868**
292,449	309,060	Revaluation Reserve	28	406,094	421,942
396,945	400,187	Capital Adjustment Account	28	402,325	405,567
(6,025)	(6,025)	Financial Instruments Adjustment Account	28	(5,716)	(5,716)
(7,074)	(7,074)	Employee Statutory Adjustment Account	28	(7,825)	(7,825)
(51,963)	(51,963)	Pensions Reserve	28	(54,558)	(54,558)
624,332	**644,185**	**Unusable Reserves**		**740,320**	**759,410**
-	3,493	Share of Associates Reserves		-	8,572
-	693	Minority Interest		-	731
677,527	**711,991**	**Total Reserves**		**799,363**	**838,581**

The notes on pages 46 to 96 form part of the financial statements.

Lorraine Paisey CA

Chief Financial Officer

The unaudited Annual Accounts were issued on 29 June 2022 and the audited Annual Accounts were authorised for issue by Lorraine Paisey, Chief Financial Officer, on 27 October 2022.

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.

2020/21			2021/22	
Council	**Group**		**Council**	**Group**
£000	**£000**		**£000**	**£000**
17,556	15,570	Net deficit on the provision of services	(15,824)	(16,456)
33,381	35,367	Adjust net deficit on the provision of services for non cash movements	61,581	62,213
(15,308)	(15,308)	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	(16,492)	(16,492)
35,629	**35,629**	**Net cash flows from Operating Activities**	**29,265**	**29,265**
(34,904)	(34,904)	Investing Activities (Note 31)	(23,115)	(23,115)
13,276	13,276	Financing Activities (Note 32)	(21,096)	(21,096)
14,001	**14,001**	**Net increase or (decrease) in cash and cash equivalents**	**(14,946)**	**(14,946)**
16,354	16,354	Cash and cash equivalents at the beginning of the financial year	30,355	30,355
30,355	30,355	Cash and cash equivalents at the end of the financial year (Note 24)	15,409	15,409
14,001	**14,001**		**(14,946)**	**(14,946)**

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 2021/22, 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 prices 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. This is only the case for pre 1 April 2022 and new loans fund repayments now follow option 3 permitted by Finance Circular 7/2016. 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 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 2021/22 Code:

- Annual Improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes four changed standards:
    - IFRS 1 First Time Adoption
    - IAS37 Onerous Contracts
    - IFRS 16 Leases
    - IAS 41 Agriculture
    - Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The Code requires implementation from 1 April 2022 and there is, therefore, no impact on the 2021/22 financial statements.

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

Note 3 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 interst 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	-

Note 3 Nature of the Group and Group Members (continued)

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 £2.137m. The Council acts as sole trustees for various other trust funds which have a net asset balance of £8.402m.

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 £20.107m.

The individual accounts for these entities are shown separately on pages 104 to 116.

Associates

The Entities that have been combined as Associates are:

Name of Associate	Principal Place of Business	Moray Council's Share of Voting Control	Moray Council's Share of Requisition	Measurement Method
Grampian Valuation Joint Board	Moray	20%	17%	Equity
Moray Leisure Limited	Moray	43%	n/a	Equity
Moray Integration Joint Board	Moray	50%	33%	Equity

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

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

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.

Note 3 Nature of the Group and Group Members (continued)

Summarised balance sheet

	Grampian Valuation Joint Board		Moray Leisure Limited		Moray Integration Joint Board (Joint Venture)	
	2020/21	**2021/22**	**2020/21**	**2021/22**	**2020/21**	**2021/22**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Current assets						
Cash and cash equivalents	1,367	1,380	650	215	-	
Other current assets	39	90	143	150	6,342	17,021
Total current assets	**1,406**	**1,470**	**793**	**365**	**6,342**	**17,021**
Non-current assets	748	728	383	364	-	-
Current liabilities	(1,164)	(957)	(278)	(335)	-	-
Non-current liabilities	8	(502)	(546)	(546)	-	-
Net assets/(liabilities)	**998**	**739**	**352**	**(152)**	**6,342**	**17,021**
Reconciliation to carrying amounts:						
Opening net assets/(liabilities)	(3,333)	998	278	352	187	6,342
Surplus/(deficit) for the period	4,331	(259)	74	(504)	6,155	10,679
Closing net assets/(liabilities)	998	739	352	(152)	6,342	17,021
Reporting entity's share (%)	17	17	43	43	50	50
Reporting entity's share	170	126	151	(65)	3,171	8,511
Carrying amount	**170**	**126**	**151**	**(65)**	**3,171**	**8,511**

Note 3 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)	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000	£000	£000
			restated			
Revenue	(4,421)	(4,539)	(2,307)	(2,225)	(151,557)	(164,487)
Interest Income	(1)	(13)	-	-	-	-
Depreciation and Amortisation	30	33	79	81	-	-
Interest Expense	96	-	-	-	-	-
(Surplus)/deficit for the period	**549**	**210**	**(74)**	**504**	**(6,155)**	**(10,679)**
Other Comprehensive Income and Expenditure	**(4,603)**	**49**	**-**	**-**	**-**	**-**
Total Comprehensive Income and Expenditure	**(4,331)**	**259**	**(74)**	**504**	**(6,155)**	**(10,679)**

Inclusion of Associate entities has increased reserves and net assets in the group by £8.572m due mainly to the reserves of Moray Integration Joint Board, as well as a smaller increase in reserves for Grampian Valuation Joint Board and a small decrease for Moray Leisure Ltd.

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%

Note 3 Nature of the Group and Group Members (continued)

Carrying amounts of the entities:

	Grampian Venture Capital Fund		HITRANS	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Council's share of carrying amount of receivables	62	41	194	473
Council's share ofcarrying amount of liabilities	-	-	523	750
Maximum exposure to loss	62	41	523	750

Note 4 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:

- The Council has entered into a Public Private Partnership (PPP) for the construction, maintenance and operation of two schools in Keith and Elgin (Keith Primary School and Elgin Academy) which have a carrying value of £10.795m and £45.525m respectively. The Council has also entered into a Design, Build, Finance and Maintain (DBFM) contract for the construction, maintenance and operation of Elgin High School, which has a carrying value of £32.957m. The Council has considered the tests under IFRIC 12 and concluded there are service concessions.
- 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. A proportion of assets are subject to a desktop valuation on the basis of local market indices as advised by the Council’s Estates Manager. For assets not subject to a formal or desktop valuation in year, the Council’s Estates Manager, who is a qualified RICS Valuer, has asserted that the carrying amount does not differ materially from that which would be determined used current value.
- During 2021/22 the Council was responsible for the payment of business and other grants on behalf of the Scottish Government. In preparing the Annual Accounts it was considered whether these amounts met the definition of being a principal or an agency transaction. Relevant guidance issued by CIPFA LASAAC was considered and where amounts were deemed to be agency transactions, the amounts are not recognised in the Council’s income or expenditure.

Note 5 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 2022 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 £1.978m for every year that useful lives had to be reduced.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effects on the net pensions liability of changes in individual assumptions can be measured and are detailed in Note 42.
Pension Assets	Estimation of the expected return on Pension Assets.	Part of the pension fund is invested in Level 3 Investments. The nature of these investments means there is a greater risk and more uncertainty over their valuation. There may be an impact on net pension scheme liabilities depending on the stock market.

Note 6 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 2021/22 there were no material items of income and expenditure included in the Comprehensive Income and Expenditure Statement that is not disclosed in notes to the accounts. The main item of material expenditure relates to the payment of Business Grants to local businesses and individuals during the pandemic. As there are agency arrangements the spend is not reflected in the Comprehensive Income and Expenditure Statement. During 2021/22 the following items are regarded as material:

Nature	**£000**
During 2021/22 the Council received donated stock of personal protective equipment (PPE). Some of this was issued to internal council staff but some was issued to third parties. This is an agency arrangement which is not recognised in the financial statements. This is the amount of stock issued.	1,301
As a result of the Covid-19 pandemic the Council acted as an agent for making payments of Business Grants to local businesses. At 31 March 2022 £1.545m was due from the Scottish Government. Also during the year the Council acted as an agent for Bridging Payments (£0.634m) and Self Isolation Grants (£0.419m)	15,012

Note 7 Events after the Reporting Period

The unaudited Annual Accounts were issued on 29 June 2022, and the audited Annual Accounts were authorised for issue by Lorraine Paisey, Chief Financial Officer on 27 October 2022. 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 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 8 Expenditure and Funding Analysis

2020/21 Net expenditure chargeable to the General Fund and HRA Balances £000	2020/21 Adjustments between the Funding and the Accounting Basis £000	2020/21 Adjustments to Usable Reserves Permitted by Accounting Standards £000	2020/21 Net expenditure in the Comprehensive Income and Expenditure Statement £000		2021/22 Net expenditure chargeable to the General Fund and HRA Balances £000	2021/22 Adjustments between the Funding and the Accounting Basis £000	2021/22 Adjustments to Usable Reserves Permitted by Accounting Standards £000	2021/22 Net expenditure in the Comprehensive Income and Expenditure Statement £000
62,287	8,478	3,208	73,973	Education	68,247	9,888	-	78,135
19,066	1,659	580	21,305	Education Resources & Communities	20,824	3,928	437	25,189
16,715	498	7	17,220	Social Work	17,300	1,155	2	18,457
2,716	1,468	335	4,519	General Services Housing and Property Services	2,719	1,973	544	5,236
25,247	13,695	686	39,628	Environmental & Commercial Services	25,444	15,500	750	41,694
3,104	514	-	3,618	Economic Growth & Development	4,285	820	-	5,105
5,000	1,335	-	6,335	HR, ICT & Organisational Development	5,329	1,389	-	6,718
5,603	494	-	6,097	Governance, Strategy & Performance	5,507	623	-	6,130
1,875	179	-	2,054	Financial Services	2,126	375	-	2,501
2,520	(716)	-	1,804	Other	2,610	(848)	-	1,762
44,210	2,212	47	46,469	Health and Social Care	49,601	3,627	66	53,294
(8,991)	(8,531)	3,335	(14,187)	Housing Revenue Account	(9,198)	(1,537)	4,124	(6,611)
179,352	**21,285**	**8,198**	**208,835**	**Cost of Services**	**194,794**	**36,893**	**5,923**	**237,610**
(200,112)	(26,279)	-	(226,391)	Other Income and Expenditure	(199,360)	(22,426)	-	(221,786)
(20,760)	**(4,994)**	**8,198**	**(17,556)**	**(Suplus)/Deficit**	**(4,566)**	**14,467**	**5,923**	**15,824**
			(23,090)	**Opening General Fund and HRA Balance**	(44,273)			
			(20,760)	**(Surplus) Deficit on General Fund and HRA Balance in year**	(4,566)			
			(423)	**Transfers from Reserves**	966			
			(44,273)	**Closing General Fund and HRA Balance at 31 March***	**(47,873)**			

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

Note 8 Expenditure and Funding Analysis (continued)

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.

Adjustments between the Funding and the Accounting Basis 2020/21

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes Note a	Net Change for the Pensions Adjustments Note b	Other Differences Note c	Elimination of Internal Recharges Note d	Total Adjustments
	£000	£000	£000	£000	£000
Education	10,677	1,033	170	(194)	11,686
Education Resources & Communities	1,200	1,091	10	(62)	2,239
Social Work	22	769	(52)	(234)	505
General Services Housing and Property Services	1,270	781	52	(300)	1,803
Environmental & Commercial Services	11,902	1,658	75	746	14,381
Economic Growth & Development	99	409	35	(29)	514
HR, ICT & Organisational	932	372	35	(4)	1,335
Governance, Strategy & Performance	35	444	18	(3)	494
Financial Services	-	176	3	-	179
Other	30	(742)	(3)	(1)	(716)
Health and Social Care	241	1,945	(8)	81	2,259
Housing Revenue Account	(5,421)	216	9	-	(5,196)
Net Cost of Services	**20,987**	**8,152**	**344**	**-**	**29,483**
Other Income and Expenditure	(28,366)	2,395	(308)	-	(26,279)
Total Adjustments	**(7,379)**	**10,547**	**36**	**-**	**3,204**

Note 8 Expenditure and Funding Analysis (continued)

Adjustments between the Funding and the Accounting Basis 2021/22

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes Note a	Net Change for the Pensions Adjustments Note b	Other Differences Note c	Elimination of Internal Recharges Note d	Total Adjustments
	£000	£000	£000	£000	£000
Education	7,753	2,055	325	(245)	9,888
Education Resources & Communities	1,576	1,972	482	(102)	3,928
Social Work	80	1,353	38	(316)	1,155
General Services Housing and Property Services	883	1,300	(41)	(169)	1,973
Environmental & Commercial Services	11,798	2,933	(7)	776	15,500
Economic Growth & Development	111	763	(27)	(27)	820
HR, ICT & Organisational Development	759	651	(18)	(3)	1,389
Governance, Strategy & Performance	-	667	(42)	(2)	623
Financial Services	-	371	4	-	375
Other	28	(869)	(5)	(2)	(848)
Health and Social Care	132	3,359	46	90	3,627
Housing Revenue Account	(1,919)	386	(4)	-	(1,537)
Net Cost of Services	**21,201**	**14,941**	**751**	**-**	**36,893**
Other Income and Expenditure	(23,044)	927	(309)	-	(22,426)
Total Adjustments	**(1,843)**	**15,868**	**442**	**-**	**14,467**

a) Adjustments for Capital Purposes

This column adds back 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 financial 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 8 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 9 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 2020/21

	Education	Education Resources & Communities	Social Work	General Services Housing & Property Services	Environmental & Commercial Services	Economic Growth & Development	HR, ICT & Organisational Development	Governance, Startegy & 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	59,319	19,163	8,713	9,269	19,901	4,693	4,311	4,956	1,945	1,106	22,736	2,670	2,395	**161,177**
Other service expenses	15,778	4,200	10,223	950	17,064	1,869	1,426	16,316	621	985	85,795	8,774	275	**164,276**
Depreciation, amortisation and impairment	10,677	1,200	22	1,270	11,902	99	932	35	-	30	241	(5,421)	-	**20,987**
Interest Payments	-	-	-	-	-	-	-	-	-	-	-	-	11,681	**11,681**
Loss on Disposal of Non Current Assets	-	-	-	-	-	-	-	-	-	-	-	-	2,202	**2,202**
Total Expenditure	**85,774**	**24,563**	**18,958**	**11,489**	**48,867**	**6,661**	**6,669**	**21,307**	**2,566**	**2,121**	**108,772**	**6,023**	**16,553**	**360,323**
Fees, charges & other service income	(297)	(575)	(148)	(6,548)	(9,076)	(1,874)	(334)	(14,401)	(512)	(131)	(62,259)	(20,210)	-	**(116,365)**
Interest and investment income	-	-	-	-	-	-	-	-	-	-	-	-	(40)	**(40)**
Income from council tax	-	-	-	-	-	-	-	-	-	-	-	-	(45,731)	**(45,731)**
Government grants and contributions	(11,504)	(2,683)	(1,590)	(422)	(163)	(1,169)	-	(809)	-	(186)	(44)	-	(197,173)	**(215,743)**
Total Income	**(11,801)**	**(3,258)**	**(1,738)**	**(6,970)**	**(9,239)**	**(3,043)**	**(334)**	**(15,210)**	**(512)**	**(317)**	**(62,303)**	**(20,210)**	**(242,944)**	**(377,879)**
Net Expenditure	**73,973**	**21,305**	**17,220**	**4,519**	**39,628**	**3,618**	**6,335**	**6,097**	**2,054**	**1,804**	**46,469**	**(14,187)**		
(Surplus) or deficit on the provision of sevices														**(17,556)**

Note 9 Expenditure and Income Analysed by Segment and Nature (continued)

Income and Expenditure 2021/22

	Education	Education Resources & Communities	Social Work	General Services Housing & Property Services	Environmental & Commercial Services	Economic Growth & Development	HR, ICT & Organisational Development	Governance, Startegy & 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	66,773	22,093	10,060	10,067	22,821	5,630	4,869	4,801	2,713	803	25,451	3,040	927	**180,048**
Other service expenses	16,880	5,489	10,200	2,748	21,117	2,960	1,490	15,374	619	1,073	93,805	9,373	187	**181,315**
Depreciation, amortisation and impairment	7,753	2,013	82	1,427	12,548	1,058	759	-	-	28	198	2,205	-	**28,071**
Interest Payments	-	-	-	-	-	-	-	-	-	-	-	-	12,282	**12,282**
Loss on Disposal of Non Current Assets	-	-	-	-	-	-	-	-	-	-	-	-	8,707	**8,707**
Total Expenditure	**91,406**	**29,595**	**20,342**	**14,242**	**56,486**	**9,648**	**7,118**	**20,175**	**3,332**	**1,904**	**119,454**	**14,618**	**22,103**	**410,423**
Fees, charges & other service income	(359)	(1,712)	(144)	(7,846)	(14,575)	(2,187)	(390)	(13,170)	(809)	(142)	(66,118)	(21,229)	-	**(128,681)**
Interest and investment income	-	-	-	-	-	-	-	-	-	-	-	-	(240)	**(240)**
Income from council tax	-	-	-	-	-	-	-	-	-	-	-	-	(45,979)	**(45,979)**
Government grants and contributions	(12,912)	(2,694)	(1,741)	(1,160)	(217)	(2,356)	(10)	(875)	(22)	-	(42)	-	(197,670)	**(219,699)**
Total Income	**(13,271)**	**(4,406)**	**(1,885)**	**(9,006)**	**(14,792)**	**(4,543)**	**(400)**	**(14,045)**	**(831)**	**(142)**	**(66,160)**	**(21,229)**	**(243,889)**	**(394,599)**
Net Expenditure	**78,135**	**25,189**	**18,457**	**5,236**	**41,694**	**5,105**	**6,718**	**6,130**	**2,501**	**1,762**	**53,294**	**(6,611)**		
(Surplus) or deficit on the provision of sevices														**15,824**

Note 10 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.

2020/21	Usable Reserves					
	General Fund	HRA	Revenue Statutory Funds	Capital Receipts Reserve	Capital Grants & Receipts Unapplied	Capital Fund
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements,						
Pensions costs (transferred from the Pensions Reserve)	10,275	272	-	-	-	-
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(212)	(96)	-	-	-	-
Holiday pay (transferred to the Employee Statutory Adjustment Account)	335	9	-	-	-	-
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)	14,016	(11,035)	-	-	-	-
Total Adjustment to Revenue Resources	**24,414**	**(10,850)**	**-**	**-**	**-**	**-**
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	(1,760)	-	-	-	1,760	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(9,952)	(1,283)	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(165)	(5,398)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	**(11,877)**	**(6,681)**	**-**	**-**	**1,760**	**-**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	-	-
Total Adjustments to Capital Resources	**-**	**-**	**-**	**-**	**-**	**-**
Total Adjustments	**12,537**	**(17,531)**	**-**	**-**	**1,760**	**-**

Note 10 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2021/22	Usable Reserves					
	General Fund	HRA	Revenue Statutory Funds	Capital Receipts Reserve	Capital Grants & Receipts Unapplied	Capital Fund
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements,						
Pensions costs (transferred from the Pensions Reserve)	15,462	407	-	-	-	-
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(213)	(96)	-	-	-	-
Holiday pay (transferred to the Employee Statutory Adjustment Account)	755	(4)	-	-	-	-
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)	20,005	(3,084)	-	-	-	-
Total Adjustment to Revenue Resources	**36,009**	**(2,777)**	**-**	**-**	**-**	**-**
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	(1,281)	-	-	-	1,281	-
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(10,035)	(1,377)	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(550)	(5,522)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	**(11,866)**	**(6,899)**	**-**	**-**	**1,281**	**-**
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to fi	-	-	-	-	-	-
Total Adjustments to Capital Resources	**-**	**-**	**-**	**-**	**-**	**-**
Total Adjustments	**24,143**	**(9,676)**	**-**	**-**	**1,281**	**-**

Note 11 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 2021/22.

Revenue Statutory Funds

	Repairs and Renewals Fund	Insurance Fund	Total
	£000	£000	£000
Balance at 1 April 2020	2,726	1,406	4,132
Transfers In 2020/21	2	-	2
Balance at 31 March 2021	2,728	1,406	4,134
Transfers in 2021/22	12	6	18
Balance at 31 March 2022	**2,740**	**1,412**	**4,152**

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	Covid-19 Funding	Other Funds	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2020	15,349	466	414	660	700	2,881	-	401	20,871
Transfers Out 2020/21	-	-	-	-	-	-	-	(41)	(41)
Transfers In 2020/21	-	877	159	142	2,964	-	16,421	479	21,042
Balance at 31 March 2021	15,349	1,343	573	802	3,664	2,881	16,421	839	41,872
Transfers Out 2021/22	(10,349)	(55)	(573)	-	-	-	-	(428)	(11,405)
Transfers In 2021/22	-	-	-	244	1,816	7,000	5,838	44	14,942
Balance at 31 March 2022	**5,000**	**1,288**	**-**	**1,046**	**5,480**	**9,881**	**22,259**	**455**	**45,409**

Note 11 Transfers to/from Revenue Statutory Funds and Earmarked portions of the General Fund (continued)

Devolved School Management (DSM)
This ring fenced reserve 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
This ring fenced fund is the unspent balance of grant received from the Scottish Government for the expansion of Early Learning and Childcare from 600 hours to 1,140 hours.

Pupil Equity Funding
This ring fenced fund is the unspent balance of grant received the Scottish Government to provide targeted support for children and young people affected by poverty. The grant is paid on a financial year basis but spent over the academic year.

Transformation
The purpose of this fund is to set aside funding to initiate and advance the transformation of services and 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.

Covid-19
The Scottish Government announced significant additional funding for expenditure related to the Covid-19 pandemic when the Local Government Settlement was approved – some of these are related to specific areas such as Education, others (mainly from Barnett consequentials) are not linked to particular issues. The unspent portions of this funding have been carried forward in an ear-marked reserve and will be released as appropriate, with any associated spending plans approved by members.

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 relate 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. Other funds held include insurance premium discounts set aside to fund claims beneath the Council's excess, unspent monies to be used to upgrade/maintain Sanquhar Loch in Forres, amounts to cover core path maintenance and upgrading within and outside the boundary of Dorenell Windfarm, and unspent grant in relation to the Grampian Valuation Joint Board for the increase in postal votes for the May 2021 Election. The grant stipulated that the monies would come to Moray Council to be allocated as and when required, with the balance carried forward through Council reserves.

Note 12 Other Operating Expenditure

	2020/21	2021/22
	£000	£000
Losses on disposal of non-current assets	2,202	8,707
	2,202	**8,707**

Note 13 Financing and Investment Income and Expenditure

	2020/21	2021/22
	£000	£000
Interest payable and similar charges	11,681	12,282
Net interest on the net defined benefit liability	2,395	928
Interest receivable and similar income	(36)	(236)
Income and expenditure in relation to investment properties	(4)	(4)
Expected credit losses on financial assets	275	187
	14,311	**13,157**

Note 14 Taxation and Non-Specific Grant Income

	2020/21	2021/22
	£000	£000
Council tax income	(45,731)	(45,979)
Non domestic rates	(30,867)	(41,260)
Non-ring fenced government grants	(152,538)	(142,144)
Capital grants and contributions	(13,768)	(14,267)
	(242,904)	**(243,650)**

Note 15 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 15 Property, Plant and Equipment (continued)

Comparative Movements in 2020/21

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation							
At 1 April 2020	281,838	383,854	49,139	711	4,358	62,259	782,159
Additions	3,769	3,449	5,306	-	-	32,879	45,403
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	38,916	4,953	-	-	-	-	43,869
Revaluation (decreases) recognised in the Surplus on the Provision of Services	9,852	(1,254)	-	-	-	-	8,598
Derecognition – disposals	-	(1,892)	(2,754)	-	-	-	(4,646)
Derecognition – other	-	(274)	-	-	-	-	(274)
Assets reclassified (to)/ from Held for Sale	-	(518)	-	-	(1,446)	-	(1,964)
Other movements in cost or valuation	15,395	13,875	-	-	(260)	(29,010)	-
At 31 March 2021	**349,770**	**402,193**	**51,691**	**711**	**2,652**	**66,128**	**873,145**
Accumulated Depreciation and Impairment							
At 1 April 2020	31,769	26,200	32,616	330	193	-	91,108
Depreciation charge	8,279	12,790	4,312	15	18	-	25,414
Depreciation written out to the Revaluation Reserve	(27,724)	(2,083)	-	-	-	-	(29,807)
Depreciation written out to the Surplus on the Provision of Services	(4,045)	(203)	-	-	-	-	(4,248)
Derecognition – disposals	-	(41)	(2,504)	-	-	-	(2,545)
Derecognition – other	-	(15)	-	-	-	-	(15)
Assets reclassified (to)/ from Held for Sale	-	-	-	-	(54)	-	(54)
Other movements in depreciation and impairment	-	33	-	-	(33)	-	-
At 31 March 2021	**8,279**	**36,681**	**34,424**	**345**	**124**	**-**	**79,853**

Note 15 Property, Plant and Equipment (continued)

Movement in 2021/22

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
At 1 April 2021	349,770	402,193	51,691	711	2,652	66,128	873,145
Additions	6,856	5,541	3,340	163	-	16,386	32,286
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	29,781	44,773	-	-	6	-	74,560
Revaluation (decreases) recognised in the Surplus on the Provision of Services	4,305	(1,856)	-	-	-	(1,165)	1,284
Derecognition – disposals	-	-	(361)	-	-	-	(361)
Derecognition – other	-	(8,796)	-	-	-	-	(8,796)
Assets reclassified (to)/ from Held for Sale	-	(1,564)	-	-	(160)	-	(1,724)
Other movements in cost or valuation	5,616	47,955	265	-	196	(54,052)	(20)
At 31 March 2022	**396,328**	**488,246**	**54,935**	**874**	**2,694**	**27,297**	**970,374**
Accumulated Depreciation and Impairment							
At 1 April 2021	8,279	36,681	34,424	345	124	-	79,853
Depreciation charge	8,981	12,580	3,987	19	31	-	25,598
Depreciation written out to the Revaluation Reserve	(13,820)	(35,905)	-	-	(94)	-	(49,819)
Depreciation written out to the Surplus on the Provision of Services	(2,666)	(3,287)	-	-	-	-	(5,953)
Derecognition – disposals	-	-	(305)	-	-	-	(305)
Derecognition – other	-	(1,195)	-	-	-	-	(1,195)
Assets reclassified (to)/ from Held for Sale	-	(116)	-	-	(6)	-	(122)
Other movements in depreciation and impairment	-	(28)	-	-	28	-	-
At 31 March 2022	**774**	**8,730**	**38,106**	**364**	**83**	**-**	**48,057**
Net Book Value							
at 31 March 2021	341,491	365,512	17,267	366	2,528	66,128	793,292
at 31 March 2022	395,554	479,516	16,829	510	2,611	27,297	922,317

Note 15 Property, Plant and Equipment (continued)

The Scottish Government has issued Finance Circular 9/2022 and the Council are invoking both statutory overrides permitted by this guidance and removed the Gross Book Value and Accumulated Depreciation amounts for Infrastructure Assets. The Net Book Value of these assets as at 31 March 2022 is £236m (2020/21 £235m), and is part of the Property, Plant and Equipment figure in the Balance Sheet.

Capital Commitments
At 31 March 2022, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22 and future years budgeted to cost £6.874m (2020/21 £17.729m). The major contracts are:

	£000
HRA Council House New Build	325
NESS Energy from Waste	6,549
	6,874

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, with an indexation exercise carried out in the intervening 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). A proportion of assets are subject to a desktop valuation on the basis of local market related indices at 31 March 2022. Such valuations were applied following consultation with the Council's Estates Manager.

During 2021/22 the date of revaluations was changed from 1 April to 31 March.

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 (EUV-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	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	-	54,935	874	-	27,297	83,106
Valued at current value as at:							
31 March 2022	47,728	123,808	-	-	(95)	-	171,441
01 April 2020	333,520	42,120	-	-	41	-	375,681
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
Total cost or valuation	**396,328**	**488,246**	**54,935**	**874**	**2,694**	**27,297**	**970,374**

Note 16 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 2021/22 is as follows:

	Cultural	Modern Statues	Museums Collections	Total Heritage Assets
	£000	**£000**	**£000**	**£000**
Valuation at 1 April 2020	126	102	920	1,148
Additions	-	3	-	3
Transfers/Reclassifications	-	-	-	-
At 31 March 2021	**126**	**105**	**920**	**1,151**
Valuation at 1 April 2021	126	105	920	1,151
Additions	-	-	-	-
Transfers/Reclassifications	-	-	-	-
At 31 March 2022	**126**	**105**	**920**	**1,151**

The amount included above for the museum's collections is based on insurance valuations. They were previously valued in 2017/18 and are due to be revalued next in 2022.23. Other Heritage Assets are valued at historic cost.

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 2022
Archive Material	circa	1000000
Monuments and Fountains		11
War Memorials		46

Note 17 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. Properties are reviewed each year and if it is deemed that there has been a material change in value or circumstance are revalued. 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 17 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.

	2020/21	2021/22
	£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:

	2020/21	2021/22
	£000	£000
Balance at start of the year	862	862
Disposals	-	(640)
Balance at end of the year	**862**	**222**

Note 18 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
Expected Useful Life	**£000**
5 - 6 years	252

The carrying amount of licences is amortised on a straight line basis. The amortisation of £0.013m charged to revenue in 2021/22 (2020/21 £0.013m) 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 18 Intangible Assets (continued)

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

	2020/21 £000	2021/22 £000
Balance at start of the year:		
Gross carrying amount	217	252
Accumulated amortisation	(197)	(209)
Net carrying amount at start of year	**20**	**43**
Purchases	35	-
Amortisation for the period	(13)	(13)
Disposals:		
Gross carrying amount	-	-
Accumulated amortisation	-	-
Net carrying amount at end of year	**42**	**30**
Comprising:		
Gross carrying amount	252	252
Accumulated amortisation	(210)	(222)
	42	**30**

Note 19 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 39;
- Public Private Partnership contracts detailed in note 40;
- 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, Insight Liquidity Fund and CCLA Public Sector 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 19 Financial Instruments (continued)

Financial Instruments – Balances
The financial liabilities disclosed in the Balance Sheet are analysed across the following categories:

	2020/21		2021/22	
	Long Term	Short Term	Long Term	Short Term
	£000	£000	£000	£000
Amortised Cost:				
Borrowing	168,439	85,539	160,784	75,973
Creditors	55,686	34,556	55,207	44,360
Total	**224,125**	**120,095**	**215,991**	**120,333**

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

	2020/21			2021/22		
	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	11,681	-	11,681	12,282	-	12,282
Impairment Losses	-	417	417	-	261	261
Total expense in Surplus or Deficit on the Provision of Services	**11,681**	**417**	**12,098**	**12,282**	**261**	**12,543**
Interest Income	-	(36)	(36)	-	(236)	(236)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(36)**	**(36)**	**-**	**(236)**	**(236)**
Net (gain)/loss for the year	**11,681**	**381**	**12,062**	**12,282**	**25**	**12,307**

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 the market price.

The fair value of financial instruments classified at amortised cost 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 19 Financial Instruments (continued)

Financial Assets	Fair Value Level	2020/21 Carrying Amount	2020/21 Fair Value	2021/22 Carrying Amount	2021/22 Fair Value
		£000	£000	£000	£000
Short Term Debtors	2	14,642	14,642	13,298	13,298
Long Term Debtors	2	537	537	484	484
Total		**15,179**	**15,179**	**13,782**	**13,782**

At 31 March 2022 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 (£13.781m).

Financial Liabilities	Fair Value Level	2020/21 Carrying Amount	2020/21 Fair Value	2021/22 Carrying Amount	2021/22 Fair Value
		£000	£000	£000	£000
Financial liabilities held at amortised cost:					
Short Term Creditors	2	33,904	33,904	44,180	44,180
Short Term Borrowing	2	85,539	85,539	75,973	75,973
Other Long Term liabilities	2	2,855	2,855	3,876	3,876
Long Term Borrowing	2	168,439	255,363	160,784	244,703
PPP and Finance Lease liabilities	2	52,831	85,686	51,331	74,485
Total		**343,568**	**463,347**	**336,144**	**443,217**

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 £203.821m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

As the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, a supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £160.784m of total long term borrowing would be valued at £203.821m. However, if the Council sought to repay the loans to the PWLB, the exit price for the PWLB loans would be £260.560m.

Note 20 Inventories

2020/21

	Balance at 1 April	Purchases	Recognised as an expense in the year	Balance at 31 March
	£000	£000	£000	£000
Building Services	217	738	(684)	271
Fleet Services	232	2,127	(2,103)	256
Roads Maintenance	155	578	(528)	205
Donated PPE	-	890	(412)	478
Other	197	781	(683)	295
Total	**801**	**5,114**	**(4,410)**	**1,505**

2021/22

	Balance at 1 April	Purchases	Recognised as an expense in the year	Balance at 31 March
	£000	£000	£000	£000
Building Services	271	695	(708)	258
Fleet Services	256	2,764	(2,696)	324
Roads Maintenance	205	434	(454)	185
Donated PPE	478	307	(136)	649
Other	295	1,393	(1,462)	226
Total	**1,505**	**5,593**	**(5,456)**	**1,642**

Note 21 Short Term Debtors

	2020/21	2021/22
	£000	£000
Trade Receivables	1,202	1,239
Prepayments	1,234	1,765
Other Receivable Amounts	13,440	12,059
	15,876	**15,063**
Prepayments included in debtors	(1,234)	(1,765)
Total Financial Assets Current Debtors	**14,642**	**13,298**

Note 22 Debtors from Local Taxation

	2020/21	2021/22
	Council Tax	Council Tax
	£000	£000
Less than 1 year	2,197	1,714
One to two years	2,423	2,922
Three to five years	2,626	2,610
More than 5 years	9,073	9,666
	16,319	**16,912**
Impairment Allowance	(13,847)	(14,958)
Total (net of impairment)	**2,472**	**1,954**

Note 23 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.

	Current Assets	Current Assets
	2020/21	2021/22
	£000	£000
Balance at 1 April	827	1,000
Assets reclassified from Property, Plant and Equipment	1,910	1,602
Revaluation gains/(losses)	(137)	(34)
Disposals	(1,600)	(1,691)
Balance at 31 March	**1,000**	**877**

Note 24 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.

	2020/21	2021/22
	£000	£000
Cash Held by the Council	17	16
Bank Current/Call Accounts	30,338	15,393
Total	**30,355**	**15,409**

Note 25 Short Term Creditors

	2020/21	2021/22
	£000	£000
Trade Payables	14,759	16,222
Other Payables	27,487	32,043
Total	**42,246**	**48,265**
Tax Creditors included above	(4,804)	(3,545)
Receipts in advance included above	(3,538)	(540)
Total Financial Liabilities Current Creditors	**33,904**	**44,180**

Note 26 Provisions

	Equal Pay	Total
	£000	£000
Balance as at 1 April 2021	149	149
Settlements made/provision released in 2021/22	-	-
Increase in provision in 2021/22	-	-
Balance as at 31 March 2022	**149**	**149**

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

Note 27 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 property assets held by the Council. Together these are the Revenue Statutory Funds on the Balance Sheet;
- 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 10 and 11. A summary of the Reserves is also shown on the Balance Sheet.

Note 28 Unusable Reserves

2020/21		2021/22
£000		£000
396,945	Capital Adjustment Account	402,325
292,449	Revaluation Reserve	406,094
(6,025)	Financial Instruments Adjustment Account	(5,716)
(7,074)	Employee Statutory Adjustment Account	(7,825)
(51,963)	Pensions Reserve	(54,558)
624,332		**740,320**

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.

2020/21		2021/22	
£000		£000	£000
381,892	Balance at 1 April		396,945
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(25,613)	Charges for depreciation and impairment of non-current assets	(28,385)	
12,837	Revaluation losses on Property, Plant and Equipment	7,197	
(13)	Amortisation of Intangible Assets	(13)	
(3,961)	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	(9,988)	
(16,750)			(31,189)
1,237	Adjusting amount written out of the Revaluation Reserve		4,818
(15,513)	Net written out amount of the cost of non-current assets consumed in the year		(26,371)
	Capital financing applied in the year:		
13,768	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	14,267	
11,235	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	11,412	
5,563	Capital expenditure charged against the General Fund and HRA balances	6,072	
30,566			31,751
396,945	**Balance at 31 March**		**402,325**

Note 28 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.

2020/21		2021/22	
£000		£000	£000
228,335	Balance at 1 April		292,449
75,075	Upward Revaluation of assets	129,660	
(1,527)	Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(5,274)	
73,548	Surplus /(deficit) on revaluation of non-current assets not posted to the Surplus on the Provision of Services		124,386
(8,198)	Difference between fair value depreciation and historical cost depreciation		(5,923)
(1,236)	Accumulated gains on assets sold or scrapped	(4,818)	
(9,434)	Amount written off to the Capital Adjustment Account		(4,818)
292,449	**Balance at 31 March**		**406,094**

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 2021 will be charged to the General Fund over the next 35 years

2020/21		2021/22
£000		£000
(6,333)	Balance at 1 April	(6,025)
308	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	309
-	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-
(6,025)	**Balance at 31 March**	**(5,716)**

Employee Statutory Adjustment Account

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

2020/21		2021/22
£000		£000
(6,730)	Balance at 1 April	(7,074)
6,730	Settlement or cancellation of accrual made at the end of the preceding year	7,074
(7,074)	Amounts accrued at the end of the current year	(7,825)
(344)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(751)
(7,074)	**Balance at 31 March**	**(7,825)**

Note 28 Unusable Reserves (continued)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve, therefore, shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020/21		2021/22
£000		£000
(107,092)	Balance at 1 April	(51,963)
65,676	Remeasurements (assets and liabilities)	13,274
(25,137)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(31,510)
14,590	Employer's pensions contributions and direct payments to pensioners payable in the year	15,641
(51,963)	Balance at 31 March	**(54,558)**

Note 29 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.

	2020/21	2021/22
	£000	£000
Capital Grants		
Opening Balance	1,082	1,082
Additions	-	1,217
Applied	-	-
Closing Balance	**1,082**	**2,299**
Capital Receipts for Transformation Projects		
Opening Balance	1,182	2,722
Additions	1,760	1,281
Applied	(220)	(290)
Closing Balance	**2,722**	**3,713**
Interest on Revenue Balances	-	17
Total opening balance at 1 April	**2,264**	**3,804**
Total closing balance at 31 March	**3,804**	**6,029**

Note 30 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2020/21	2021/22
	£000	£000
Interest Received	36	240
Interest Paid	(11,711)	(12,351)

Note 31 Cash Flow Statement - Investing Activities

	2020/21	2021/22
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	(50,570)	(41,664)
Other payments for investing activities	-	(3)
Other receipts from investing activities	15,666	18,552
Net cash flows from investing activities	**(34,904)**	**(23,115)**

Note 32 Cash Flow Statement - Financing Activities

	2020/21	2021/22
	£000	£000
Cash receipts of short-term and long-term borrowing	92,500	68,000
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(1,584)	(1,594)
Repayment of short and long-term borrowing	(76,478)	(85,152)
Other payments/(receipts) for financing activities	(1,162)	(2,350)
Net cash flows from financing activities	**13,276**	**(21,096)**

Note 33 Reconciliation of Liabilities Arising from Financing Activities

	Balance at 1 April	Financing Cash Flows	Changes which are not Financing Cash Flows		Balance at 31 March
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long Term Borrowing	168,439	(7,652)	-	(3)	160,784
Short Term Borrowing	85,539	(9,843)	-	277	75,973
Lease Liabilities	65	(65)	-	-	-
On balance sheet PFI liabilities	54,360	(1,529)	-	-	52,831
Other deferred liabilities	268	-	-	-	268
Total Liabilities from Financing Activities	**308,671**	**(19,089)**	**-**	**274**	**289,856**

Note 34 External Audit Costs

The agreed external audit fee for 2021/22 was £0.251m for work undertaken in accordance with the Code of Audit Practice (2020/21 £0.246m).

Note 35 Grant Income and Contributions

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

	2020/21	2021/22
	£000	£000
Credited to Taxation and Non-Specific Grant Income		
General Revenue Grant	152,870	142,144
National Non Domestic Rate Income	30,867	41,260
Capital Grants and Contributions	13,768	15,214
Total	**197,505**	**198,618**
Credited to Services		
Housing Benefits	13,765	12,705
Private Sector Housing Grant	222	395
Home Energy Efficiency Programme Scotland	167	765
Flexible Food Fund	209	-
Covid Education Grants	589	543
Criminal Justice	1,195	1,336
Pupil Equity Funding (PEF)	1,395	1,673
ELC Expansion	9,335	10,452
PPP Funding	2,216	2,219
Other Grants	3,325	3,993
Contributions		
Integration Joint Board	61,193	66,311
Other Contributions	303	241
NHS Grampian	320	114
Donations	31	1
Total	**94,265**	**100,748**

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:

	2020/21	2021/22
	£000	£000
Grants received in advance		
Capital Grants	2,587	3,608
Other Grants	1,826	921
Total	**4,413**	**4,529**

Note 36 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.

The Scottish Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax Bills). Government grants and contributions are included in note 35. The amounts outstanding at the year-end are included in creditors in note 25.

Members of the Council have direct control over the Council's financial and operating policies. During 2021/22 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.

Moray Integration Joint Board
The Moray Integration Joint Board was established on 1 April 2016 as a partnership between Moray Council and NHS Grampian and is responsible for planning and overseeing the delivery of a full range of community health and social work services including those for older people. In the year 2021/22 the following financial transactions were made with Moray Council relating to the integrated and social care functions:

Transactions with other bodies are as follows:

			Debtors/(Creditors)	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
NHS Grampian				
Funding received	23	114	92	82
Moray Integration Joint Board				
Funding received from MIJB	61,011	65,049	(182)	(1,282)
Contribution to MIJB	45,060	50,731	-	-
European Union				
Funding received	205	342	-	439
Grampian Valuation Joint Board				
Contribution to GVJB	768	792	-	-

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:

	2020/21	2021/22
	£000	£000
Grampain Valuation Joint Board	1,367	1,380
Trust Funds	2,216	2,269
Common Good	3,684	3,897

The Council provided material financial assistance to Moray Leisure Limited of £0.534m in 2021/22 (2020/21 £0.774m)

The Council participates in the following partnerships:

	2020/21	2021/22
	£000	£000
The Highlands and Islands Transport Partnership - contribution	47	47
Scotland Excel - contribution	75	76
SEEMIS Group LLP - contribution	90	94

Note 37 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.

	2020/21	2021/22
	£000	£000
Opening Capital Financing Requirement	321,161	341,891
Capital Investment:		
Property, Plant and Equipemnt (incl Held for Sale)	51,259	41,840
Intangible Assets	35	-
Heritage Assets	3	-
Sources of Finance:		
Government grants and other contributions	(13,768)	(14,267)
Sum set Aside from Revenue:		
Direct revenue contributions	(5,563)	(6,072)
Loans fund principal	(11,236)	(11,412)
Closing Capital Financing Requirement	**341,891**	**351,980**
Explantions of movements in year:		
Increase/(decrease) in underlying need to borrow (supported by government financial assistance)	20,729	10,090
Increase/(decrease) in Capital Financing Requirement	**20,729**	**10,090**

During 2021/22 the Council have recognised £21.5 million of loans fund advances (2020/21 £32.0 million)

Note 38 Capitalisation of Borrowing Costs

Borrowing costs of £1.076m have been capitalised during 2021/22 (2020/21 £2.226m), using a capitalisation rate of 3.76%.

Note 39 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 2022 is £0 (31 March 2021 £0)

Note 39 Leases (continued)

Outstanding obligations under finance leases as 31 March 2021:

	Minimum Lease Payments	less Future Interest Charges	Present Value of Minimum Lease Payments
	£000	£000	£000
Not later than one year	68	(3)	65
Later than one year and not later than five years	-	-	-
Total	**68**	**(3)**	**65**

There are no outstanding obligations under finance leases at 31 March 2022 or 31 March 2021:

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:

	2020/21	2021/22
	£000	£000
Not later than one year	25	38
Later than one year and not later than five years	101	148
Later than five years	1,329	1,372
Total	**1,455**	**1,558**

The future minimum sublease payments expected to be received by the Council are £0.002m (2020/21 £0.036m).

The expenditure charged to the CIES during the year in relation to minimum lease payments was £0.038m (2020/21 £0.054m).

Note 39 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:-

	2020/21	2021/22
	£000	£000
Not later than one year	918	758
Later than one year and not later than five years	2,791	2,782
Later than five years	30,863	31,940
Total	**34,572**	**35,480**

Note 40 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 2021/22 was £5.170m (2020/21 £5.114m).

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 2021/22 was £2.545m (2020/21 £2.535m)

Note 40 Public Private Partnership and Similar Contracts (continued)

Property, Plant and Equipment

	2020/21	2021/22
	£000	**£000**
Cost or valuation		
at 1 April	69,338	69,340
Additions	2	49
Revaluations	-	13,264
	69,340	**82,653**
Accumulated Depreciation		
At 1 April	5,325	7,994
Depreciation charge	2,669	2,670
Depreciation write back	-	(10,664)
	7,994	**-**
Net Book Value	**61,346**	**82,653**

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 2022 (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 2022/23	1,184	1,500	3,780	6,464
Payable within 2 to 5 years	4,734	5,952	14,120	24,806
Payable within 6 to 10 years	5,918	9,483	15,065	30,466
Payable within 11 to 15 years	5,919	13,992	11,047	30,958
Payable within 16 to 20 years	5,909	20,826	5,126	31,861
Payable within 21 to 25 years	134	1,078	61	1,273
Total	**23,798**	**52,831**	**49,199**	**125,828**

Note 40 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:

	2020/21	2021/22
	£000	£000
Balance outstanding at start of year	55,817	54,360
Payments during the year	(1,457)	(1,529)
Balance outstanding at year-end	**54,360**	**52,831**

Note 41 Pension Schemes Accounted for as Defined Contribution Schemes

The Council participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary.

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 2022, the Council's own contributions equate to approximately 1.4%.

In 2021/22 the amount payable to the Scottish Government in respect of teachers' retirement benefits was £9.787m of which £0.848m was outstanding at 31 March 2022. The amount payable represents 23% of pensionable pay. In 2020/21 the amounts payable were £9.238m of which £0.777m was outstanding at 31 March 2021.

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

Note 42 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.

Note 42 Defined Benefit Pension Schemes (continued)

Principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute.

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:

	Pension Scheme		Benefits	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement Cost of Services:				
Current Service Cost	22,296	30,278	-	-
Past Service Cost	-	-	-	-
Curtailment Cost	10	-	-	-
Settlement Cost	154	-	-	-
Administration Expenses	282	304	-	-
	22,742	30,582	-	-
Financing and Investment Income and Expenditure:				
Net Interest Expense	2,055	640	340	288
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**24,797**	**31,222**	**340**	**288**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets	(167,207)	3,159	-	-
Actuarial gains/(losses) arising from changes in financial assumpti	116,877	(14,207)	1,427	(79)
Actuarial gains/(losses) arising from demographic changes	(1,840)	(4,032)	(51)	(72)
Other	(13,738)	1,918	(1,144)	39
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(41,111)**	**18,060**	**572**	**176**
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	(24,797)	(31,222)	(340)	(288)
Actual amout charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	13,606	14,673	-	-
Retirement benefits payable to pensioners	-	-	984	968

Note 42 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	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Present Value of the defined benefit obligation	(776,355)	(793,742)	(14,260)	(13,468)
Fair value of plan assets	738,652	752,652	-	-
Net liability arising from defined benefit obligation	**(37,703)**	**(41,090)**	**(14,260)**	**(13,468)**

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

	Local Government Pension Scheme		Discretionary Benefits	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Opening Balance at 1 April	652,201	776,355	14,672	14,260
Current Service Cost	22,296	30,278	-	-
Interest Cost	15,489	16,172	340	288
Contributions from scheme participants	4,257	4,586	-	-
Remeasurement (gains)/lossesr:				
Actuarial (gains)/losses arising from changes in financial assumptions	116,877	(14,207)	1,427	(79)
Actuarial (gains)/losses arising from demographic changes	(1,840)	(4,032)	(51)	(72)
Other	(13,738)	1,918	(1,144)	39
Past Service Cost	-	-	-	-
(Gains)/Losses on curtailment/settlements	(1,276)	-	-	-
Benefits paid	(17,911)	(17,238)	(984)	(968)
Closing Balance at 31 March	**776,355**	**793,832**	**14,260**	**13,468**

Note 42 Defined Benefit Pension Schemes (continued)

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

	Local Government Pension Scheme		Discretionary Benefits	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Opening fair value of scheme assets	559,781	738,652	-	-
Interest Income	13,434	15,532	-	-
Remeasurement Gains:				
The return on plan assets, excluding the amount in the net interest expense	167,207	(3,159)	-	-
The effect of settlements	(1,440)	-	-	-
Contributions from employer	13,606	14,673	984	968
Contributions from employees into the scheme	4,257	4,586	-	-
Benefits paid	(17,911)	(17,328)	(984)	(968)
Other - administration expenses	(282)	(304)	-	-
Closing value of scheme assets	**738,652**	**752,652**	**-**	**-**

Local Government Pension Scheme assets comprised:
Fair value of scheme assets

31 March 2021	Quoted Prices in Active Markets £000	Prices not Quoted in Active Markets £000	Total £000
UK Equities	187,765	-	187,765
Overseas Equities	249,148	-	249,148
UK Government Bonds	29,546	-	29,546
Other Government Bonds	7,534	-	7,534
Other UK Bonds	370	-	370
Other non UK Bonds	6,574	-	6,574
Property	-	42,029	42,029
Private Equity	-	180,231	180,231
Global Infrastructure	13,665	-	13,665
Cash Instruments	-	21,790	21,790
Total Assets	**494,602**	**244,050**	**738,652**

Note 42 Defined Benefit Pension Schemes (continued)

31 March 2022	Quoted Prices in Active Markets £000	Prices not Quoted in Active Markets £000	Total £000
UK Equities	162,046	-	162,046
Overseas Equities	289,245	-	289,245
UK Government Bonds	61,717	-	61,717
Property	-	49,073	49,073
Private Equity	-	155,347	155,347
Global Infrastructure	13,021	-	13,021
Cash Instruments	-	22,203	22,203
Total Assets	**526,029**	**226,623**	**752,652**

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 2020 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 2022. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits	
	2020/21	**2021/22**	**2020/21**	**2021/22**
Mortality Assumptions:				
Longevity at 65 for current pensioners				
Men	21.5	21.5	21.5	21.5
Women	24.2	24.2	24.2	24.2
Longevity at 65 for future pensioners				
Men	23.1	23	-	-
Women	26.3	26.3	-	-
Rate of Inflation	2.70%	3.30%	2.70%	3.50%
Rate of increase in salaries	4.20%	4.80%	-	-
Rate of increase in pensions	2.80%	3.40%	2.80%	3.60%
Rate for discounting scheme liabilities	2.10%	2.80%	2.10%	2.80%

Note 42 Defined Benefit Pension Schemes (continued)

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	Decrease in Assumption
	£000	£000
Impact on the Defined Benefit Obligation in the Scheme		
Longevity (increase or decrease in 1 year)	24,299	(24,299)
Rate of inflation (increase or decrease by 0.1%)	14,355	(14,355)
Rate of increase in salaries (increase or decrease by 0.1%)	1,692	(1,692)
Rate of increase in discount rate (increase or decrease by 0.1%)	(14,102)	14,102

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 2020 and the results indicate that overall the assets represented 103% of projected accrued liabilities at 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 2022, with March 2021 in brackets were: equities, including alternatives 82.33% (85.4%), bonds 8.2% (5.96%), property 6.52% (5.69%) and cash 2.95% (2.95%). Given the current positive funding position of the Fund, a new investment strategy has been approved by the Pensions Committee from 1 April 2020 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 2020 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 2023 is £14.672m. Expected contributions for the Discretionary Benefits in the year to 31 March 2023 are £0.968m.

The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2020 valuation is 18 years for non teaching staff, and 10 year for teaching.

Note 43 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 2023. 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. The planning application was considered and approved at the meeting of Planning and Regulatory Services Committee on 23 March 2021. A tender for the contract was published in March 2021 but this resulted in no tenders being received with volatility in the supply chain cited as the reason. The same tender was reissued in December 2021 with a return date of 19 April 2022. The second tender has resulted in one tender received with a list of clarifications. The Council has engaged HUB North to act as Employers Agent. HUB North are facilitating detailed discussion with the contractor in an effort to resolve the clarifications, and arrive at a fixed price Design and Build contract which is acceptable to all parties. HUB North are currently aiming to achieve this by end September, with a view to construction on site beginning by the end of 2022. The development continues to feature prominently in the Strategic Housing Investment Plan approved in December 2021, with high priority for allocation of Scottish Government More Homes Division Funding.

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.

Scottish Child Abuse Enquiry
Survivors of Historic Child Abuse in Care have the option of pursuing claims through civil proceedings and where the historical care provision crossed current local authority boundaries, any potential financial liability arising from such proceedings will be subject to agreement on a case by case basis amongst the local authorities concerned. It is therefore not possible to quantify any future claims.

Asbestos Related Illness
The Council is aware of two claims for asbestos related illness and is aware of others which may be pursued at a later date. 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, but could be significant.

Energy from Waste Project
Construction of the joint Local Authority Energy from Waste (EfW) plant in Aberdeen was impacted by the first national lockdown resulting from the Covid-19 pandemic. Under the terms of the agreement the primary supplier is permitted to claim for exceptional costs associated with a delay outwith their control. The Project Board, representing the Local Authorities' interests, is in commercial negotiations as to the value of this claim. Until these negotiations progress to a later stage it is not possible to quantify the liability, which the Council would share with project partners Aberdeenshire and Aberdeen City Council.

Note 44 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:

Note 44 Nature and Extent of Risks Arising from Financial Instruments (continued)

- 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 2022 are detailed below.

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

The maximum investment with the Council's own bankers (Bank of Scotland) is £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.

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 2022**	**Historical experience of default**	**Historical experience adjusted for market conditions as at 31 March 2022**	**Estimated maximum exposure to default and uncollectability**
	£000	**£000**	**%**	**%**	**£000**
Customers	3,063	3,102	14.21	14.21	441
Total	**3,063**	**3,102**			**441**

Debtors
The Council does not generally allow credit for customers. As a result, £2.830m of the £3.102m balance is past its due date for payment (2020/21 £2.797m). The past due but not impaired amount can be analysed by age as follows:

Note 44 Nature and Extent of Risks Arising from Financial Instruments (continued)

Debtors

	2020/21	2021/22
	£000	£000
Less than six months	1,576	1,652
Six months to one year	416	359
More than one year	805	819
Total	**2,797**	**2,830**

The impairments made, analysed by age are as follows:

	2020/21	2021/22
	£000	£000
Less than six months	-	-
Six months to one year	208	180
More than one year	805	819
Total	**1,013**	**999**

Liquidity Risk
The Council can borrow from the Public Works Loan Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

Although the Council has 22.13% 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.

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

	2020/21		2021/22	
	£000		£000	
		Average Rate		Average Rate
Repayment less than 1 year	85,539	2.41%	75,973	2.41%
Repayment between 1 and 2 years	7,696	2.49%	8,035	2.49%
Repayment between 2 and 5 years	21,479	2.83%	17,710	2.83%
Repayment between 5 and 10 years	21,718	3.48%	22,356	3.48%
Repayment between 10 and 15 years	19,657	6.13%	15,606	6.13%
Repayment in more than 15 years	97,889	5.45%	97,077	5.43%
	253,978		**236,757**	

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

Note 44 Nature and Extent of Risks Arising from Financial Instruments (continued)

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 2021/22 the Council did take out several variable rate temporary borrowing loans.

According to this assessment strategy, at 31 March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2020/21	2021/22
	£000	£000
Increase in interest payable on variable rate borrowing	474	127
Impact on Comprehensive Income and Expenditure Statement	**474**	**127**

Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost for the year ended 31 March 2022 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.

2020/21 £000		2021/22 £000
	Income	
(19,518)	Dwelling Rents	(20,555)
(190)	Non Dwelling Rents	(187)
(502)	Other Income	(487)
(20,210)	**Total Income**	**(21,229)**
	Expenditure	
3,982	Supervision and Management	4,453
6,757	Repairs and Maintenance	7,305
196	Bad and Doubtful Debts	151
8,475	Depreciation and Impairment of Non-Current Assets	9,564
(13,896)	Revaluation losses on Non-Current Assets	(7,359)
45	HRA Share of Corporate and Democratic Core Costs	41
464	Other Expenditure	463
6,023	**Total Expenditure**	**14,618**
(14,187)	**Net Cost of HRA Services**	**(6,611)**
2,893	Interest Payable and Similar Charges	2,824
(4)	Interest and Investment Income	(35)
56	Net Interest on the Defined Benefit Liability	21
(2,279)	Capital Grants and Contributions Receivable	(1,165)
(13,521)	**(Surplus)/Deficit for the Year on HRA Services**	**(4,966)**

Movement on the Housing Revenue Account Statement

2020/21 £000		2021/22 £000
(13,521)	**(Surplus)/Deficit for the Year on the HRA Income and Expenditure Account**	(4,966)
(3,335)	Adjustments to Usable Reserves permitted by Accounting Standards	(4,124)
	Adjustments between accounting basis and funding basis under regulations	
96	Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with statute	96
5,398	Capital expenditure funded by the Housing Revenue Account	5,522
(272)	HRA share of contributions to/(from) the Pensions Reserve	(407)
(9)	Employee Statutory Adjustment Account	4
	Transfers to/from the Capital Adjustment Account:	
(5,140)	Depreciation and Impairment of Non-Current Assets	(5,440)
13,896	Revaluation losses on Property, Plant and Equipment	7,359
1,283	Loans fund principal repayments	1,377
2,279	Capital Grants applied	1,165
675	**Net Decrease Before Transfers to Reserves**	**586**
	Transfers to/(from) Reserves	
1	IORB and Statutory Funds	9
(858)	Transfers from the General Fund as directed by the Minister	(659)
(857)		**(650)**
(17,038)	**(Increase)/decrease in the year on the HRA**	**(64)**
(2,219)	**Housing Revenue Account Balance Brought Forward**	**(2,401)**
(19,257)	**Housing Revenue Account Balance Carried Forward**	**(2,465)**

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:-

		2020/21	2021/22
		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	699	711
2 bedroom	Houses and Bungalows	2,212	2,221
	Flats and Maisonettes	687	691
3 bedroom	Houses and Bungalows	1,248	1,267
	Flats and Maisonettes	99	99
4 or more bedroomed	Houses and Bungalows	173	175
	Total	**6,241**	**6,287**

2. Rent Arrears

The total rent arrears, including rents outstanding from former tenants, as at 31 March 2022 was £0.794m which is 3.86% of gross rental income. This is equivalent to £126.21 per house (2020/21 £0.656m, 3.36%, £105.13).

3. Impairment of Debtors

The provision for uncollectable debts has decreased by £0.008m (increase in 2020/21 £0.055m). The total provision for uncollectable debts including rechargeable repairs is £0.274m (2020/21 £0.282m).

4. Voids

The loss of rental on void properties for the year was £0.266m (2020/21 £0.252m).

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.

2020/21		2021/22
£000		£000
59,642	**Council Tax Levied and Contributions in Lieu**	60,143
	Deduct:	
(4,243)	Local Council Tax Reduction Scheme	(4,016)
(8,937)	Other discounts and reductions	(8,983)
46,462	**Total for Year**	**47,144**
(98)	Council Tax adjustment in respect of prior years	(54)
(633)	Allowance for impairment of uncollectable debts	(1,111)
45,731	**Transfers to General Fund**	**45,979**

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 2021/22 Moray Council collected £0.4m (2020/21 £0.4m) from the implementation of this policy. This amount is included in the figures above.

Council Tax Income Account (continued)

Calculation of Council Tax Base
Number of Dwellings

	Number of Dwellings	Number of Exemptions/ Reliefs	Discounts 25%	Discounts Other	Total Equivalent Dwellings	Ratio to Band D	Band D Equivalent
Band A	11,994	794	1,518	247	9,435	6/9	6,287
Band B	10,532	494	997	225	8,816	7/9	6,857
Band C	7,105	409	542	148	6,006	8/9	5,339
Band D	6,621	498	409	112	5,602	9/9	5,602
Band E	6,376	237	304	105	5,730	473/360	7,528
Band F	2,398	63	79	45	2,211	585/360	3,593
Band G	705	24	22	23	636	705/360	1,245
Band H	107	54	1	4	48	882/360	118
	45,838	**2,573**	**3,872**	**909**	**38,484**		**36,569**

Calculation of Council Tax

In 2021/22, the charges for each band were as follows:

Band	Property Value	Number of Properties	Council Tax Charge
	£		£
A	Up to 27,000	9,435	£881.91
B	27,000 - 35,000	8,816	£1,028.90
C	35,001 - 45,000	6,006	£1,175.89
D	45,001 - 58,000	5,602	£1,322.87
E	58,001 - 80,000	5,730	£1,738.11
F	80,001 - 106,000	2,211	£2,149.67
G	106,001 - 212,000	636	£2,590.62
H	Above 212,000	48	£3,241.03

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 Rate poundage, which is used to calculate the amount of rates payable, is set by Scottish Government Ministers.

In 2021/22 the rate poundage was 49.0p (49.8p in 2020/21). In 2020-21 the government amended the supplements paid by properties with a rateable value in excess of £0.051M: for properties with rateable values of £0.051M to £0.095M, an Intermediate Property Supplement of 1.3p was introduced; properties with rateable values in excess of £0.095M incurred a Large Property Supplement of 2.6p.

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.

2020/21 £000		2021/22 £000
62,962	**Gross Rates Levied**	61,478
	Deduct:	
(20,716)	Reliefs and Other Deductions	(15,959)
(3)	Payment of interest	-
(1)	Write-offs of uncollectable debts and allowance for impairment	-
42,242	**Net Non-Domestic Rate Income**	**45,519**
(2,184)	Adjsutments to previous years' National Non-Domestic Rates	(7,935)
40,058		**37,584**
(1,859)	Business Rates Incentivisation Scheme (BRIS) retention	(23)
(9,191)	Contribution (to)/from National Pooling	3,676
29,008	**Guaranteed Rate Income**	**41,237**
1,859	BRIS retention	23
30,867	**Amount credited to the Comprehensive Income and Expenditure Statement**	**41,260**

Non-Domestic Rate Income Account (continued)

Analysis of Rateable Values and Numbers of Entries at 1 April 2021

	Number of Entries	2021/22 Rateable Value
		£000
Shops	923	19,102
Public Houses	58	1,089
Offices (including Banks)	504	5,914
Hotels, Boarding Houses, etc.	111	3,171
Industrial and Freight Transport Subjects	1,278	53,478
Leisure, Entertainment Caravans and Holiday Sites	847	4,203
Garages and Petrol Stations	122	1,397
Cultural	19	213
Sporting Subjects	565	677
Education and Training	82	7,603
Public Service Subjects	276	16,639
Communications (Non-Formula)	16	1,406
Quarries, Mines, etc.	34	380
Petrochemical	5	713
Religious	154	1,166
Health Medical	52	2,202
Other	431	698
Care Facilities	52	1,937
Advertising	18	33
Undertaking	22	4,215
	5,569	**126,236**

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

Trust Funds

The Council administers 37 trust funds, acting as sole trustee for 33 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 2022.

Trust Reorganisation

The Council recently undertook a review of its trusts, in consultation with the Office of the Scottish Charities Regulator (OSCR), and restructured its 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 (TMCCT) was awarded charitable status under the Charities and Trustee Investment (Scotland) Act 2005. The trusts being reorganised into this new single trust will be utilised, as far as possible, in a manner consistent with the original trust purposes. To date, 24 trusts have been approved by OSCR for reorganisation into TMCCT and this is reflected in the accounts and notes on the following pages. The process of reorganisation is ongoing.

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 2021/22.

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

2020/21 Connected Charitable £000	2020/21 Other £000		2021/22 Connected Charitable £000	2021/22 Other £000
		Income		
(22)	(90)	Investment Income	(24)	(102)
-	(77)	Property Rental Income	-	(50)
-	(45)	Gain on Revaluation of Fixed Assets	-	(212)
(114)	(472)	Surplus on revaluation of Available for Sale Financial Assets	(43)	(173)
-	(2)	Other Income	-	(2)
(136)	**(686)**	**Total Income**	**(67)**	**(539)**
		Expenditure		
14	50	Beneficiaries	11	62
13	8	Administration	6	8
-	44	Other Costs	-	42
-	173	Loss on Disposal of Fixed Assets	-	-
-	122	Depreciation	-	130
27	**397**	**Total Expenditure**	**17**	**242**
(109)	**(289)**	**(Surplus)/Deficit for the year**	**(50)**	**(297)**
114	132	Items not Chargeable to Revenue Reserves	43	255
5	**(157)**	**(Increase)/Decrease in Revenue Reserves**	**(7)**	**(42)**

Trust Funds Balance Sheet

2020/21 Connected Charitable £000	2020/21 Other £000			2021/22 Connected Charitable £000	2021/22 Other £000
-	5,048	Property, Plant and Equipment	Note 1	-	5,130
-	80	Investment Properties	Note 3	-	80
557	2,306	Long Term Investments	Note 4	600	2,479
557	**7,434**	**Long Term Assets**		**600**	**7,689**
1	3	Debtors		1	5
424	1,791	Loans Fund Balance		433	1,836
425	**1,794**	**Current Assets**		**434**	**1,841**
(5)	(13)	Creditors		(7)	(18)
(5)	**(13)**	**Current Liabilities**		**(7)**	**(18)**
977	**9,215**	**Net Assets**		**1,027**	**9,512**
-	3,242	Capital Adjustment Account		-	3,242
-	1,862	Revaluation Reserve		-	1,944
312	1,292	Financial Instruments Adjustment Account		355	1,465
665	2,819	Revenue Balance		672	2,861
977	**9,215**	**Total Reserves**		**1,027**	**9,512**

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 2021/22.

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:

2020/21

	Other Land and Buildings	Community Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2020	5,681	15	5,696
Revaluations	(4)	-	(4)
Additions	-	-	-
Disposals	(288)	-	(288)
Gross Book Value at 31 March 2021	**5,389**	**15**	**5,404**
Accumulated Depreciation at 1 April 2020	296	-	296
Revaluations	(49)	-	(49)
Disposals	(13)	-	(13)
Charge for the Year	122	-	122
Depreciation at 31 March 2021	**356**	**-**	**356**
Net Book Value at 31 March 2021	**5,033**	**15**	**5,048**

2021/22

	Other Land and Buildings	Community Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2021	5,389	15	5,404
Revaluations	127	-	127
Additions	-	-	-
Disposals	-	-	-
Gross Book Value at 31 March 2022	**5,516**	**15**	**5,531**
Accumulated Depreciation at 1 April 2021	356	-	356
Revaluations	(85)	-	(85)
Disposals	-	-	-
Charge for the Year	130	-	130
Depreciation at 31 March 2022	**401**	**-**	**401**
Net Book Value at 31 March 2022	**5,115**	**15**	**5,130**

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 2022**
Monuments and Fountains	2

Note 3 Investment Properties

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

	2020/21	**2021/22**
	£000	**£000**
Balance at start of the year	80	80
Net gains/(losses) from fair value adjustments	-	-
Balance at end of the year	**80**	**80**

Note 4 Trust Details

Funds for which The Moray Council act as Sole Trustee

Fund	**Income**	**Expenditure**	**Assets**	**Liabilities**
	£000	**£000**	**£000**	**£000**
Registered Charitable Trusts				
6 Registered Charitable Trusts, each with Assets less than £50,000	(1)	1	55	(1)
The Moray Council Charitable Trust	(5)	2	253	(1)
Established to reorganise trusts with out of date purposes. 23 trusts were approved for reorganisation in 2020/21.Split into sub categories by location and purpose.				
Moray & Nairn Educational *Grants payable to persons resident in the former combined County of Moray & Nairn, including University & Central Institution Bursaries; Adult Education; School Equipment; Sports facilities; Travel Grants and School Excursions*	(60)	14	725	(5)
	(66)	**17**	**1,033**	**(7)**
Other Trusts				
6 Non Registered Trusts, each with Assets less than £50,000	(4)	1	85	-
Longmore Hall *Village Hall for the use of the community*	-	31	1,060	-
Glenisla Comforts Fund *For the benefit of the residents of Glenisla Care Home*	(12)	-	169	-
John Pringle Bequest *For the benefit of students at Aberdeen University who have previously attended Elgin Academy*	(4)	-	54	-
Speyside Comforts Fund *For the benefit of the residents of Speyside Nursing Home*	(5)	-	75	-
The Pringle Trust *Established to make payments annually to Ministers, serving and emeriti of the Church of Scotland, Baptist and Free Church of Scotland*	(2)	2	104	-

Note 4 Trust Details (continued)

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
William Lawtie *For the Poor of Cullen*	(3)	-	203	-
The MacDonald Benevolent Fund *Established in 1989 for persons in need of financial assistance particularly in Dufftown as decided by the Social Work Department*	(11)	-	298	-
Milne's Institution Trust *The free annual income to be applied as The Moray Council thinks fit for the purposes of the educational enrichment of pupils attending Milne's High School and Milne's Primary School. The income shall be apportioned to the schools on a pro rata basis by reference to attendance rolls of the respective schools*	(28)	7	322	(7)
Laing Mortification *For the benefit of a decayed merchant resident in Elgin.*	(6)	-	315	-
Craigmoray Bequest (Bishopmill) *For the benefit of the residents of Craigmoray Care Home*	(30)	-	479	-
Ladyhill Public Trust *Provides homes for two veterans from the Elgin area*	(11)	9	110	-
Jubilee Cottages Public Trust *Trust established by monies raised during Queen Victoria's Diamond Jubilee for the purposes of providing low cost housing*	(77)	14	656	-
Cooper Park Public Trust *Trust established at turn of last century to provide Elgin library and reading rooms and parkland for recreation – all for the inhabitants of Elgin*	(25)	36	392	-
River Lossie Public Trust *Established mid 1800's to provide ground for recreation for the people of Elgin*	(118)	34	1,024	-
Grant Park Public Trust *Trust incorporating the public convenience, tea room/shop and the cricket and bowling pavilions, to be used for the benefit of the community of Forres*	(33)	26	965	-
Miltonduff Hall *Established to provide space for local groups for education, recreation etc*	-	8	357	-

Note 4 Trust Details (continued)

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Logie Cottage *Proceeds from the sale of Logie Cottage which was previously established to provide a free home or house of rest to a respectable retired couple or single woman in Forres*	(2)	-	88	-
Fife Park, Keith Public Trust *Trust incorporating the playing field, pavilion and public convenience*	-	2	49	-
Fleming Hall Aberlour	-	13	577	-
	(336)	377	7,189	-
Funds for which The Moray Council acts as one of several trustees				
Registered Charitable Trusts				
Auchernack Trust *For the benefit of the elderly community of the Forres Area who are in need of relief by reason of advanced age*	(64)	22	850	(1)
	(64)	22	850	(1)
Other Trusts				
Donald Manson (Edinkillie) Fund *3 Bursaries for children living in the Parish of Edinkillie in S1 as well as one Further Education Bursary for a student aged under 18. The annual balance of the fund is payable to Forres Academy*	(32)	9	389	(8)
Donald Manson (Forres) Fund *One bursary for a child living in the Burgh of Forres in S1. The annual balance of the fund is payable to Forres Academy*	(8)	3	107	(2)
Banffshire Educational Trust *Grants payable to persons resident in the former County of Banffshire, including University, Post Graduate, Apprentices & Trainees; School Equipment; Sports Facilities; Support of Clubs; Promoting Education in Drama, Music & Visual Arts; Travel Grants and School Excursions.*	(65)	25	802	-
	(105)	37	1,298	(10)

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Summary				
Connected Charitable Trusts	(67)	17	1,034	(7)
Other Trusts	(539)	242	9,530	(18)
Total	**(606)**	**259**	**10,564**	**(25)**

Common Good Funds

The Council administers the Common Good Funds which consist of all property of a 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 2021/22.

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 2021			31 March 2022
£000			£000
	Income		
(5)	Property		(7)
(125)	Investment Income		(142)
(2)	Other Income		(8)
-	Gain on Disposal of Asset		(5)
(132)	Total Income		**(162)**
	Expenditure		
3	Property Costs		2
5	Administrative Costs		7
22	Donations, Grants etc		33
16	Other Costs		29
569	Depreciation	**Note 1**	564
1,125	Loss on Disposal of Asset		-
32	Net Movement in Fair Value of Investment Property		40
1,772	Total Expenditure		**675**
1,640	**(Surplus)/Deficit for the Year**		**513**
1,074	Deficit on revaluation of Non-current Assets		159
2,714	**Total Comprehensive Net Expenditure**		**672**

Common Good Funds Balance Sheet

31 March 2021 £000			31 March 2022 £000
14,555	Property, Plant & Equipment	**Note 1**	13,710
204	Heritage Assets	**Note 2**	204
2,334	Investment Property	**Note 3**	2,294
17,093	**Long Term Assets**		**16,208**
1	Inventories		1
8	Debtors		8
3,684	Loans Fund Balance		3,896
3,693	**Current Assets**		**3,905**
(7)	Creditors		(6)
(7)	**Current Liabilities**		**(6)**
20,779	**Net Assets**		**20,107**
14,749	Revaluation Reserve		13,904
6,030	Revenue Reserve		6,203
20,779	**Total Reserves**		**20,107**

31 March 2021		**31 March 2022**	
Total Funds		**Invested in Loans Fund**	**Total Funds**
£000		**£000**	**£000**
4,091	Buckie	1,573	4,058
196	Cullen	176	193
15	Dufftown	15	15
10,884	Elgin	1,602	10,515
3,221	Forres	462	3,197
52	Portknockie	52	52
295	Keith	12	298
1,492	Lossiemouth	-	1,257
533	Findochty	4	522
20,779	**TOTAL**	**3,896**	**20,107**

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 2021/22.

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
Assets Held for Sale	-	Lower of carrying amount and fair value less costs to sell

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:

2020/21

	Other Land & Buildings £000	Surplus Assets £000	Assets Held For Sale £000	Total £000
Gross Book Value at 1 April 2020	17,853	325	-	18,178
Revaluations	(1,676)	-	-	(1,676)
Reclassifications	325	(325)	122	122
Disposals	(1,234)	-	-	(1,234)
Gross Book Value at 31 March 2021	**15,268**	**-**	**122**	**15,390**
Accumulated Depreciation at 1 April 2020	780	-	-	780
Revaluations	(480)	-	-	(480)
Disposals	(34)	-	-	(34)
Charge for the Year	569	-	-	569
Depreciation at 31 March 2021	**835**	**-**	**-**	**835**

Note 1 Property, Plant and Equipment (continued)

2021/22

	Other Land & Buildings £000	Surplus Assets £000	Assets Held For Sale £000	Total £000
Gross Book Value at 1 April 2021	15,268	-	122	15,390
Revaluations	44	(214)	-	(170)
Reclassifications	(271)	271	-	-
Disposals	-	-	(122)	(122)
Gross Book Value at 31 March 2022	**15,041**	**57**	**-**	**15,098**
Accumulated Depreciation at 1 April 2021	835	-	-	835
Revaluations	(4)	(7)	-	(11)
Reclassifications	(7)	7	-	-
Disposals				-
Charge for the Year	564	-	-	564
Depreciation at 31 March 2022	**1,388**	**-**	**-**	**1,388**
Net Book Value at 31 March 2022	**13,653**	**57**	**-**	**13,710**

Revaluations (2020/21 and 2021/22) include assets previously held on the General Services Account now identified as Common Good.

Note 2 Heritage Assets

This note details the movement in Heritage Assets during the years 2020/21 and 2021/22.

	Fine Art £000	Chains of Office £000	Total Heritage Assets £000
Valuation at 1 April 2020	125	79	204
Revaluations	-	-	-
At 31 March 2021	**125**	**79**	**204**
Valuation at 1 April 2021	125	79	204
Revaluations	-	-	-
At 31 March 2022	125	79	204

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

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

Assets excluded from Heritage Assets

	Estimated number of assets 31 March 2022
Monuments and Fountains	2
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:-

	2020/21	2021/22
	£000	£000
Rental income from investment property	50	63
Net gain	**50**	**63**

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:

	2020/21	2021/22
	£000	£000
Balance at start of the year	2,366	2,334
Net gains /(loss) from fair value adjustments	(32)	(40)
Balance at end of the year	**2,334**	**2,294**

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

Reporting 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 2022 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash Flow Statement, 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 UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the council and its group as at 31 March 2022 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 6 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.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements 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 ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The 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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the council and its group is complying with that framework;
- identifying which laws and regulations are significant in the context of the council and its group;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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 skilfulness 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.

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.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

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

Other information

The Chief Financial Officer is responsible for other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities for the Annual Accounts and the unaudited part of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

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.

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
Audit Director
Audit Scotland
4th Floor,
8 Nelson Mandela Place
Glasgow
G2 1BT

27 October 2022

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.

REPORT TO: SPECIAL MEETING OF MORAY COUNCIL ON 7 NOVEMBER 2022

SUBJECT: MORAY COUNCIL'S CONNECTED CHARITIES' AUDITED ANNUAL ACCOUNTS FOR THE PERIOD 1 APRIL 2021 TO 31 MARCH 2022

BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)

1. REASON FOR REPORT

1.1 To submit to the Council the audited Annual Accounts for Moray Council's Connected Charities for the year ended 31 March 2022.

1.2 This report is submitted to the Council for consideration as part of a suite of reports on the annual audit and accounts for 2021/22.

2. RECOMMENDATION

2.1 It is recommended that the Council considers and approves the audited Annual Accounts for the Connected Charities for the financial year 2021/22.

3. BACKGROUND

3.1 Moray Council (all 26 councillors) acts as sole trustee for the administration of 30 small charitable trusts, which are all registered with the Office of the Scottish Charities Regulator (OSCR).

3.2 Section 106 of the Local Government (Scotland) Act 1973 applies the accounting and auditing requirement of the Act to any trust fund where an authority or some members of the authority are the sole trustees. As section 106 requires an audit, the appointments of local authority auditors include the provision of an auditor's report for charitable funds covered by that section.

3.3 Regulation 7 of the Charities Accounts (Scotland) Regulations permits charities that have a common purpose or shared management to prepare a single set of "connected charities" accounts. Moray Council acts as sole trustee to 30 individual small charitable trusts. On the basis of this shared management arrangement, it has been agreed with the Council's auditors that the financial result of the 30 individual small charitable trusts can be consolidated into a single set of accounts for audit purpose.

3.4 A copy of the Connected Charities Audited Annual Accounts for 2021/22 is attached as **APPENDIX 1** to this report.

3.5 The audit process highlighted only minor presentational changes, which have been amended in the final document. None of these changes had an impact on Trust Fund balances.

3.6 The External Auditors have given the Council an unqualified opinion in the Independent Auditors' Report, which can be found on pages 19-21 of the Accounts.

3.7 The report to trustees states that the Council should continue with its planned re-organisation of the trusts in order to maximise the use of the funds available.

4. <u>SUMMARY OF IMPLICATIONS</u>

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))
The audited Annual Accounts have been completed within the target timescale.

(b) Policy and Legal
According to Paragraph 6 (1) of the Local Authority Accounts (Scotland) Regulations 1985, a Local Authority is required to submit its Audited Accounts to the Council each year.

The review by the External Auditors of the council's Accounts is in accordance with the council's Code of Corporate Governance and ensures that the council complies with established policies, procedures, laws and regulations.

(c) Financial implications
The revisions made to the accounts were only presentational and had no impact on the balances held in the Trust Funds.

(d) Risk Implications
There are no risk issues arising directly from this report. The work undertaken by Audit Scotland provides assurance to the council that the Connected Charity Accounts for 2021/22 give a true and fair view of the financial position and expenditure and income of the council for the year.

(e) Staffing Implications
Staff throughout the Council provide information for the inclusion in the annual Statement of Accounts.

(f) Property
There are no property issues arising directly from this report.

(g) Equalities/Socio Economic Impact
There are no equalities issues arising directly from this report.

(h) Climate Change and Biodiversity Impacts
There are no climate change and biodiversity issues arising from this report.

(i) Consultations
None.

5. CONCLUSION

5.1 The Council's External Auditor has issued an opinion with no qualifications for the 2021/22 Connected Charities' Annual Accounts which means that the audited financial statements give a true and fair view of the financial position and expenditure and income of the council's Connected Charities for the year.

Author of Report: Laurie Milne, Senior Accountant
Background Papers: Held in Financial Services
Ref: *SPMAN-1293228629-759*

AUDITED

The Moray Council - Connected Charity Trust Funds

Trustees' Report and Financial Statements

For the year ended 31 March 2022

Contents

Trustees' Annual Report

Objectives and Activities

Moray Council acts as sole trustee for 8 Connected Charity Trust Funds listed below which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR).

The policy relating to the reinvestment of income in, and disbursement from, Trust Funds was amended on 8 October 2013. The policy was amended to allow disbursement of capital from Trust Funds in accordance with the trust deed, provided there is unanimity amongst the trustees. For all other trusts the whole annual income of the trust will be available for disbursement in accordance with the trust deed, provided sufficient funds are maintained to meet commitments.

The following table gives the OSCR charity registration number, the charity name and an indication of the purpose of each Trust. The only activity carried out by each of the Trusts in relation to those purposes is the making of grants.

Charity Number	Charity Name	Purpose
SC019017	Moray and Nairn Educational Trust	To provide assistance to persons who have been resident in Moray and Nairn for the last five years and to organisations belonging to the former counties of Moray and Nairn for: •bursaries for attendance at a Scottish University or central institution • grants for adult education •provision and maintenance of sports facilities for the benefit of young people •travel grants for educational purposes
SC019033	Keith Poor Householders Fund (Keith Nursing Trust Fund)	The relief of poverty for residents of the burgh of Keith and provision of financial assistance for funerals. Such individuals may apply to the trust fund for a grant. Only residents of Keith are eligible.
SC019065	Castlehill Trust	To support in the upkeep, maintenance and management of Castlehill, Forres.
SC019066	Grant Park Trust	To support in the upkeep, maintenance and management of Grant Park, Forres.
SC019068	George Boyd Anderson Bequest	To support improvements to the community of Lossiemouth. Individuals and groups may apply to the trust fund for a grant. Only people resident in Lossiemouth are eligible.
SC019069	Mr & Mrs William J Watt Dufftown Food Fund	The relief of poverty amongst residents of Dufftown by providing groceries. Such individuals may apply to the trust fund for a grant. Only residents of Dufftown are eligible.
SC019071	Robert Young Trust	The relief of poverty for men in Forres aged over 65. Such individuals may apply to the trust fund for a grant. Only residents of Forres are eligible.
SC046791	The Moray Council Charitable Trust	Single Trust created for the reorganisation of existing funds that are restricted or have been fulfilled as far as possible. The trust purposes must follow those of the reorganised trusts. There are nine sub categories within the trust, by location and purpose.

The Council agreed to a trust reorganisation process at a meeting on 14 November 2012; to create a single charitable Trust which would enable the reorganisation and transfer of assets of existing small charities held by the Council whose purposes could no longer be met.

Trustees' Annual Report (continued)

The Moray Council Charitable Trust was created in August 2016 with the objective of reorganising existing trust funds that are frustrated, perhaps due to limited funds or out of date purposes, into one large trust, split into geographical areas then split again into charitable purposes. The Trusts being transferred into the single charitable trust will be utilised, as far as possible, in a manner consistent with the original Trust purposes.

This will create many ring fenced funds within the single Trust, but will enable the resources of these trusts to be applied to better effect for charitable purposes rather than remaining in a frustrated trust that cannot be used.

Applications are made to OSCR to reorganise and transfer the assets of existing qualifying Trusts into the new single charitable Trust, over a period of time.

Achievements and Performance

During the year 14 grants totalling £9,976 were made to individuals from the Moray and Nairn Educational trust, which includes means tested grants for education within Moray and Nairn, and bursaries for attendance at further education institutions in Scotland. One grant was made from the George Boyd Anderson Bequest for £1,000 towards the Lossiemouth Christmas Lights fund.

The Council plans to support the Mr and Mrs William J Watt Dufftown Food Fund, including funding any deficit and any future deficits until the charity can be reorganised or wound up. During the year the Castlehill Trust also fell into deficit and has also been supported by the Council.

Financial Review

The Moray and Nairn Educational Trust is an endowment fund, with income from investments allocated to an unrestricted fund of the trust. All other funds are unrestricted. This differentiation of funds is an essential feature in the presentation of a charity's statement of financial activities (SoFA) and balance sheet.

The trust funds use the Moray Council's bank account for financial transactions and the balance is invested in the Council's Loans Fund for which it earns interest on the balance. It was agreed at the Moray Council Emergency Cabinet meeting on 1 July 2020 that interest on balances held in the Council's bank would be calculated using a two year fixed PWLB rate as at 1 April 2020 of 2.10%. Income received during the year was £24,169 (2020/21 £22,080). This was made up of £8,787 interest received from the Council's Loans Fund and £15,382 of dividend income (2020/21 £9,022 and £13,058 respectively).

Grants totalling £10,976 were paid out during the year (2020/21 £14,099). Governance costs for the year were £6,863 (2020/21 £13,021).

The Trust Funds have no specific reserves policy other than noted above regarding disbursement of capital and annual income. For many of the trust funds, the terms of the trust deed are very restrictive and this has resulted in a gradual accumulation of reserves over time. In the event that an individual trust fund falls into deficit, the trustees will consider whether it is likely that the deficit is temporary and can be recovered. If deficit recovery is considered unlikely, the Trust is effectively wound up and an application will be made to OSCR to remove them from the Scottish Charity Register.

The revenue reserves held at 31 March 2022 were £1,026,777 (31 March 2021 £978,153).

Plans for Future Periods

Of the 38 Connected Charitable Trusts that originally existed when the Council began the trust reorganisation, there are now only the seven listed above, plus The Moray Council Charitable Trust. Three of the trusts (Keith Poor Funds, Robert Young and Boyd Anderson Trust) were previously categorised as low/medium value trusts where purposes are unclear or outdated and so the next stage of reorganisation is to reviewing these trusts for possible reorganisation. Work will continue to review the remaining trusts, including the two in deficit this year, to encourage funding applications in the future.

Trustees' Annual Report (continued)

Structure, Governance and Management

The trustees of the funds are the councillors listed on page 4. The trustees of the funds are the local Councillors who are appointed at local government elections and by-elections

The trust funds are governed using the same governance framework that is applicable to the Council. This framework includes the principles:

- taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- engaging with local people and other stakeholders to ensure robust public accountability.

Statement of trustees' responsibilities

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

The law applicable to charities in Scotland requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under that law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the Moray Council's website in so far as it relates to the charity. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

The Connected Charity Trusts Auditor is:

Audit Scotland
1st Floor, Room F03
The Green House
Beechwood Business Park North
Inverness
IV2 3BL

Reference and Administrative details

The financial statements of the charities listed on page 1 are included in this report.

Trustees' Annual Report (continued)

Trustees

In terms of the "Trustees" of the Connected Charity Trust Funds, the guidance provided by OSCR is that those who have “general control and management" of the charity are the charity trustees. Decisions regarding the general control and management of the Connected Charity Trust Funds are made by the Policy and Resources Committee of the Council, which has delegated authority from the Council in this regard; but ultimately control rests with the full Council of elected members. We have therefore interpreted the above guidance as meaning all elected members are charity trustees.

All of the trustees for the financial statements are normally elected or re-elected at local government elections. By-elections are held to elect new members, on the occasions of elected members vacating their positions, who automatically become trustees.

Names of Trustees in financial year 2021/22:	**Names of Trustees on Date of Approval of Trustee's Annual Report:**
Councillor George Alexander	Councillor James Allan
Councillor James Allan	Councillor Peter Bloomfield
Councillor David Bremner	Councillor Neil Cameron
Councillor Frank Brown	Councillor Tracy Colyer
Councillor Theresa Coull	Councillor Theresa Coull
Councillor John Cowe	Councillor John Cowe
Councillor Gordon Cowie	Councillor John Divers
Councillor Paula Coy	Councillor Amber Dunbar
Councillor Lorna Creswell	Councillor Jeremie Fernandes
Councillor John Divers	Councillor Donald Gatt
Councillor Tim Eagle	Councillor David Gordon
Councillor Ryan Edwards	Councillor Juli Harris
Councillor Claire Feaver	Councillor Sandy Keith
Councillor Donald Gatt	Councillor Scott Lawrence
Councillor Graham Leadbitter	Councillor Graham Leadbitter
Councillor Marc Macrae	Councillor Marc Macrae
Councillor Aaron McLean	Councillor Paul McBain
Councillor Maria McLean	Councillor Neil McLennan
Councillor Ray McLean	Councillor Shona Morrison
Councillor Shona Morrison	Councillor Bridget Mustard
Councillor Louise Nicol	Councillor Christopher Price
Councillor Laura Powell	Councillor Kathleen Robertson
Councillor Derek Ross	Councillor Derek Ross
Councillor Amy Taylor	Councillor Sonya Warren
Councillor Sonya Warren	Councillor Ben Williams
Councillor Walter Wilson	Councillor Draeyk Van Der Horn

Principal Address of the Trust Funds is:

The Moray Council
Council Offices
High Street
Elgin
IV30 1BX

Signed by one trustee on behalf of all the trustees:

Councillor Kathleen Robertson

Leader of Moray Council

Statement of Financial Activities for the year ended 31 March 2022

	Notes	2021/22 Unrestricted £	2021/22 Endowment £	2021/22 Total Funds £	2020/21 Total Funds £
Income and endowments from:					
Investments	**3**	24,169	-	24,169	22,080
Voluntary Income	**6**	144	-	144	-
Total		**24,313**	**-**	**24,313**	**22,080**
Expenditure on:					
Awarding of Grants	**4**	17,839	-	17,839	27,120
Other		-	-	-	-
Total		**17,839**	**-**	**17,839**	**27,120**
Net gains/(losses) on investments	**5**	-	42,150	42,150	114,032
Net Income/(Expenditure)		**6,474**	**42,150**	**48,624**	**108,992**
Transfers between funds		-	-	**-**	-
Net movement in funds		**6,474**	**42,150**	**48,624**	**108,992**
Reconciliation of Funds:					
Total funds brought forward at 1 April		312,773	665,380	978,153	869,161
Total funds carried forward at 31 March		**319,247**	**707,530**	**1,026,777**	**978,153**

All results derive from continuing operations.

There is no material difference between the funds carried forward for the financial year stated above and their historical cost equivalents, with the exception of the Fixed Asset Investments which are carried at fair value.

All gains and losses recognised in the year are included in the statement of financial activities.

Balance Sheet as at 31 March 2022

	Notes	2021/22 £	2020/21 £
Fixed Assets:			
Investments	**5**	599,529	557,379
Current assets:			
Loan Fund Balance		432,917	425,285
Debtors	**7**	1,266	819
		434,183	426,104
Liabilities:			
Creditors: amounts falling due within one year	**8**	(6,935)	(5,330)
Net current assets		427,248	420,774
Total net assets or liabilities		**1,026,777**	**978,153**
The funds of the charity:			
Endowment Funds		707,530	665,380
Unrestricted Funds		319,247	312,773
Total charity funds		**1,026,777**	**978,153**

The notes on pages 7 to 18 form part of these financial statements.
The unaudited Financial Statements were issued by the Trustees on 29 June 2022.
The audited Financial Statements were authorised for issue on

Councillor Kathleen Robertson

Leader of Moray Council

Notes to the Financial Statements

Note 1 Statement of Financial Activities for the year ended 31 March 2022

	Notes	Moray and Nairn Educational Trust	Moray and Nairn Educational Trust	Keith Poor Householders Fund (Keith Nursing Trust Fund)	Castlehill Trust	Grant Park Trust	George Boyd Anderson Bequest	Mr and Mrs William J Watt Dufftown Food Fund	Robert Young Trust	The Moray Council Charitable Trust	Total Unrestricted funds	Total Endowment funds
		SC019017	SC019017	SC019033	SC019065	SC019066	SC019068	SC019069	SC019071	SC046791		
		2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22
	Notes	Unrestricted	Endowment	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted		
		£	£	£	£	£	£	£	£	£	£	£
Income and endowments from:												
Investment Income	3	17,849	-	57	3	68	729	-	301	5,162	24,169	-
Voluntary Income	6	-	-	-	25	-	-	119	-	-	144	-
Total		**17,849**	**-**	**57**	**28**	**68**	**729**	**119**	**301**	**5,162**	**24,313**	**-**
Expenditure on:												
Awarding of Grants	4	14,238	-	122	121	122	1,355	-	124	1,757	17,839	-
Total		**14,238**	**-**	**122**	**121**	**122**	**1,355**	**-**	**124**	**1,757**	**17,839**	**-**
Net gains/(losses) on investments	5	-	42,150	-		-	-	-	-	-	-	42,150
Net Income/(Expenditure)		**3,611**	**42,150**	**(65)**	**(93)**	**(54)**	**(626)**	**119**	**177**	**3,405**	**6,474**	**42,150**
Transfers between funds		-	-		-	-	-	-	-	-	-	-
Net movement in funds		**3,611**	**42,150**	**(65)**	**(93)**	**(54)**	**(626)**	**119**	**177**	**3,405**	**6,474**	**42,150**
Reconciliation of funds:												
Total funds brought forward at 1 April 2021		8,617	665,380	2,700	93	3,219	35,255	(119)	14,489	248,519	312,773	665,380
Total funds carried forward at 31 March 2022		**12,228**	**707,530**	**2,635**	**-**	**3,165**	**34,629**	**-**	**14,666**	**251,924**	**319,247**	**707,530**

Notes to the Financial Statements (continued)

Note 1 Statement of Financial Activities for the year ended 31 March 2021

	Notes	* Lord Braco Mortification for Benefit of Poor SC019010 2020/21 Unrestricted £	* General Alves Fund for Poor SC019011 2020/21 Unrestricted £	* Ritchie Charity Fund for Poor SC019012 2020/21 Unrestricted £	* John Martin Charity Fund SC019013 2020/21 Unrestricted £	* Dr William Geddes Charity Fund SC019014 2020/21 Unrestricted £	* Hospital Master for Auchray (Cumine of SC019016 2020/21 Unrestricted £	Moray and Nairn Educational Trust SC019017 2020/21 Unrestricted £	Moray and Nairn Educational Trust SC019017 2020/21 Endowment £
Income and endowments from:									
Investment Income	3	-	-	-	-	-	-	15,606	-
Other	6	-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-	**15,606**	-
Expenditure on:									
Awarding of Grants	4	-	-	-	-	-	-	18,110	-
Purchase of Investments		-	-	-	-	-	-	-	-
Total		-	-	-	-	-	-	**18,110**	-
Net gains/(losses) on investments	5	-	-	-	-	-	-	-	114,032
Net Income/(Expenditure)		-	-	-	-	-	-	**(2,504)**	**114,032**
Transfers between funds		(719)	(4,090)	(1,797)	(133)	(1,795)	(132,854)	-	-
Net movement in funds		**(719)**	**(4,090)**	**(1,797)**	**(133)**	**(1,795)**	**(132,854)**	**(2,504)**	**114,032**
Reconciliation of funds:									
Total funds brought forward at 1 April 2020		719	4,090	1,797	133	1,795	132,854	11,121	551,348
Total funds carried forward at 31 March 2021		-	-	-	-	-	-	**8,617**	**665,380**

* Trusts reorganised into The Moray Council Charitable Trust in the year

Notes to the Financial Statements (continued)

Note 1 Statement of Financial Activities for the year ended 31 March 2021 (continued)

	Notes	* JW Dunlop Bequest SC019018 2020/21 Unrestricted £	* Mrs Jessie Younie Legacy SC019019 2020/21 Unrestricted £	* Miss Fletcher Bequest SC019020 2020/21 Unrestricted £	* Robina Pringle Bequest SC019021 2020/21 Unrestricted £	* John & Robina Pringle of Elgin Benevolent SC019022 2020/21 Unrestricted £	* Margaret Brander Fund SC019023 2020/21 Unrestricted £	* Miss Eliza Jane Grant Fund SC019024 2020/21 Unrestricted £	* Keith Nursing Trust Fund SC019026 2020/21 Unrestricted £
Income and endowments from:									
Investment Income	3	-	-						
Other	6	-	-	-	-	-	-	-	-
Total		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Expenditure on:									
Awarding of Grants	4	-	-						
Purchase of Investments		-	-	-	-	-	-	-	-
Total		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net gains/(losses) on investments	5	-	-	-	-	-	-	-	-
Net Income/(Expenditure)		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers between funds		(1,030)	(1,285)	(5,059)	(1,207)	(3,592)	(5,635)	(2,170)	(23,442)
Net movement in funds		**(1,030)**	**(1,285)**	**(5,059)**	**(1,207)**	**(3,592)**	**(5,635)**	**(2,170)**	**(23,442)**
Reconciliation of funds:									
Total funds brought forward at 1 April 2020		1,030	1,285	5,059	1,207	3,592	5,635	2,170	23,442
Total funds carried forward at 31 March 2021		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

* Trusts reorganised into The Moray Council Charitable Trust in the year

Notes to the Financial Statements (continued)

Note 1 Statement of Financial Activities for the year ended 31 March 2021 (continued)

	Notes	Keith Poor Householders Fund (Keith Nursing Trust Fund) SC019033 2020/21 Unrestricted £	* Rev John Archibald Dunbar - Dunbar Bequest SC019037 2020/21 Unrestricted £	* Provost of Forres Poor Fund SC019038 2020/21 Unrestricted £	* Robert Anderson Trust SC019045 2020/21 Unrestricted £	* Johnathan Anderson Trust for Relief of Poor SC019046 2020/21 Unrestricted £	* James Dick & Taylor Mortifications for Poor of Forres SC019047 2020/21 Unrestricted £	* Baillie Alexander Smith Coal Bequest & Dick Coal Fund SC019048/49 2020/21 Unrestricted £	Castlehill Trust SC019065 2020/21 Unrestricted £
Income and endowments from:									
Investment Income	3	65				-	-	-	10
Other	6	-	-	-	-	-	-	-	-
Total		**65**	**-**	**-**	**-**	**-**	**-**	**-**	**10**
Expenditure on:									
Awarding of Grants	4	385				-	-	-	332
Purchase of Investments		-	-	-	-	-	-	-	-
Total		**385**	**-**	**-**	**-**	**-**	**-**	**-**	**332**
Net gains/(losses) on investments	5	-	-	-	-	-	-	-	
Net Income/(Expenditure)		**(320)**	**-**	**-**	**-**	**-**	**-**	**-**	**(322)**
Transfers between funds			(3,546)	(3,783)	(543)	(10,376)	(10,814)	(8,646)	-
Net movement in funds		**(320)**	**(3,546)**	**(3,783)**	**(543)**	**(10,376)**	**(10,814)**	**(8,646)**	**(322)**
Reconciliation of funds:									
Total funds brought forward at 1 April 2020		3,020	3,546	3,783	543	10,376	10,814	8,646	415
Total funds carried forward at 31 March 2021		**2,700**	**-**	**-**	**-**	**-**	**-**	**-**	**93**

* Trusts reorganised into The Moray Council Charitable Trust in the year

Notes to the Financial Statements (continued)

Note 1 Statement of Financial Activities for the year ended 31 March 2021 (continued)

	Notes	Grant Park Trust SC019066 2020/21 Unrestricted £	* Alexander Ferrier Legacy SC019067 2020/21 Unrestricted £	George Boyd Anderson Bequest SC019068 2020/21 Unrestricted £	Mr and Mrs William J Watt Dufftown Food Fund SC019069 2020/21 Unrestricted £	* John Munro Trust for Public Baths SC019070 2020/21 Unrestricted £	Robert Young Trust SC019071 2020/21 Unrestricted £	The Moray Council Charitable Trust SC046791 2020/21 Unrestricted £	Total Unrestricted funds 2020/21 £	Total Endowment funds 2020/21 £
Income and endowments from:										
Investment Income	3	74	-	732	5	-	305	5,283	**20,899**	-
Other	6	-	-	-	-	-	-	-	-	-
Total		**74**	**-**	**732**	**5**	**-**	**305**	**5,283**	**20,899**	**-**
Expenditure on:										
Awarding of Grants	4	306	-	311	305	-	307	7,064	**25,506**	-
Purchase of Investments		-	-	-	-	-	-	-	-	-
Total		**306**	**-**	**311**	**305**	**-**	**307**	**7,064**	**25,506**	**-**
Net gains/(losses) on investments	5	-	-	-	-	-	-	-	-	**114,032**
Net Income/(Expenditure)		**(232)**	**-**	**421**	**(300)**	**-**	**(2)**	**(1,781)**	**(4,607)**	**114,032**
Transfers between funds		-	(16,983)	-	-	(9,945)	-	186,717	-	-
Net movement in funds		**(232)**	**(16,983)**	**421**	**(300)**	**(9,945)**	**(2)**	**184,936**	**(4,607)**	**114,032**
Reconciliation of funds:										
Total funds brought forward at 1 April 2020		3,451	16,983	34,834	181	9,945	14,491	856	**199,109**	**551,348**
Total funds carried forward at 31 March 2021		**3,219**	**-**	**35,255**	**(119)**	**-**	**14,489**	**185,792**	**194,502**	**665,380**

* Trusts reorganised into The Moray Council Charitable Trust in the year

Notes to the Financial Statements (continued)

Note 2 Balance Sheet as at 31 March 2022

	Notes	Moray and Nairn Educational Trust	Keith Poor Householders Fund (Keith Nursing Trust Fund)	Castlehill Trust	Grant Park Trust	George Boyd Anderson Bequest	Mr and Mrs William J Watt Dufftown Food Fund	Robert Young Trust	The Moray Council Charitable Trust	TOTAL
		SC019017	SC019033	SC019065	SC019066	SC019068	SC019069	SC019071	SC046791	
		2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22
		£	£	£	£	£	£	£	£	£
Fixed Assets										
Investments	5	599,529	-	-	-	-	-	-	-	**599,529**
Current Assets										
Loans Fund Balance		124,126	2,756	121	3,286	34,830	-	14,786	253,012	**432,917**
Debtors	7	1,266	-	-	-	-	-	-	-	**1,266**
		125,392	2,756	121	3,286	34,830	-	14,786	253,012	**434,183**
Liabilities:										
Creditors: amounts falling due within one year	8	(5,162)	(121)	(121)	(121)	(201)	-	(121)	(1,088)	**(6,935)**
		(5,162)	(121)	(121)	(121)	(201)	-	(121)	(1,088)	**(6,935)**
Net Current Assets		120,230	2,635	-	3,165	34,629	-	14,665	251,924	**427,248**
Total net assets or liabilities		**719,759**	**2,635**	**-**	**3,165**	**34,629**	**-**	**14,665**	**251,924**	**1,026,777**
The funds of the charity:										
Endowment Funds		707,530	-	-	-	-	-	-	-	**707,530**
Unrestricted Funds		12,229	2,635	-	3,165	34,629	-	14,665	251,924	**319,247**
Total charity funds		**719,759**	**2,635**	**-**	**3,165**	**34,629**	**-**	**14,665**	**251,924**	**1,026,777**

Notes to the Financial Statements (continued)

Note 2 Balance Sheet as at 31 March 2021

	Notes	Moray and Nairn Educational Trust SC019017 2020/21 £	Keith Poor Householders Fund (Keith Nursing Trust Fund) SC019033 2020/21 £	Castlehill Trust SC019065 2020/21 £	Grant Park Trust SC019066 2020/21 £	George Boyd Anderson Bequest SC019068 2020/21 £	Mr and Mrs William J Watt Dufftown Food Fund SC019069 2020/21 £	Robert Young Trust SC019071 2020/21 £	The Moray Council Charitable Trust SC046791 2020/21 £	TOTAL 2020/21 £
Fixed Assets										
Investments	5	557,379	-	-	-	-	-	-	-	**557,379**
Current Assets										
Loans Fund Balance		119,412	2,759	152	3,279	35,314	(60)	14,548	249,881	**425,285**
Debtors	7	819	-	-	-	-	-	-	-	**819**
		120,231	2,759	152	3,279	35,314	(60)	14,548	249,881	**426,104**
Liabilities:										
Creditors: amounts falling due within one year	8	(3,613)	(59)	(59)	(60)	(59)	(59)	(59)	(1,362)	**(5,330)**
		(3,613)	(59)	(59)	(60)	(59)	(59)	(59)	(1,362)	**(5,330)**
Net Current Assets		116,618	2,700	93	3,219	35,255	(119)	14,489	248,519	**420,774**
Total net assets or liabilities		**673,997**	**2,700**	**93**	**3,219**	**35,255**	**(119)**	**14,489**	**248,519**	**978,153**
The funds of the charity:										
Endowment Funds		665,380	-	-	-	-	-	-	-	**665,380**
Unrestricted Funds		8,617	2,700	93	3,219	35,255	(119)	14,489	248,519	**312,773**
Total charity funds		**673,997**	**2,700**	**93**	**3,219**	**35,255**	**(119)**	**14,489**	**248,519**	**978,153**

	Moray and Nairn Educational Trust		Moray and Nairn Educational Trust		Keith Poor Householders Fund (Keith		Castlehill Trust		Grant Park Trust		George Boyd Anderson Bequest	
	SC019017		SC019017		SC019033		SC019065		SC019066		SC019068	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	Unrestricted		Endowment		Unrestricted		Unrestricted		Unrestricted		Unrestricted	
	£	£	£	£	£	£	£	£	£	£	£	£
Note 3 Investment Income												
Interest earned on loans pool bal:	2,467	2,548	-	-	57	65	3	10	68	74	729	732
Dividend income	15,382	13,058	-	-	-	-	-	-	-	-	-	-
	17,849	**15,606**	**-**	**-**	**57**	**65**	**3**	**10**	**68**	**74**	**729**	**732**
Note 4 Awarding of Grants												
Grants Paid	9,976	14,099	-	-	-	-	-	-	-	-	1,000	-
Governance Costs:												
Accountancy and Legal costs	595	398	-	-	1	326		273	1	246	154	252
Audit of Financial Statements	3,667	3,613	-	-	121	59	121	59	121	60	201	59
Other costs	-	-	-	-	-	-	-	-	-	-	-	-
	14,238	**18,110**	**-**	**-**	**122**	**385**	**121**	**332**	**122**	**306**	**1,355**	**311**

	Mr and Mrs William J Watt Dufftown Food Fund		Robert Young Trust		The Moray Council Charitable Trust		Total Unrestricted funds	Total Endowment funds	TOTAL	
	SC019069		SC019071		SC046791					
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2021/22	2021/22	2020/21
	Unrestricted		Unrestricted		Unrestricted					
	£	£	£	£	£	£	£	£		£
Note 3 Investment Income										
Interest earned on loans pool bal:	-	5	301	305	5,162	5,283	8,787	-	**8,787**	**9,022**
Dividend income	-	-	-	-	-	-	15,382	-	**15,382**	**13,058**
	-	**5**	**301**	**305**	**5,162**	**5,283**	**24,169**	**-**	**24,169**	**22,080**
Note 4 Awarding of Grants										
Grants Paid	-	-	-	-	-	-	10,976	-	**10,976**	**14,099**
Governance Costs:										
Accountancy and Legal costs		246	3	248	669	5,702	1,423	-	**1,423**	**7,691**
Audit of Financial Statements	-	59	121	59	1,088	1,362	5,440	-	**5,440**	**5,330**
Other costs	-	-	-	-	-	-	-	-	**-**	**-**
	-	**305**	**124**	**307**	**1,757**	**7,064**	**17,839**	**-**	**17,839**	**27,120**

Notes to the Financial Statements (continued)

Note 5 Investments

There is only one trust with investments; Moray and Nairn Educational Trust (SC019017). The investments are all unit trusts managed in line with the investment policy of the trust. Investments are included at fair value as at the balance sheet date. The return on investment is made up of the income derived from the investment (e.g. interest and dividends) and any gain or loss in the market value of the investment. If a charity sells an investment, a gain or loss on the carrying amount of the asset is realised upon its disposal. Where a charity retains an investment, an unrealised gain or loss on the carrying amount of the investment may arise at the balance sheet date.

Trust law applies different rules to endowment funds. In an endowment, trustees cannot add the income from investments to the endowment capital; the income from the investment is allocated to the unrestricted fund. However, any gain or loss on investment is attributed to the endowment capital.

The gain/(loss) on Revaluation figure includes the movement in the market value of all investments held by the trust.

SoFA - Movement in the Available for Sale Reserve	**2021/22**	**2020/21**
	£	**£**
Add: Net (loss)/gain on revaluation	42,150	114,032
Add: Additions to investments at cost	-	-
Add: Adj to investment redeemed	-	-
Net gains/(losses) on investments	42,150	114,032

Balance Sheet	**2021/22**	**2020/21**
	£	**£**
Opening Balance	557,379	443,347
Add: Net (loss)/gain on revaluation	42,150	114,032
Balance sheet value of Investments	599,529	557,379

Note 6 Voluntary Income

Voluntary income includes incoming resources which provide core funding or are of a general nature. Having due regard to the Council's plans to support any trust funds likely to fall into deficit, including funding any future deficits until the charity can be reorganised or wound up, there was a contribution of £144 in the year to support two Trusts:

	2021/22	**2020/21**
	£	**£**
Castlehill Trust	25	-
Mr and Mrs William J Watt Dufftown Food Fund	119	-
Total Contribution from Moray Council	144	-

Note 7 Debtors

	2021/22	**2020/21**
	£	**£**
Investment income - Moray and Nairn Educational Trust	1,266	819
Total	1,266	819

Notes to the Financial Statements (continued)

Note 8 Creditors: amounts falling due within one year

	2021/22	2020/21
	£	£
Audit fee	5,440	5,330
Grant award due - Moray & Nairn	1,495	-
	6,935	5,330

Note 9 Financial Instruments

The trust funds only have financial assets and financial liabilities of a kind that qualify as basic financial instruments per FRS 102. Basic financial instruments are recognised at transaction value. The financial instruments disclosed in the Balance Sheet are made up of the following categories:

	2021/22	2020/21
	£	£
Debtors		
Financial Assets carried at contract amounts	1,266	819
Loans Fund Balances	432,917	425,285
Total Debtors	434,183	426,104
Creditors		
Financial Liabilities carried at contract amounts	5,440	5,330
Grant award	1,495	-
Total Creditors	6,935	5,330

Note 10 Related Parties

The Trustees and Moray Council are the only related parties of the Connected Charities. There were no transactions during the year between any of the Trustees and the Connected Charity Trust Funds.

The trust funds use Moray Council's bank account for all transactions and the balance is invested in the Council's loans fund, for which it earns interest. There are no other outstanding balances due to or from Moray Council at 31 March 2022. The trustees are required by the Charities SORP to disclose material transactions with related parties; bodies or individuals that have the potential to control or influence the Trusts Funds, or to be controlled or influenced by the Trust Funds. The amounts paid by the Connected Charities to Moray Council for support services, including legal and finance costs, in 2021/22 was £1,423 (2020/21 £7,691).

Note 11 Trustee Remuneration, Benefits and Expenses

None of the trustees of the Trust Funds and no associated person connected with any of them have received any remuneration or any other benefit for their services. Further, no directly incurred expenses were reimbursed to the trustees during the year.

Note 12 Staff Costs and Emoluments

The Trust Funds have no employees and have not incurred any staff costs or emoluments.

Notes to the Financial Statements (continued)

Note 13 External Audit Costs

The Connected Charities incurred £5,440 of statutory audit fees for the audit of the Connected Charities Trustees Report and Financial Statements for the year ended 31 March 2022. This cost has been accrued in 2021/22 and allocated to each trust with the exception of Dufftown Food (£5,330 2020/21).

Note 14 Accounting Policies

Basis of Preparation

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

The financial statements are prepared on a going concern basis, and in accordance with applicable United Kingdom accounting standards. The principal accounting policies have been applied consistently throughout the year.
The Mr and Mrs William J Watt Dufftown Food Fund has been exhausted and is in deficit at 31 March 2022 by £119. The Castlehill Trust is in deficit by £25. Having due regard to the Council's plans to support the charity, including funding that deficit and any future deficits until the charity can be reorganised or wound up, the Trustees are confident that this will be sufficient to enable the Charity to continue to meet its obligations as they fall due for the period of at least 12 months from the date of signing these financial statements and as such have prepared the financial statements on the going concern basis.

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 financial statements for the individual charities have been prepared on a collective basis for the Council.

An amendment to the Charities SORP (FRS 102) issued by the Financial Reporting Council and published in February 2016 states the requirement for larger charities to prepare a statement of cash flow. The charitable trusts are not classed as a large charity and so a cash flow statement has not been prepared this year.

Fund Accounting

Unrestricted funds are spent or applied at the discretion of the trustees to further any of the charity's purposes.

Endowment funds represent those assets which must be held permanently by the charity. Income generated from endowment funds held for investment must be spent on furthering its charitable purposes.

Incoming Resources

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

Resources expended

Expenditure is included in the financial statements on an accruals basis and recognised when the activity takes place and not simply when the cash payment is made.

Governance costs include the costs of the preparation and examination of statutory financial statements; legal advice to trustees on governance or constitutional matters and costs of administering grants.

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.

Notes to the Financial Statements (continued)

Note 14 Accounting Policies (continued)

Other Matters

The Connected Charities is an arrangement that enables the trust funds for which Moray Council are sole trustees, and which are individually registered with OSCR, to be brought together and included in the Connected Charities Trustees' Report and Financial Statements. As registered charities, they are entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the charities primary objectives, if these profits and surpluses are applied solely for charitable purposes.

The connected charities are a Public benefit entity as defined by FRS 102 in that their primary objective is to make grants to the individuals or community groups rather than with a view to providing a financial return to trustees.
The Charitable Activities of the trusts are making grants in accordance with the trust deeds and in agreement of the Trustees.

There are no judgements, apart from those involving estimations, that the trustees have made in the process of applying the entity's accounting policies that have a significant effect on the amounts recognised in the accounts.

There are no key assumptions concerning the future, or other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Independent auditor's report to the trustees of The Moray Council - Connected Charity Trust Funds and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of The Moray Council – Connected Charity Trust Funds for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charities as at 31 March 2022 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

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 am independent of the charities 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charities ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of trustees' responsibilities, the trustees are 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 trustees 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 trustees are responsible for assessing the charities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees intend to discontinue the charities' operations, or have no realistic alternative but to do so.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the charities are complying with that framework;

- identifying which laws and regulations are significant in the context of the charities;

- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the charities' controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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 skilfulness 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.

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.

Reporting on other requirements

Other information

The trustees are responsible for other information in the statement of accounts. The other information comprises the Trustees' Annual Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Trustees' Annual Report to the extent explicitly stated in the following opinion prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Trustees' Annual Report

In my opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Annual Report 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 Charities SORP (FRS 102).

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or

- the financial statements are not in agreement with the accounting records; or

- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

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.

Maggie Bruce CA
Senior Audit Manager
Audit Scotland
1st Floor, Room F03
The Green House
Beechwood Business Park North
Inverness, IV2 3BL
27 October 2022

Maggie Bruce is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.