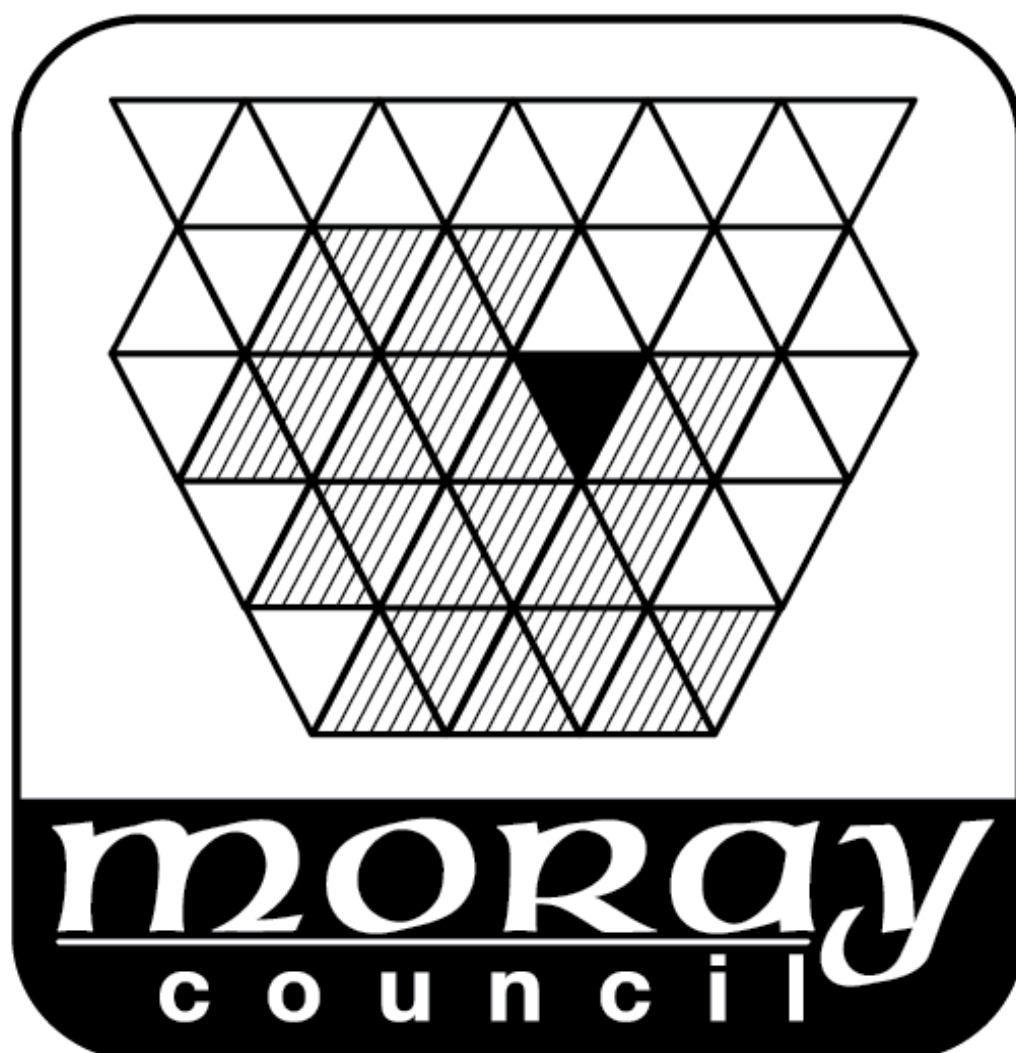


UNAUDITED ACCOUNTS



ANNUAL ACCOUNTS FOR
THE YEAR ENDED

31 MARCH 2022

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

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

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

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

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

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

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:



Chief Financial Officer, High Street
Elgin, IV30 1BX



01343 563125



accountancy.support@moray.gov.uk

Contents

Management Commentary.....	1
Statement of Responsibilities for the Annual Accounts.....	21
Annual Governance Statement.....	22
Remuneration Report.....	29
Comprehensive Income and Expenditure Statement.....	39
Movement in Reserves Statement.....	41
Balance Sheet.....	43
Cash Flow Statement.....	45
Notes to the Accounts.....	46
Note 1 Accounting Policies.....	46
Note 2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted.....	48
Note 3 Nature of the Group and Group Members.....	48
Note 4 Critical Judgements in Applying Accounting Policies.....	52
Note 5 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty.....	53
Note 6 Material Items of Income and Expenditure.....	54
Note 7 Events after the Reporting Period.....	54
Note 8 Expenditure and Funding Analysis.....	55
Note 9 Expenditure and Income Analysed by Segment and Nature.....	59
Note 10 Adjustments between Accounting Basis and Funding Basis under Regulations.....	61
Note 11 Transfers to/from Revenue Statutory Funds and Earmarked portions of the General Fund.....	63
Note 12 Other Operating Expenditure.....	64
Note 13 Financing and Investment Income and Expenditure.....	65
Note 14 Taxation and Non-Specific Grant Income.....	65
Note 15 Property, Plant and Equipment.....	65
Note 16 Heritage Assets.....	69
Note 17 Investment Property.....	69
Note 18 Intangible Assets.....	70
Note 19 Financial Instruments.....	71
Note 20 Inventories.....	74
Note 21 Short Term Debtors.....	74
Note 22 Debtors from Local Taxation.....	75
Note 23 Assets Held-for-Sale.....	75
Note 24 Cash and Cash Equivalents.....	75
Note 25 Short Term Creditors.....	76
Note 26 Provisions.....	76
Note 27 Usable Reserves.....	76
Note 28 Unusable Reserves.....	77
Note 29 Capital Grants and Receipts Unapplied Account.....	79
Note 30 Cash Flow Statement - Operating Activities.....	80
Note 31 Cash Flow Statement - Investing Activities.....	80
Note 32 Cash Flow Statement - Financing Activities.....	80
Note 33 Reconciliation of Liabilities Arising from Financing Activities.....	80
Note 34 External Audit Costs.....	81
Note 35 Grant Income and Contributions.....	81
Note 36 Related Parties.....	82
Note 37 Capital Expenditure and Capital Financing.....	83

Note 38 Capitalisation of Borrowing Costs	83
Note 39 Leases	83
Note 40 Public Private Partnership and Similar Contracts	85
Note 41 Pension Schemes Accounted for as Defined Contribution Schemes.....	87
Note 42 Defined Benefit Pension Schemes	87
Note 43 Contingent Liabilities.....	93
Note 44 Nature and Extent of Risks Arising From Financial Instruments	93
Housing Revenue Account Income and Expenditure Statement.....	97
Movement on the Housing Revenue Account Statement	98
Notes to the Housing Revenue Account	99
Council Tax Income Account.....	100
Non-Domestic Rate Income Account	102
Trust Funds	104
Common Good Funds	112
Glossary of Terms.....	117

Management Commentary

Introduction

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

This management commentary is to help those reading the Annual Accounts understand our financial performance in 2021/22. It summarises the key facts from the accounts, illustrates our main achievements in the past year, and highlights some of the risks and challenges we face in the coming years.

The Annual Accounts are presented in four core statements:

- Comprehensive Income and Expenditure Statement (CIES): what we spent on delivering services to the public during the year and how that expenditure was funded; any other changes in our net worth (for example as a result of additions 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 and Key Performance Indicators relating to the Council's Corporate Priorities for 2021/22 can be found on our website as well as detailed performance information.

http://www.moray.gov.uk/moray_standard/page_92320.html

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

Management Commentary (continued)

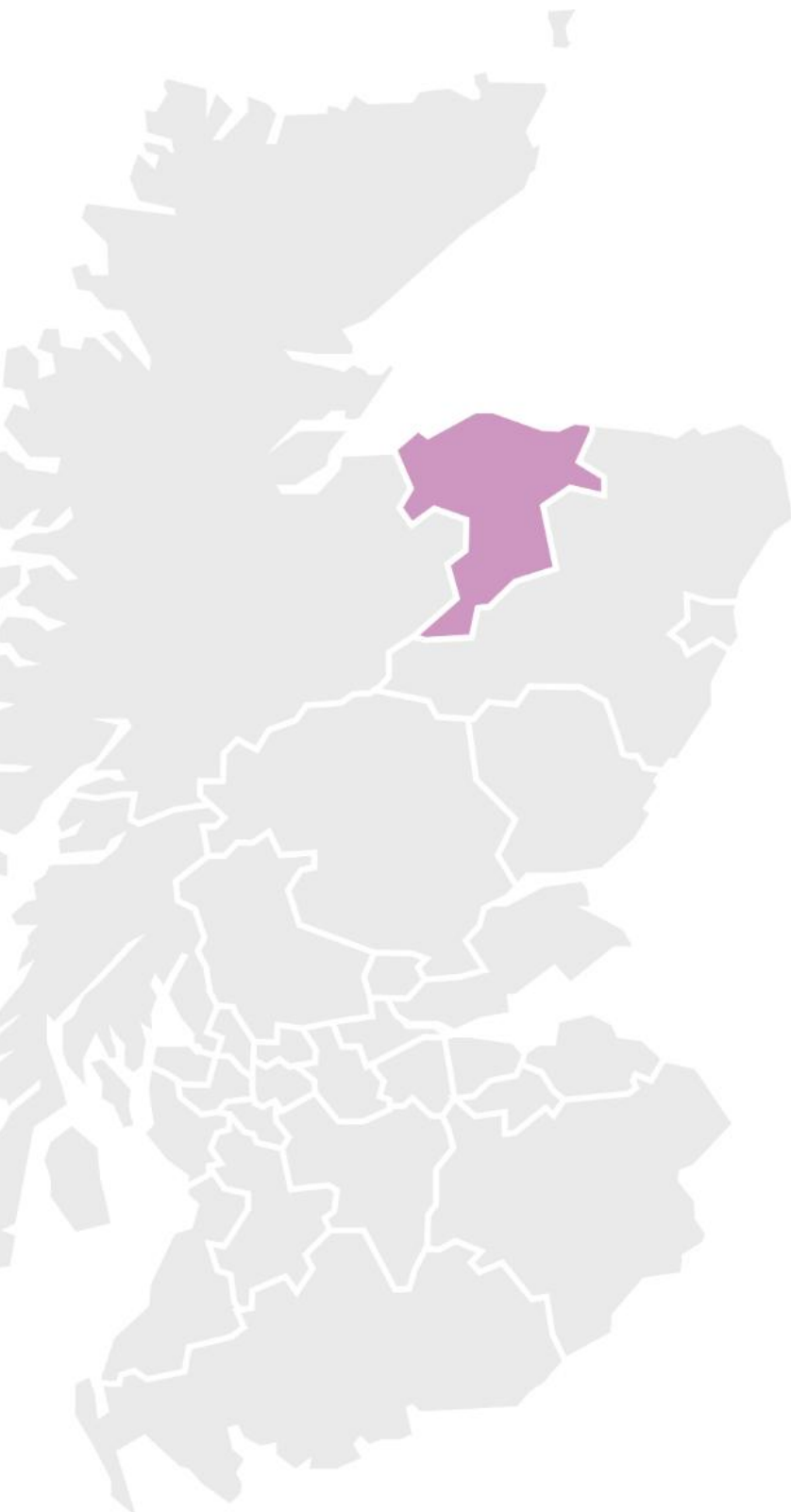
About us

Moray is a largely rural area covering a land mass of 2,238km². It has a long coastline on the Moray Firth with harbours, fishing villages and world-class beaches. The area's population for 2022 is projected to be 95,780. The main centre of population is Elgin, which is home to more than one quarter of the people living in Moray. Other towns of population between 5,000 and 10,000 are Forres, Buckie, Lossiemouth and Keith.

Moray Council was established in 1996 following local government reorganisation and the demise of regional councils. Elections are held every five years to appoint the 26 councillors who form the membership of the Council. During 2021/22 the Council was led by a minority SNP administration. There were four groups of councillors: SNP (eight councillors until 24 November 2021, when Cllr Coy resigned, leaving seven SNP members), Conservative (nine councillors), Moray Open Group (four councillors), Moray Alliance Group (two councillors) and a Labour councillor and two independent councillors not aligned to any group.

Council members are supported by the Council's Corporate Management Team (CMT) to establish priorities for services and a programme of continuous improvement. There are four members of CMT: the Chief Executive, two Deputy Chief Executives and the Chief Officer of Moray Integration Joint Board. They in turn are supported by nine permanent heads of service (plus 2 NHS equivalent) and a workforce of 5,059, equivalent to around 3,760 full time staff. Delivering the wide range of services we're responsible for is assisted by a range of contracts with both the private and third sector.

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



Management Commentary (continued)

Strategy, planning and performance

We agree priorities for public services in Moray with our Community Planning Partners, and these priorities are set out in our Local Outcome Improvement Plan (LOIP). Our own priorities – specific to council services – are set out in our Corporate Plan. The latest version of the Corporate Plan identifies priorities under 3 themes – Our People, Our Place, Our Future – and continues with a focus on ensuring a Sustainable Council for the future, including financial stability.

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

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

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

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

The General Fund is mainly funded by grants from the Scottish Government. Council Tax meets less than 20% of general revenue expenditure. Scottish Government called a halt to the Council Tax freeze in 2017/18 but capped the level of increase which councils could set in successive years. A freeze was reintroduced for 2021/22 (for the one year).

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

We can charge for some of the services we deliver and income generation is seen as an important means of protecting service delivery. Income fell considerably during pandemic restrictions, and it is considered that patterns of income generation will continue to show changes due to e.g. increased working from home, with car parking income likely to be permanently at a lower level than pre-pandemic.

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

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

Education Resources and Communities:

Successes: public engagement on the future of council services and locality planning in Buckie, Elgin, Keith, Lossiemouth and Forres; Leisure Services review complete.

Challenges: completion of Community Asset Transfer with three of the eight anticipated approved, allocation of budget using Participatory Budgeting, improvement of the Learning Estate.

Management Commentary (continued)

Children Services:

Successes: Looked After Children – reduction in number per 1000 of population and reduction in proportion with more than one placement in a year

Challenges: cost of the provision of community and residential placements; increase of neglect and domestic abuse of children on the Child Protection Register

Education Services:

Successes: work on improving attainment; development of post-covid parental engagement strategy

Challenges: staff recruitment; still in bottom quartile for a number of indicators of attainment

Environmental and Commercial Services:

Successes: promoting active and green travel, with Bikeability lessons recommenced in primary schools and an increase in electric car charging points

Challenges: none reported at Strategic level.

Economic Development and Growth

Successes: the Local Employability Partnership, a collaborative approach

Challenges: developing Moray Growth Deal full business cases; Moray Skills Investment Plan on hold due to the pandemic.

Housing and Property Services:

Successes: Target for delivery of specialist housing achieved; findings of Tenant Survey largely positive

Challenges: Responding to the housing needs of older people, progress made but delayed

HR, ICT and OD:

Successes: Elected Member Development Strategy complete.

Challenges: All plans impacted by covid-related work. Developing the workforce through transformation and change; leadership development

Governance, Strategy and performance:

Successes: Reporting under the Performance Management Framework

Challenges: Governance review and customer contact revisions delayed by covid-related work.

Financial Services:

Success: Short to Medium term financial strategy updated

Challenges: Long to Medium Term financial strategy still to be reviewed, post covid



Key Performance Indicators




The PIs below are mainly for 2020/21 as these are the latest figures currently available across all services. A comprehensive performance report including 2021/22 figures will be published later this year.

Our People




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

Management Commentary (continued)

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





Adults	Target	2021/22	2020/21	2019/20	Short term trend
Percentage of adults able to look after their health very well or quite well	91%	93%	N/A	93%	
Emergency admission rate (per 100,000 population)	11,635	9,381	8,713	9,322	
Percentage of adults supported at home who agreed they felt safe	80%	72%	N/A	79%	

Our Place

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

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

Our Future

	Target	2021/22	2020/21	2019/20	Short term trend
Economic impact of tourism, in Moray	Increase	N/A	£57.63m	£134.18m	
Proportion of 16-29 year old in Moray population (NRS mid-year)	Increase	N/A	16.2%	16.85%	
Proportion of people earning less than living wage (ASHE)	Reduce	N/A	21.5%	24%	
Median gross weekly earnings (excluding overtime)	Increase	N/A	£565.80	£561.60	
Median gross weekly earnings – pay gap	Improve	£176.10	£84.50	£179.80	
Modern Apprenticeship – achievement rate	76%	N/A	78%	76%	

Management Commentary (continued)

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

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

Highlights of the year

14 April

Our People



Pupils move into £42m new Lossiemouth High School

11 June

Our people



Re:connect partnership launched

16 November

Our people



Over 80 new homes for Hopeman and Lhanbryde

16 March

Our people



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

22 April

Our place



Cooper Park design competition for Moray's young people launched

19 July

Our place



New gateway feature for Buckie unveiled

10 February
place

Our



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

1 March

Our place



Moray communities to create vision for their locality

12 May

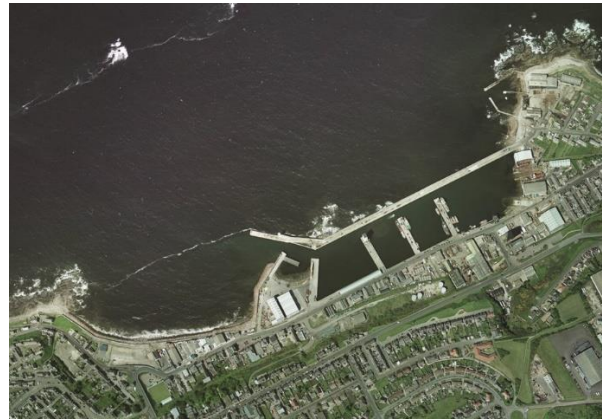
Our future



New £1.8m bridge secured for Lossiemouth

30 June

Our future



Buckie harbour gets £770,000 regeneration boost

9 July

Our future



Celebrating the Speyside low carbon hub

20 December
future

Our



Moray Growth Deal signed - £100 million investment in Moray

Management Commentary (continued)

Impact of the pandemic

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

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

The Council administered a number of grants to local businesses on behalf of Scottish Government, as well as a local scheme of support. Grants totalling £12 million were made during 2021/22. The Economic Recovery Plan approved in 2020/21, with £3.8 million investment in the local economy planned, continued to be implemented, with a number of initiatives such as pop-up shops to encourage economic activity.

Support was provided to individuals who had to self-isolate (£418,500 in self-isolation grants); through the Flexible Food Fund (1,985 applications and grants totalling £620,280); family pandemic payments (3,437 families supported with grants totalling £810,180) and support for families entitled to school meals during school vacations; Low Income Pandemic Payments to reduce Council Tax for people on lower tax bands or entitled to Council Tax Reduction.

Much funding was announced by Scottish Government in March 2021. Moray's share amounted to almost £12 million and was carried forward into 2021/22 in an ear-marked reserve for pandemic-related expenditure because it would not be spent in the year received. Further funding was received in 2021/22 and there is again a significant balance carried forward into 2022/23. The ear-marked reserve for pandemic related expenditure stands at £22.086 million as at 31 March 2022.

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

Supplier relief was introduced at the start of the pandemic lock down and was originally anticipated to be a short term measure. The deadline has been extended on a number of occasions and is currently planned to end on 30 June 2022. Administering supplier relief has been a considerable additional task for those involved.

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

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

The impact of the pandemic is still being felt and work continues to review existing strategies looking at how they might need to change in a world living with Covid-19, and the impact of Brexit and the war in Ukraine. To maximise the funding allocated for future costs the transfer to the ear-marked reserve includes not only amounts given for specific areas such as education recovery but also the maximum general funding resulting in a nil call on free general reserve in 2021/22.

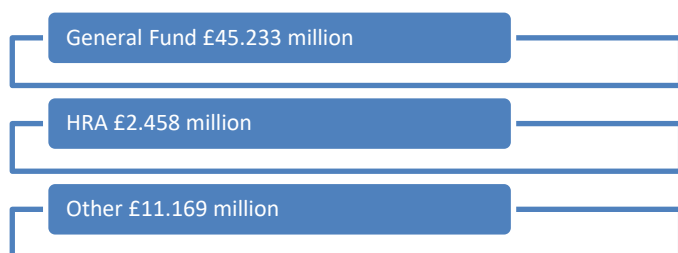
Management Commentary (continued)

Financial Results for the year

The Council's Annual Accounts are prepared on a different basis from the basis on which it sets its budget. The net income for 2021/22 in the Comprehensive Income and Expenditure Statement (CIES) is £105.340 million (2020/2021: £156.780 million). This adds together the General Fund and HRA, to give an overall picture of the Council's financial activities in the year. It also includes a number of accounting entries required by the accounting regulations but which are not a charge on the income

the Council receives to deliver services and which cannot create income which the Council can use. The impacts of these accounting entries are reflected in the Council's unusable reserves. The Council's usable reserves show what the Council has available to spend, either on a planned basis or to meet unexpected contingencies.

Usable reserves



Unusable reserves



The Movement in Reserves Statement shows the net income to the Council per the CIES analysed across the General Fund, HRA, other usable reserves and unusable reserves. The net income of £105.340 million shown in the CIES is the increase in overall reserves: an increase of £99.675 million in unusable reserves and £5.665 million usable reserves. Note 11 to the accounts further analyses the movement in the General Fund, showing allocation of £8,816,000 from free reserves to ear-marked reserves for transformation and Council priorities, leaving a balance of £5,000,000 in free general reserves (2020/21 £15.349 million) and an increase in ear-marked reserves (reserves set aside for specific purposes) of £13.713 million to £40.236 million (2020/21: £26.523 million).

General fund revenue expenditure

We set the budget for 2021/22 on 3 March 2021. During the year the budget was revised, mainly to reflect additional funding from Scottish Government relating to the pandemic and to other Scottish Government priorities. The original and revised budgets and actual out-turn are set out below, with explanations of main variances on page 12:

	We planned	We revised to	We out-turned	2020/21 results
Expenditure				
Departmental	194.363	213.000	204,727	£188.750m
Loans Fund	15.207	19.820	19,702	£18.953m
Additional provisions - monies held centrally	4.536	13.442		
	<u>214.106</u>	<u>246.262</u>	<u>224.429</u>	<u>£207.703m</u>
Funded from:				
SG Grant	167.832	180.087	181.522	£181.546m
BRIS	1.859	1.882	1.882	£1.859m
Council Tax	44.405	44.405	45.317	£45.079m
Capital receipts				£0.220m
Use of reserves	0.010	19.889		
Return to reserves			(4.292)	(£21.001m)
	<u>214.106</u>	<u>246.262</u>	<u>224.429</u>	<u>£207.703m</u>

The Council Tax Income Account in the Accounts show Council Tax income of £45.979 million. £662,000 was transferred to the HRA in respect of second homes and long-term empty dwellings (2020/21: £652,000) and the amount above is net of that transfer. 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, 2020/21 and again in 2021/22 we were able to retain £1.859 million of the NDR collected locally for local use under the Business Rates Incentivisation Scheme (BRIS), plus an additional £23,000 in 2021/22 notified after the budget had been set. Moray has 5,537 rateable properties (2020/21 5,537) with a combined rateable value of over £122 million.

The difference between our income and our expenditure is £4.292 million. £0.928 million was transferred into capital receipts and the balance of £3.364m is the amount transferred into general reserves.

Management Commentary (continued)

Commentary on year-end position

The table below gives high level detail of the Movements in Reserves for the General Fund. Despite loss of income from charges for services overall the cost of services was under budget. Children's social work services have been reviewing their service delivery to bring about better outcomes for less cost and underspent by almost £3 million. Significant levels of staff vacancies, £0.5 million more than predicted and £2m higher than budgeted lead to direct underspend on staff and indirectly to underspends because of slippage in projects, within insufficient staff to take all planned initiatives. Slippage in projects is reflected in the high level of budgeted use of reserves held centrally at the year end as projects either did not proceed or were funded by additional grants received from Scottish Government.

Use of general reserves	Amount
Planned use of reserves, inc. devolved school budgets	£19.889m
Less balance of monies held centrally	
Transformation spend – budget reflects full commitments but an element planned for later use	(£4.182m)
Slippage: Transformation	(£0.979m)
Covid-related spend (some met from additional in year funding)	(£8.281m)
Less underspend in services delivered	(£8.273m)
Less underspend on loans charges	(£0.118m)
Less income from grants and taxation above budget	(£2.348m)
Plus net transfer to capital receipts	£0.928m
Results in transferred to general reserves	£3.364m
Ear marked reserves	Amount
Note 11 shows the detail of this Movement in Reserves:	
Free general reserves - reduction	(£10.349m)
Devolved School Management -reduction	(£0.055 m)
Expansion of Early Learning and Childcare –reserve fully used	(£0.573m)
Pupil Equity Funding – increase	£0.244m
Transformation – increase	£1.816m
Council priorities – increase	£7m
Covid-19 – increase	£5.665m
Other ear-marked reserves - decrease	(£0.384 m)
Total movement in general reserves - increase	£3.364m

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

Management Commentary (continued)

Service expenditure

Expenditure is shown analysed by service in Note 9 to the accounts. The table below compares budgeted expenditure to actual expenditure and highlights the main reason for the variance in each service.

Service	Budget £000s	Actual £000s	Reason for variance
Education	71,569	68,804	Mainly Devolved School (DSM) budgets and Pupil Equity Funds (PEF), all of which are carried forward in separate ear-marked reserves. Delays in delivery of ICT and building works are a large part of the underspend in DSM. PEF is spent across the academic year and carry forward is expected.
Education Resources and Communities	21,778	20,833	Mainly staff vacancies. Additional expenditure of repairs of schools after Storm Arwen.
Children's Social Work Services	19,685	17,333	Reduced cost of care due to number and type of placements.
General Services Housing and Property Service	3,220	2,766	Delay in implementing Rapid Rehousing Transition Plan – this will be carried forward to 2022/23. Overspend in temporary accommodation. Additional income from Industrial Estates.
Environmental and Commercial Services	25,486	25,504	Reduction in income from car parking and school meals but increased income from recycling. Overspend on winter maintenance due to worse weather than budgeted for.
Economic Growth and Development	5,243	4,306	Staff vacancies and delays in projects. Building Control and Planning fees below budget.
HR, ICT & OD	5,698	5,348	Staff vacancies.
Financial Services	1,949	1,932	No major variances.
Governance, Strategy and Performance	6,145	5,603	Staff vacancies. Spending on benefits (funding will be carried forward).
Social Care services	49,784	49,657	Moray Integration Joint Board expenditure was within budget and a surplus transferred to MIJB reserves.
Other expenditure	2,443	2,613	Release of grant for Grampian Valuation Joint Board, held in an ear-marked reserve and carried forward for spend in 2021/22.
Total departmental spend	213,000	204,699	

Management Commentary (continued)

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

Description	Amount
Departmental Outturn per Management Commentary	204,699
Statutory Adjustments per EFA	37,267
Adjustments to Usable Reserves Permitted by Accounting Standards	1,455
Bad Debt Provision – reflected in service outturn but in Financing and Investment Income in the CIES per IFRS 9	16
CFCR – reversed in the department for monitoring but reflected in Other Income and Expenditure in CIES	(550)
	242,887
Net Cost of Services in CIES	242,887

Savings

When the Council set its budget for 2021/22 it included savings of £1.333m – £143,000 were one off savings with recurring savings of £1,190,000, £111,000 from increased income, £937,000 from efficiencies and £142,000 other savings. The bulk of the savings were achieved. Anticipated savings associated with the introduction of cashless car parking were not, due to the reduction in car parking during pandemic restrictions. Further savings from the closure of Auchernack in Forres will not be achieved until the property is sold. Progress on the Improvement and Modernisation Programme stalled during the year and the indicative savings of £138,000 were not realised. However, additional savings identified after the budget was approved – on school transport, from the installation of LED lighting in schools, halls and Elgin Library, staff travel, staffing structures and the re-location of waste management staff to the new depot at Moycroft – more than covered the shortfall and in all a total of £1.541 million savings were removed for the budget, with £1.363 million of these recurring.

Management Commentary (continued)

Housing Revenue Account

Our 6,287 houses (2020/21: 6,219) are held on the Housing Revenue Account (HRA).

The balance on the HRA is shown in the Movement in Reserves Statement – at the end of 2021/22 the balance had increased by

£0.057 million from the balance at the end of 2020/21 bringing the total balance to £2.458 million.

The HRA budgeted to break even in 2021/22, with planned expenditure of £21.203 million met from rent and other income

As budgeted	Budget £000s	Actual £000s	Reason for variance
Rental income	(21,109)	(21,075)	No significant variance
Other income	(94)	(67)	
Supervision and management	4,297	4,254	Staff vacancies and reduction in recharge for support services offset by increased cost of voids due to increased activity.
Repairs and maintenance	7,678	7,401	Less work carried out due to market conditions; unplanned repairs following Storm Arwen
Financing cost	3,880	4,298	Increased interest rates
CFCR	4,910	4,863	No significant variance
Other expenditure	438	278	
Use of/ (return to reserves)		(48)	£48,000 net underspend

Reconciliation to accounts	£000s
Use of/ (return to reserves)	(48)
Statutory Adjustments (per Note 8)	(2,267)
Adjustments to Usable Reserves Permitted by Accounting Standards	4,468
CFCR (net of Council tax Discount on 2nd Homes)	(4,863)
IORB – included in outturn but not in the Net Cost of Services	18
Financing Costs – included in outturn but not in the Net Cost of Services	(4,298)
Net Cost of Services per CIES	(6,990)

Management Commentary (continued)

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

New build

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

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

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

.

Housing improvements

2021/22 – planned £10.620 million actual £6.375 million – 64% of planned

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

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

Management Commentary (continued)

General Services Capital Programme

We originally planned to spend £37.3 million on capital projects in 2021/22, which was amended to £44.4million following carry forward of slippage from 2020/21. Following delays in a major construction project (£5.5m slippage), delays in delivery of vehicles because of supply chain difficulties (£1 m slippage), review of ICT programmes to meet post covid requirements coupled with supply chain difficulties (£0.7m slippage), and other delays we actually spent £31.0 million (2020/21: £39.2 million).

£31.0m

Invested in Moray during the year – main items summarised below



• **£9.9m**

New schools, improvements to existingschools and facilities for early learning and childcare



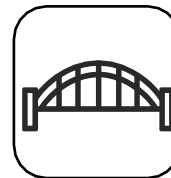
• **£1.0m**

Various works at harbours, including pontoons at Findochty



• **£7.1m**

Waste management facilities, including a joint project with Aberdeen City and Aberdeenshire councils to build an energy from waste plant and completion of works at Moycroft depot



• **£2.6m**

Bridge renovations and the replacement bridge on Lossiemouth beach



• **£2.0m**

Vehicles and electric car chargers



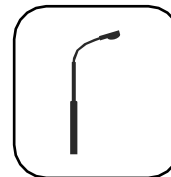
• **£1.3m**

Other land and buildings



• **£4.9m**

Road improvements, road safety measures and sustainable travel



• **£0.4m**

Street lighting



• **£0.9m**

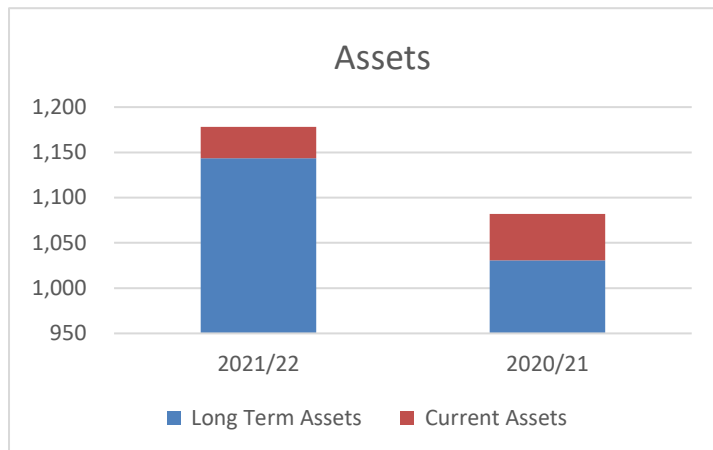
ICT and other equipment

Management Commentary (continued)

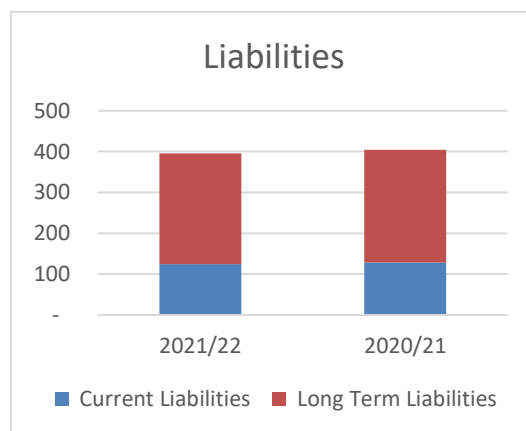
Balance sheet

The balance sheet records our assets (such as properties, vehicles, investments and cash) and liabilities and is a snapshot of our value or financial position at 31 March 2022.

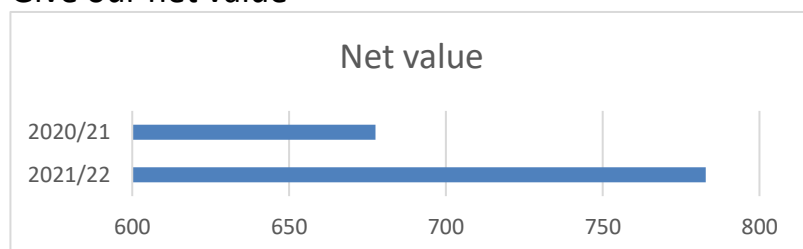
Our Assets



Less our liabilities



Give our net value



Our net value has increased by £105 million during 2021/22.

Significant movements are:

- £114m increase in the value of property, plant and equipment, through additions and revaluations.
- £15 million decrease in cash and cash equivalents.
- £10 million decrease in short term borrowing.
- £8 million decrease in long term borrowing

Management Commentary (continued)

Future risks

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

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

Our main risks are:

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

How we are managing these risks

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

.....and opportunities

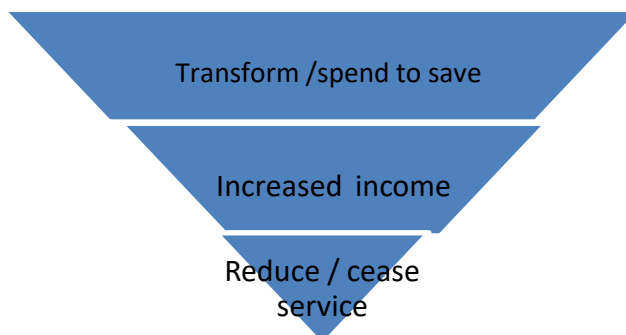
- The Moray Growth Deal, which will see significant investment in Moray's economy.
- Learning lessons from the pandemic about new ways of working and opportunities which arise from this
- Our Improvement and Modernisation Programme, redesigning how we deliver services in today's world to deliver efficiencies,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

Management Commentary (continued)

Next steps

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

We have proposed adopting a hierarchical approach:



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

Councillor Neil McLennan
Co-Leader of Moray Council

Councillor Kathleen Robertson
Co-Leader of Moray Council

Roderick D. Burns
Chief Executive

Lorraine Paisey
Chief Financial Officer

Statement of Responsibilities for the Annual Accounts

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Council has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Chief Financial Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and the Local Authority (Capital Finance and Accounting) (Scotland) (Coronavirus) Amendment Regulations 2021), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved by the Council at its meeting on 29 June 2022.

Signed on behalf of Moray Council.

Councillor Neil McLennan
Co-Leader of Moray Council

Councillor Kathleen Robertson
Co-Leader of Moray Council

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Accounting Code).

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

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

The Chief Financial Officer has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2022.

Lorraine Paisey CA
Chief Financial Officer

Annual Governance Statement

Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council has a statutory duty to make arrangements to secure Best Value under the Local Government in Scotland Act 2003.

In discharging these responsibilities, Elected Members and the Corporate Management Team are responsible for putting in place proper arrangements for the governance of the Council's affairs and for facilitating the effective exercise of its functions. In meeting these functions, there is also a requirement to ensure effective procedures and agreements are in place with all partner organisations, e.g., Moray Integration Joint Board, Grampian Valuation Joint Board.

This annual governance statement explains how the Council has used the CIPFA/SOLACE 2016 Framework 'Delivering Good Governance in Local Government' as a basis for considering the effectiveness of its own governance arrangements. The COVID 19 pandemic still has a significant impact on the day to day operations of the Council yet the principles of the Framework remain relevant in the context of 'managing and controlling the organisation.'

Framework for Good Governance

The overall aim of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' is to ensure that: resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The CIPFA/SOLACE Framework defines the seven core principles of good governance, namely:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
2. Ensuring openness and comprehensive stakeholder engagement;
3. Defining outcomes in terms of sustainable, economic, social and environmental benefits;
4. Determining the interventions necessary to optimise the achievement of the intended outcomes;
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
6. Managing risks and performance through robust internal control and strong public financial management; and
7. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

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

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;

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

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

The tenets of this principle remained unaffected by the pandemic. The Council agreed in June 2021 to continue with the webcasting of meetings and the temporary change to the Scheme of Delegation in allowing the Chief Executive to discharge the Authority's functions without the need for homologation. However, the Council intends to shortly end this temporary change in the Scheme of Delegation and return to pre-pandemic governance arrangements.

2. Ensuring openness and comprehensive stakeholder engagement

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

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

Annual Governance Statement (continued)

3. Defining outcomes in terms of sustainable economic, social, and environmental benefits

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

Key priorities remain broadly unchanged, with an underlying theme of addressing poverty and the potential for widening inequalities associated with the pandemic. These cover the need for a growing, diverse and sustainable economy, building a better future for our children and young people in Moray, empowering and connecting communities and a broadened objective of improving the wellbeing of our population.

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

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

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

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

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

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

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

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

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

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

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

Leadership capacity of senior officers is supported through the promotion of a Leadership Forum, which brings together senior managers from all council services to bring a wider perspective to the consideration of issues facing the Council. Forum meetings were suspended temporarily during the pandemic but have been reintroduced remotely to ensure consistent messaging is available from senior management to managers. Human Resources have continued to review and develop the leadership development strategy and provide training opportunities online.

Annual Governance Statement (continued)

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

Elected members also represent the Council on a range of outside bodies, including boards of other Community Planning Partners, across partnership bodies such as Moray Economic Partnership, various national bodies such as COSLA and its themed Boards, and a broad range of charitable and third sector organisations. This representation provides valuable learning and networking opportunities for elected members.

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

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

The Council has implemented a Performance Management Framework (PMF) to:

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

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

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

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

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

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

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

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

The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies including associated Action Plans for improvement. The Audit and Scrutiny Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control and governance. This is an area that has been identified for review and action is included in the forward planning section below.

Review of Adequacy and Effectiveness of the Council's Governance Framework

Council governance arrangements have been developed and maintained to comply with the core functions of various good framework guidelines, including Audit Committees: Practical Guidance for Local Authorities and Police, Code of Practice on Managing the Risk of Fraud and Corruption, Public Sector Internal Audit Standards (incorporating the principles of the Role of the Head of Internal Audit), etc.

Annual Governance Statement (continued)

The Covid-19 pandemic continues to affect the delivery of services. However, a review of governance arrangements was undertaken during the year that not only included agreed changes to reflect different ways of working, including the

continuation of webcasting for meetings, changes to the Scheme of Delegation in allowing the Chief Executive to discharge the Authority's functions; but also to a revised Scheme of Administration and a Scrutiny Guide.

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

• Elected Members

Governance arrangements at a political level emanate from the Council, its committees and other activities that elected members participate in. These include the Community Planning Board and associated groups for multi-agency issues. Councillors also have substantive roles on the Moray Integration Joint Board for Health and Social Care, the Grampian Valuation Joint Board, and the Moray Leisure Arm's Length External Organisation (ALEO), each of which has its own governance arrangements. In addition, councillors have membership and represent Moray Council interests in associated organisations that contribute to meeting Council aims and objectives, e.g., Moray Growth Deal.

• Audit and Scrutiny Committee

The Council has an Audit and Scrutiny Committee where elected members review the financial reporting process, audit process, system of internal controls and compliance with laws and regulations. The Committee also receives reports on the performance of and trends from all Council's Services regarding service standards and performance information. This Committee is a critical component in the overall corporate governance arrangements of the Council, where good corporate governance requires independent and effective assurance about the adequacy of financial management and reporting. These functions are delivered independent from the scrutiny functions of the Corporate Management Team.

• The Corporate Management Team

The Corporate Management Team (CMT), which has operational responsibility for good governance arrangements, comprises the Chief Executive and two Depute Chief Executives with portfolio responsibilities for Education, Communities and Organisational Development, and Economy, Environment and Finance respectively. The Chief Officer (Health and Social Care Moray) is also a member of the CMT and receives the full agenda with attendance on an issue by issue basis.

• The Corporate Management Team / Senior Management Team

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

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

Governance issues highlighted within the assurance statements for the most part, reflect on the impact of the COVID pandemic and the consequential disruption experienced by all council services. A common theme in the management responses was the significant role that ICT has played and will continue to play in maintaining continuity of service delivery, as a combination of home/ office working continues as a feature of many council services moving forward.

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

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

• The Chief Social Work Officer

The Head of Service (Strategy and Commissioning) of Health and Social Care Moray undertakes the statutory role of Chief Social Work Officer (CSWO). The latest available CSWO annual report for the 2020/21 year sets out the governance and accountability arrangements of the role and its relationships with reference to Children and Families.

Accountability of the CSWO is to the Integrated Joint Board (IJB) for adult services and to Education, Communities and Organisational Development Committee/ Full Council on matters relating to children and young people and justice social work. Internally the quality of social work is assured by Practice Governance meetings. Line management is through the Chief Officer (Health and Social Care Moray) and the work is progressing towards the integration of Children's Services into Health and Social Care Moray. Any issues are reported to the Clinical & Care Governance Committee of the IJB for

Annual Governance Statement (continued)

adults. Posts of Consultant Social Work Practitioner are well established in adult services and also now in children's services. Consultants work with line managers to support social work in complex cases, model best practice, and set practice standards in their respective areas.

• Internal Audit

The Council has a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

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

The impact of COVID-19 has affected the Internal Audit Service in that officers have been working from home with a need to change established working practices and make greater use of audio, video, and screen sharing software applications. In addition, the Service has also had several staff vacancies during the year. Despite these constraints, it has been possible to progress completion of the Audit Plan for 2021/22. However, due to the limitations detailed, the audit review of Cyber Security has been started, but has not been finalised. Due to the complexities of this topic, it has also been included within the Audit Plan for 2022/23.

The Public Sector Internal Audit Standards requires an internal audit opinion to be provided annually. Although planned audit work was not fully completed and signed off by the year-end, from the work undertaken and based on his knowledge of the organisation and its control systems, it is the opinion of the Audit and Risk Manager that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during 2021/22 in the Council.

• Health & Social Care Integration

The Council, as a key partner within the Health and Social Care Moray has an interest in the governance arrangements within the Moray Integration Joint Board (MIJB). Internal Audit arrangements for the MIJB are provided jointly by the Council's Internal Audit service and NHS Grampian's Internal Auditors. The Council's Internal Audit Service provides assurance over social care services, and oversight of the MIJB governance arrangements.

• External Agencies

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

Audit Scotland's Best Value Assurance Report on Moray Council contained eight recommendations. An action plan was agreed, and progress in implementing these recommendations has been reported to Elected Members on a quarterly basis. The actions in the Plan fall into short, medium and long term categories. The short term actions are largely completed.

Audit Scotland has completed a Best Value Assurance Follow Up Review in October 2021, reported in March 2022. The report detailed that the Council has progressed in some important areas over a difficult period, but the pandemic had affected the overall pace of change and that the council would need to build on the momentum gained in order to achieve its longer term strategic aims. Challenges remain to deliver strategic changes successfully. The Council remains committed to responding positively to the recommendations of the report, including finalising the remit of Audit and Scrutiny Committee and role of scrutiny and continuing to review and address capacity issues to ensure priorities are achievable and that staff well-being is safeguarded, albeit these actions are being addressed alongside more immediate priorities arising from the pandemic.

Review of effectiveness of governance arrangements

Having regard to the information provided in the preceding paragraphs, it is considered that established systems and processes are effective and not inconsistent with the seven principles identified in the 'CIPFA/SOLACE' Framework 'Delivering Good Governance in Local Government.'

Prior year governance issues

Governance issues highlighted as priorities in the annual governance statement for 2020/21 were as follows:

- Continue to develop more flexible working arrangements for staff due to the ongoing restrictions of the pandemic;
- Steering the Council through the continuing challenges arising from the pandemic;

Annual Governance Statement (continued)

- Continuing the focus on delivery of the outcomes specified within the Council's strategic planning framework i.e. the Local Outcomes Improvement Plan, the Corporate Plan and the Recovery and Renewal Strategic Framework;
- Taking Forward Moray's Growth Deal projects with partner bodies in the public and private sector;
- Maintaining the commitment to deliver effective Children's Services and progressing integration with Adult Services under the Integration Joint Board;
- Addressing the key challenges in education around improving attainment and identified in the Learning Estate Strategy;
- Continuing to promote sound financial management practice to secure the best use of available resources;
- Seeking to progress, to the extent possible, implementation of actions arising from the recent Best Value inspection.

Many of these are multi-year objectives and some have been slowed by the impact of the pandemic, notable though are the following achievements:

- Development of the Council's Improvement and Modernisation programme. Transformation funds have been earmarked to fund several projects to improve Council services future efficiency and sustainability.
- Continuation of the alignment of strategic plans and programmes with resources to support service delivery. This includes the 'Transforming the Council' and Programme Boards which also incorporate the Best Value Audit Report and the Improvement and Modernisation Programme to inform further change.
 - Recruitment for key project leads in the Early Years STEM, Housing Mix and the Cultural Quarter projects. Progression of the Recovery and Renewal Action Plan (RRAP), including the Economic Recovery Action Plan. Most recently, this has included the appointment of the Head of Transformation post.
 - The Council remained in a pandemic response phase during 2021/22. However, as the Council eased out of the restrictions imposed by the pandemic, changes were agreed to the Scheme of Administration and a revised committee structure.
 - Governance oversight by Corporate Management Team, Monitoring Officer and audit bodies, in accordance with agreed plans where applicable. This has included an update to the remit of the Audit and Scrutiny Committee and the development of a Scrutiny Guide.
 - National Improvement Framework (NIF) Plan has been submitted to the Scottish Government. The Framework supports the Scottish Government's ambition to achieve excellence and equity for every child in Scotland and builds on the Raising Attainment for All (RAFA) agenda. It was noted the Council was also awarded approximately £1 million of additional funds to support education recovery.
 - Continuation and development of a leadership development strategy and associated activity. Human Resources have continued to provide regular updates on safe working practices and the development of training opportunities for staff.

The Best Value Progress Report on Moray Council by the Controller of Audit noted that good progress had been made the Council in a number of areas e.g. revised Improvement and Modernisation Programme, Performance and Performance Reporting, Elected Member Development Strategy etc. The Report confirmed the Council has made progress in some important areas, whilst dealing with the ongoing demands of the Covid-19 pandemic, but ongoing challenges remain.

COVID-19

The Covid-19 pandemic impacted business as usual in the delivery of services during the response and recovery phases in 2021/22, and this continues. However, the logistics of delivering services in a radically different way, in order to keep staff, elected members and service users safe, and adhere to social distancing and self-isolation measures at the same time, meant significant changes in when and where services were provided. All levels of government have taken action to support and protect the most vulnerable citizens, local businesses, key suppliers, and the third sector during this challenging and unprecedented time. This action seeks to maintain resilience during this crisis and ensure that people and organisations emerge from the crisis in the best possible shape.

Looking forward - significant governance issues

Key governance challenges going forward will involve:

- Responding to the range and scale of external funding associated with covid and economic recovery, many requiring review of partnership based governance and financial arrangements;
- Developing place based and locality working, partnership and community based responses, governance, planning and reporting;
- Balancing finite resources across national, local and emerging recovery agendas while managing business as usual;

Annual Governance Statement (continued)

- Implementation of the Improvement and Modernisation programme at pace to deliver transformational change within the Council.
- Development of the Council's medium to long-term financial plan to ensure changes in public finances are reflected and the council has plans in place to address its longer term financial position ensuring the reliance on reserves for operational revenue spend is halted.
- The continuation in delivering the outcomes specified within the Council's strategic planning framework, i.e., the Local Outcomes Improvement Plan and the revised Corporate Plan incorporating the previously agreed Recovery and Renewal Strategic Framework.
- Progression in the delivery of Moray's Growth Deal programme. An audit of Moray's Growth Deal has been included within the Internal Audit Plan for 2022/23.
- Addressing the key challenges to support education recovery and the need for improving attainment.
- Managing the fine political balance that is likely to continue post Local Government Elections in May 2022 with new members through a commitment to collaboration across all councillors;
- Additional development in the Council's risk management and business continuity arrangements. This will include the appointment of an officer to assist in the assessment of risks affecting the Council, e.g., cyber-attack, and the preparation of effective business continuity plans to ensure continuous delivery of critical services in the event of a disruption.
- Increased data breaches has highlighted a need for further data protection action and training.
- Integration of Children and Families Social Work and Criminal Justice to the Moray Integrated Joint Board (MIJB). Work to consider delegation has commenced, but delays have occurred because of service demands due to the public health situation and competing priorities. Account will also be required of the emerging national care service
- Implementation of actions arising from the recent Best Value Progress Report by the Accounts Commission. The Council has strengthened its performance management framework and is working to address areas of poorer performance. Community planning partners are increasing their focus on outcomes, but further improvements are required.
- Finalising a governance review. A review of the Audit and Scrutiny Committee has been deferred until after the local election in May 2022.

Concluding Remarks

The conclusion from the review activity outlined above and our opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of Moray Council's internal control and governance systems. This annual governance statement summarises the current governance arrangements of the council and its group and affirms our commitment to ensuring they are regularly reviewed and remain fit for purpose. There are inevitably issues on which future work is required, and the full and longer-term impact of the Covid-19 pandemic has not yet been established. Systems are in place to continually review and improve the governance and internal control environment, and action plans are in place to address identified areas for improvement.

.....
Cllr. Neil McLennan
Leader of the Council

.....
Cllr Kathleen Robertson
Co-Leader of the Council

.....
Roderick D Burns
Chief Executive

Remuneration Report

Introduction

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

All information disclosed in the tables in this Remuneration Report, with the exception of the Tiered Contribution Pay Rates table on page 33 and the Trade Union disclosures, 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 2021. The salary for the Leader of the Council is £31,010 per annum (2020/21 £29,760) and for the Convener is £23,257 per annum (2020/21 £22,320).

In terms of the same Regulations, the Scottish Government permits Moray Council to nominate up to nine Senior Councillors (in addition to the Leader of the Council and the Convener) whose salaries in aggregate must not exceed a specified amount, currently £188,375 (2020/21 £180,783) and whose salaries individually must be on a specified scale, currently £18,604 to £23,257 (2020/21 £17,854 to £22,320).

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

Under the Regulations, remuneration disclosures are to be made for the Leader of the Council, the Convener and any Councillor designated a Senior Councillor. In 2021/22, Moray had eight Senior Councillors, (seven committee chairs/depute chairs and the Leader of the largest opposition group), each paid a salary of £23,257 per annum (2020/21 £22,320). The Convener of the Grampian Valuation Joint Board is also the Leader of the Council so no reimbursement for an additional responsibility allowance was required to be paid by the Board in 2021/22. The Vice-Chair/Chair of the Moray Integration Joint Board was also the Convener of Moray Council in 2021/22 and, as she already received a Senior Councillor salary, then no additional payment was required.

Table 1 shows the relevant amounts, before tax and other deductions, for each of the persons named for the year 31 March 2022. All salaries are paid monthly.

Remuneration Report (continued)

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

Councillor Name	Responsibility	Total Remuneration 2020/21 £	Salary, Fees and Allowances £	Total Remuneration 2021/22 £
Graham Leadbitter	Leader of the Council and Convener of Grampian Valuation Joint Board. Chair Economic Growth, Housing and Environmental Sustainability Committee and Chair of Economic Development and Infrastructure from 20th September 2021	29,760	31,010	31,010
Shona Morrison	Convener of the Council and Chair/Vice-Chair, Moray Integration Joint Board.	22,320	23,257	23,257
David Bremner	Chair, Planning and Regulatory Services Committee	22,320	23,257	23,257
Theresa Coull	Chair, Police Fire and Rescue Services from 12 December 2021	4,092	7,002	7,002
Gordon Cowie	Chair, Licensing Committee	8,308	23,257	23,257
Paula Coy	Chair, Police Fire and Rescue Services until 24 November 2021	22,320	15,117	15,117
Timothy Eagle	Leader of the largest Opposition Group	22,320	23,257	23,257
Donald Gatt	Chair, Audit and Scrutiny	22,320	23,257	23,257
Louise Laing	Depute Chair Economic Growth, Housing and Environmental Sustainability Committee. Chair, Communities Committee from 20 September 2021.	22,320	23,257	23,257
Aaron McLean	Chair Education, Communities and Organisational Development. Chair Corporate Committee from 20 September 2021.	22,320	23,257	23,257
Sonya Warren	Depute Chair Education, Communities and Organisational Development. Chair Education, Children's Services and Leisure Committee from 20 September 2021.	22,320	23,257	23,257
Total		220,720	239,185	239,185

No taxable expenses were paid in 2021/22.

As a result of the pandemic, a number of committees were temporarily amalgamated during 2020/21. This continued until 20th September 2021 when a new committee structure was agreed.

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	2020/21	2021/22
	£	£
Salaries	517,590	531,247
Expenses	4,491	4,254
Total	522,081	535,501

Remuneration Policy for Senior Officers

The salaries of Senior Officers are set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets out the salary for the Chief Executives of Scottish Local Authorities (SPPA). Circular CO/151 was issued on 14 December 2021 and covers salary scales to be paid to Chief Officers for the period of 1 April 2021 to 31 March 2022. Depute Chief Executive's receive 84% of the Chief Executive's salary. The Depute Chief Executive for Education, Communities and Organisational Development is also the Presiding Officer and therefore the amount included in table 3 is higher than this. Moray Council does not pay bonuses or performance related pay.

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

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

The term *remuneration* means gross salary, fees and bonuses, allowances and taxable expenses, and compensation for loss of employment. Remuneration details are shown in Table 3. The table shows the relevant amounts, before tax and other deductions, for each of the persons named for the year to 31 March 2022. Salaries are paid monthly.

Remuneration Report (continued)

TABLE 3: Remuneration of Senior Employees of the Council

Name	Post Title	Total Remuneration	Salary, fees and allowances	Total Remuneration
		2020/21		2021/22
		£	£	£
Roderick D Burns	Chief Executive	116,508	117,449	117,449
Rhona Gunn	Depute Chief Executive for Economy, Environment and Finance	97,939	99,038	99,038
Denise Whitworth	Depute Chief Executive for Education, Communities and Organisational Development	98,909	102,472	102,472
Vivienne Cross	Chief Education Officer	87,705	94,369	94,369
Jane Mackie	Head of Community Care (Chief Social Work Officer)	82,905	84,881	84,881
Alasdair McEachan	Head of Governance, Strategy and Performance (Monitoring Officer)	82,146	83,436	83,436
Lorraine Paisey	Chief Financial Officer (s95)	81,940	83,057	83,057
Total		648,052	664,702	664,702

No taxable expenses were paid in 2021/22.

Pension Entitlement

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

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

Remuneration Report (continued)

A LGPS member's contribution depends upon his or her full time equivalent pay. The tables of rates for 2020/21 and 2021/22 are shown below and can be found on the LGPS website: <http://scotlgps2015.org/content/what-will-new-scheme-cost-me>

Tiered Contribution Pay Rates

Whole time pay 2020-21	Contribution rate 2020/21	Whole time pay 2021-22	Contribution rate 2021/22
On earnings up to and including £22,852	5.50%	On earnings up to and including £22,955	5.50%
On earnings above £22,853 and up to £29,683	Between 5.6% - 6.0%	On earnings above £22,956 and up to £29,857	Between 5.6% - 6.0%
On earnings above £29,684 and up to £37,262	Between 6.1% - 6.5%	On earnings above £29,858 and up to £37,474	Between 6.1% - 6.5%
On earnings above £37,263 and up to £52,567	Between 6.6% - 7.5%	On earnings above £37,475 and up to £52,876	Between 6.6% - 7.5%
On earnings above £52,568 and up to £59,221	Between 7.6% - 8.0%	On earnings above £52,877 and up to £59,569	Between 7.6% - 8.0%
On earnings above £59,222 and up to £79,296	Between 8.1% - 9.0%	On earnings above £59,570 and up to £79,762	Between 8.1% - 9.0%
On earnings above £79,297 and up to £119,961	Between 9.1% - 10.0%	On earnings above £79,763 and up to £120,666	Between 9.1% - 10.0%
On earnings above £119,962	10.1% and over	On earnings above £120,667	10.1% and over

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

The pension entitlements for Senior Councillors for the year to 31 March 2022 are shown in the table below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Remuneration Report (continued)

TABLE 4: Senior Councillors

Councillor Name	Responsibility	In-year pension contributions			Accrued pension benefits	
		For the year to 31 March 2021 £	For the year to 31 March 2022 £		As at 31 March 2022 £'000	Difference from March 2021 £'000
Graham Leadbitter	Leader of the Council & Convener of Grampian Valuation Joint Board. Chair Economic Growth, Housing and Environmental Sustainability Committee & Chair of Economic Development and Infrastructure from 20th September 2021	5,744	5,985	Pension Lump Sum	7 2	1 -
Shona Morrison	Convener of the Council and Chair/Vice-Chair, Moray Integration Joint Board.	4,308	4,489	Pension Lump Sum	2 -	- -
David Bremner	Chair, Planning and Regulatory Services Committee	4,308	4,489	Pension Lump Sum	2 -	- -
Theresa Coull	Chair, Police Fire and Rescue Services from 12 December 2021	790	1,351	Pension Lump Sum	2 -	1 -
Gordon Cowie	Chair, Licensing Committee	1,603	4,489	Pension Lump Sum	5 -	1 -
Paula Coy	Chair, Police Fire and Rescue Services until 24 November 2021	4,308	2,918	Pension Lump Sum	2 -	- -
Timothy Eagle	Leader of the largest Opposition Group	4,308	4,489	Pension Lump Sum	2 -	- -
Donald Gatt	Chair, Audit and Scrutiny	4,308	4,489	Pension Lump Sum	2 -	- -
Louise Laing	Depute Chair Economic Growth, Housing and Environmental Sustainability Committee. Chair, Communities Committee from 20 September 2021.	4,308	4,489	Pension Lump Sum	2 -	- -
Aaron McLean	Chair Education, Communities and Organisational Development. Chair Corporate Committee from 20 September 2021.	4,308	4,489	Pension Lump Sum	4 -	- -
Sonya Warren	Depute Chair Education, Communities and Organisational Development. Chair Education, Children's Services and Leisure Committee from 20 September 2021.	4,308	4,489	Pension Lump Sum	3 -	1 -
Total		42,601	46,166		35	4

Remuneration Report (continued)

TABLE 5: Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2022 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

Name	Post Title	In-year pension contributions			Accrued pension benefits	
		For the year to 31 March 2021 £	For the year to 31 March 2022 £		As at 31 March 2022 £'000	Difference from March 2021 £'000
Roderick D Burns	Chief Executive	22,479	22,661	Pension	68	4
				Lump	117	1
				Sum		
Rhona Gunn	Depute Chief Executive for Economy, Environment and Finance	18,899	19,109	Pension	35	2
				Lump	34	1
				Sum		
Denise Whitworth	Depute Chief Executive for Education, Communities and Organisational Development	19,085	19,772	Pension	47	3
				Lump	69	-
				Sum		
Vivienne Cross	Chief Education Officer	15,630	17,291	Pension	11	2
				Lump	-	-
				Sum		
Jane Mackie	Head of Community care (Chief Social Work Officer)	15,508	16,259	Pension	43	3
				Lump	68	1
				Sum		
Alasdair McEachan	Head of Governance, Strategy and Performance	15,845	16,004	Pension	33	2
				Lump	39	-
				Sum		
Lorraine Paisey	Chief Financial Officer (s95 officer)	15,809	16,022	Pension	36	2
				Lump	51	-
				Sum		
Total		123,255	127,118		651	21

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	
	2020/21	2021/22
£50,000-£54,999	110	144
£55,000-£59,999	62	56
£60,000-£64,999	31	33
£65,000-£69,999	16	19
£70,000-£74,999	6	3
£75,000-£79,999	4	3
£80,000-£84,999	7	10
£85,000-£89,999	2	1
£90,000-£94,999	-	1
£95,000-£99,999	2	1
£100,000-£104,999	-	1
£115,000-£119,999	1	1
Total	241	273

Exit Packages of Employees

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

Remuneration Report (continued)

TABLE 7: Exit Packages

Banding	2020/21			2021/22		
	Compulsory Redundancies	Other Departures	Total Cost	Compulsory Redundancies	Other Departures	Total Cost
	Number of Employees	Number of Employees	£	Number of Employees	Number of Employees	£
£0-£20,000	2	-	11,119	4	-	3,925
£20,001-£40,000	1	-	24,822	-	-	-
£40,001-£60,000	-	-	-	-	1	47,432
Total	3	-	35,941	4	1	51,357

Termination Benefits

During 2021/22 the Council terminated the contracts of 5 employees. The contracts were terminated as a result of either budget savings, the redesign of Council services or Council restructuring. The cost to the Council was £0.021m comprising £0.021m of redundancy payments (2020/21 £0.030m) and no settlement costs for loss of employment were agreed in 2021/22 (2020/21 £0.025m).

Payments to the pension fund for early retirement are not included in the termination benefits figures above but are included in the figures in Table 7.

Trade Union (Facility Time Publication Requirements) Regulations 2017

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

Table 8: Relevant Union Officials

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

Number of employees who were relevant union officials during the relevant period		Full-time equivalent employee number	
2021/22		2021/22	
Teaching	Non-Teaching	Teaching	Non-Teaching
7	15	6.2	13.62

Remuneration Report (continued)

Table 9: Percentage of Time Spent on Facility Time

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

Percentage of time	Number of employees	
	2021/22	
	Teaching	Non-Teaching
0%	-	-
1%-50%	6	14
51%-99%	1	1
100%	-	-

Table 10: Percentage of Pay Bill Spent on Facility Time

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

	2021/22	
	Teaching	Non-Teaching
Provide the total cost of facility time	39,077	80,542
Provide the total pay bill	105,130,000	57,752,000
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%	0.14%

Table 11: Paid Trade Union Activities

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

	2021/22	
	Teaching	Non-Teaching
Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on trade union activities by relevant union officials during the relevant period/total paid facility time hours) x 100	3.13%	4.66%

Councillor Neil McLennan

Councillor Kathleen Robertson

Roderick D Burns

Co-Leader of the Council

Co-Leader of the Council

Chief Executive

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost for the year ended 31 March 2022 of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement and the Expenditure and Funding Analysis note 8.

2020/21				2021/22			
Expenditure	Council Income	Net	Group Net	Expenditure	Council Income	Net	Group Net
£000	£000	£000	£000	£000	£000	£000	£000
85,774	(11,801)	73,973	74,278	89,918	(13,271)	76,647	76,772
24,563	(3,258)	21,305	21,305	29,612	(4,406)	25,206	25,206
18,958	(1,738)	17,220	17,252	20,363	(1,885)	18,478	18,525
11,489	(6,970)	4,519	4,519	14,137	(9,006)	5,131	5,154
48,867	(9,239)	39,628	39,663	56,504	(14,792)	41,712	41,748
6,661	(3,043)	3,618	3,618	8,817	(3,596)	5,221	5,221
6,669	(334)	6,335	6,335	7,137	(400)	6,737	6,737
21,307	(15,210)	6,097	6,707	20,198	(14,045)	6,153	6,742
2,566	(512)	2,054	2,054	3,341	(831)	2,510	2,526
2,121	(317)	1,804	1,856	1,907	(142)	1,765	1,816
109,184	(62,715)	46,469	46,469	119,487	(66,160)	53,327	53,327
6,023	(20,210)	(14,187)	(14,187)	14,239	(21,229)	(6,990)	(6,990)
344,182	(135,347)	208,835	209,869	385,660	(149,763)	235,897	236,784
			Cost Of Services				

Comprehensive Income and Expenditure Statement (continued)

2020/21				2021/22			
Expenditure	Council Income	Net	Group Net Restated	Expenditure	Council Income	Net	Group Net
£000	£000	£000	£000	£000	£000	£000	£000
344,182	(135,347)	8,835	209,869	385,660	(149,763)	235,897	236,784
		2,202	3,440			8,707	8,740
		14,311	14,025			13,156	12,868
		(242,904)	(242,904)			(244,597)	(244,597)
		-	(3,064)			-	(5,087)
		(217,556)	(18,634)			13,163	8,708
		(73,548)	(72,519)			(105,214)	(105,267)
		-	(586)			-	(216)
		(65,676)	(65,676)			(13,292)	(13,292)
		-	-			-	-
		-	(783)			-	8
		(139,224)	(139,564)			(118,506)	(118,767)
		(356,780)	(158,198)			(105,343)	(110,059)

Movement in Reserves Statement

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

	General Fund Balance £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	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 2020	20,871	2,219	983	2,264	206	4,132	30,675	490,072	520,747	32,707	(354)	553,100
Movement in Reserves 2020/21												
Total Comprehensive Expenditure and Income	4,035	13,521	-	-	-	-	17,556	139,224	156,780	(2,429)	3847	158,198
Adjustments to usable reserves permitted by accounting	4,863	3,335	-	-	-	-	8,198	(8,198)	-	-	-	-
Adjustments between accounting basis & funding basis under regulations (Note 10)	12,537	(17,531)	-	1,760	-	-	(3,234)	3,234	-	-	-	-
Net increase/(decrease) before transfers to/from earmarked and other statutory reserves	21,435	(675)	-	1,760	-	-	22,520	134,260	156,780	(2,429)	3,847	158,198
Transfers to/from statutory reserves	(434)	857	1	(220)	(206)	2	-	-	-	-	-	-
Increase/Decrease in 2020/21	21,001	182	1	1,540	(206)	2	22,520	134,260	156,780	(2,429)	3,847	158,198
Balance at 31 March 2021	41,872	2,401	984	3,804	-	4,134	53,195	624,332	677,527	30,278	3,493	711,298
Note												
Minority Interest										693		693
Total Reserves as per Balance Sheet										30,971		711,991

Movement in Reserves Statement (continued)

	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 2021	41,872	2,401	984	3,804	-	4,134	53,195	624,332	677,527	30,278	3,493	711,298
Movement in Reserves 2021/22												
Total Comprehensive Expenditure and Income	(18,508)	5,345	-	-	-	-	(13,163)	118,506	105,343	(363)	5,079	110,059
Adjustments to usable reserves permitted by accounting standards	1,455	4,468					5,923	(5,923)	-	-	-	-
Adjustments between accounting basis & funding basis under regulations (Note 10)	22,033	(10,406)	-	1,281	-	-	12,908	(12,908)	-	-	-	-
Net increase/(decrease) before transfers to/from earmarked and other statutory reserves	4,980	(593)	-	1,281	-	-	5,668	99,675	105,343	(363)	5,079	110,059
Transfers to/from statutory reserves	(1,616)	650	4	944		18	-	-	-	-		-
Increase/Decrease in 2021/22	3,364	57	4	2,225	-	18	5,668	99,675	105,343	(363)	5,079	110,059
Balance at 31 March 2022	45,236	2,458	988	6,029	#####	4,152	58,863	724,007	782,870	29,915	8,572	821,357
Note												
Minority Interest										731		731
Total Reserves as per Balance Sheet										30,646		822,088

Balance Sheet

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

31 March 2021			Notes	31 March 2022	
Council	Group			Council	Group
£000	£000			£000	£000
1,028,227	1,047,830	Property, Plant & Equipment	15	1,141,784	1,160,624
1,151	1,355	Heritage Assets	16	1,151	1,355
862	3,276	Investment Property	17	222	2,596
42	42	Intangible Assets	18	30	30
-	2,863	Long Term Investments		-	3,079
-	3,493	Investments in Associates		-	8,572
537	537	Long Term Debtors	19	484	484
1,030,819	1,059,396	Long Term Assets		1,143,671	1,176,740
1,505	1,506	Inventories	20	1,642	1,643
18,348	18,360	Short Term Debtors	21/22	17,017	17,031
1,000	1,000	Assets held for sale	23	877	877
30,355	30,355	Cash and Cash Equivalents	24	15,409	15,409
51,208	51,221	Current Assets		34,945	34,960
(85,539)	(85,539)	Short Term Borrowing	19	(75,973)	(75,973)
(42,246)	(36,372)	Short Term Creditors	25	(48,445)	(42,311)
(478)	(478)	Donated Inventories Account		(649)	(649)
(128,263)	(122,389)	Current Liabilities		(125,067)	(118,933)
(149)	(149)	Provisions	26	(149)	(149)
(168,439)	(168,439)	Long Term Borrowing	19	(160,784)	(160,784)
(55,686)	(55,686)	Other Long Term Liabilities	19	(55,207)	(55,207)
(51,963)	(51,963)	Pensions Liability	42	(54,539)	(54,539)
(276,237)	(276,237)	Long Term Liabilities		(270,679)	(270,679)
677,527	711,991	Net Assets		782,870	822,088

Balance Sheet (continued)

31 March 2021			Notes	31 March 2022	
Council	Group			Council	Group
£000	Restated £000			£000	£000
41,872	52,297	General Fund Balance	27	45,236	56,061
2,401	2,401	Housing Revenue Account	27	2,458	2,458
984	984	Capital Receipts Reserve	27	988	988
3,804	3,804	Capital Grants Unapplied	27	6,029	6,029
4,134	4,134	Revenue Statutory Funds	27	4,152	4,152
53,195	63,620	Usable Reserves		58,863	69,688
292,449	309,060	Revaluation Reserve	28	386,922	402,770
396,945	400,187	Capital Adjustment Account	28	405,165	408,407
(6,025)	(6,025)	Financial Instruments Adjustment Account	28	(5,716)	(5,716)
(7,074)	(7,074)	Employee Statutory Adjustment Account	28	(7,825)	(7,825)
(51,963)	(51,963)	Pensions Reserve	28	(54,539)	(54,539)
624,332	644,185	Unusable Reserves		724,007	743,097
-	3,493	Share of Associates Reserves		-	8,572
-	693	Minority Interest		-	731
677,527	711,991	Total Reserves		782,870	822,088

The notes on pages 46 to 96 form part of the financial statements.

Lorraine Paisey CA

Chief Financial Officer

The unaudited Annual Accounts were issued on 29 June 2022 Lorraine Paisey, Chief Financial Officer.

Cash Flow Statement

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

2020/21			2021/22	
Council	Group		Council	Group
£000	£000		£000	£000
17,556	15,570	Net deficit on the provision of services	(13,163)	(13,795)
33,381	35,367	Adjust net deficit on the provision of services for non cash movements	59,292	59,924
(15,308)	(15,308)	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	(17,439)	(17,439)
35,629	35,629	Net cash flows from Operating Activities	28,690	28,690
(34,904)	(34,904)	Investing Activities (Note 31)	(23,115)	(23,115)
13,276	13,276	Financing Activities (Note 32)	(20,521)	(20,521)
14,001	14,001	Net increase or (decrease) in cash and cash equivalents	(14,946)	(14,946)
16,354	16,354	Cash and cash equivalents at the beginning of the financial year	30,355	30,355
30,355	30,355	Cash and cash equivalents at the end of the financial year (Note 24)	15,409	15,409
14,001	14,001		(14,946)	(14,946)

Notes to the Accounts

Note 1 Accounting Policies

1. General

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

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS). These are issued jointly by CIPFA and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the Council and its Group. The Annual Accounts have been prepared on a "going concern" basis. The accounting convention adopted in the Annual Accounts is principally historic cost, modified by the revaluation of certain categories of non-current and financial assets.

2. Accruals of Expenditure and Income

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

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

3. Bad and Doubtful Debts

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

4. Borrowing Costs

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

5. Cash and Cash Equivalents

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

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

6. Charges to Revenue for Non-Current Assets

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

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

7. Contingent Assets and Liabilities

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

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

8. Employee Benefits Payable during Employment

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

Note 1 Accounting Policies (continued)

9. Fair Value Measurement

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

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

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

10. Government Grants and Contributions

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

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

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

11. Impairment

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

12. Inventories

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

13. Loans Fund

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

14. Prior Period Adjustments

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

15. Provisions

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

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

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

Note 1 Accounting Policies (continued)

16. Reserves

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

17. VAT

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

Note 2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted

The Code requires the Council to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts. This applies to the adoption of the following new or amended standards within the 2021/22 Code:

- Annual Improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes four changed standards:
 - IFRS 1 First Time Adoption
 - IAS37 Onerous Contracts
 - IFRS 16 Leases
 - IAS 41 Agriculture

The Code requires implementation from 1 April 2022 and there is, therefore, no impact on the 2020/21 financial statements.

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

Note 3 Nature of the Group and Group Members

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

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

Subsidiaries

The Entities which have been combined as subsidiaries are:

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

Note 3 Nature of the Group and Group Members (continued)

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

The Council acts as joint trustee with other parties for four trust funds which have a combined net asset balance of £2.137m. The Council acts as sole trustees for various other trust funds which have a net asset balance of £8.402m.

The Council is responsible for the administration of Common Good Funds which were all the property of a Royal Burgh not acquired under statutory powers or held under specific trusts. Council Members have responsibility for decisions on the distribution of these funds. The Common Good Funds have a new asset balance of £20.107m.

The individual accounts for these entities are shown separately on pages 104 to 116.

Associates

The Entities that have been combined as Associates are:

Name of Associate	Principal Place of Business	Moray Council's Share of Voting Control	Moray Council's Share of Requisition	Measurement Method
Grampian Valuation Joint Board	Moray	20%	17%	Equity
Moray Leisure Limited	Moray	43%	n/a	Equity
Moray Integration Joint Board	Moray	50%	33%	Equity

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

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

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

Note 3 Nature of the Group and Group Members (continued)

Summarised balance sheet

	Grampian Valuation Joint Board		Moray Leisure Limited		Moray Integration Joint Board (Joint Venture)	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Current assets						
Cash and cash equivalents	1,367	1,380	650	215	-	
Other current assets	39	90	143	150	6,342	17,021
Total current assets	1,406	1,470	793	365	6,342	17,021
Non-current assets	748	728	383	364	-	-
Current liabilities	(1,164)	(957)	(278)	(335)	-	-
Non-current liabilities	8	(502)	(546)	(546)	-	-
Net assets/(liabilities)	998	739	352	(152)	6,342	17,021
Reconciliation to carrying amounts:						
Opening net assets/(liabilities)	(3,333)	998	278	352	187	6,342
Surplus/(deficit) for the period	4,331	259	74	(504)	6,155	10,679
Closing net assets/(liabilities)	998	1,257	352	(152)	6,342	17,021
Reporting entity's share (%)	17	17	43	43	50	50
Reporting entity's share	170	214	151	(65)	3,171	8,511
Carrying amount	170	214	151	(65)	3,171	8,511

Note 3 Nature of the Group and Group Members (continued)

Summarised Statements of Comprehensive Income and Expenditure

	Grampian Valuation Joint Board		Moray Leisure Limited		Moray Integration Joint Board (Joint Venture)	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
			restated			
Revenue	(4,421)	4,539	(2,307)	(2,293)	(151,557)	(164,487)
Interest Income	(1)	(13)	-	-	-	-
Depreciation and Amortisation	30	33	79	81	-	-
Interest Expense	96	-	-	-	-	-
(Surplus)/deficit for the period	549	210	(74)	504	(6,155)	(10,679)
Other Comprehensive Income and Expenditure	(4,603)	49	-	-	-	-
Total Comprehensive Income and Expenditure	(4,331)	259	(74)	504	(6,155)	(10,679)

Inclusion of Associate entities has increased reserves and net assets in the group by £8.572m due mainly to the reserves of Moray Integration Joint Board, as well as smaller increases in reserves for Moray Leisure Ltd. and Grampian Valuation Joint Board.

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 cont	20.44%	25%

Note 3 Nature of the Group and Group Members (continued)

Carrying amounts of the entities:

	Venture Capital		HITRANS	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
carrying amount of receivables	62	41	194	473
carrying amount of liabilities	-	-	523	750
Maximum exposure to loss	62	41	523	750

Note 4 Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- The Council has entered into a Public Private Partnership (PPP) for the construction, maintenance and operation of two schools in Keith and Elgin (Keith Primary School and Elgin Academy) which have a carrying value of £10.795m and £45.525m respectively. The Council has also entered into a Design, Build, Finance and Maintain (DBFM) contract for the construction, maintenance and operation of Elgin High School, which has a carrying value of £32.957m. The Council has considered the tests under IFRIC 12 and concluded there are service concessions.
- Assets held at current value are revalued on a five year rolling basis as set out in the accounting policy for Property, Plant and Equipment. The Council's Estates Manager, who is a qualified RICS Valuer, has asserted that the carrying amount does not differ materially from that which would be determined using current value.
- During 2021/22 the Council was responsible for the payment of business and other grants on behalf of the Scottish Government. In preparing the Annual Accounts it was considered whether these amounts met the definition of being a principal or an agency transaction. Relevant guidance issued by CIPFA LASAAC was considered and where amounts were deemed to be agency transactions, the amounts are not recognised in the Council's income or expenditure.

Note 5 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2022 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual buildings. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £1.978m for every year that useful lives had to be reduced.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effects on the net pensions liability of changes in individual assumptions can be measured and are detailed in Note 42.
Pension Assets	Estimation of the expected return on Pension Assets.	Part of the pension fund is invested in Level 3 Investments. The nature of these investments means there is a greater risk and more uncertainty over their valuation. There may be an impact on net pension scheme liabilities depending on the stock market.

Note 6 Material Items of Income and Expenditure

Where material items of Income and Expenditure are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the Code requires that the nature and amount of these items are disclosed in a note to the accounts. The main item of material expenditure relates to the payment of Business Grants to local businesses during the pandemic. As there are agency arrangements the spend is not reflected in the Comprehensive Income and Expenditure Statement. During 2021/22 the following items are regarded as material:

Nature	£000
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 2022	6,332
The new Lossiemouth High School became operational in April 2021. However, the final phase to demolish the old school and the construction of all weather 3G pitches progressed in the year and was still in progress at 31 March 2022.	3,239
During 2021/22 the Council received donated stock of personal protective equipment (PPE). Some of this was issued to internal council staff but some was issued to third parties. This is an agency arrangement which is not recognised in the financial statements. This is the amount of stock issued.	1,301
As a result of the Covid-19 pandemic the Council acted as an agent for making payments of Business Grants to local businesses. At 31 March 2022 £0.575m was due from the Scottish Government	14,378
Continuation of the Council House new build programme. Forty six dwellings were completed during the year and a further thirty three were under construction at 31 March 2022.	4,976

Note 7 Events after the Reporting Period

The unaudited Annual Accounts were issued on 29 June 2022 by Lorraine Paisey, Chief Financial Officer. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 8 Expenditure and Funding Analysis

2020/21				2021/22				
Net expenditure chargeable to the General Fund and HRA Balances	Adjustments between the Funding and the Accounting Basis	Adjustments to Usable Reserves Permitted by Accounting Standards	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	Adjustments to Usable Reserves Permitted by Accounting Standards	Net expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000		£000	£000	£000	£000
62,287	8,478	3,208	73,973	Education	68,255	8,392	-	76,647
19,066	1,659	580	21,305	Education Resources & Communities	20,833	4,019	354	25,206
16,715	498	7	17,220	Social Work	17,321	1,155	2	18,478
				General Services Housing and Property Services	2,728	1,964	439	5,131
2,716	1,468	335	4,519	Environmental & Commercial Services	25,462	15,643	607	41,712
25,247	13,695	686	39,628	Economic Growth & Development	4,306	915	-	5,221
3,104	514	-	3,618	HR, ICT & Organisational Development	5,348	1,389	-	6,737
5,000	1,335	-	6,335	Governance, Strategy & Performance	5,530	623	-	6,153
5,603	494	-	6,097	Financial Services	2,135	375	-	2,510
1,875	179	-	2,054	Other	2,613	(848)	-	1,765
2,520	(716)	-	1,804	Health and Social Care	49,634	3,640	53	53,327
44,210	2,212	47	46,469	Housing Revenue Account	(9,191)	(2,267)	4,468	(6,990)
(8,991)	(8,531)	3,335	(14,187)	Cost of Services	194,974	35,000	5,923	235,897
179,352	21,285	8,198	208,835	Other Income and Expenditure	(199,361)	(23,373)	-	(222,734)
(200,112)	(26,279)	-	(226,391)	(Suplus)/Deficit	(4,387)	11,627	5,923	13,163
(20,760)	(4,994)	8,198	(17,556)					
			(23,090)	Opening General Fund and HRA Balance (Surplus) Deficit on General Fund and HRA Balance in year	(44,273)			
			(20,760)		(4,387)			
			(423)	Transfers from Reserves	966			
			(44,273)	Closing General Fund and HRA Balance at 31 March*	(47,694)			

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

Note 8 Expenditure and Funding Analysis (continued)

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

Adjustments between the Funding and the Accounting Basis 2020/21

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes Note a £000	Net Change for the Pensions Adjustments Note b £000	Other Differences Note c £000	Elimination of Internal Recharges Note d £000	Total Adjustments £000
Education	10,677	1,033	170	(194)	11,686
Education Resources & Communities	1,200	1,091	10	(62)	2,239
Social Work	22	769	(52)	(234)	505
General Services Housing and Property Services	1,270	781	52	(300)	1,803
Environmental & Commercial Services	11,902	1,658	75	746	14,381
Economic Growth & Development	99	409	35	(29)	514
HR, ICT & Organisational	932	372	35	(4)	1,335
Governance, Strategy & Performance	35	444	18	(3)	494
Financial Services	-	176	3	-	179
Other	30	(742)	(3)	(1)	(716)
Health and Social Care	241	1,945	(8)	81	2,259
Housing Revenue Account	(5,421)	216	9	-	(5,196)
Net Cost of Services	20,987	8,152	344	-	29,483
Other Income and Expenditure	(28,366)	2,395	(308)	-	(26,279)
Total Adjustments	(7,379)	10,547	36	-	3,204

Note 8 Expenditure and Funding Analysis (continued)

Adjustments between the Funding and the Accounting Basis 2021/22

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes Note a £000	Net Change for the Pensions Adjustments Note b £000	Other Differences Note c £000	Elimination of Internal Recharges Note d £000	Total Adjustments £000
Education	6,257	2,055	325	(245)	8,392
Education Resources & Communities	1,667	1,972	482	(102)	4,019
Social Work	80	1,353	38	(316)	1,155
General Services Housing and Property Services	874	1,300	(41)	(169)	1,964
Environmental & Commercial Services	11,941	2,933	(7)	776	15,643
Economic Growth & Development	206	763	(27)	(27)	915
HR, ICT & Organisational Development	759	651	(18)	(3)	1,389
Governance, Strategy & Performance	-	667	(42)	(2)	623
Financial Services	-	371	4	-	375
Other	28	(869)	(5)	(2)	(848)
Health and Social Care	145	3,359	46	90	3,640
Housing Revenue Account	(2,649)	386	(4)	-	(2,267)
Net Cost of Services	19,308	14,941	751	-	35,000
Other Income and Expenditure	(23,991)	927	(309)		(23,373)
Total Adjustments	(4,683)	15,868	442	-	11,627

a) Adjustments for Capital Purposes

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

Adjustments to Other Income and Expenditure reflect:

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

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

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

Note 8 Expenditure and Funding Analysis (continued)

b) Net Change for the Pensions Adjustments

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

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

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

c) Other Differences

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

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

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

d) Elimination of Internal Recharges

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

Note 9 Expenditure and Income Analysed by Segment and Nature

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

Income and Expenditure 2020/21

	Education £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	59,319	19,163	8,713	9,269	19,901	4,693	4,311	4,956	1,945	1,106	22,736	2,670	2,395	161,177
Other service expenses	15,778	4,200	10,223	950	17,064	1,869	1,426	16,316	621	985	85,795	8,774	275	164,276
Depreciation, amortisation and impairment	10,677	1,200	22	1,270	11,902	99	932	35	-	30	241	(5,421)	-	20,987
Interest Payments	-	-	-	-	-	-	-	-	-	-	-	-	11,681	11,681
Loss on Disposal of Non Current Assets	-	-	-	-	-	-	-	-	-	-	-	-	2,202	2,202
Total Expenditure	85,774	24,563	18,958	11,489	48,867	6,661	6,669	21,307	2,566	2,121	108,772	6,023	16,553	360,323
Fees, charges & other service income	(297)	(575)	(148)	(6,548)	(9,076)	(1,874)	(334)	(14,401)	(512)	(131)	(62,259)	(20,210)	-	(116,365)
Interest and investment income	-	-	-	-	-	-	-	-	-	-	-	-	(40)	(40)
Income from council tax	-	-	-	-	-	-	-	-	-	-	-	-	(45,731)	(45,731)
Government grants and contributions	(11,504)	(2,683)	(1,590)	(422)	(163)	(1,169)	-	(809)	-	(186)	(44)	-	(197,173)	(215,743)
Total Income	(11,801)	(3,258)	(1,738)	(6,970)	(9,239)	(3,043)	(334)	(15,210)	(512)	(317)	(62,303)	(20,210)	(242,944)	(377,879)
Net Expenditure	73,973	21,305	17,220	4,519	39,628	3,618	6,335	6,097	2,054	1,804	46,469	(14,187)		
(Surplus) or deficit on the provision of services														(17,556)

Note 9 Expenditure and Income Analysed by Segment and Nature (continued)

Income and Expenditure 2021/22

	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	66,781	22,102	10,081	10,076	22,839	5,651	4,888	4,824	2,722	806	25,484	3,047	927	180,228
Other service expenses	16,880	5,489	10,200	2,748	21,117	2,960	1,490	15,374	619	1,073	93,805	9,373	187	181,315
Depreciation, amortisation and impairment	6,257	2,021	82	1,313	12,548	206	759	-	-	28	198	1,819	-	25,231
Interest Payments	-	-	-	-	-	-	-	-	-	-	-	-	12,282	12,282
Loss on Disposal of Non Current Assets	-	-	-	-	-	-	-	-	-	-	-	-	8,707	8,707
Total Expenditure	89,918	29,612	20,363	14,137	56,504	8,817	7,137	20,198	3,341	1,907	119,487	14,239	22,103	407,763
Fees, charges & other service income	(359)	(1,712)	(144)	(7,846)	(14,575)	(2,187)	(390)	(13,170)	(809)	(142)	(66,118)	(21,229)	-	(128,681)
Interest and investment income	-	-	-	-	-	-	-	-	-	-	-	-	(240)	(240)
Income from council tax	-	-	-	-	-	-	-	-	-	-	-	-	(45,979)	(45,979)
Government grants and contributions	(12,912)	(2,694)	(1,741)	(1,160)	(217)	(1,409)	(10)	(875)	(22)	-	(42)	-	(198,618)	(219,700)
Total Income	(13,271)	(4,406)	(1,885)	(9,006)	(14,792)	(3,596)	(400)	(14,045)	(831)	(142)	(66,160)	(21,229)	(244,837)	(394,600)
Net Expenditure	76,647	25,206	18,478	5,131	41,712	5,221	6,737	6,153	2,510	1,765	53,327	(6,990)		
(Surplus) or deficit on the provision of services														13,163

Note 10 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2020/21	Usable Reserves					
	General Fund £000	HRA £000	Revenue Statutory Funds £000	Capital Receipts Reserve £000	Capital Grants & Receipts & Receipts Unapplied £000	Capital Fund £000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements,						
Pensions costs (transferred from the Pensions Reserve)	10,275	272				
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(212)	(96)				
Holiday pay (transferred to the Employee Statutory Adjustment Account)	335	9				
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	14,016	(11,035)	-	-	-	-
Total Adjustment to Revenue Resources	24,414	(10,850)	-	-	-	-
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	-		-	-	-	-
Capital receipts transferred to the Capital Grants and Receipts Unapplied Account	(1,760)				1,760	
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(9,952)	(1,283)	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(165)	(5,398)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(11,877)	(6,681)	-	-	1,760	-
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance	-	-	-	-	-	-
Total Adjustments to Capital Resources	-	-	-	-	-	-
Total Adjustments	12,537	(17,531)	-	-	1,760	-

**Note 10 Adjustments between Accounting Basis and Funding Basis under Regulations
(continued)**

2021/22	Usable Reserves					
	General Fund £000	HRA £000	Revenue Statutory Funds £000	Capital Receipts Reserve £000	Capital Grants & Receipts Unapplied £000	Capital Fund £000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements,						
Pensions costs (transferred from the Pensions Reserve)	15,461	407				
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(213)	(96)				
Holiday pay (transferred to the Employee Statutory Adjustment Account)	755	(4)				
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	17,896	(3,814)				
Total Adjustment to Revenue Resources	33,899	(3,507)	-	-	-	-
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve						
Capital receipts transferred to the Capital Grants and Receipts Unapplied Account	(1,281)				1,281	
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(10,035)	(1,377)				
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(550)	(5,522)				
Total Adjustments between Revenue and Capital Resources	(11,866)	(6,899)	-	-	1,281	-
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to fi	-	-	-	-	-	-
Total Adjustments to Capital Resources	-	-	-	-	-	-
Total Adjustments	22,033	(10,406)	-	-	1,281	-

Note 11 Transfers to/from Revenue Statutory Funds and Earmarked portions of the General Fund

This note sets out the amounts set aside from the General Fund and HRA balances in Revenue Statutory Funds to provide financing for future expenditure plans and the amounts posted back from Revenue Statutory Funds to meet General Fund and HRA expenditure in 2021/22.

Revenue Statutory Funds

	Repairs and Renewals Fund	Insurance Fund	Total
	£000	£000	£000
Balance at 1 April 2020	2,726	1,406	4,132
Transfers In 2020/21	2	-	2
Balance at 31 March 2021	2,728	1,406	4,134
Transfers in 2021/22	12	6	18
Balance at 31 March 2022	2,740	1,412	4,152

Earmarked portions of the General Fund

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

	General Services	Devolved School Management	Early Years Childcare Expansion	Pupil Equity Funding	Transformati on	Council Priorities	Covid-19 Funding	Other Funds	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2020	15,349	466	414	660	700	2,881	-	401	20,871
Transfers Out 2020/21	-	-	-	-	-	-	-	(41)	(41)
Transfers In 2020/21	-	877	159	142	2,964	-	16,421	479	21,042
Balance at 31 March 2021	15,349	1,343	573	802	3,664	2,881	16,421	839	41,872
Transfers Out 2021/22	(10,349)	(55)	(573)	-	-	-	-	(428)	(11,405)
Transfers In 2021/22	-	-	-	244	1,816	7,000	5,665	44	14,769
Balance at 31 March 2022	5,000	1,288	-	1,046	5,480	9,881	22,086	455	45,236

Note 11 Transfers to/from Revenue Statutory Funds and Earmarked portions of the General Fund (continued)

Devolved School Management (DSM)

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

Early Years Childcare Expansion

This ring fenced fund is the unspent balance of grant received from the Scottish Government for the expansion of Early Learning and Childcare from 600 hours to 1,140 hours.

Pupil Equity Funding

This ring fenced fund is the unspent balance of grant received the Scottish Government to provide targeted support for children and young people affected by poverty. The grant is paid on a financial year basis but spent over the academic year.

Transformation

The purpose of this fund is to set aside funding to initiate and advance the transformation of services and Improvement and Modernisation Programme projects.

Council Priorities

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

Covid-19

The Scottish Government announced significant additional funding for expenditure related to the Covid-19 pandemic when the Local Government Settlement was approved – some of these are related to specific areas such as Education, others (mainly from Barnett consequentials) are not linked to particular issues. The unspent portions of this funding have been carried forward in an ear-marked reserve and will be released as appropriate, with any associated spending plans approved by members.

Other Funds

These funds are grants and contributions unspent at the reporting year end which have restrictions on their use. The majority of these funds relate to the Scottish Welfare Fund, which was set up in 2016/17 to be used to provide individuals with assistance for short term need and community care. Other funds held include insurance premium discounts set aside to fund claims beneath the Council's excess, unspent monies to be used to upgrade/maintain Sanquhar Loch in Forres, amounts to cover core path maintenance and upgrading within and outside the boundary of Dorenell Windfarm, and unspent grant in relation to the Grampian Valuation Joint Board for the increase in postal votes for the May 2021 Election. The grant stipulated that the monies would come to Moray Council to be allocated as and when required, with the balance carried forward through Council reserves.

Note 12 Other Operating Expenditure

	2020/21	2021/22
	£000	£000
Losses on disposal of non-current assets	2,202	8,707
	2,202	8,707

Note 13 Financing and Investment Income and Expenditure

	2020/21	2021/22
	£000	£000
Interest payable and similar charges	11,681	12,282
Net interest on the net defined benefit liability	2,395	927
Interest receivable and similar income	(36)	(236)
Income and expenditure in relation to investment properties	(4)	(4)
Expected credit losses on financial assets	275	187
Movement on revaluation in investment property	-	-
	14,311	13,156

Note 14 Taxation and Non-Specific Grant Income

	2020/21	2021/22
	£000	£000
Council tax income	(45,731)	(45,979)
Non domestic rates	(30,867)	(41,260)
Non-ring fenced government grants	(152,538)	(142,144)
Capital grants and contributions	(13,768)	(15,214)
	(242,904)	(244,597)

Note 15 Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

Depreciation

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

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

Council Dwellings - up to 50 years

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

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

Infrastructure - up to 40 years

Community Assets - up to 40 years

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

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

Note 15 Property, Plant and Equipment (continued)

Comparative Movements in 2020/21

	Council Dwellings £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 2020	281,838	383,854	49,139	311,092	711	4,358	62,259	1,093,251
Additions	3,769	3,449	5,306	5,857	-	-	32,879	51,260
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	38,916	4,953	-	-	-	-	-	43,869
Revaluation (decreases) recognised in the Surplus on the Provision of Services	9,852	(1,254)	-	-	-	-	-	8,598
Derecognition – disposals	-	(1,892)	(2,754)	-	-	-	-	(4,646)
Derecognition – other	-	(274)	-	-	-	-	-	(274)
Assets reclassified (to)/ from Held for Sale	-	(518)	-	-	-	-	(1,446)	(1,964)
Other movements in cost or valuation	15,395	13,875	-	-	-	(260)	(29,010)	-
At 31 March 2021	349,770	402,193	51,691	316,949	711	4,098	64,682	1,190,094
Accumulated Depreciation and Impairment								
At 1 April 2020	31,769	26,200	32,616	73,616	330	193	-	164,724
Depreciation charge	8,279	12,790	4,312	8,398	15	18	-	33,812
Depreciation written out to the Revaluation Reserve	(27,724)	(2,083)	-	-	-	-	-	(29,807)
Depreciation written out to the Surplus on the Provision of Services	(4,045)	(203)	-	-	-	-	-	(4,248)
Derecognition – disposals	-	(41)	(2,504)	-	-	-	-	(2,545)
Derecognition – other	-	(15)	-	-	-	-	-	(15)
Assets reclassified (to)/ from Held for Sale	-	-	-	-	-	(54)	-	(54)
Other movements in depreciation and impairment	-	33	-	-	-	(33)	-	-
At 31 March 2021	8,279	36,681	34,424	82,014	345	124	-	161,867

Note 15 Property, Plant and Equipment (continued)

Movement in 2021/22

	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 2021	349,770	402,193	51,691	316,949	711	2,652	66,128	1,190,094
Additions	6,856	5,541	4,287	9,554	163	-	16,386	42,787
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	21,786	33,508	-	-	-	6	-	55,300
Revaluation (decreases) recognised in the Surplus on the Provision of Services	4,690	(2,324)	-	-	-	-	-	2,366
Derecognition – disposals	-	-	(361)	-	-	-	-	(361)
Derecognition – other	-	(8,796)	-	-	-	-	-	(8,796)
Assets reclassified (to)/ from Held for Sale	-	(1,564)	-	-	-	(160)	-	(1,724)
Other movements in cost or valuation	5,230	47,236	-	-	-	196	(52,662)	-
At 31 March 2022	388,332	475,794	55,617	326,503	874	2,694	29,852	1,279,666
Accumulated Depreciation and Impairment								
At 1 April 2021	8,279	36,681	34,424	82,014	345	124	-	161,867
Depreciation charge	8,981	12,554	4,069	8,710	19	31	-	34,364
Depreciation written out to the Revaluation Reserve	(13,820)	(35,994)	-	-	-	(94)	-	(49,908)
Depreciation written out to the Surplus on the Provision of Services	(2,666)	(4,153)	-	-	-	-	-	(6,819)
Derecognition – disposals	-	-	(305)	-	-	-	-	(305)
Derecognition – other	-	(1,311)	-	-	-	-	-	(1,311)
Assets reclassified (to)/ from Held for Sale	-	-	-	-	-	(6)	-	(6)
Other movements in depreciation and impairment	-	(28)	-	-	-	28	-	-
At 31 March 2022	774	7,749	38,188	90,724	364	83	-	137,882
Net Book Value								
at 31 March 2021	341,491	365,512	17,267	234,935	366	3,974	64,682	1,028,227
at 31 March 2022	387,558	468,045	17,429	235,779	510	2,611	29,852	1,141,784

Note 15 Property, Plant and Equipment (continued)

Capital Commitments

At 31 March 2022, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2021/22 and future years budgeted to cost £6.874m (2020/21 £17.729m). The major contracts are:

	£000
HRA Council House New Build	325
NESS Energy from Waste	6,549
	<u>6,874</u>

Revaluations

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

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

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

	Council Dwellings £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	-	-	55,617	326,503	874	-	29,852	412,846
Valued at current value as at:								
01 April 2021	39,732	111,356	-	-	-	(95)	-	150,993
01 April 2020	333,520	42,120	-	-	-	41	-	375,681
01 April 2019	8,116	36,378	-	-	-	(194)	-	44,300
01 April 2018	3,961	268,480	-	-	-	1,282	-	273,723
01 April 2017	3,003	17,460	-	-	-	1,660	-	22,123
Total cost or valuation	<u>388,332</u>	<u>475,794</u>	<u>55,617</u>	<u>326,503</u>	<u>874</u>	<u>2,694</u>	<u>29,852</u>	<u>1,279,666</u>

Note 16 Heritage Assets

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

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

The movement in Heritage Assets during 2021/22 is as follows:

	Modern Cultural	Statues	Museums Collections	Total Heritage Assets
	£000	£000	£000	£000
Valuation at 1 April 2020	126	102	920	1,148
Additions	-	3	-	3
Transfers/Reclassifications	-	-	-	-
At 31 March 2021	126	105	920	1,151
Valuation at 1 April 2021	126	105	920	1,151
Additions	-	-	-	-
Transfers/Reclassifications	-	-	-	-
At 31 March 2022	126	105	920	1,151

The amount included above for the museum's collections is based on insurance valuations. They were previously valued in 2017/18 and are due to be revalued next in 2022/23. Other Heritage Assets are valued at historic cost.

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

Assets excluded from Heritage Assets	Estimated number of assets
	31 March 2022
Archive Material	circa 1000000
Monuments and Fountains	11
War Memorials	46

Note 17 Investment Property

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

Investment Property is measured initially at cost and thereafter at fair value, being the price that would be received by selling such an asset in an orderly transaction between market participants at the measurement date. Investment Property is measured at highest and best use and the properties are not depreciated 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 17 Investment Property (continued)

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

	2020/21	2021/22
	£000	£000
Rental Income from investment property	4	4
Net gain	4	4

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

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

	2020/21	2021/22
	£000	£000
Balance at start of the year	862	862
Net gains/(losses) from fair value adjustments	-	-
Transfers (to)/from Property, Plant and Equipment	-	(640)
Disposals	-	-
Balance at end of the year	862	222

Note 18 Intangible Assets

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

	Licences
Expected Useful Life	£000
5 - 6 years	252

The carrying amount of licences is amortised on a straight line basis. The amortisation of £0.013m charged to revenue in 2021/22 (2020/21 £0.013m) was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

Note 18 Intangible Assets (continued)

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

	2020/21	2021/22
	£000	£000
Balance at start of the year:		
Gross carrying amount	217	252
Accumulated amortisation	(197)	(209)
Net carrying amount at start of year	20	43
Purchases	35	-
Amortisation for the period	(13)	(13)
Disposals:		
Gross carrying amount	-	-
Accumulated amortisation	-	-
Net carrying amount at end of year	42	30
Comprising:		
Gross carrying amount	252	252
Accumulated amortisation	(210)	(222)
	42	30

Note 19 Financial Instruments

Financial Instruments – Classifications

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

Financial Liabilities

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

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

- Long term loans from the Public Works Loan Board (PWLB) and commercial lenders.
- Short term loans from other local authorities.
- Lease payables detailed in note 39.
- Public Private Partnership contracts detailed in note 40.
- Trade payables for goods and services received.

Financial Assets

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

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

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

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

Note 19 Financial Instruments (continued)

Financial Instruments – Balances

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

	2020/21		2021/22	
	Long Term	Short Term	Long Term	Short Term
	£000	£000	£000	£000
Amortised Cost:				
Borrowing	168,439	85,539	160,784	75,973
Creditors	55,686	34,556	55,207	44,360
Total	224,125	120,095	215,991	120,333

Income, Expense, Gains and Losses

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

	2020/21			2021/22		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and Receivables	Total
	£000	£000	£000	£000	£000	£000
Interest Expense	11,681	-	11,681	12,280		12,280
Impairment Losses	-	417	417		261	261
Total expense in Surplus or Deficit on the Provision of Services	11,681	417	12,098	12,280	261	12,541
Interest Income	-	(36)	(36)		(236)	(236)
Total income in Surplus or Deficit on the Provision of Services	-	(412)	(412)	-	(236)	(236)
Net (gain)/loss for the year	11,681	381	12,062	12,280	25	12,305

Financial Instruments – Fair Value

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

The fair value of financial instruments classified at amortised cost have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March, using the following methods and assumptions:

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

Note 19 Financial Instruments (continued)

Financial Assets	Fair Value Level	2020/21		2021/22	
		Carrying		Carrying	
		Amount	Fair Value	Amount	Fair Value
		£000	£000	£000	£000
Short Term Debtors	2	14,642	14,642	13,298	13,298
Long Term Debtors	2	537	537	484	484
Total		15,179	15,179	13,782	13,782

At 31 March 2022 the Council's financial assets show the carrying value equal to fair value, the same as the previous year. This is mainly due to a large proportion of the amount being short term financial assets (£13.781m).

Financial Liabilities	Fair Value Level	2020/21		2021/22	
		Carrying		Carrying	
		Amount	Fair Value	Amount	Fair Value
		£000	£000	£000	£000
Financial liabilities held at amortised cost:					
Short Term Creditors	2	33,904	33,904	44,360	44,360
Short Term Borrowing	2	85,539	85,539	75,973	75,973
Other Long Term liabilities	2	2,855	2,855	3,876	3,876
Long Term Borrowing	2	168,439	255,363	160,784	244,703
PPP and Finance Lease liabilities	2	52,831	85,686	51,331	74,485
Total		343,568	463,347	336,324	443,397

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

Fair Value Disclosure of PWLB Loans

The fair value of PWLB loans of £203.821m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

As the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, a supplementary measure of the additional interest that the Council will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £160.784m of total long term borrowing would be valued at £203.821m. However, if the Council sought to repay the loans to the PWLB, the exit price for the PWLB loans would be £260.560m.

Note 20 Inventories

2020/21

	Balance at 1 April	Purchases	Recognised as an expense in the year	Balance at 31 March
	£000	£000	£000	£000
Building Services	217	738	(684)	271
Fleet Services	232	2,127	(2,103)	256
Roads Maintenance	155	578	(528)	205
Donated PPE	-	890	(412)	478
Other	197	781	(683)	295
Total	801	5,114	(4,410)	1,505

2021/22

	Balance at 1 April	Purchases	Recognised as an expense in the year	Balance at 31 March
	£000	£000	£000	£000
Building Services	271	695	(708)	258
Fleet Services	256	2,764	(2,696)	324
Roads Maintenance	205	434	(454)	185
Donated PPE	478	307	(136)	649
Other	295	1,393	(1,462)	226
Total	1,505	5,593	(5,456)	1,642

Note 21 Short Term Debtors

	2020/21 £000	2021/22 £000
Trade Receivables	1,202	1,239
Prepayments	1,234	1,765
Other Receivable Amounts	13,440	12,059
	15,876	15,063
Prepayments included in debtors	(1,234)	(1,765)
Total Financial Assets Current Debtors	14,642	13,298

Note 22 Debtors from Local Taxation

	2020/21	2021/22
	Council Tax	Council Tax
	£000	£000
Less than 1 year	2,197	1,714
One to two years	2,423	2,922
Three to five years	2,626	2,610
More than 5 years	9,073	9,666
	16,319	16,912
Impairment Allowance	(13,847)	(14,958)
Total (net of impairment)	2,472	1,954

Note 23 Assets Held-for-Sale

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

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

	Current Assets	Current Assets
	2020/21	2021/22
	£000	£000
Balance at 1 April	827	1,000
Assets reclassified from Property, Plant and Equipment	1,910	2,242
Revaluation gains/(losses)	(137)	(34)
Assets reclassified to Property, Plant and Equipment	-	-
Disposals	(1,600)	(2,331)
Balance at 31 March	1,000	877

Note 24 Cash and Cash Equivalents

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

	2020/21	2021/22
	£000	£000
Cash Held by the Council	17	16
Bank Current/Call Accounts	30,338	15,393
Total	30,355	15,409

Note 25 Short Term Creditors

	2020/21	2021/22
	£000	£000
Trade Payables	14,759	16,222
Other Payables	27,487	32,223
Total	42,246	48,445
Tax Creditors included above	(4,804)	(3,545)
Receipts in advance included above	(3,538)	(540)
Total Financial Liabilities Current Creditors	33,904	44,360

Note 26 Provisions

	Equal Pay	Total
	£000	£000
Balance as at 1 April 2021	149	149
Settlements made/provision released in 2021/22	-	-
Increase in provision in 2021/22	-	-
Balance as at 31 March 2022	149	149

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

Note 27 Usable Reserves

The Council has several reserve funds within this category:

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

The movements on the Usable Reserves are detailed in the Movement in Reserves Statement and in Notes 10 and 11. A summary of the Reserves is also shown on the Balance Sheet.

Note 28 Unusable Reserves

2020/21 £000	2021/22 £000
396,945 Capital Adjustment Account	405,165
292,449 Revaluation Reserve	386,922
(6,025) Financial Instruments Adjustment Account	(5,716)
(7,074) Employee Statutory Adjustment Account	(7,825)
(51,963) Pensions Reserve	(54,539)
624,332	724,007

Capital Adjustment Account

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

2020/21 £000	2020/21 £000	£000
381,892 Balance at 1 April		396,945
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(25,613) Charges for depreciation and impairment of non-current assets	(34,363)	
12,837 Revaluation losses on Property, Plant and Equipment	9,145	
(13) Amortisation of Intangible Assets	(13)	
Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	(3,961)	
(16,750)		(35,219)
1,237 Adjusting amount written out of the Revaluation Reserve		10,741
(15,513)		(24,478)
Capital financing applied in the year:		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	15,214	
13,768 Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	11,412	
11,235 Capital expenditure charged against the General Fund and HRA balances	6,072	
30,566		32,698
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-
396,945		405,165
Balance at 31 March		

Note 28 Unusable Reserves (continued)

Revaluation Reserve

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

2020/21		2020/21	
		£000	£000
228,335	Balance at 1 April		292,449
75,075	Upward Revaluation of assets	111,786	
	Downward revaluation of assets and impairment losses not charged to the		
(1,527)	Surplus on the Provision of Services	(6,572)	
	Surplus /(deficit) on revaluation of non-current assets not posted to the		
73,548	Surplus on the Provision of Services		105,214
(8,198)	Difference between fair value depreciation and historical cost depreciation	(5,923)	
(1,236)	Accumulated gains on assets sold or scrapped	(4,818)	
(9,434)	Amount written off to the Capital Adjustment Account		(10,741)
292,449	Balance at 31 March		386,922

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on early redemption of loans. As a result, the balance on the Account at 31 March 2021 will be charged to the General Fund over the next 35 years

2020/21		2021/22	
		£000	£000
(6,333)	Balance at 1 April		(6,025)
	Proportion of premiums incurred in previous financial years to be charged against the		
308	General Fund balance in accordance with statutory requirements		309
	Amount by which finance costs charged to the Comprehensive Income and Expenditure		
	Statement are different from finance costs chargeable in the year in accordance with		
-	statutory requirements		-
(6,025)	Balance at 31 March		(5,716)

Employee Statutory Adjustment Account

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

2020/21		2021/22	
		£000	£000
(6,730)	Balance at 1 April		(7,074)
6,730	Settlement or cancellation of accrual made at the end of the preceding year		7,074
(7,074)	Amounts accrued at the end of the current year		(7,825)
	Amount by which officer remuneration charged to the Comprehensive Income and		
	Expenditure Statement on an accruals basis is different from remuneration chargeable in		
(344)	the year in accordance with statutory requirements		(378)
(7,074)	Balance at 31 March		(7,825)

Note 28 Unusable Reserves (continued)

Pensions Reserve

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

2020/21	2021/22
£000	£000
(107,092) Balance at 1 April	(51,963)
65,676 Remeasurements (assets and liabilities)	13,292
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(31,509)
(25,137) Statement	(31,509)
14,590 Employer's pensions contributions and direct payments to pensioners payable in the year	15,641
(51,963) Balance at 31 March	(54,539)

Note 29 Capital Grants and Receipts Unapplied Account

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

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

	2020/21	2021/22
	£000	£000
Capital Grants		
Opening Balance	1,082	1,082
Additions	-	1,217
Applied	-	-
Closing Balance	1,082	2,299
Capital Receipts for Transformation Projects		
Opening Balance	1,182	2,722
Additions	1,760	1,281
Applied	(220)	(290)
Closing Balance	2,722	3,713
Interest on Revenue Balances	-	17
Total opening balance at 1 April	2,264	3,804
Total closing balance at 31 March	3,804	6,029

Note 30 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2020/21	2021/22
	£000	£000
Interest Received	36	240
Interest Paid	(11,711)	(12,351)

Note 31 Cash Flow Statement - Investing Activities

	2020/21	2021/22
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	(50,570)	(42,610)
Other payments for investing activities	-	(3)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-	-
Other receipts from investing activities	15,666	19,498
Net cash flows from investing activities	(34,904)	(23,115)

Note 32 Cash Flow Statement - Financing Activities

	2020/21	2021/22
	£000	£000
Cash receipts of short-term and long-term borrowing	92,500	144,500
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(1,584)	(1,594)
Repayment of short and long-term borrowing	(76,478)	(161,652)
Other payments/(receipts) for financing activities	(1,162)	(1,775)
Net cash flows from financing activities	13,276	(20,521)

Note 33 Reconciliation of Liabilities Arising from Financing Activities

	Balance at 1 April	Financing Cash Flows	Changes which are not Financing Cash Flows		Balance at 31 March
	£000	£000	Acquisition £000	Other £000	£000
Long Term Borrowing	168,439	(7,652)	-	(3)	160,784
Short Term Borrowing	85,539	(9,843)	-	277	75,973
Lease Liabilities	65	(65)	-	-	-
On balance sheet PFI liabilities	54,360	(1,529)	-	-	52,831
Other deferred liabilities	268	-	-	-	268
Total Liabilities from Financing Activities	308,671	(19,089)	-	274	289,856

Note 34 External Audit Costs

The agreed external audit fee for 2021/22 was £0.251m for work undertaken in accordance with the Code of Audit Practice (2020/21 £0.246m).

Note 35 Grant Income and Contributions

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2021/22.

	2020/21 £000	2021/22 £000
Credited to Taxation and Non-Specific Grant Income		
General Revenue Grant	152,870	142,144
National Non Domestic Rate Income	30,867	41,260
Capital Grants and Contributions	13,768	15,214
Total	197,505	198,618
Credited to Services		
Housing Benefits	13,765	12,705
Private Sector Housing Grant	222	395
Home Energy Efficiency Programme Scotland	167	765
Flexible Food Fund	209	-
Covid Education Grants	589	543
Criminal Justice	1,195	1,336
Pupil Equity Funding (PEF)	1,395	1,673
ELC Expansion	9,335	10,452
PPP Funding	2,216	2,219
Other Grants	3,325	3,993
Contributions		
Integration Joint Board	61,193	66,311
Other Contributions	303	241
NHS Grampian	320	114
Donations	31	1
Total	94,265	100,748

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

The balances at the year-end are as follows:

	2020/21 £000	2021/22 £000
Grants received in advance		
Capital Grants	2,587	3,608
Other Grants	1,826	921
Total	4,413	4,529

Note 36 Related Parties

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

The Scottish Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax Bills). Government grants and contributions are included in note 35. The amounts outstanding at the year-end are included in creditors in note 25.

Members of the Council have direct control over the Council's financial and operating policies. During 2021/22 no works or services were commissioned from companies in which any member had a noted interest. Details of members' expenses are included in the Remuneration Report.

Moray Integration Joint Board

The Moray Integration Joint Board was established on 1 April 2016 as a partnership between Moray Council and NHS Grampian and is responsible for planning and overseeing the delivery of a full range of community health and social work services including those for older people. In the year 2021/22 the following financial transactions were made with Moray Council relating to the integrated and social care functions:

Transactions with other bodies are as follows:

	2020/21	2021/22	Debtors/(Creditors)	
	£000	£000	2020/21 £000	2021/22 £000
NHS Grampian				
Funding received	320	114	92	82
Moray Integration Joint Board				
Funding received from MIJB	61,011	66,311	(182)	(182)
Contribution to MIJB	45,060	47,475	-	-
European Union				
Funding received	205	342	-	439
Grampian Valuation Joint Board				
Contribution to GVJB	768	792	-	-

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

	2020/21 £000	2021/22 £000
Grampian Valuation Joint Board	1,367	1,380
Trust Funds	2,216	2,269

The Council provided material financial assistance to Moray Leisure Limited of £0.534m in 2021/22 (2020/21 £0.774m)

The Council participates in the following partnerships:

	2020/21 £000	2021/22 £000
The Highlands and Islands Transport Partnership - contribution	47	47
Scotland Excel - contribution	75	76
SEEMIS Group LLP - contribution	90	94

Note 37 Capital Expenditure and Capital Financing

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

	2020/21	2021/22
	£000	£000
Opening Capital Financing Requirement	321,161	341,891
Capital Investment:		
Property, Plant and Equipemnt (incl Held for Sale)	51,259	42,787
Intangible Assets	35	-
Heritage Assets	3	-
Sources of Finance:		
Government grants and other contributions	(13,768)	(15,214)
Sum set Aside from Revenue:		
Direct revenue contributions	(5,563)	(6,072)
Loans fund principal	(11,236)	(11,412)
Closing Capital Financing Requirement	341,891	351,980
Explantions of movements in year:		
Increase/(decrease) in underlying need to borrow (supported by government financial assistance)	20,729	10,090
Increase/(decrease) in Capital Financing Requirement	20,729	10,090

Note 38 Capitalisation of Borrowing Costs

Borrowing costs of £1.076m have been capitalised during 2021/22 (2020/21 £2.226m), using a capitalisation rate of 3.76%.

Note 39 Leases

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

Council as Lessee

Finance Leases

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

The Council leases office equipment under finance leases, accounted for as part of Property, Plant and Equipment. The net carrying amount of these assets at 31 March 2022 is £0 (31 March 2021 £0)

Note 39 Leases (continued)

Outstanding obligations under finance leases as 31 March 2021:

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

Outstanding obligations under finance leases at 31 March 2022:

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

Operating Leases

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

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

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

	2020/21	2021/22
	£000	£000
Not later than one year	25	38
Later than one year and not later than five years	101	148
Later than five years	1,329	1,372
Total	1,455	1,558

The future minimum sublease payments expected to be received by the Council are £0.002m (2020/21 £0.036m).

The expenditure charged to the CIES during the year in relation to minimum lease payments was £0.038m (2020/21 £0.054m).

Note 39 Leases (continued)

Council as Lessor

Operating Leases

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

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

	2020/21	2021/22
	£000	£000
Not later than one year	918	758
Later than one year and not later than five years	2,791	2,782
Later than five years	30,863	31,940
Total	34,572	35,480

Note 40 Public Private Partnership and Similar Contracts

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

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

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

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

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

Educational Services PPP Scheme

In 2011/12, the Council entered into a 30 year PPP contract for the construction, maintenance and operation of two schools in Keith and Elgin. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition. The annual unitary charge in 2021/22 was £5.170m (2020/21 £5.114m).

Educational Services DBFM Contract

In 2017/18, the Council entered into a 25 year DBFM contract for the construction, maintenance and operation of a new school in Elgin. The contractor took on the obligation to construct the school and maintain it in a minimum acceptable condition. The Annual Service Charge in 2021/22 was £2.545m (2020/21 £2.535m).

Note 40 Public Private Partnership and Similar Contracts (continued)

Property, Plant and Equipment

	2020/21 £000	2021/22 £000
Cost or valuation		
at 1 April	74,874	74,876
Additions	2	49
Transfers from assets under construction	-	-
Revaluations	-	14,351
	74,876	89,276
Accumulated Depreciation		
At 1 April	5,325	7,994
Revaluations	-	-
Depreciation charge	2,669	2,670
Depreciation write back	-	(10,664)
	7,994	-
Net Book Value	66,882	89,276

Payments

Under the contracts the Council makes agreed payments each year which are increased by inflation. They can be reduced if the contractors fail to meet availability and performance standards in any year but are otherwise fixed. Payments remaining to be made under the contract at 31 March 2022 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2022/23	1,184	1,500	3,780	6,464
Payable within 2 to 5 years	4,734	5,952	14,120	24,806
Payable within 6 to 10 years	5,918	9,483	15,065	30,466
Payable within 11 to 15 years	5,919	13,992	11,047	30,958
Payable within 16 to 20 years	5,909	20,826	5,126	31,861
Payable within 21 to 25 years	134	1,078	61	1,273
Total	23,798	52,831	49,199	125,828

Note 40 Public Private Partnership and Similar Contracts (continued)

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

	2020/21	2021/22
	£000	£000
Balance outstanding at start of year	55,817	54,360
Payments during the year	(1,457)	(1,529)
Capital expenditure incurred in the year	-	-
Balance outstanding at year-end	54,360	52,831

Note 41 Pension Schemes Accounted for as Defined Contribution Schemes

The Council participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary.

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

As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the scheme at a level to meet the cost of pensions as they accrue. It is not possible, however, for the Council to identify a share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of the annual accounts it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension during the year ending 31 March 2021, the Council's own contributions equate to approximately 1.4%.

In 2021/22 the amount payable to the Scottish Government in respect of teachers' retirement benefits was £9.787m of which £1.194m was outstanding at 31 March 2022. The amount payable represents 23% of pensionable pay. In 2020/21 the amounts payable were £9.787 of which £0.848m was outstanding at 31 March 2021.

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

Note 42 Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two schemes:

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

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 42 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:

	Pension Scheme		Benefits	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement Cost of Services:				
Current Service Cost	22,296	30,278	-	-
Past Service Cost	-	-	-	-
Curtailement Cost	10	-	-	-
Settlement Cost	154	-	-	-
Administration Expenses	282	304	-	-
	22,742	30,582		
Financing and Investment Income and Expenditure:				
Net Interest Expense	2,055	639	340	288
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	24,797	31,221	340	288
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets	(167,207)	3,161	-	-
Actuarial gains/(losses) arising from changes in financial assumptions	116,877	(14,224)	1,427	(79)
Actuarial gains/(losses) arising from demographic changes	(1,840)	(4,037)	(51)	(72)
Other	(13,738)	1,920	(1,144)	39
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(41,111)	18,041	572	176
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(24,797)	(31,221)	(340)	(288)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	13,606	14,673	-	-
Retirement benefits payable to pensioners	-	-	984	968

Note 42 Defined Benefit Pension Schemes (continued)

Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme		Discretionary Benefits	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Present Value of the defined benefit obligation	(776,355)	(794,705)	(14,260)	(13,468)
Fair value of plan assets	738,652	753,634	-	-
Net liability arising from defined benefit obligation	(37,703)	(41,071)	(14,260)	(13,468)

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

	Local Government Pension Scheme		Discretionary Benefits	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Opening Balance at 1 April	652,201	776,355	14,672	14,260
Current Service Cost	22,296	30,278	-	-
Interest Cost	15,489	16,181	340	288
Contributions from scheme participants	4,257	4,586	-	-
Remeasurement (gains)/losses:				
Actuarial (gains)/losses arising from changes in financial assumptions	116,877	(14,224)	1,427	(79)
Actuarial (gains)/losses arising from demographic changes	(1,840)	(4,037)	(51)	(72)
Other	(13,738)	1,920	(1,144)	39
Past Service Cost	-	-	-	-
(Gains)/Losses on curtailment/settlements	(1,276)	-	-	-
Benefits paid	(17,911)	(16,354)	(984)	(968)
Closing Balance at 31 March	776,355	794,705	14,260	13,468

Note 42 Defined Benefit Pension Schemes (continued)

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

	Local Government Pension Scheme		Discretionary Benefits	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Opening fair value of scheme assets	559,781	738,652	-	-
Interest Income	13,434	15,542	-	-
Remeasurement Gains:				
The return on plan assets, excluding the amount in the net interest expense	167,207	(3,161)	-	-
The effect of settlements	(1,440)	-	-	-
Contributions from employer	13,606	14,673	984	968
Contributions from employees into the scheme	4,257	4,586	-	-
Benefits paid	(17,911)	(16,354)	(984)	(968)
Other - administration expenses	(282)	(304)	-	-
Closing value of scheme assets	738,652	753,634	-	-

Local Government Pension Scheme assets comprised:

Fair value of scheme assets

31 March 2021	Quoted	Prices	Total
	Prices in	not	
	Active	Quoted in	
	Markets	Active	
	£000	Markets	£000
UK Equities	187,765	-	187,765
Overseas Equities	249,148	-	249,148
UK Government Bonds	29,546	-	29,546
Other Government Bonds	7,534	-	7,534
Other UK Bonds	370	-	370
Other non UK Bonds	6,574	-	6,574
Property	-	42,029	42,029
Private Equity	-	180,231	180,231
Global Infrastructure	13,665	-	13,665
Cash Instruments	-	21,790	21,790
Total Assets	494,602	244,050	738,652

Note 42 Defined Benefit Pension Schemes (continued)

	Quoted Prices in Active Markets	Prices not Quoted in Active Markets	Total
31 March 2022	£000	£000	£000
UK Equities	162,256		162,256
Overseas Equities	289,622		289,622
UK Government Bonds	61,798		61,798
Property	-	49,137	49,137
Private Equity	-	155,551	155,551
Global Infrastructure	13,038		13,038
Cash Instruments	-	22,232	22,232
Total Assets	526,714	226,920	753,634

Basis for Estimating Assets and Liabilities

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

The most recent actuarial valuation was carried out as at 31 March 2020 and has been updated by Mercer Limited, independent actuaries to the North East Scotland Pension Fund (NESPF), to take account of the requirements of IAS 19 in order to assess the liabilities of the Pension Funds as at 31 March 2022. The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits	
	2020/21	2021/22	2020/21	2021/22
Mortality Assumptions:				
Longevity at 65 for current pensioners				
Men	21.5	21.5	21.5	21.5
Women	24.2	24.2	24.2	24.2
Longevity at 65 for future pensioners				
Men	23.1	23	-	-
Women	26.3	26.3	-	-
Rate of Inflation	2.70%	3.30%	2.70%	3.50%
Rate of increase in salaries	4.20%	4.80%	-	-
Rate of increase in pensions	2.80%	3.40%	2.80%	3.60%
Rate for discounting scheme liabilities	2.10%	2.80%	2.10%	2.80%

Note 42 Defined Benefit Pension Schemes (continued)

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

	Increase in Assumption	Decrease in Assumption
	£000	£000
Impact on the Defined Benefit Obligation in the Scheme		
Longevity (increase or decrease in 1 year)	24,170	(24,170)
Rate of inflation (increase or decrease by 0.1%)	14,337	(14,337)
Rate of increase in salaries (increase or decrease by 0.1%)	1,695	(1,695)
Rate of increase in pensions (increase or decrease by 0.1%)	(14,085)	14,085

Funding Strategy Statement

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

The Pensions Committee's long-term funding objective is to achieve and maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis. The current actuarial valuation of the Fund is effective as at 31 March 2020 and the results indicate that overall the assets represented 103% of projected accrued liabilities at the valuation date.

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

The asset proportions of the Fund at 31 March 2022, with March 2021 in brackets were: equities, including alternatives 82.33% (85.4%), bonds 8.2% (5.96%), property 6.52% (5.69%) and cash 2.95% (2.95%). Given the current positive funding position of the Fund, a new investment strategy has been approved by the Pensions Committee from 1 April 2020 to reduce reliance on the volatile global equities market and increase allocation to both bonds and other protection and income asset classes.

Impact on the Council's Cash Flows

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

The projected employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2022 is £14.672m. Expected contributions for the Discretionary Benefits in the year to 31 March 2022 are £0.968m.

The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2022 valuation is 18 years.

Note 43 Contingent Liabilities

Bilbohall South Land

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

Both the Council and GHA agreed to alter the missives to extend the buy-back period until 31 March 2023. In agreeing to the extension to the buy-back period both parties sought consent of the Scottish Government, which has assumed administrative responsibility for the grant given to GHA to purchase the site.

A masterplan for development of a wider area at Bilbohall has been finalised. The planning application was considered and approved at the meeting of Planning and Regulatory Services Committee on 23 March 2021. A tender for the contract was published in March 2021 but this resulted in no tenders being received with volatility in the supply chain cited as the reason. The same tender was reissued in December 2021 with a return date of 19 April 2022. The development continues to feature prominently in the Strategic Housing Investment Plan approved in December 2021, with high priority for allocation of Scottish Government More Homes Division Funding.

Building Dilapidations

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

Scottish Child Abuse Enquiry

The Scottish Parliament finalised a redress scheme in March 2021 in relation to claims from survivors of abuse in Scotland and the scheme is expected to commence later in 2021.

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 is aware of two claims for asbestos related illness and is aware of others which may be pursued at a later date. Work is currently ongoing with other neighbouring Local Authorities on the detail of these. At the moment the extent of any costs to the Council is unknown, but could be significant.

Energy from Waste Project

Construction of the joint Local Authority Energy from Waste (EfW) plant in Aberdeen was impacted by the first national lockdown resulting from the Covid-19 pandemic. Under the terms of the agreement the primary supplier is permitted to claim for exceptional costs associated with a delay outwith their control. The Project Board, representing the Local Authorities' interests, is in commercial negotiations as to the value of this claim. Until these negotiations progress to a later stage it is not possible to quantify the liability, which the Council would share with project partners Aberdeenshire and Aberdeen City Council.

Note 44 Nature and Extent of Risks Arising From Financial Instruments

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

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

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

Note 44 Nature and Extent of Risks Arising from Financial Instruments (continued)

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

Credit Risk

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

The credit criteria in respect of financial assets held by the Council at 31 March 2022 are detailed below.

Financial Asset Category	Criteria
Banks	Long-Term BBB+
Building Societies	Long-Term BBB+
Money Market Funds	Long-Term 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.

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

	Estimated maximum exposure to default and uncollectability	Amounts at 31 March 2022	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2022	Estimated maximum exposure to default and uncollectability
	£000	£000	%	%	£000
Customers	3,063	3,102	14.21	14.21	441
Total	3,063	3,102			441

Debtors

The Council does not generally allow credit for customers. As a result, £2.830m of the £3.102m balance is past its due date for payment (2020/21 £2.797m). The past due but not impaired amount can be analysed by age as follows:

Note 44 Nature and Extent of Risks Arising from Financial Instruments (continued)

Debtors

	2020/21	2021/22
	£000	£000
Less than six months	1,576	1,652
Six months to one year	416	359
More than one year	805	819
Total	2,797	2,830

The impairments made, analysed by age are as follows:

	2020/21	2021/22
	£000	£000
Less than six months	-	-
Six months to one year	208	180
More than one year	805	819
Total	1,013	999

Liquidity Risk

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

Although the Council has 27.63% of its current debt maturing within the period 2051/52 to 2055/56, it is continually reviewing its borrowing position to minimise the financial impact of debt maturing at any one time in the future and possibly exposing the Council to unfavourable interest rates. With the assistance of its treasury advisers, the Council manages this risk through prudent planning of new loans taken out where economic to do so.

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

	2020/21		2021/22	
	£000		£000	
		Average Rate		Average Rate
Repayment less than 1 year	85,539	2.41%	75,973	2.49%
Repayment between 1 and 2 years	7,696	2.49%	8,035	2.16%
Repayment between 2 and 5 years	21,479	2.83%	17,710	2.84%
Repayment between 5 and 10 years	21,718	3.48%	22,356	4.49%
Repayment between 10 and 15 years	19,657	6.13%	15,606	6.20%
Repayment in more than 15 years	97,889	5.45%	97,077	5.83%
	253,978		236,757	

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

Note 44 Nature and Extent of Risks Arising from Financial Instruments (continued)

Market Risk

Interest Rate Risk

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

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

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

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

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

The Council has a strategy for assessing interest rate exposure. The analysis will advise whether new borrowing taken out is fixed or variable. During 2021/22 the Council did take out several variable rate temporary borrowing loans.

According to this assessment strategy, at 31 March 2022, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2020/21	2021/22
	£000	£000
Increase in interest payable on variable rate borrowing	474	127
Impact on Comprehensive Income and Expenditure Statement	474	127

Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost for the year ended 31 March 2022 of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2020/21	2021/22
£000	£000
Income	
(19,518) Dwelling Rents	(20,555)
(190) Non Dwelling Rents	(187)
(502) Other Income	(487)
<u>(20,210) Total Income</u>	<u>(21,229)</u>
Expenditure	
3,982 Supervision and Management	4,460
6,757 Repairs and Maintenance	7,305
196 Bad and Doubtful Debts	151
8,475 Depreciation and Impairment of Non-Current Assets	9,178
(13,896) Revaluation losses on Non-Current Assets	(7,359)
45 HRA Share of Corporate and Democratic Core Costs	41
464 Other Expenditure	463
<u>6,023 Total Expenditure</u>	<u>14,239</u>
(14,187) Net Cost of HRA Services	(6,990)
2,893 Interest Payable and Similar Charges	2,824
(4) Interest and Investment Income	(35)
56 Net Interest on the Defined Benefit Liability	21
(2,279) Capital Grants and Contributions Receivable	(1,165)
<u>(13,521) (Surplus)/Deficit for the Year on HRA Services</u>	<u>(5,345)</u>

Movement on the Housing Revenue Account Statement

2020/21 £000	2021/22 £000
(13,521) (Surplus)/Deficit for the Year on the HRA Income and Expenditure Account	(5,345)
(3,335) Adjustments to Usable Reserves permitted by Accounting Standards	(4,468)
Adjustments between accounting basis and funding basis under regulations	
96 Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with statute	96
5,398 Capital expenditure funded by the Housing Revenue Account	5,522
(272) HRA share of contributions to/(from) the Pensions Reserve	(407)
(9) Employee Statutory Adjustment Account	4
Transfers to/from the Capital Adjustment Account:	
(5,140) Depreciation and Impairment of Non-Current Assets	(4,710)
13,896 Revaluation losses on Property, Plant and Equipment	7,359
1,283 Loans fund principal repayments	1,377
2,279 Capital Grants applied	1,165
17,531 Net Decrease Before Transfers to Reserves	593
Transfers to/(from) Reserves	
1 IORB and Statutory Funds	9
(858) Transfers from the General Fund as directed by the Minister	(659)
(857)	(650)
(182) (Increase)/decrease in the year on the HRA	(57)
(2,219) Housing Revenue Account Balance Brought Forward	(2,401)
(2,401) Housing Revenue Account Balance Carried Forward	(2,458)

Notes to the Housing Revenue Account

1. Number and Type of Dwelling House

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

		2020/21	2021/22
		Number of Dwellings	Number of Dwellings
Bedsit	Houses and Bungalows	20	20
	Flats and Maisonettes	24	24
1 bedroom	Houses and Bungalows	1,079	1,079
	Flats and Maisonettes	699	711
2 bedroom	Houses and Bungalows	2,212	2,221
	Flats and Maisonettes	687	691
3 bedroom	Houses and Bungalows	1,248	1,267
	Flats and Maisonettes	99	99
4 or more bedroomed	Houses and Bungalows	173	175
Total		6,241	6,287

2. Rent Arrears

The total rent arrears, including rents outstanding from former tenants, as at 31 March 2022 was £0.794m which is 3.86% of gross rental income. This is equivalent to £126.21 per house (2020/21 £0.656m, 3.36%, £105.13).

3. Impairment of Debtors

The provision for uncollectable debts has decreased by £0.008m (increase in 2020/21 £0.055m). The total provision for uncollectable debts including rechargeable repairs is £0.274m (2020/21 £0.282m).

4. Voids

The loss of rental on void properties for the year was £0.266m (2020/21 £0.252m).

Council Tax Income Account

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

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

2020/21		2021/22
£000		£000
59,642	Council Tax Levied and Contributions in Lieu	60,143
	Deduct:	
(4,243)	Local Council Tax Reduction Scheme	(4,016)
(8,937)	Other discounts and reductions	(8,983)
46,462	Total for Year	47,144
	(98) Council Tax adjustment in respect of prior years	(54)
	(633) Allowance for impairment of uncollectable debts	(1,111)
45,731	Transfers to General Fund	45,979

Council Tax Levy

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

The new powers came into effect on 1 April 2013 and Moray Council decided to use these new powers to introduce an additional levy on properties which have been unoccupied for more than twelve months. This additional levy was set at 50% from 1 April 2014 rising to 100% from 1 April 2015. During 2020/21 Moray Council collected £0.4m (2019/20 £0.4m) from the implementation of this policy. This amount is included in the figures above.

Council Tax Income Account (continued)

Calculation of Council Tax Base

Number of Dwellings

	Number of Dwellings	Number of Exemptions/Reliefs	Discounts		Total Equivalent Dwellings	Ratio to Band D
			25%	Other		
Band A	11,994	794	1,518	247	9,435	6/9
Band B	10,532	494	997	225	8,816	7/9
Band C	7,105	409	542	148	6,006	8/9
Band D	6,621	498	409	112	5,602	9/9
Band E	6,376	237	304	105	5,730	473/360
Band F	2,398	63	79	45	2,211	585/360
Band G	705	24	22	23	636	705/360
Band H	107	54	1	4	48	882/360
	45,838	2,573	3,872	909	38,484	

Calculation of Council Tax

In 2020/21, the charges for each band were as follows:

Band	Property Value	Number of Properties	Council Tax Charge
		£	£
A	Up to 27,000	9,435	£881.91
B	27,000 - 35,000	8,816	£1,028.90
C	35,001 - 45,000	6,006	£1,175.89
D	45,001 - 58,000	5,602	£1,322.87
E	58,001 - 80,000	5,730	£1,738.11
F	80,001 - 106,000	2,211	£2,149.67
G	106,001 - 212,000	636	£2,590.62
H	Above 212,000	48	£3,241.03

Non-Domestic Rate Income Account

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

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

In 2021/22 the rate poundage was 49.0p (49.8p in 2020/21). In 2020-21 the government amended the supplements paid by properties with a rateable value in excess of £0.051M: for properties with rateable values of £0.051M to £0.095M, an Intermediate Property Supplement of 1.3p was introduced; properties with rateable values in excess of £0.095M incurred a Large Property Supplement of 2.6p.

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

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

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

2020/21	2021/22
£000	£000
62,962 Gross Rates Levied	61,478
Deduct:	
(20,716) Reliefs and Other Deductions	(15,959)
(3) Payment of interest	-
(1) Write-offs of uncollectable debts and allowance for impairment	-
<u>42,242</u> Net Non-Domestic Rate Income	<u>45,519</u>
(2,184) Adjustments to previous years' National Non-Domestic Rates	(7,935)
40,058	37,584
(1,859) Business Rates Incentivisation Scheme (BRIS) retention	(23)
(9,191) Contribution (to)/from National Pooling	3,676
<u>29,008</u> Guaranteed Rate Income	<u>41,237</u>
1,859 BRIS retention	23
<u>30,867</u> Amount credited to the Comprehensive Income and Expenditure Statement	<u>41,260</u>

Non-Domestic Rate Income Account (continued)

Analysis of Rateable Values and Numbers of Entries at 1 April 2021

	Number of Entries	2021/22 Rateable Value £000
Shops	923	19,102
Public Houses	58	1,089
Offices (including Banks)	504	5,914
Hotels, Boarding Houses, etc.	111	3,171
Industrial and Freight Transport Subjects	1,278	53,478
Leisure, Entertainment Caravans and Holiday Sites	847	4,203
Garages and Petrol Stations	122	1,397
Cultural	19	213
Sporting Subjects	565	677
Education and Training	82	7,603
Public Service Subjects	276	16,639
Communications (Non-Formula)	16	1,406
Quarries, Mines, etc.	34	380
Petrochemical	5	713
Religious	154	1,166
Health Medical	52	2,202
Other	431	698
Care Facilities	52	1,937
Advertising	18	33
Undertaking	22	4,215
	5,569	126,236

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

Trust Funds

The Council administers 37 trust funds, acting as sole trustee for 33 trusts and as one of several trustees for a further 4 funds. These accounts do not represent a charge to Council Tax payers but form part of the statutory reporting requirements of the Council. They represent funds set up by various individuals and organisations for the benefit of the community or organisations within the Moray area.

The statements below summarise the trust funds' income and expenditure for the year and the funds' assets and liabilities at 31 March 2022.

Trust Reorganisation

The Council recently undertook a review of its trusts, in consultation with the Office of the Scottish Charities Regulator (OSCR), and restructured its charitable trusts in order to create a smaller number of trusts with improved governance arrangements and with the opportunity to maximise the use of these resources to the benefit of the citizens of Moray. In August 2016, The Moray Council Charitable Trust (TMCCT) was awarded charitable status under the Charities and Trustee Investment (Scotland) Act 2005. The trusts being reorganised into this new single trust will be utilised, as far as possible, in a manner consistent with the original trust purposes. To date, 24 trusts have been approved by OSCR for reorganisation into TMCCT and this is reflected in the accounts and notes on the following pages. The process of reorganisation is ongoing.

Accounting Policies

Basis of Preparation

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

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

The financial statements for the non-charitable trusts have been prepared in accordance with the code of practice on Local Authority Accounting in the United Kingdom 2020/21.

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

Investment Income

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

Resources expended

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

Investments

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

Trust Funds Income and Expenditure Account

2020/21			2021/22	
Connected Charitable	Other		Connected Charitable	Other
£000	£000		£000	£000
		Income		
(22)	(90)	Investment Income	(24)	(102)
-	(77)	Property Rental Income	-	(50)
-	(45)	Gain on Revaluation of Fixed Assets	-	(212)
(114)	(472)	Surplus on revaluation of Available for Sale Financial Assets	(43)	(173)
-	(2)	Other Income	-	(2)
(136)	(686)	Total Income	(67)	(539)
		Expenditure		
14	50	Beneficiaries	11	62
13	8	Administration	6	8
-	44	Other Costs	-	42
-	173	Loss on Disposal of Fixed Assets	-	-
-	122	Depreciation	-	130
27	397	Total Expenditure	17	242
(109)	(289)	(Surplus)/Deficit for the year	(50)	(297)
114	132	Items not Chargeable to Revenue Reserves	43	255
5	(157)	(Increase)/Decrease in Revenue Reserves	(7)	(42)

Trust Funds Balance Sheet

2020/21				2021/22	
Connected Charitable	Other			Connected Charitable	Other
£000	£000			£000	£000
-	5,048	Property, Plant and Equipment	Note 1	-	5,130
-	80	Investment Properties	Note 3	-	80
557	2,306	Long Term Investments	Note 4	600	2,479
557	7,434	Long Term Assets		600	7,689
1	3	Debtors		1	5
424	1,791	Loans Fund Balance		433	1,836
425	1,794	Current Assets		434	1,841
(5)	(13)	Creditors		(7)	(18)
(5)	(13)	Current Liabilities		(7)	(18)
977	9,215	Net Assets		1,027	9,512
-	3,242	Capital Adjustment Account		-	3,242
-	1,862	Revaluation Reserve		-	1,944
312	1,292	Financial Instruments Adjustment Account		355	1,465
665	2,819	Revenue Balance		672	2,861
977	9,215	Total Reserves		1,027	9,512

Notes to the Trust Fund Accounts

Note 1 Property, Plant and Equipment

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

Property, plant and equipment is classified into groupings required by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Assets have been valued on the following basis:-

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

Depreciation:

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

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

Movements of property, plant and equipment were as follows:

2020/21

	Other Land and Buildings	Community Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2020	5,681	15	5,696
Revaluations	(4)	-	(4)
Additions	-	-	-
Disposals	(288)	-	(288)
Gross Book Value at 31 March 2021	5,389	15	5,404
Accumulated Depreciation at 1 April 2020	296	-	296
Revaluations	(49)	-	(49)
Disposals	(13)	-	(13)
Charge for the Year	122	-	122
Depreciation at 31 March 2021	356	-	356
Net Book Value at 31 March 2021	5,033	15	5,048

2021/22

	Other Land and Buildings	Community Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2021	5,389	15	5,404
Revaluations	127	-	127
Additions	-	-	-
Disposals	-	-	-
Gross Book Value at 31 March 2022	5,516	15	5,531
Accumulated Depreciation at 1 April 2021	356	-	356
Revaluations	(85)	-	(85)
Disposals	-	-	-
Charge for the Year	130	-	130
Depreciation at 31 March 2022	401	-	401
Net Book Value at 31 March 2022	5,115	15	5,130

107

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.

	Estimated number of assets 31 March 2022
Assets Excluded from Heritage Assets	
Monuments and Fountains	2

Note 3 Investment Properties

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

	2020/21	2021/22
	£000	£000
Balance at start of the year	80	80
Net gains/(losses) from fair value adjustments	-	-
Balance at end of the year	80	80

Note 4 Trust Details

Funds for which The Moray Council act as Sole Trustee

<u>Fund</u>	Income	Expenditure	Assets	Liabilities
	£000	£000	£000	£000
Registered Charitable Trusts				
6 Registered Charitable Trusts, each with Assets less than £50,000	(2)	1	56	(1)
The Moray Council Charitable Trust	(5)	2	253	(1)
<i>Established to reorganise trusts with out of date purposes. 23 trusts were approved for reorganisation in 2020/21. Split into sub categories by location and purpose.</i>				
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>	(60)	14	725	(5)
	(67)	17	1,034	(7)
Other Trusts				
5 Non Registered Trusts, each with Assets less than £50,000	(3)	1	84	-
Longmore Hall <i>Village Hall for the use of the community</i>	-	31	1,060	-
Glenisla Comforts Fund <i>For the benefit of the residents of Glenisla Care Home</i>	(12)	-	169	-
John Pringle Bequest <i>For the benefit of students at Aberdeen University who have previously attended Elgin Academy</i>	(4)	-	54	-
Speyside Comforts Fund <i>For the benefit of the residents of Speyside Nursing Home</i>	(5)	-	75	-
The Pringle Trust <i>Established to make payments annually to Ministers, serving and emeriti of the Church of Scotland, Baptist and Free Church of Scotland</i>	(2)	2	104	-

Note 4 Trust Details (continued)

<u>Fund</u>	Income	Expenditure	Assets	Liabilities
	£000	£000	£000	£000
William Lawtie <i>For the Poor of Cullen</i>	(3)	-	203	-
The MacDonald Benevolent Fund <i>Established in 1989 for persons in need of financial assistance particularly in Dufftown as decided by the Social Work Department</i>	(11)	-	298	-
Milne's Institution Trust <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>	(28)	7	322	(7)
Laing Mortification <i>For the benefit of a decayed merchant resident in Elgin.</i>	(6)	-	315	-
Craigmoray Bequest (Bishopmill) <i>For the benefit of the residents of Craigmoray Care Home</i>	(30)	-	479	-
Ladyhill Public Trust <i>Provides homes for two veterans from the Elgin area</i>	(11)	9	110	-
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>	(77)	14	656	-
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>	(25)	36	392	-
River Lossie Public Trust <i>Established mid 1800's to provide ground for recreation for the people of Elgin</i>	(118)	34	1,024	-
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>	(33)	26	965	-
Miltonduff Hall <i>Established to provide space for local groups for education, recreation etc</i>	-	8	357	-

Note 4 Trust Details (continued)

<u>Fund</u>	Income £000	Expenditure £000	Assets £000	Liabilities £000
Logie Cottage <i>Established to provide a free home or house of rest to a respectable retired couple or single woman in Forres</i>	(2)	-	88	-
Fife Park, Keith Public Trust <i>Trust incorporating the playing field, pavilion and public convenience</i>	-	2	49	-
Fleming Hall Aberlour	-	13	577	-
	<u>(336)</u>	<u>377</u>	<u>7,189</u>	<u>-</u>
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>	(64)	22	850	(1)
	<u>(64)</u>	<u>22</u>	<u>850</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>	(32)	9	389	(8)
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>	(8)	3	107	(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>	(65)	25	802	-
	<u>(105)</u>	<u>37</u>	<u>1,298</u>	<u>(10)</u>
<u>Fund</u>	<u>Income £000</u>	<u>Expenditure £000</u>	<u>Assets £000</u>	<u>Liabilities £000</u>
Summary				
Connected Charitable Trusts	(67)	17	1,034	(7)
Other Trusts	(539)	242	9,530	(18)
Total	<u>(606)</u>	<u>259</u>	<u>10,564</u>	<u>(25)</u>

Common Good Funds

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

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

The Accounts for Common Good have been prepared according to the LAASAC Guidance *Accounting for Common Good (December 2007)* which is consistent with proper accounting required by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Accounting Policies

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

Common Good Funds Income and Expenditure Account

31 March 2021		31 March 2022
£000		£000
	Income	
(5) Property		(7)
(125) Investment Income		(142)
(2) Other Income		(8)
- Gain on Disposal of Asset		(5)
(132)	Total Income	(162)
	Expenditure	
3 Property Costs		2
5 Administrative Costs		7
22 Donations, Grants etc		33
16 Other Costs		29
569 Depreciation	Note 1	564
1,125 Loss on Disposal of Asset		-
32 Net Movement in Fair Value of Investment Property		40
1,772	Total Expenditure	675
1,640	(Surplus)/Deficit for the Year	513
1,074	Deficit on revaluation of Non-current Assets	159
2,714	Total Comprehensive Net Expenditure	672

Common Good Funds Balance Sheet

31 March 2021		31 March 2022
£000		£000
14,555	Property, Plant & Equipment	Note 1 13,710
204	Heritage Assets	Note 2 204
2,334	Investment Property	Note 3 2,294
17,093	Long Term Assets	16,208
1	Inventories	1
8	Debtors	8
3,684	Loans Fund Balance	3,896
3,693	Current Assets	3,905
(7)	Creditors	(6)
(7)	Current Liabilities	(6)
20,779	Net Assets	20,107
14,749	Revaluation Reserve	13,904
6,030	Revenue Reserve	6,203
20,779	Total Reserves	20,107

31 March 2021		31 March 2022	
£000		Invested in Loans Fund £000	Total Funds £000
4,091	Buckie	1,573	4,058
196	Cullen	176	193
15	Dufftown	15	15
10,884	Elgin	1,602	10,515
3,221	Forres	462	3,197
52	Portknockie	52	52
295	Keith	12	298
1,492	Lossiemouth	-	1,257
533	Findochty	4	522
20,779	TOTAL	3,896	20,107

Notes to the Common Good Accounts

Note 1 Property, Plant and Equipment

Property, plant and equipment is valued on the basis recommended by CIPFA and the valuation report is produced by the Council's Estates Manager who is a Member of the Royal Institute of Chartered Surveyors. The assets are valued on a 5 year rolling programme and have been prepared in accordance with the provisions of the Royal Institution of Chartered Surveyors Valuation - Professional Standards January 2014. Property, plant and equipment is classified into groupings required by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Assets have been valued on the following basis:-

Other Land and Buildings	-	Existing Use Value (EUV) or Depreciated Replacement Cost (DRC)
Community Assets	-	Historic Cost where available
Surplus Assets	-	Market value
Assets Held for Sale	-	Lower of carrying amount and fair value less costs to sell

Depreciation

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

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

Surplus Assets - land is not depreciated

Movements of Property Plant and Equipment were as follows:

2020/21

	Other Land & Buildings £000	Surplus Assets £000	Assets Held For Sale £000	Total £000
Gross Book Value at 1 April 2020	17,853	325	-	18,178
Revaluations	(1,676)	-	-	(1,676)
Reclassifications	325	(325)	122	122
Disposals	(1,234)	-	-	(1,234)
Gross Book Value at 31 March 2021	15,268	-	122	15,390
Accumulated Depreciation at 1 April 2020	780	-	-	780
Revaluations	(480)	-	-	(480)
Disposals	(34)	-	-	(34)
Charge for the Year	569	-	-	569
Depreciation at 31 March 2021	835	-	-	835

Note 1 Property, Plant and Equipment (continued)

2021/22

	Other Land & Buildings £000	Surplus Assets £000	Assets Held For Sale £000	Total £000
Gross Book Value at 1 April 2021	15,268	-	122	15,390
Revaluations	44	(214)		(170)
Reclassifications	(271)	271		-
Disposals			(122)	(122)
Gross Book Value at 31 March 2022	15,041	57	-	15,098
Accumulated Depreciation at 1 April 2021	835			835
Revaluations	(4)	(7)		(11)
Reclassifications	(7)	7		-
Disposals				-
Charge for the Year	564			564
Depreciation at 31 March 2022	1,388	-	-	1,388
Net Book Value at 31 March 2022	13,653	57	-	13,710

Revaluations (2020/21 and 2021/22) include assets previously held on the General Services Account now identified as Common Good.

Note 2 Heritage Assets

This note details the movement in Heritage Assets during the years 2020/21 and 2021/22.

	Fine Art £000	Chains of Office £000	Total Heritage Assets £000
Valuation at 1 April 2020	125	79	204
Revaluations	-	-	-
At 31 March 2021	125	79	204
Valuation at 1 April 2021	125	79	204
Revaluations	-	-	-
At 31 March 2022	125	79	204

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

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

Assets excluded from Heritage Assets

	Estimated number of assets 31 March 2022
Monuments and Fountains	2
Nelson Tower	1

Note 3 Investment Property

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

	2020/21 £000	2021/22 £000
Rental income from investment property	50	63
Net gain	50	63

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

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

	2020/21 £000	2021/22 £000
Balance at start of the year	2,366	2,334
Net gains /(loss) from fair value adjustments	(32)	(40)
Balance at end of the year	2,334	2,294

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.

