



REPORT TO: SPECIAL MORAY COUNCIL ON 27 JUNE 2019

SUBJECT: UNAUDITED ANNUAL ACCOUNTS FOR 2018/19

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

1.1 The Council is asked to consider the unaudited Annual Accounts for the year to 31 March 2019 for both Moray Council and the Connected Charity Trust Funds administered by the council.

2. RECOMMENDATION

2.1 It is recommended that Council considers and notes the:-

- (i) unaudited Annual Accounts for Moray Council for the year ended 31 March 2019; and**
- (ii) Moray Council Connected Charity Trust Funds Trustees' Report and Financial Statements for the year ended 31 March 2019.**

3. BACKGROUND

3.1 The unaudited Accounts for 2018/19 for the Council and for the Connected Charity Trust Funds administered by Moray Council are available as separate documents on the agenda. These documents will be posted to the Council's website after this meeting.

Moray Council Annual Accounts

3.2 These accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) which is underpinned by International Financial Reporting Standards (IFRS). They summarise the Council's financial transactions for the year to 31 March 2019.

3.3 The regulations require the unaudited Annual Accounts to be presented to the External Auditor by the 30 June and for the Council to consider before 31 August.

3.4 The Code requires the Council to set out a statement not only of its own financial position but also of the financial position of all the entities or activities for which the council is responsible or in which it has a significant financial interest. These entities are encompassed in the Group Accounts, which are

included in the Annual Accounts. The Group Accounts for 2018/19 include Trust Funds and Common Good Funds as entities or activities for which the council is responsible and the Moray Integration Joint Board, Grampian Valuation Joint Board and Moray Leisure Limited as associate bodies.

- 3.5 There are four core Financial Statements: the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement. Of these, the Statements most likely to be of interest to most users of the accounts are the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.
- 3.6 The Comprehensive Income and Expenditure Statement expresses the income and expenditure of the Council over the past financial year in a format which complies with International Financial Reporting Standards. This includes entries relating to revaluation of assets and other entries, which by statute cannot be a charge to the Council Tax payer.
 - 3.6.1 The Statement shows a surplus of £24,774,000, which includes a net increase of £43,166,000 for the revaluation of the Council's assets plus a decrease for the re-measurement of the defined benefit liability of the Council's pension fund of £7,722,000.
 - 3.6.2 This leaves a deficit on the Provision of Services of £10,670,000. After adjustment for items not chargeable to Council Tax or Housing Rent payers, this "book deficit" equates to a deficit of £3,889,000. This is reflected in the Movement in Reserves Statement.
- 3.7 The Movement on Reserves Statement shows the movement on the different reserves held by the council, analysed into Unusable and Usable Reserves.
 - 3.7.1 Unusable Reserves arise from accounting entries required to comply with International Financial Reporting Standards but which cannot impact on the level of Council Tax or Council House Rent payable.
 - 3.7.2 Usable reserves accounting align with the basis on which the Council sets its budgets. They therefore show the direct financial impact for the Council Tax payer and Council House tenant.
- 3.8 The net movement on the General Fund in 2018/19 was an overall decrease of £4,623,000. Note 13 to the Accounts shows an analysis of the General Fund, which consists of a general service element, the Devolved School Management (DSM) balance and various ear-marked and otherwise restricted funds
 - 3.8.1 In order to balance the 2018/19 budget the Council planned to use £4,726,000 from the General Services reserve. The actual use of this reserve was £4,819,000. DSM was reduced by £438,000 and the ear-marked reserve for the expansion of Early Learning and Childcare by £146,000. Unspent Pupil Equity Funding held in reserves increased by £14,000. A new ear-marked portion of reserves was created, to hold funds planned to be used for the Improvement and Modernisation Programme and £700,000 was set aside for this purpose. Other funds increased by £65,000, primarily relating to

insurance premium discounts but also including funds for nursery snacks and Scottish Welfare Fund.

- 3.8.2 At 31 March 2018, the General Fund's balance is £14,030,000 of which £10,000 represents DSM balances and £1,744,000 earmarked amounts leaving a General Services element of the General Fund of £12,276,000.
- 3.8.3 Members have previously approved £3,812,000 to be funded from General Services reserves in 2019/20. The outturn report later on the agenda for this meeting recommends decreasing this figure by £1,003,000 to leave an estimated free balance in the General Fund at 31 March 2018 of £9,267,000.
- 3.9 The Balance Sheet summarises the council's assets and liabilities as at 31 March 2019. This includes pension liabilities falling due in future years, which will be financed by pension contributions through the Council's Revenue Expenditure. Assets of £908 million are offset by liabilities of £429 million, giving the council a net worth of £480 million, which represents the total value of the council's usable and unusable reserves.
- 3.10 The Cash Flow Statement shows the movement in cash and cash equivalent during the financial year, an increase of £11 million for 2018/19.

Connected Charity Trust Funds Administered by the Council

- 3.11 All 26 councillors as 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 in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable 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.
- 3.12 The financial statements for the Connected Charity Trust Funds 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, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice 2015 (FRS102) commonly referred to as the SORP.
- 3.13 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 Council.
- 3.14 During the year, one trust was transferred into the Moray Council Charitable Trust. Moray Council now administers 30 Registered Charitable Trusts for which it is sole trustee, with a total net worth at 31 March 2019 of £938,000 (2017/18 £938,000).
- 3.15 Separate financial statements covering all the Council's charitable trusts are published on the council's website.

4. **SUMMARY OF IMPLICATIONS**

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

The unaudited Annual Accounts have been completed within the target timescale.

(b) **Policy and Legal**

The Local Authority Accounts (Scotland) Regulations 2014 require a Local Authority to submit a set of accounts to its External Auditor by 30 June.

The council's accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 which is underpinned by International Financial Reporting Standards.

The Connected Charities unaudited 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.

The Audited Accounts, together with a copy of the External Auditor's Report shall be laid before a meeting of the council in due course.

(c) **Financial Implications**

The Annual Accounts provide extensive information about the council and its Connected Charity Trust Funds financial position at 31 March 2019.

(d) **Risk Implications**

There are no risk issues arising directly from this report. The Annual Accounts will be subjected to an audit by the council's External Auditors, Audit Scotland, who will provide assurance that the Accounts for 2018/19 give a true and fair view of the financial position and expenditure and income of the council and its group for the year.

Audit Scotland will also audit the council's Connected Charity Trust Funds Trustees' Report and Financial Statements and provide a report to Members on their findings.

(e) **Staffing Implications**

Many staff throughout the council provide information for the inclusion in the Annual Accounts. The process begins before the end of March each year and is only completed once the audit of the Accounts is finalised in September.

(f) **Property**

None.

(g) **Equalities/Socio Economic Impact**

There are no equalities issues arising directly from this report.

(h) Consultations

Finalising the Accounts does not involve consultation, but many staff throughout the council are involved in providing information for inclusion in the Accounts.

5. CONCLUSION

- 5.1 The unaudited Annual Accounts shows the council's financial position as at 31 March 2019. The audited accounts for 2018/19 will be submitted to the council meeting in September 2019 along with any findings and recommendations from our external auditors Audit Scotland.**

Author of Report: Lorraine Paisey, Head of Financial Services
Background Papers:
Ref: LP/LJC/