

Annual Accounts for the year ended **31 March 2020**



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



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Introduction

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

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

The Annual Accounts are presented in four core statements:

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

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

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

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

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

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

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

About us

Moray is a largely rural area covering a land mass of 2,238 sq km. It has a long coastline on the Moray Firth with harbours, fishing villages and world-class beaches. The area's population is 95,520. The main centre of population is Elgin, which is home to more than one quarter of the people living in Moray. Other towns of population between 5,000 and 10,000 are Forres, Buckie, Lossiemouth and Keith.

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

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

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

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

Strategy, planning and performance

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

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

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

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

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

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

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

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

Highlights of the year

Our place

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



Our future

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



Our people

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

Our future

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

Our future

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



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

Sustainable

28 June 2019 Senior management restructure at Moray Council

Our future

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

Our people

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



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

Our people

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

Management Commentary (continued)

Our people

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



Our place

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



Our future

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

Our place

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



Our people

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

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



Our future

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



Our people

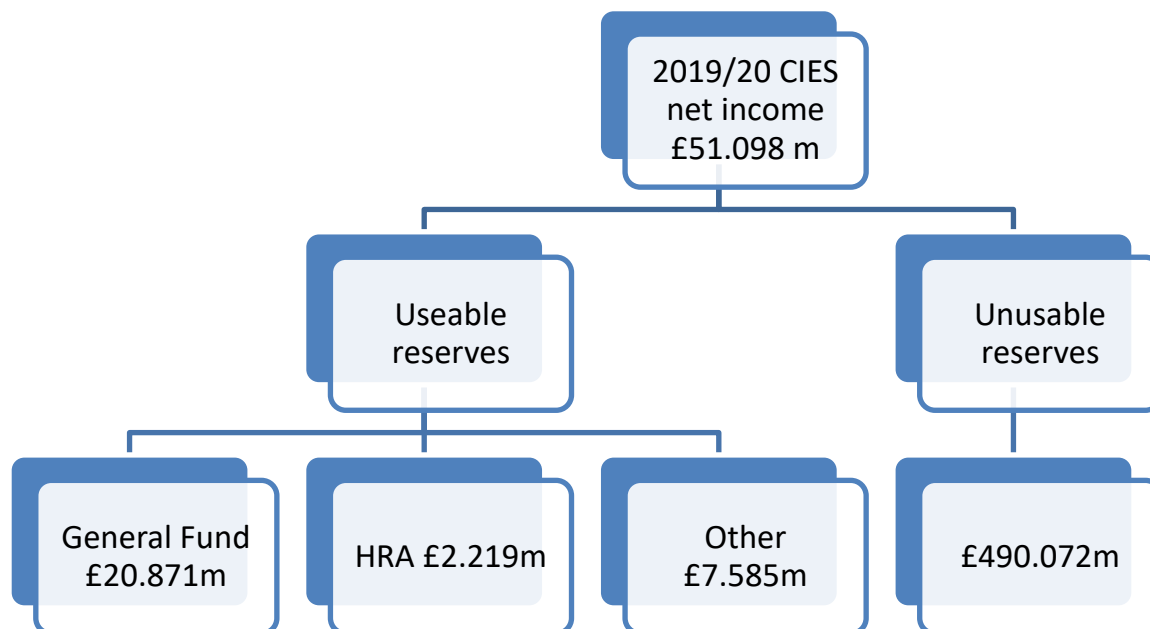
3 March 2020 Pilot programme for gypsy / traveller stopover sites in Moray approved by the Communities Committee as part of COSLA's Negotiated Stoppings pilot across 5 council areas.

Our future

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

Management Commentary (continued)

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

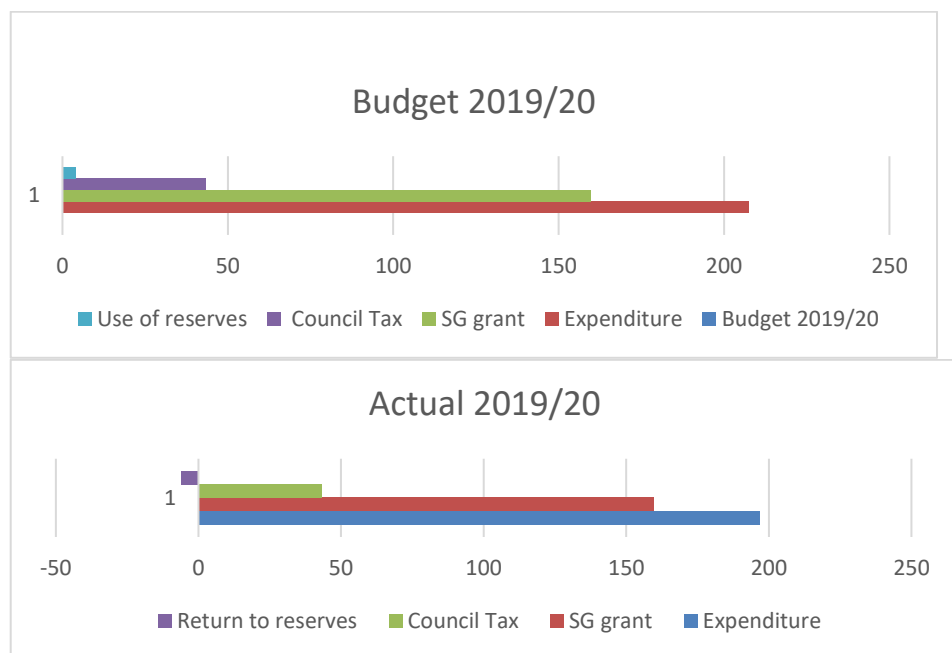


The Movement in Reserves Statement shows the net income to the Council per the CIES analysed across the General Fund, HRA, other useable reserves and unusable reserves. The net income shown in the CIES is the increase in overall reserves. Note 12 to the accounts further analyses the movement in the General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

General fund revenue expenditure

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

Management Commentary (continued)



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

Commentary on year-end position

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

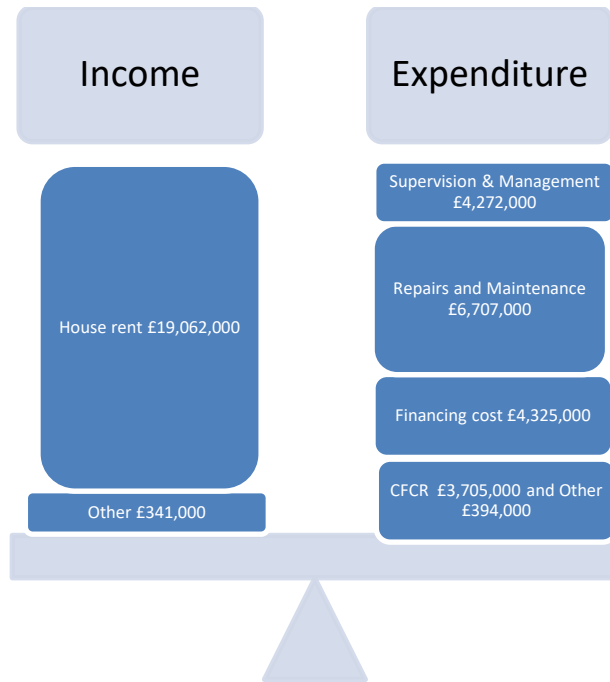
| | | |
|---|-------|---------|
| Planned use of reserves | | (£4.1m) |
| One-off income (VAT refund, insurance claim) | 2.0 | |
| BRIS retention | 1.9 | |
| Balance of new general grant funding not allocated to departments | 1.2 | |
| Contingency not required | 0.3 | |
| Additional savings | 2.5 | |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

Housing Revenue Account

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

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

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



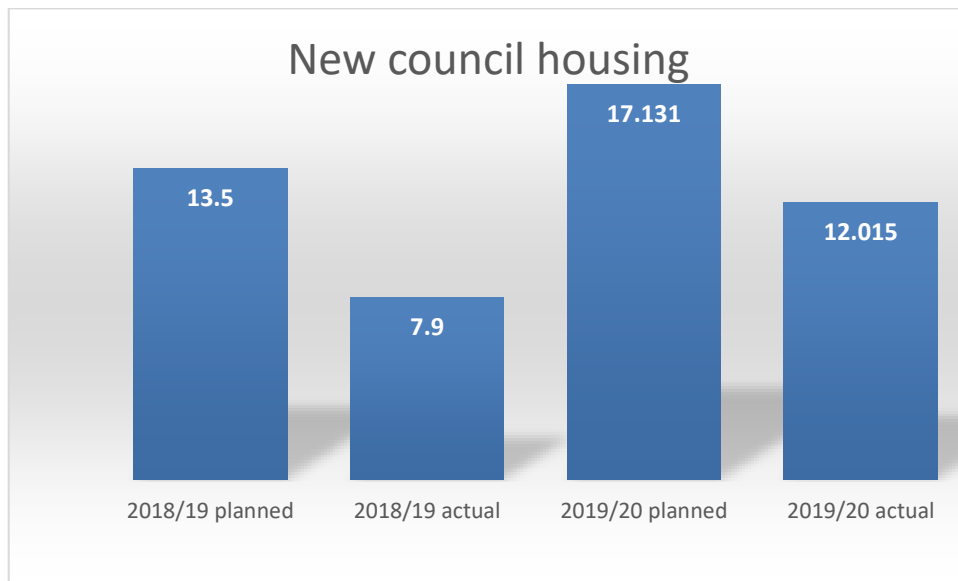
The actual out-turn was:

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

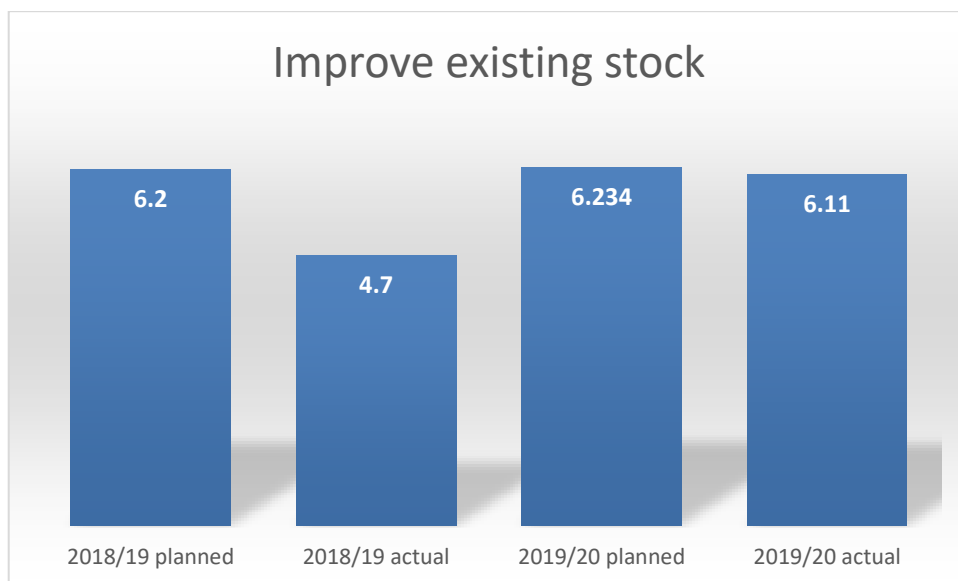
These variances in income and expenditure led to the £1.047 million increase in HRA reserves.

Management Commentary (continued)

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



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


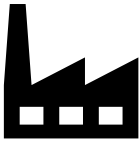

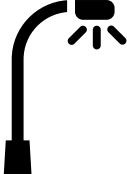





We actually spent 98% of what we planned to spend on improving our housing stock (2018/19:76%)

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

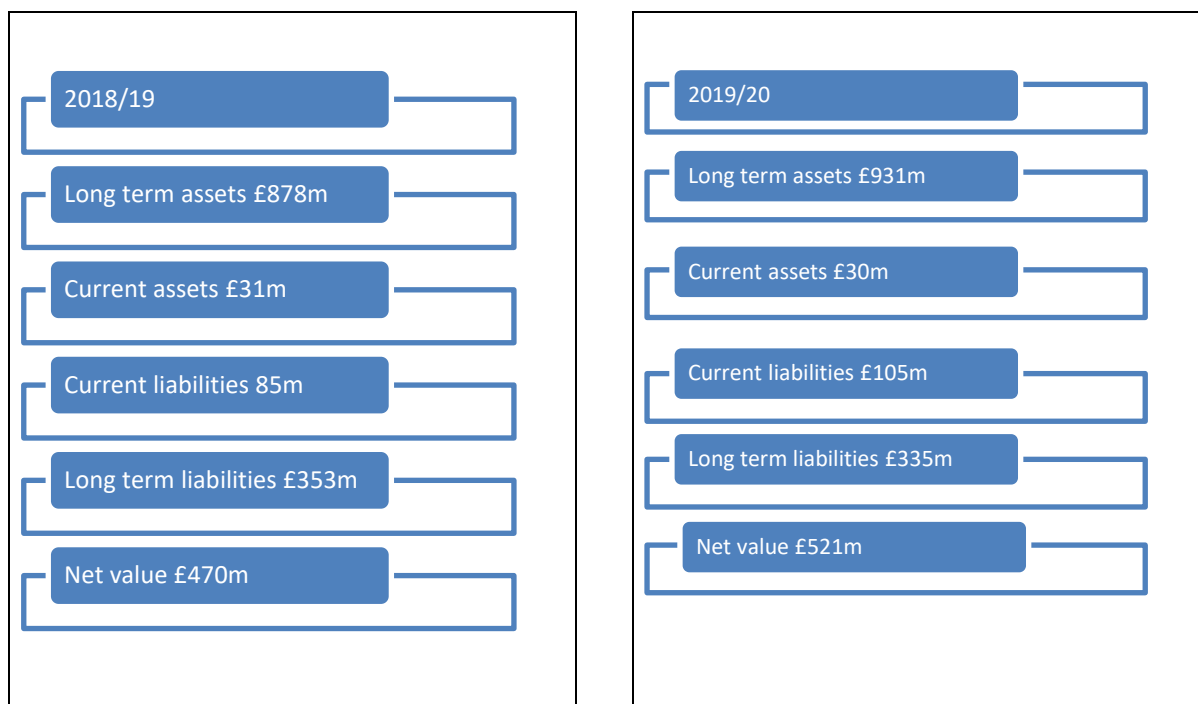
General Services Capital Programme

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

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

Balance sheet

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



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

Significant movements are:

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

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

Future risks

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

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

How we are managing these risks

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

....and potential opportunities

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

Councillor Graham Leadbitter
Leader of Moray Council

Roderick D. Burns
Chief Executive

Lorraine Paisey
Chief Financial Officer

Statement of Responsibilities for the Annual Accounts

The Council's Responsibilities

The Council is required to:

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

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

Signed on behalf of Moray Council.

Councillor Graham Leadbitter
Leader of the Council

The Chief Financial Officers' Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Accounting Code).

In preparing the Annual Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Council and its Associates at the reporting date and the transactions of the Council and its group for the year ended 31 March 2020.

Lorraine Paisey CA
Chief Financial Officer

Annual Governance Statement 2019/20

Scope of responsibility

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

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

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

The governance framework

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

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

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

Codes of Conduct are in place for elected members and senior officers, which require them to exercise leadership through exemplary standards of behaviour, and ensure established values are replicated effectively throughout the organisation. Registers of Interests for elected members are prepared under statutory provision to disclose any potential areas where conflicts of interest might arise, and there is a similar council register for disclosures by senior managers.

The council's Monitoring Officer has a statutory responsibility to ensure established procedures are followed and that all legislative and other regulatory processes are complied with.

Governance Principle 2 – ensuring openness and comprehensive stakeholder engagement.

The council's decision-making processes are well established with major decisions being taken by Council or one of a number of service committees. The presumption is for openness or where this is not the case, a justification of the reasoning for keeping a decision confidential is provided.

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

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

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

Annual Governance Statement (continued)

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

The creation and implementation of a vision for the local area, including expected outcomes for the community, is encompassed in the Local Outcomes Improvement Plan. The overarching aim and purpose of this 10-year plan is 'to raise aspirations by creating an enabling environment where our residents can achieve expanded choices, improved livelihoods and wellbeing'.

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

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

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

The council recognises the financial challenges it faces and through its established committee structures and other briefings from CMT/SMT has furnished elected members with an extensive volume of information on both the availability of resources and options for future service delivery. The council successfully delivered a balanced budget for 2020/21.

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

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

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

This element of governance is designed to ensure that both elected members and officers have the knowledge, skills and capacity to enable them to fulfil their respective roles effectively. This has particular significance given the combination of a minority council administration and dynamic national and international political issues. These together create an increased political tension which councillors and officers have to work hard to navigate.

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

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

Leadership capacity of senior officers is supported through promotion of a Leadership Forum which brings together senior managers from all council services to bring a wider perspective to the consideration of issues facing the council. Senior Managers also undertake learning visits and hold listening meetings to maintain a perspective on developments within services.

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

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

Annual Governance Statement (continued)

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

The Council has arrangements in place covering risk, performance management, internal control and financial management. Aside from issues not delegated by the Council, including annual budget setting and consideration of the annual accounts, the oversight of risk and financial monitoring is primarily with Policy and Resources Committee, and performance management is scrutinised by service committees. The council adopted a revised performance management framework during the year.

The council has a risk management policy and strategy designed to support the identification, evaluation and mitigation of risks which may impact on its ability to meet its objectives. A Corporate Risk Register provides summary information on what the Corporate Management Team and Senior Management Team considers are the principal risks facing the Council and how these are managed and controlled. Risk implications also feature in committee reports to inform decision making where required.

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

The council participates in the National Fraud Initiative, a data matching programme involving other public bodies, to provide assurances on the robustness of information held by the council as well as highlighting data anomalies that require to be addressed. A policy to combat fraud, theft, bribery and corruption, which sets out the council's zero tolerance to such behaviours, was updated during the year.

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

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

Council business is conducted through an established cycle of committee meetings held in public (unless exempt under statutory provision) and available on the internet by live webcast. Webcasts remain available on the website for viewing for 12 months following a meeting. Meeting dates are published in advance and agenda papers are made available at least one week prior to meetings being held.

Committee reports follow a corporate style and include: the Reason for the Report, Recommendations, the Background to the report, information relevant to the matter under consideration, a Summary of Implications and a Conclusion. Minutes of meetings are prepared and important decisions are publicised on the council website and through social media.

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

Assurance and accountability oversight is a key role for the Audit and Scrutiny Committee which is chaired by a member of the political opposition. The committee receives reports on the work of the internal auditor and the external auditor placing particular focus on recommendations arising from audit work and on the corrective actions proposed by service management. The committee also receives information based on publications from the Accounts Commission and Audit Scotland, which this year included a series of reports on 'Safeguarding Public Money', and on the implications of Brexit.

Annual Governance Statement (continued)

Effectiveness of governance arrangements

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

- **Elected Members**

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

- **The Corporate Management Team**

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

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

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

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

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

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

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

- **The Chief Social Work Officer**

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

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

Annual Governance Statement (continued)

• Internal Audit

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

The Internal Audit Manager is accountable on a day-to-day basis to the Head of Governance, Strategy and Performance, and to an Audit and Scrutiny Committee. The internal audit plan for the year included a range of audit projects covering main financial systems, other systems operating within services and a number of ad-hoc/unplanned projects. The outcomes from these projects together with any recommendations to enhance the control environment are reported to the Committee. This Committee is chaired by an opposition councillor.

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

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

• External Agencies

In addition to the various internal review processes and the financial audit referred to above, aspects of the Council's governance arrangements are considered in various inspection reports produced by the external auditor and by service inspectorates.

The main local government audit and inspection agencies also come together as a Local Area Network and their consideration of governance practices as a contribution to securing best value informs an Assurance and Improvement Planning process.

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

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

Review of effectiveness of governance arrangements

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

Prior year governance issues

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

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

Annual Governance Statement (continued)

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

COVID 19 –the Impact of the Pandemic

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

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

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

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

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

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

Looking forward - significant governance issues

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

Key governance challenges going forward will involve:

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

Annual Governance Statement (continued)

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

Concluding Remarks

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

The immediate challenge will be to continue to meet all operational demands during the COVID-19 Pandemic while not compromising the safety of employees and our communities; beyond that pressure on financial settlements is set to continue during the incoming period, and we will continue to engage with all councillors, managers and staff, partners and citizens as appropriate to agree plans and outcome targets that are both sustainable and achievable. Taking those forward will be challenging as we look to reconfigure services to optimal effect. Good governance will remain essential in delivering services in a way that both meets the needs of communities and discharges statutory best value responsibilities.

.....
Councillor Graham Leadbitter
Leader of the Council

.....
Roderick D Burns
Chief Executive

Remuneration Report

Introduction

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

All information disclosed in the tables in this Remuneration Report, with the exception of the Tiered Contribution Pay Rates table on page 25, will be audited by the appointed auditors, Audit Scotland, and the information reviewed by them to ensure it is consistent with other sections of the Annual Accounts.

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

The annual salary of the Leader of the Council and the upper limit for the annual salary of the Convener are set out by the Scottish Government in terms of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007, as amended by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2019. The salary for the Leader of the Council is £29,119 per annum (2018/19 £28,326) and for the Convener is £21,840 per annum (2018/19 £21,245).

In terms of the same Regulations, the Scottish Government permits Moray Council to nominate up to nine Senior Councillors (in addition to the Leader of the Council and the Convener) whose salaries in aggregate must not exceed a specified amount, currently £176,895 (2018/19 £172,076) and whose salaries individually must be on a specified scale, currently £17,470 to £21,840 (2018/19 £16,994 to £21,245).

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

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

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

Remuneration Report (continued)

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

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

No taxable expenses were paid in 2019/20.

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

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

Remuneration Report (continued)

TABLE 2: Remuneration paid to Councillors

The annual return of Councillors' salaries and expenses is available to view on the Council's website at <http://moray.gov.uk>.

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

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

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

Remuneration Policy for Senior Officers

The salaries of Senior Officers are set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets out the salary for the Chief Executives of Scottish Local Authorities. Circular CO/150 was issued on 04 March 2019 and covers salary scales to be paid to Chief Officers for the period of 1 April 2018 to 31 March 2021. Corporate Directors receive 84% of the Chief Executive's salary. Moray Council does not pay bonuses or performance related pay.

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

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

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

Remuneration Report (continued)

TABLE 3: Remuneration of Senior Employees of the Council

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

No taxable expenses were paid in 2019/20.

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

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

Remuneration Report (continued)

Pension Entitlement

Pension benefits for Councillors and Local Government employees are provided through the Local Government Pension Scheme (LGPS) and for teachers and former teachers through the Scottish Public Pensions Agency. The pension is based on the person's pensionable service (how long he or she has been a member of the pension scheme) and his or her pay. For Councillors, the pension is based on "career average" - the aggregate of each year's pay (adjusted by inflation) is divided by the total number of years and part years they have been a member of the LGPS.

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

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

Tiered Contribution Pay Rates

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

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

Remuneration Report (continued)

TABLE 4: Senior Councillors

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

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

Remuneration Report (continued)

TABLE 5: Senior Employees

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

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

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

Remuneration Report (continued)

Remuneration of Officers receiving more than £50,000

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

TABLE 6: General Disclosure by Pay Band

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

Exit Packages of Employees

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

Remuneration Report (continued)

TABLE 7: Exit Packages

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

Termination Benefits

During 2019/20 the Council terminated the contracts of 28 employees. The contracts were terminated as a result of either budget savings, the redesign of Council services or Council restructuring. The cost to the Council was £0.111m comprising £0.078m of redundancy payments (2018/19 £0.758m) and £0.033m of settlement costs for loss of employment (2018/19 £0.014m).

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

Trade Union (Facility Time Publication Requirements) Regulations 2017

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

Table 8: Relevant Union Officials

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

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

Remuneration Report (continued)

Table 9: Percentage of Time Spent on Facility Time

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

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

Table 10: Percentage of Pay Bill Spent on Facility Time

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

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

Table 11: Paid Trade Union Activities

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

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

Councillor Graham Leadbitter

Leader of the Council

Roderick D Burns

Chief Executive

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost for the year ended 31 March 2020 of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement and the Expenditure and Funding Analysis note 9.

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

Comprehensive Income and Expenditure Statement (continued)

| 2018/19 (restated Note 2) | | | | 2019/20 | | | |
|---------------------------|----------------|-----------------|-------------------------|-------------|----------------|-----------------|-----------------|
| Expenditure | Council Income | Net | Group Net | Expenditure | Council Income | Net | Group Net |
| £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| 357,209 | 128,022 | 229,187 | 230,025 | 356,208 | (139,957) | 216,251 | 217,260 |
| | | | Cost of Services | | | | |
| | | 2,432 | 2,406 | | | 317 | 375 |
| | | 15,875 | 15,364 | | | 15,570 | 16,976 |
| | | (227,955) | (227,955) | | | (241,100) | (241,100) |
| | | - | 392 | | | - | 97 |
| | | 19,539 | 20,232 | | | (8,962) | (6,392) |
| | | (43,166) | (43,282) | | | (13,097) | (19,855) |
| | | - | (38) | | | - | 384 |
| | | 9,155 | 9,155 | | | (29,039) | (29,039) |
| | | - | 28 | | | - | (236) |
| | | (34,011) | (34,137) | | | (42,136) | (48,746) |
| | | (14,472) | (13,905) | | | (51,098) | (55,138) |

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The Statement shows how the movements in year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase or Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

| | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Capital Grants and Receipts Unapplied Account £000 | Capital Fund £000 | Revenue Statutory Funds £000 | Total Usable Reserves £000 | Total Unusable Reserves £000 | Total Authority Reserves £000 | Authority's Share of Subsidiaries Reserves £000 | Authority's Share of Associates Reserves £000 | Total Group Reserves £000 |
|--|------------------------------------|---------------------------------------|--|--|-------------------------|---------------------------------------|-------------------------------------|---------------------------------------|--|---|---|------------------------------------|
| Balance at 31 March 2018 | 18,653 | 1,132 | 649 | 69 | 111 | 4,078 | 24,692 | 430,485 | 455,177 | 28,953 | (78) | 484,052 |
| Movement in Reserves 2018/19 | | | | | | | | | | | | |
| Total Comprehensive Expenditure and Income | (15,331) | (4,208) | - | - | - | - | (19,539) | 34,011 | 14,472 | (147) | (420) | 13,905 |
| Adjustments between accounting basis & funding basis under regulations (Note 11) | 11,436 | 3,585 | 186 | 443 | - | - | 15,650 | (15,650) | - | - | - | - |
| Net increase/(decrease) before transfers to/from earmarked and other statutory reserves | (3,895) | (623) | 186 | 443 | - | - | (3,889) | 18,361 | 14,472 | (147) | (420) | 13,905 |
| reserves | (728) | 663 | 4 | 147 | (111) | 25 | - | - | - | - | - | - |
| Increase/Decrease in 2018/19 | (4,623) | 40 | 190 | 590 | (111) | 25 | (3,889) | 18,361 | 14,472 | (147) | (420) | 13,905 |
| Balance at 31 March 2019 | 14,030 | 1,172 | 839 | 659 | - | 4,103 | 20,803 | 448,846 | 469,649 | 28,806 | (498) | 497,957 |
| Note | | | | | | | | | | | | |
| Minority Interest | | | | | | | | | | 649 | | 649 |
| Total Reserves as per Balance Sheet | | | | | | | | | | 29,455 | | 498,606 |

Movement in Reserves Statement (continued)

| 2019/20 | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Capital Grants and Receipts Unapplied Account £000 | Capital Fund £000 | Revenue Statutory Fund £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 | Authority's Share of Subsidiaries Reserves £000 | Authority's Share of Associates Reserves £000 | Total Group Reserves £000 |
|--|------------------------------------|---------------------------------------|--|--|-------------------------|--------------------------------------|-------------------------------------|------------------------------|--|---|---|------------------------------------|
| Balance at 31 March 2019 | 14,030 | 1,172 | 839 | 659 | - | 4,103 | 20,803 | 448,846 | 469,649 | 28,806 | (498) | 497,957 |
| Movement in Reserves 2019/20 | | | | | | | | | | | | |
| Total Comprehensive Expenditure and Income | 5,364 | 3,598 | | | | | 8,962 | 42,136 | 51,098 | 3,901 | 128 | 55,127 |
| Adjustments between accounting basis & funding basis under regulations (Note 11) | 2,681 | (2,982) | 139 | 1,662 | | | 1,500 | (1,500) | - | - | - | - |
| before transfers to/from earmarked and other statutory reserves | 8,045 | 616 | 139 | 1,662 | - | - | 10,462 | 40,636 | 51,098 | 3,901 | 128 | 55,127 |
| Transfers to/from statutory reserves | (1,204) | 431 | 5 | (57) | 206 | 29 | (590) | 590 | - | - | - | - |
| Increase/Decrease in 2019/20 | 6,841 | 1,047 | 144 | 1,605 | 206 | 29 | 9,872 | 41,226 | 51,098 | 3,901 | 128 | 55,127 |
| Balance at 31 March 2020 | 20,871 | 2,219 | 983 | 2,264 | 206 | 4,132 | 30,675 | 490,072 | 520,747 | 32,707 | (370) | 553,084 |
| Note | | | | | | | | | | | | |
| Minority Interest | | | | | | | | | | 580 | | 580 |
| Total Reserves as per Balance Sheet | | | | | | | | | | 33,287 | | 553,664 |

Balance Sheet

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

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

Balance Sheet (continued)

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

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

Lorraine Paisey CA

Chief Financial Officer

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

Cash Flow Statement

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

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

Notes to the Accounts

Note 1 Accounting Policies

1. General

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

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS). These are issued jointly by CIPFA and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a “true and fair view” of the financial performance of the Council and its Group. The Annual Accounts have been prepared on a “going concern” basis. The accounting convention adopted in the Annual Accounts is principally historic cost, modified by the revaluation of certain categories of non-current and financial assets.

2. Accruals of Expenditure and Income

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

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where the debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Bad and Doubtful Debts

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

4. Borrowing Costs

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

5. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the balance sheet date and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

6. Charges to Revenue for Non-Current Assets

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

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

7. Contingent Assets and Liabilities

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

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

8. Employee Benefits Payable during Employment

Short-term employee benefits such as salaries, wages, overtime and paid annual leave for current employees are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year.

Note 1 Accounting Policies (continued)

9. Fair Value Measurement

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

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

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

10. Government Grants and Contributions

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

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

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

11. Impairment

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

12. Inventories

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

13. Loans Fund

A Loans Fund is maintained under powers contained in the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016. All loans raised by the Council are paid into the Fund and all advances to finance capital expenditure are made from the Fund except for capital projects financed directly from Revenue Accounts. The basis of recharging for loans is by half-yearly instalments on an annuity basis. Loans Fund interest and expenses have been charged to the CIES in accordance with the Code.

14. Prior Period Adjustments

When items of income and expenditure are material, their nature and amount is disclosed separately either on the face of the CIES or in the notes to the Accounts, depending on how significant the items are to an understanding of the Council's financial performance. Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes are made by adjusting the opening balances and comparative amounts for the prior period.

15. Provisions

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

Provisions are charged as an expense to the appropriate service line in the CIES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Note 1 Accounting Policies (continued)

16. Reserves

Reserves are created by appropriating amounts from the General Fund balance in the MIRS. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service within the CIES. The reserve is then appropriated back into the General Fund balance in the MIRS so that there is no net charge against council tax for the expenditure.

17. VAT

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

Note 2 Prior Period Adjustment/Restatements

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

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

Note 2 Prior Period Adjustment/Restatements (continued)

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

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

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

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

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

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

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

Note 4 Nature of the Group and Group Members

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

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

Subsidiaries

The Entities which have been combined as subsidiaries are:

| Name of Subsidiary | Principal Place of Business | % of ownership interest held by the Group | % of ownership interest held by the non-controlling interests (NCI) |
|------------------------------------|------------------------------------|--|--|
| Banffshire Educational Trust | Moray | 50 | 50 |
| Donald Manson Edinkille Trust Fund | Moray | 67 | 33 |
| Donald Manson Forbes Trust Fund | Moray | 67 | 33 |
| Auchernack Trust | Moray | 80 | 20 |
| Other Trust Funds | Moray | 100 | - |
| Common Good Funds | Moray | 100 | - |

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

The Council acts as joint trustee with other parties for four trust funds which have a combined net asset balance of £1.696m. The Council acts as sole trustees for various other trust funds which have a net asset balance of £8.098m.

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

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

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

Associates

The Entities that have been combined as Associates are:

| Name of Associate | Principal Place of Business | Moray Council's Share of Voting Control | Moray Council's Share of Requisition | Measurement Method |
|--------------------------------|------------------------------------|--|---|---------------------------|
| Grampian Valuation Joint Board | Moray | 20% | 17% | Equity |
| Moray Leisure Limited | Moray | 37.5% | n/a | Equity |
| Moray Integration Joint Board | Moray | 50% | 33% | Equity |

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

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

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

Summarised balance sheet

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

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

Summarised Statements of Comprehensive Income and Expenditure

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

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

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

Other Entities in which the Council has an Interest

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

| | Grampian Venture Capital Fund | HITRANS |
|---|---|---|
| Nature | Economic development | Local Government |
| Purpose | Provide equity funding for small and medium sized enterprises | To prepare transport strategies for the region |
| Size | Small business | Small business |
| Activities | Provider equity funding | Transport strategy preparation |
| Financed | 455,000 ordinary shares issued | Contributions from 5 Constituent Authorities (Highland, Moray and 3 others) |
| Moray Council's share of voting control | 20.44% | 25% |

Carrying amounts of the entities:

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

Note 5 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in these financial statements, the Council and its associates have had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There was a high degree of uncertainty about future levels of funding for Local Authorities and Joint Boards prior to the pandemic, and this uncertainty has been heightened as a result of the pandemic, with no clarity yet as to what the long term economic impact will be and how it will impact on both UK and Scottish Government's abilities to raise income through taxation. However, it has been determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has entered into a Public Private Partnership (PPP) for the provision of educational buildings, their maintenance and related facilities. The Council has considered the tests under IFRIC 12 and concluded this is a service concession.
- Assets held at current value are revalued on a five year rolling basis as set out in the accounting policy for Property, Plant and Equipment. The Council asserts that the carrying amount does not differ materially from that which would be determined using current value.

Note 6 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2020 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|--|---|--|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual buildings. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets | If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.844m for every year that useful lives had to be reduced. |
| Valuation of Property, Plant and Equipment | <p>In applying the Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards ('Red Book'), a material uncertainty has been declared in the valuation report. This is due to market uncertainties caused by Covid-19. The Red Book defines material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted.'</p> <p>The valuation report has been used to inform the measurement of non-current assets in these financial statements. Although the valuer has declared a material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to the Council as at 31 March 2020 and can be relied upon.</p> | It is not known what the impact will be, but there is potential for asset values to change significantly. |
| Pension Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. | <p>The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £12.470m.</p> <p>Part of the pension fund is invested in Level 3 Investments. The nature of these investments means there is greater risk and more uncertainty over their valuation.</p> <p>There may be an impact on net pension scheme liabilities, depending on the stock market. The outbreak of Covid-19 has impacted global financial markets. The valuers of the Pension Fund's property portfolio as at 31 March declared a material uncertainty in the valuation report. This was due to the market uncertainties caused by Covid-19 and consequently, less certainty and a higher degree of caution should be attached to their valuation that would normally be the case.</p> |

| | | |
|---------|---|---|
| Arrears | At 31 March 2020, the Council had a balance of sundry debtors for £21.558m. (before provision for impairment) A review of the most significant debts, Council tax, suggested that an impairment of 100% on debts greater than 12 months old was appropriate. | A deterioration in collection rates might require an impairment of Council tax debt which is less than 12 months old. An impairment of 1% of current year debt would amount to approximately £0.015m. |
|---------|---|---|

Note 7 Material Items of Income and Expenditure

Where material items of Income and Expenditure are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the Code requires that the nature and amount of these items are disclosed in a note to the accounts. During 2019/20 the following items are regarded as material:

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

Note 8 Events after the Reporting Period

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

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

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

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

Note 9 Expenditure and Funding Analysis

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

| 2018/19 (restated note 2) | | | | 2019/20 | | |
|---|--|---|--|---|--|---|
| Net expenditure chargeable to the General Fund and HRA Balances | Adjustments between the Funding and the Accounting Basis | Net expenditure in the Comprehensive Income and Expenditure Statement | | Net expenditure chargeable to the General Fund and HRA Balances | Adjustments between the Funding and the Accounting Basis | Net expenditure in the Comprehensive Income and Expenditure Statement |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 56,995 | 10,887 | 67,882 | Education | 58,516 | 10,078 | 68,594 |
| | | | Education Resources & Communities | | | |
| 18,212 | 2,190 | 20,401 | | 17,426 | 2,971 | 20,397 |
| 19,525 | 701 | 20,227 | Social Work | 18,369 | 785 | 19,154 |
| | | | General Services | | | |
| | | | Housing and Property Services | | | |
| 2,591 | 1,903 | 4,495 | | 2,155 | 1,965 | 4,120 |
| | | | Commercial Services | | | |
| 24,237 | 14,050 | 38,287 | | 21,992 | 14,307 | 36,299 |
| | | | Economic Growth & Development | | | |
| 3,110 | 454 | 3,564 | | 2,946 | 793 | 3,739 |
| | | | HR, ICT & Organisational Development | | | |
| 4,708 | 1,318 | 6,025 | | 4,766 | 1,457 | 6,223 |
| | | | Governance, Strategy & Performance | | | |
| 5,643 | 494 | 6,137 | | 5,127 | 667 | 5,794 |
| 2,386 | 234 | 2,621 | Financial Services | 449 | 235 | 684 |
| 4,113 | 9,081 | 13,194 | Other | 2,735 | 2,165 | 4,900 |
| | | | Health and Social Care | | | |
| 40,188 | 1,625 | 41,813 | | 43,158 | 2,898 | 46,056 |
| | | | Housing Revenue Account | | | |
| (7,834) | 12,377 | 4,543 | | (8,996) | 9,287 | 291 |
| 173,874 | 55,313 | 229,187 | Cost of Services | 168,643 | 47,608 | 216,251 |
| | | | Other Income and Expenditure | | | |
| (169,356) | (40,292) | (209,648) | | (177,304) | (47,909) | (225,213) |
| 4,518 | 15,021 | 19,539 | (Suplus)/Deficit | (8,661) | (301) | (8,962) |
| | | | Opening General Fund and HRA Balance | | | |
| | | (19,785) | | (15,202) | | |
| | | | (Surplus) Deficit on General Fund and HRA Balance in year | | | |
| | | 4,518 | | (8,661) | | |
| | | | Transfers from Reserves | | | |
| | | 65 | | 773 | | |
| | | | Closing General Fund and HRA Balance at 31 March* | | | |
| | | (15,202) | | (23,090) | | |

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

Note 9 Expenditure and Funding Analysis (continued)

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

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

Note 9 Expenditure and Funding Analysis (continued)

Adjustments between the Funding and the Accounting Basis 2019/20

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

a) Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line.

Adjustments to Other Income and Expenditure reflect:

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

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

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

Note 9 Expenditure and Funding Analysis (continued)

b) Net Change for the Pensions Adjustments

This column reflects the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related income and expenditure.

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

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

c) Other Differences

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

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

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

d) Elimination of Internal Recharges

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

Note 10 Expenditure and Income Analysed by Segment and Nature

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

Income and Expenditure 2018/19 (restated note 2)

| | Education £000 | Education Resources & Communities £000 | Social Work £000 | General Services Housing & Property Services £000 | Environmental & Commercial Services £000 | Economic Growth & Development £000 | HR, ICT & Organisational Development £000 | Governance, Strategy & Performance £000 | Financial Services £000 | Other Services £000 | Health & Social Care £000 | Housing Revenue Account £000 | Costs not included in a Service £000 | Total £000 |
|---|-------------------|---|---------------------|--|---|--|--|--|-------------------------------|------------------------|---------------------------------|------------------------------------|---|------------------|
| Employee expenses | 50,122 | 18,797 | 8,045 | 9,239 | 20,646 | 4,577 | 4,246 | 5,651 | 2,149 | 12,170 | 21,492 | 2,690 | 2,364 | 162,188 |
| Other service expenses | 11,925 | 5,546 | 13,225 | 2,452 | 19,169 | 877 | 1,174 | 19,022 | 817 | 1,032 | 75,993 | 9,078 | - | 160,310 |
| Depreciation, amortisation and impairment | 9,629 | 1,180 | 33 | 1,285 | 11,061 | 117 | 955 | 36 | 85 | 213 | 349 | 12,132 | - | 37,075 |
| Interest Payments | - | - | - | - | - | - | - | - | - | - | - | - | 13,810 | 13,810 |
| Loss on Disposal of Non Current Assets | - | - | - | - | - | - | - | - | - | - | - | - | 2,432 | 2,432 |
| Total Expenditure | 71,676 | 25,523 | 21,303 | 12,976 | 50,876 | 5,571 | 6,375 | 24,709 | 3,051 | 13,415 | 97,834 | 23,900 | 18,606 | 375,815 |
| Fees, charges & other service income | (504) | (2,035) | 252 | (6,604) | (12,089) | (1,738) | (349) | (1,103) | (430) | (141) | (42,411) | (19,357) | - | (86,509) |
| Interest and investment income | - | - | - | - | - | - | - | - | - | - | - | - | (299) | (299) |
| Income from council tax | - | - | - | - | - | - | - | - | - | - | - | - | (41,076) | (41,076) |
| Government grants and contributions | (3,291) | (3,087) | (1,329) | (1,877) | (500) | (268) | (1) | (17,469) | - | (80) | (13,610) | - | (186,880) | (228,392) |
| Total Income | (3,795) | (5,122) | (1,077) | (8,481) | (12,589) | (2,006) | (350) | (18,572) | (430) | (221) | (56,021) | (19,357) | (228,255) | (356,276) |
| Net Expenditure | 67,881 | 20,401 | 20,226 | 4,495 | 38,287 | 3,565 | 6,025 | 6,137 | 2,621 | 13,194 | 41,813 | 4,543 | | |

(Surplus) or deficit on the provision of services

19,539

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

Income and Expenditure 2019/20

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

(Surplus) or deficit on the provision of services

(8,962)

Note 11 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2018/19

| | Usable Reserves | | | | | |
|--|-----------------|----------------|-------------------------------|--------------------------------|---|--------------|
| | General Fund | 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) | 19,721 | 286 | | | | |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account) | (221) | (93) | | | | |
| Holiday pay (transferred to the Employee Statutory Adjustment Account) | 400 | 12 | | | | |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 1,025 | 9,078 | - | - | - | - |
| Total Adjustment to Revenue Resources | 20,925 | 9,283 | - | - | - | - |
| Adjustments between Revenue and Capital Resources | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (186) | (75) | - | 261 | | - |
| Capital receipts transferred to the Capital Grants and Receipts Unapplied Account | (443) | | | | 443 | |
| Statutory provision for the repayment of debt | (8,860) | (944) | - | - | - | - |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | - | (4,679) | - | - | - | - |
| Total Adjustments between Revenue and Capital Resources | (9,489) | (5,698) | - | 261 | 443 | - |
| Adjustments to Capital Resources | | | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | - | (75) | - | - |
| Total Adjustments to Capital Resources | - | - | - | (75) | - | - |
| Total Adjustments | 11,436 | 3,585 | - | 186 | 443 | - |

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

2019/20

| | Usable Reserves | | | | | |
|--|-----------------|----------------|-------------------------------|--------------------------------|---|--------------|
| | General Fund | 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) | 15,898 | 346 | - | - | - | - |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account) | (215) | (95) | - | - | - | - |
| Holiday pay (transferred to the Employee Statutory Adjustment Account) | 405 | (13) | - | - | - | - |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | (1,181) | 2,239 | - | - | - | - |
| Total Adjustment to Revenue Resources | 14,907 | 2,477 | - | - | - | - |
| Adjustments between Revenue and Capital Resources | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (139) | | - | 139 | - | - |
| Capital receipts transferred to the Capital Grants and Receipts Unapplied Account | (1,662) | | | | 1,662 | |
| Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account) | (9,425) | (1,114) | - | - | - | - |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (1,000) | (4,345) | - | - | - | - |
| Total Adjustments between Revenue and Capital Resources | (12,226) | (5,459) | - | 139 | 1,662 | - |
| Adjustments to Capital Resources | | | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | - | - | - | - |
| Total Adjustments to Capital Resources | - | - | - | - | - | - |
| Total Adjustments | 2,681 | (2,982) | - | 139 | 1,662 | - |

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

This note sets out the amounts set aside from the General Fund and HRA balances in Revenue Statutory Funds to provide financing for future expenditure plans and the amounts posted back from Revenue Statutory Funds to meet General Fund and HRA expenditure in 2019/20.

Revenue Statutory Funds

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

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

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

Devolved School Management (DSM)

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

Early Years Childcare Expansion

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

Pupil Equity Funding

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

Transformation

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

Council Priorities

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

Other Funds

These funds are grants and contributions unspent at the reporting year end which have restrictions on their use. The majority of these funds are insurance premium discounts set aside to fund claims beneath the Council's excess. Other funds held include unspent monies to be used to upgrade/maintain Sanquhar Loch in Forres and for unspent monies relating to the Scottish Welfare Fund, which was set up in 2016/17 to be used to provide individuals with assistance for short term need and community care.

Note 13 Other Operating Expenditure

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

Note 14 Financing and Investment Income and Expenditure

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

Note 15 Taxation and Non-Specific Grant Income

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

Note 16 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

Depreciation

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

Depreciation is calculated using the straight-line method. In the year of acquisition, a full year's depreciation is provided for on all assets except for vehicles, where the calculation is pro-rata based on the month of acquisition. In the year of disposal, no depreciation is charged. The following useful lives and depreciation rates have been used in the calculation of depreciation:-

Council Dwellings - up to 50 years

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

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

Infrastructure - up to 40 years

Community Assets - up to 40 years

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

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

Note 16 Property, Plant and Equipment (continued)

Comparative Movements in 2018/19:

| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 |
|---|------------------------------|-------------------------------------|--|----------------------------------|-----------------------------|------------------------|--------------------------------------|---|
| Cost or valuation | | | | | | | | |
| At 1 April 2018 | 267,443 | 348,318 | 44,961 | 294,739 | 705 | 4,911 | 12,746 | 973,823 |
| Additions | 9,663 | 5,851 | 3,582 | 6,261 | - | 15 | 15,126 | 40,498 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (1,850) | 13,496 | - | - | - | (654) | - | 10,992 |
| (decreases) recognised in the Surplus on the Provision of Services | (5,451) | (3,594) | - | - | - | (491) | - | (9,536) |
| Derecognition – disposals | - | (2,436) | (1,033) | - | - | (475) | (6) | (3,950) |
| Derecognition – other | - | - | (686) | - | - | - | - | (686) |
| Assets reclassified (to)/ from Held for Sale | - | - | - | - | - | (45) | - | (45) |
| Other movements in cost or valuation | 3,917 | 4,685 | (193) | 80 | - | 1,443 | (7,602) | 2,330 |
| At 31 March 2019 | 273,722 | 366,320 | 46,631 | 301,080 | 705 | 4,704 | 20,264 | 1,013,426 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2018 | 18,393 | 41,480 | 27,603 | 57,298 | 297 | 104 | - | 145,175 |
| Depreciation charge | 6,500 | 11,536 | 3,897 | 8,115 | 17 | 71 | - | 30,136 |
| Depreciation written out to the Revaluation Reserve | - | (32,095) | - | - | - | (79) | - | (32,174) |
| Depreciation written out to the Surplus on the Provision of Services | - | (2,622) | - | - | - | (7) | - | (2,629) |
| Derecognition – disposals | - | (525) | (920) | - | - | - | - | (1,445) |
| Derecognition – other | - | - | (686) | - | - | - | - | (686) |
| Assets reclassified (to)/ from Held for Sale | - | - | - | - | - | - | - | - |
| Other movements in depreciation and impairment | - | 87 | (156) | - | - | 69 | - | - |
| At 31 March 2019 | 24,893 | 17,861 | 29,738 | 65,413 | 314 | 158 | - | 138,377 |

Note 16 Property, Plant and Equipment (continued)

Movement in 2019/20

| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 |
|--|------------------------------|-------------------------------------|--|----------------------------------|-----------------------------|------------------------|--------------------------------------|---|
| Cost or valuation | | | | | | | | |
| At 1 April 2019 | 273,722 | 366,320 | 46,631 | 301,080 | 705 | 4,704 | 20,264 | 1,013,426 |
| Additions | 6,190 | 4,221 | 4,022 | 6,841 | | | 54,578 | 75,852 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | 73 | 9,533 | - | - | - | (69) | - | 9,537 |
| Revaluation (decreases) recognised in the Surplus on the Provision of Services | (1,997) | (18) | - | - | - | (125) | (124) | (2,264) |
| Derecognition – disposals | - | (611) | (1,545) | - | - | (946) | - | (3,102) |
| Derecognition – other | - | (198) | - | - | - | - | - | (198) |
| Assets reclassified (to)/ from Held for Sale | - | - | - | - | - | - | - | - |
| Other movements in cost or valuation | 3,850 | 4,607 | 31 | 3,171 | 6 | 794 | (12,459) | - |
| At 31 March 2020 | 281,838 | 383,854 | 49,139 | 311,092 | 711 | 4,358 | 62,259 | 1,093,251 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| At 1 April 2019 | 24,893 | 17,861 | 29,738 | 65,413 | 314 | 158 | - | 138,377 |
| Depreciation charge | 6,876 | 12,059 | 4,243 | 8,203 | 16 | 70 | - | 31,467 |
| Depreciation written out to the Revaluation Reserve | - | (3,560) | - | - | - | (28) | - | (3,588) |
| Surplus on the Provision of Services | - | (62) | - | - | - | (10) | - | (72) |
| Derecognition – disposals | - | (56) | (1,365) | - | - | (31) | - | (1,452) |
| Derecognition – other | - | (8) | - | - | - | - | - | (8) |
| Assets reclassified (to)/ from Held for Sale | - | - | - | - | - | - | - | - |
| Other movements in depreciation and impairment | - | (34) | - | - | - | 34 | - | - |
| At 31 March 2020 | 31,769 | 26,200 | 32,616 | 73,616 | 330 | 193 | - | 164,724 |
| Net Book Value | | | | | | | | |
| at 31 March 2019 | 248,829 | 348,459 | 16,893 | 235,667 | 391 | 4,546 | 20,264 | 875,049 |
| at 31 March 2020 | 250,069 | 357,654 | 16,523 | 237,476 | 381 | 4,165 | 62,259 | 928,527 |

Note 16 Property, Plant and Equipment (continued)

Capital Commitments

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

| | £000 |
|--------------------------------------|---------------|
| HRA Council House New Build projects | 12,166 |
| Lossiemouth High School | 11,887 |
| Linkwood Primary School | 2,924 |
| NESS Energy from Waste | 20,101 |
| | 47,078 |

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current or fair value is revalued at least every five years. All valuations are carried out internally by the Council's Estates Manager in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

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

- Infrastructure, community assets and assets under construction - depreciated historical cost
- Council dwellings - current value, determined using the basis of existing use value for social housing (EUUV-SH)
- School buildings - current value, but because of their specialised nature are measured at depreciated replacement cost (DRC) which is used as an estimate of current value
- Surplus assets - current value as estimated as highest and best use from an open market perspective (fair value)
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value) except for the Headquarters Campus buildings which are too large to be marketed as office accommodation and are measured at depreciated replacement cost as an estimate of current value.

| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 |
|--------------------------------|---------------------------|----------------------------------|--|-------------------------------|--------------------------|------------------------|-----------------------------------|---|
| Carried at historical cost | - | - | 49,139 | 311,092 | 711 | - | 62,259 | 423,201 |
| Valued at current value as at: | | | | | | | | |
| 01 April 2019 | 8,116 | 36,378 | | | | (194) | | 44,300 |
| 01 April 2018 | 3,961 | 268,480 | - | - | - | 1,282 | - | 273,723 |
| 01 April 2017 | 3,003 | 17,460 | - | - | - | 1,660 | - | 22,123 |
| 01 April 2016 | 1,170 | 37,755 | - | - | - | 1,309 | - | 40,234 |
| 01 April 2015 | 265,588 | 23,781 | - | - | - | 301 | - | 289,670 |
| Total cost or valuation | 281,838 | 383,854 | 49,139 | 311,092 | 711 | 4,358 | 62,259 | 1,093,251 |

Note 17 Heritage Assets

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

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

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

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

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

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

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

Note 18 Investment Property

Investment Property is property held solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or the production of goods or is held for sale.

Investment Property is measured initially at cost and thereafter at fair value, being the price that would be received by selling such an asset in an orderly transaction between market participants at the measurement date. Investment Property is measured at highest and best use and the properties are not depreciated but are revalued annually according to market conditions at year end. Gains and losses on revaluation are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES). The same treatment applies to gains and losses on disposal.

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

Note 18 Investment Property (continued)

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

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

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

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

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

Note 19 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and is accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets are purchased licences. All software is given a finite life based on assessments of the period that the software is expected to be of use to the Council. The useful lived assigned to the software suites used by the Council are:

| Expected Useful Life | Licences £000 |
|----------------------|------------------|
| 5 - 6 years | 217 |

The carrying amount of licences is amortised on a straight line basis. The amortisation of £0.007m charged to revenue in 2019/20 (2018/19: £0.029m) was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading).

Note 19 Intangible Assets (continued)

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

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

Note 20 Financial Instruments

Financial Instruments – Classifications

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

Financial Liabilities

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

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

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

Financial Assets

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

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

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

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

Note 20 Financial Instruments (continued)

Financial Instruments – Balances

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

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

Income, Expense, Gains and Losses

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

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

Financial Instruments – Fair Value

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

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

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

Note 20 Financial Instruments (continued)

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

At 31 March 2020 the Council's financial assets show the carrying value equal to fair value, the same as the previous year. This is mainly due to a large proportion of the amount being short term financial assets (£9.122m) and the remaining balance being long term loans which have market rates of return.

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

The fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans with the Public Works Loan Board (PWLb) which are not based on market terms. It also includes the Education Services Public Private Partnership 30 year finance lease for Elgin Academy and Keith Primary and the Design, Build, Finance and Maintain 25 year lease for Elgin High School.

Fair Value Disclosure of PWLB Loans

The fair value of PWLB loans of £212.166m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

As the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, a supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £170.800m of total long term borrowing would be valued at £268.202m. However, if the Council sought to repay the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that would not be paid/giving a discount for the reduced interest income that would be avoided. This exit price for the PWLB loans including the penalty charge would be £242.946m.

Note 21 Inventories

2018/19

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

2019/20

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

Note 22 Short Term Debtors

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

Note 23 Debtors from Local Taxation

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

Note 24 Assets Held-for-Sale

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

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

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

Note 25 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the balance sheet date and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

Note 26 Short Term Creditors

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

Note 27 Provisions

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

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

Note 28 Usable Reserves

The Council has several reserve funds within this category:

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

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

Note 29 Unusable Reserves

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

Capital Adjustment Account

The Capital Adjustment Account absorbs the differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

| 2018/19 | | 2019/20 |
|-----------------|---|-----------------|
| £000 | | £000 £000 |
| 347,767 | Balance at 1 April | 359,660 |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | |
| (30,136) | Charges for depreciation and impairment of non-current assets | (31,468) |
| (6,908) | Revaluation losses on Property, Plant and Equipment | (2,192) |
| (29) | Amortisation of Intangible Assets | (7) |
| | Amounts of non-current assets written off on disposal or sale as part of the loss on | |
| (3,149) | disposal to the Comprehensive Income and Expenditure Statement | (2,117) |
| (40,222) | | (35,784) |
| 7,438 | Adjusting amount written out of the Revaluation Reserve | 6,816 |
| (32,784) | Net written out amount of the cost of non-current assets consumed in the year | (28,968) |
| | Capital financing applied in the year: | |
| 75 | Use of the Capital Receipts Reserve to finance new capital expenditure | - |
| | Capital grants and contributions credited to the Comprehensive Income and | |
| 30,119 | Expenditure Statement that have been applied to capital financing | 34,612 |
| - | Application of grants to capital financing from the Capital Grants Unapplied Account | 590 |
| | Statutory provision for the financing of capital investment charged against the | |
| 9,804 | General Fund and HRA balances | 10,538 |
| 4,679 | Capital expenditure charged against the General Fund and HRA balances | 5,345 |
| 44,677 | | 51,085 |
| | Movements in the market value of Investment Properties debited or credited to the | |
| - | Comprehensive Income and Expenditure Statement | 115 |
| 359,660 | Balance at 31 March | 381,892 |

Note 29 Unusable Reserves (continued)

Revaluation Reserve

The Revaluation Reserve contains gains made by the Council arising from increases in the value of its Property, Plant and Equipment, Heritage Assets and Intangible Assets. The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created.

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

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on early redemption of loans. As a result, the balance on the Account at 31 March 2020 will be charged to the General Fund over the next 35 years

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

Note 29 Unusable Reserves (continued)

Employee Statutory Adjustment Account

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

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

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve, therefore, shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2018/19 | 2019/20 |
|--|------------------|
| £000 | £000 |
| (90,725) Balance at 1 April | (119,887) |
| (9,155) Remeasurements (assets and liabilities) | 29,039 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure | |
| (34,009) Statement | (31,582) |
| Employer's pensions contributions and direct payments to pensioners payable in the | |
| 14,002 year | 15,338 |
| (119,887) Balance at 31 March | (107,092) |

Note 30 Capital Grants and Receipts Unapplied Account

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

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

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

Note 31 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

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

Note 32 Cash Flow Statement - Investing Activities

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

Note 33 Cash Flow Statement - Financing Activities

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

Note 34 Reconciliation of Liabilities Arising from Financing Activities

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

Note 35 External Audit Costs

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

Note 36 Grant Income and Contributions

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

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

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

The balances at the year-end are as follows:

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

Note 37 Related Parties

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

Central Government has effective control over the Council. It is responsible for providing the statutory framework within which the Council operates, and provides the majority of its funding. Government grants and contributions are included in note 36. The amounts outstanding at the year-end are included in creditors in note 26.

Members of the Council have direct control over the Council's financial and operating policies. During 2019/20 no works or services were commissioned from companies in which any member had a noted interest. Details of members' expenses are included in the Remuneration Report.

Transactions with other bodies are as follows:

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

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

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

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

The Council participates in the following partnerships:

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

Note 38 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

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

Note 39 Capitalisation of Borrowing Costs

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

Note 40 Leases

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

Council as Lessee

Finance Leases

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

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

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

Note 40 Leases (continued)

Outstanding obligations under finance leases at 31 March 2019:

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

Outstanding obligations under finance leases at 31 March 2020:

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

Operating Leases

Rental paid under operation leases are charged to the appropriate service account in the Comprehensive Income and Expenditure Statement (CIES) as an expense of the services benefitting from use of the leased asset on a straight line basis over the term of the lease.

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

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

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

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

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

Note 40 Leases (continued)

Council as Lessor

Operating Leases

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

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

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

Note 41 Public Private Partnership and Similar Contracts

Public Private Partnership (PPP) and similar contracts are agreements to receive services, where responsibility for making available the property, plant and equipment needed to provide those services passes to the contractor. As the Council is deemed to control the services that are provided under its scheme and as ownership of the property, plant and equipment will pass to the Council at the end of the contract for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

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

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

The amounts payable to the contractor each year are analysed into five elements:

- fair value of services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost - an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is currently 8.39% for the Elgin Academy/Keith Primary School PPP scheme and 5.67% for the Elgin High School Design, Build, Finance and Maintain (DBFM) contract.
- contingent Rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards Liability - applied to write down the Balance Sheet liability towards the operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle Replacement Costs - debited to the relevant service in the Comprehensive Income and Expenditure Statement or recognised as additions to Property, Plant and Equipment when the relevant capital works are carried out

Educational Services PPP Scheme

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

Educational Services DBFM Contract

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

Note 41 Public Private Partnership and Similar Contracts (continued)

Property, Plant and Equipment

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

Payments

Under the contracts the Council makes agreed payments each year which are increased by inflation. They can be reduced if the contractors fail to meet availability and performance standards in any year but are otherwise fixed. Payments remaining to be made under the contract at 31 March 2020 (excluding any estimation of inflation and availability/performance deductions) are as follows:

| | Payment for Services £000 | Reimbursement of Capital Expenditure £000 | Interest £000 | Total £000 |
|-------------------------------|---------------------------------|--|------------------|----------------|
| Payable in 2020/21 | 1,183 | 1,457 | 3,988 | 6,628 |
| Payable within 2 to 5 years | 4,735 | 5,861 | 14,928 | 25,524 |
| Payable within 6 to 10 years | 5,918 | 8,686 | 16,316 | 30,920 |
| Payable within 11 to 15 years | 5,919 | 11,802 | 12,837 | 30,558 |
| Payable within 16 to 20 years | 5,919 | 17,696 | 7,759 | 31,374 |
| Payable within 21 to 25 years | 2,491 | 10,315 | 1,245 | 14,051 |
| Total | 26,165 | 55,817 | 57,073 | 139,055 |

Note 41 Public Private Partnership and Similar Contracts (continued)

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

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

Note 42 Pension Schemes Accounted for as Defined Contribution Schemes

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

As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the scheme at a level to meet the cost of pensions as they accrue. It is not possible, however, for the Council to identify a share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of the annual accounts it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension during the year ending 31 March 2020, the Council's own contributions equate to approximately 1.43%.

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

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

Note 43 Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two schemes:

- The North East Scotland Local Government Pension Scheme which is administered by Aberdeen City Council. This is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets over a period of time.
- There are also arrangements in place for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.

Principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute.

Note 43 Defined Benefit Pension Schemes (continued)

Transactions Relating to Post-employment Benefits

In relation to the Local Government Pension Scheme, the Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Transactions Relating to Post-employment Benefits

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

Note 43 Defined Benefit Pension Schemes (continued)

Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

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

Note 43 Defined Benefit Pension Schemes (continued)

Local Government Pension Scheme assets comprised:

Fair value of scheme assets

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

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

Note 43 Defined Benefit Pension Schemes (continued)

Basis for Estimating Assets and Liabilities

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

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

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

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

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

Note 43 Defined Benefit Pension Schemes (continued)

Funding Strategy Statement

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

The Pensions Committee's long-term funding objective is to achieve and maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis. The current actuarial valuation of the Fund is effective as at 31 March 2017 and the results indicate that overall the assets represented 107% of projected accrued liabilities at the valuation date compared to a funding level of 94% as at 31 March 2014. The improved funding position is mainly due to high levels of investment returns over the two years prior to the valuation date.

Investments that would most closely match the pension liabilities would be gilts, predominately index-linked, reflecting the nature of the Fund's liabilities. The Fund, however, invests in other assets in the expectation that these will provide higher returns albeit without any guarantee that higher returns will be achieved over any particular period. The benefit of higher investment return is that, over the long term, a higher level of funding should achieve lower employer contribution rates. However the additional investment returns from growth assets come with a price: greater volatility relative to the liabilities thus introducing risk. There is a trade-off between the benefits of additional investment return from greater exposure to growth assets and the greater predictability from having greater exposure to liability matching assets.

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

Impact on the Council's Cash Flows

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

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

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

Note 44 Contingent Liabilities

Bilbohall South Land

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

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

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

Building Dilapidations

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

Note 44 Contingent Liabilities (continued)

Scottish Child Abuse Enquiry

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

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

Asbestos Related Illness

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

Note 45 Nature and Extent of Risks Arising From Financial Instruments

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

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

The procedures for risk management are set out through a legal framework based on the Local Government (Scotland) Act 2003 and associated regulations, which were both revised in December 2017. These require the Council to comply with CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management and Investment Regulations. The Council's management of treasury risks are structured to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services by:

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

Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks, building societies and Money Market Funds whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution.

The credit criteria in respect of financial assets held by the Council at 31 March 2020 are detailed below.

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

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

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

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

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

| | Estimated maximum exposure to default and uncollectability | Amounts at 31 March | Historical experience of default | Historical experience adjusted for market conditions as at 31 March 2020 | Estimated maximum exposure to default and uncollectability |
|--------------|--|------------------------|--|--|--|
| | £000 | £000 | % | % | £000 |
| Customers | 1,006 | 2,721 | 30.97 | 30.97 | 843 |
| Total | 1,006 | 2,721 | | | 843 |

Debtors

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

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

The impairments made, analysed by age are as follows:

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

Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loan Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

Although the Council has 20.76% of its current debt maturing within the period 2051/52 to 2055/56, it is continually reviewing its borrowing position to minimise the financial impact of debt maturing at any one time in the future and possibly exposing the Council to unfavourable interest rates. With the assistance of its treasury advisers, the Council manages this risk through prudent planning of new loans taken out where economic to do so.

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

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

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

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

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

Market Risk

Interest Rate Risk

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

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

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

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

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

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

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

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

Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost for the year ended 31 March 2020 of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

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

Movement on the Housing Revenue Account Statement

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

Notes to the Housing Revenue Account

1. Number and Type of Dwelling House

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

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

2. Rent Arrears

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

3. Impairment of Debtors

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

4. Voids

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

Council Tax Income Account

The Council Tax Income Account (Scotland) shows the gross income raised from Council taxes levied and deductions made under Statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement.

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

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

Council Tax Levy

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

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

Council Tax Banding

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

Council Tax Income Account (continued)

Calculation of Council Tax Base Number of Dwellings

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

Calculation of Council Tax

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

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

Non-Domestic Rate Income Account

The Non-Domestic Rate Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Non-Domestic Rate Account. The statement shows the gross income from the rates and deductions made under statute. The net income is paid to the Scottish Government as a contribution to the national non-domestic rate pool.

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

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

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

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

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

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

Non-Domestic Rate Income Account (continued)

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

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

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

Trust Funds

The Council administers 60 trust funds, acting as sole trustee for 56 trusts and as one of several trustees for a further 4 funds. These accounts do not represent a charge to Council Tax payers but form part of the statutory reporting requirements of the Council. They represent funds set up by various individuals and organisations for the benefit of the community or organisations within the Moray area.

The statements below summarise the trust funds' income and expenditure for the year and the funds' assets and liabilities at 31 March 2020.

Trust Reorganisation

The Council is currently undertaking a review of its trusts, in consultation with the Office of the Scottish Charities Regulator (OSCR), to identify options for restructuring its existing charitable and non-charitable trusts in order to create a smaller number of trusts with improved governance arrangements and with the opportunity to maximise the use of these resources to the benefit of the citizens of Moray. In August 2016, The Moray Council Charitable Trust was awarded charitable status under the Charities and Trustee Investment (Scotland) Act 2005.

Accounting Policies

Basis of Preparation

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

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

The financial statements for the non-charitable trusts have been prepared in accordance with the code of practice on Local Authority Accounting in the United Kingdom 2019/20.

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

Investment Income

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

Resources expended

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

Investments

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

Trust Funds Income and Expenditure Account

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

Trust Funds Balance Sheet

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

Notes to the Trust Fund Accounts

Note 1 Property, Plant and Equipment

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

Property, plant and equipment is classified into groupings required by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Assets have been valued on the following basis:-

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

Depreciation:

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

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

Movements of property, plant and equipment were as follows:

2018/19

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

2019/20

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

Note 2 Heritage Assets

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

| Assets Excluded from Heritage Assets | Estimated number of assets 31 March 2020 |
|---|---|
| Monuments and Fountains | 2 |

Note 3 Investment Properties

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

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

Note 4 Long Term Investments

Long Term Investments are a mixed portfolio of Unit Trusts.

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

Note 5 Trust Details

Funds for which The Moray Council act as Sole Trustee

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

Note 5 Trust Details (continued)

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

Note 5 Trust Details (continued)

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

Note 5 Trust Details (continued)

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

Common Good Funds

The Council administers the Common Good Funds which consist of all property of a Royal Burgh not acquired under statutory powers or held under specific trusts. These funds were transferred to Moray District Council in 1975 and then to The Moray Council in 1996 as the successor Council under the reorganisation of Local Government.

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

The Accounts for Common Good have been prepared according to the LAASAC Guidance *Accounting for Common Good (December 2007)* which is consistent with proper accounting required by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Accounting Policies

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

Common Good Funds Income and Expenditure Account

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

Note 1

Common Good Funds Balance Sheet

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

Summary of Funds

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

Notes to the Common Good Accounts

Note 1 Property, Plant and Equipment

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

Property, plant and equipment is classified into groupings required by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Assets have been valued on the following basis:-

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

Depreciation

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

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

Surplus Assets - land is not depreciated

Movements of Property Plant and Equipment were as follows:

2018/19

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

Note 1 Property, Plant and Equipment (continued)

2019/20

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

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

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

Note 2 Heritage Assets

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

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

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

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

| | Estimated number of assets 31 March 2019 |
|-------------------------|---|
| Monuments and Fountains | 3 |
| Nelson Tower | 1 |

Note 3 Investment Property

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

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

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

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

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

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

Independent Auditor's Report

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

Report on the audit of the financial statements

Opinion on financial statements

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

In my opinion the accompanying financial statements:

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

Basis for opinion

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

Emphasis of Matter: Valuation of Land and Buildings

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

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

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

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

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

Moray Council is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other information in the annual accounts

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

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

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Brian Howarth ACMA CGMA
Audit Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

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.

