



MORAY COUNCIL

28 JUNE 2023

The undernoted report(s) has been added to the agenda for the meeting of **Moray Council** at **9.30am**, in terms of Section 50B (4)(b) of the Local Government (Access to Information) Act 1985 by reason of special circumstances on the Chair accepting the report as urgent business.

NOTE REFERRED TO:-

7a. **Unaudited Accounts for 2022-23**

3-134



REPORT TO: MORAY COUNCIL ON 28 JUNE 2023

SUBJECT: UNAUDITED ANNUAL ACCOUNTS FOR 2022/23

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

1. REASON FOR REPORT

- 1.1 The Council is asked to consider the unaudited Annual Accounts for the year to 31 March 2023 for both Moray Council and the Connected Charity Trust Funds administered by the Council.

2. REASON FOR URGENCY

- 2.1 This report is submitted to Committee in terms of the Local Government (Access to Information) Act 1985, on the Chair certifying that, in his/her opinion it requires to be considered on the grounds of urgency in order to give consideration to the unaudited accounts prior to them being submitted to the external auditor, Audit Scotland. Due to pressure on resources it was not possible to complete preparation of the accounts earlier.

3. RECOMMENDATION

- 3.1 It is recommended that Council considers and notes the:-**

- (i) unaudited Annual Accounts for Moray Council for the year ended 31 March 2023; and**
- (ii) Moray Council Connected Charity Trust Funds Trustees' Report and Financial Statements for the year ended 31 March 2023.**

4. BACKGROUND

- 4.1 The unaudited Accounts for 2022/23 for the Council and for the Connected Charity Trust Funds administered by Moray Council are available as separate documents on the agenda. These documents will be posted to the Council's website after this meeting.

Moray Council Annual Accounts

- 4.2 These accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) which is underpinned by International Financial Reporting Standards (IFRS). They summarise the Council's financial transactions for the year to 31 March 2023.

- 4.3 The regulations require the unaudited Annual Accounts to be presented to the External Auditor by the 30 June and for the Council to consider by 31 August.
- 4.4 The Code requires the Council to set out a statement not only of its own financial position but also of the financial position of all the entities or activities for which the Council is responsible or in which it has a significant financial interest. These entities are encompassed in the Group Accounts, which are included in the Annual Accounts. The Group Accounts for 2022/23 include Trust Funds and Common Good Funds as entities or activities for which the Council is responsible and the Moray Integration Joint Board, Grampian Valuation Joint Board and Moray Leisure Limited as associate bodies.
- 4.5 There are four core Financial Statements: the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cash Flow Statement. Of these, the Statements most likely to be of interest to most users of the accounts are the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.
- 4.6 The Comprehensive Income and Expenditure Statement expresses the income and expenditure of the council over the past financial year in a format which complies with International Financial Reporting Standards. This includes entries relating to revaluation of assets and other entries which, by statute, cannot be charged to the Council Tax payer.
- 4.7 The Statement shows a surplus of £272.988 million, which includes a net increase of £60.399 million for the revaluation of the Council's assets plus an increase for the re-measurement of the defined benefit asset (liability in 2021/22) of the Council's share of the North East of Scotland Pension Fund of £231.985 million.
- 4.8 Removing these items leaves a deficit on the Provision of Services of £19.396 million. After adjustment for other items not chargeable to Council Tax or Housing Rent payers (e.g. depreciation), this "book deficit" equates to a surplus of £1.103 million. This is reflected in the Movement on Reserves Statement.
- 4.9 The Movement on Reserves Statement shows the movement on the different reserves held by the council, analysed into Unusable and Usable Reserves.
- 4.10 Unusable Reserves arise from accounting entries required to comply with International Financial Reporting Standards but which cannot impact on the level of Council Tax or Council House Rent payable. Unusable reserves decreased by £20.449 million.
- 4.11 Usable reserves accounting align with the basis on which the Council sets its budgets. They therefore show the direct financial impact for the Council Tax payer and Council House tenant. Usable reserves increased by £1.103 million per paragraph 4.8.
- 4.12 The net movement on the General Fund in 2022/23 was an overall increase of £0.289 million. Note 11 to the Accounts shows an analysis of the General Fund, which consists of a general service element (the free general reserve), the Devolved School Management (DSM) balance and various ear-marked

and otherwise restricted funds, the most significant of which is the ear-marked reserve for Covid-related expenditure, created in 2020/21 from Scottish Government funding for the pandemic unspent at the year end.

- 4.13 In setting the budget for 2022/23 the Council planned to use £8.44 million from the covid reserve. Following the decision to take a loans pool holiday, estimated use was revised downwards and in the event £0.638 million added to this reserve. The balance on DSM carried forward to 2023/24 was £0.436 million less than that carried forward into 2022/23. Unspent Pupil Equity Funding held in reserves decreased by £0.289 million. This funding is received on a financial year basis but spent on an academic year basis and so it is expected that there will be a balance at the end of the financial year. Other ear-marked funds show a net increase of £0.376 million.
- 4.14 The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2023. This includes pension liabilities falling due in future years, which will be financed by pension contributions through the Council's revenue expenditure. Council assets of £1,440.882 million, including the share of the defined pension asset of £161.095 million are offset by liabilities of £351.461 million, giving the council a net worth of £1,089.421 million, which represents the total value of the Council's usable and unusable reserves.
- 4.15 The Cash Flow Statement shows the movement in cash and cash equivalent during the financial year, a decrease of £4.375 million for 2022/23.

Connected Charity Trust Funds Administered by the Council

- 4.16 All 26 councillors as trustees are responsible for preparing the Trustees' Annual Report and the Financial Statements in accordance with applicable law and regulations. The law applicable to charities in Scotland requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period.
- 4.17 The financial statements for the Connected Charity Trust Funds have been prepared under the historical cost convention as modified by the inclusion of investments at fair value, in accordance with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice 2015 (FRS102) commonly referred to as the SORP.
- 4.18 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.
- 4.19 Moray Council administers 8 Registered Charitable Trusts for which it is sole trustee, with a total net worth at 31 March 2023 of £1.016 million (2022: £1.026 million).

- 4.20 Separate financial statements covering all the Council's charitable trusts are published on the council's website.

5. SUMMARY OF IMPLICATIONS

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

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

(b) Policy and Legal

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

The Council's accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 which is underpinned by International Financial Reporting Standards.

The Connected Charities unaudited financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the trust deed.

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

(c) Financial Implications

The Annual Accounts provide extensive information about the Council and its Connected Charity Trust Funds financial position at 31 March 2023.

(d) Risk Implications

There are no risk issues arising directly from this report. The Annual Accounts will be subjected to an audit by the council's External Auditors, Grant Thornton, who will provide assurance that the Accounts for 2022/23 give a true and fair view of the financial position and expenditure and income of the council and its group for the year.

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

(e) Staffing Implications

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

(f) Property

None.

(g) Equalities/Socio Economic Impact

There are no equalities issues arising directly from this report.

(h) Climate and Biodiversity Impact

There are no implications for climate or biodiversity arising from this report.

(i) Consultations

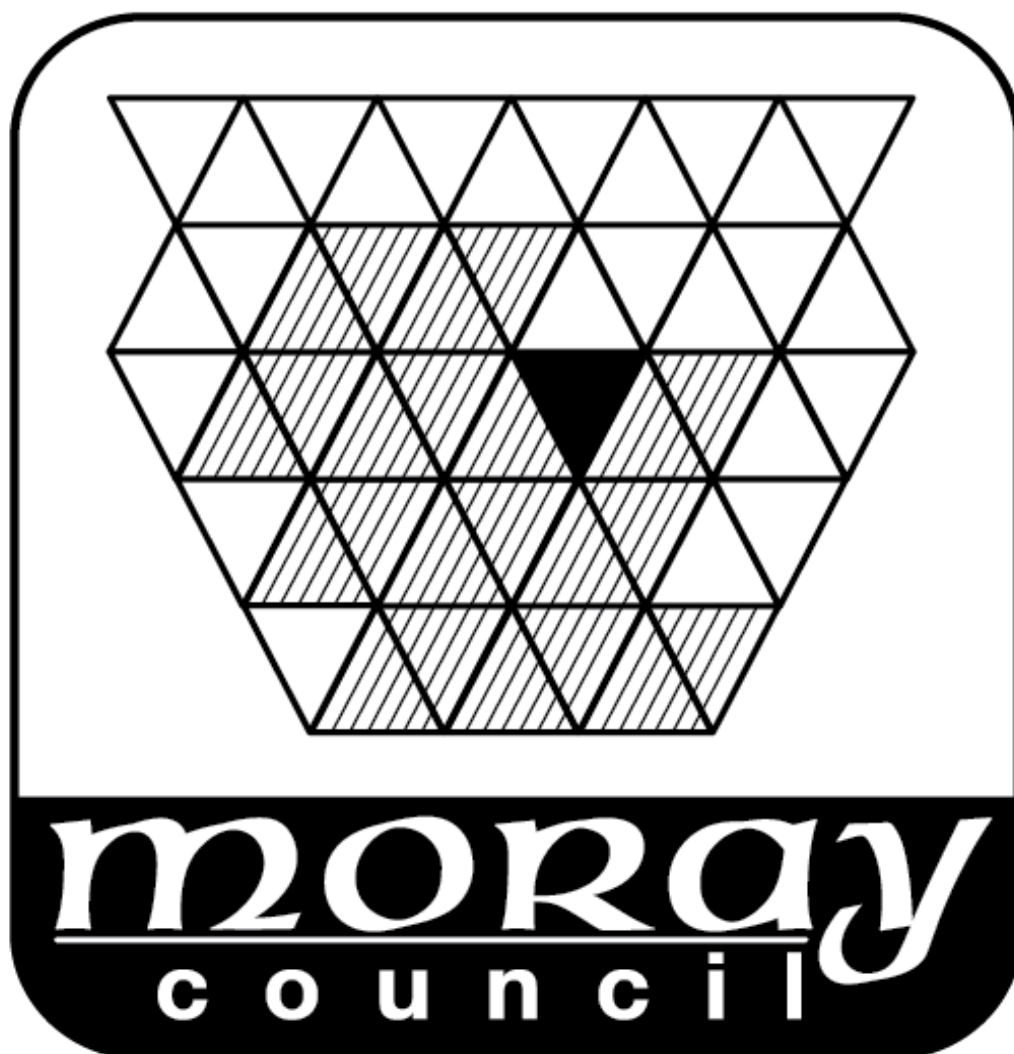
Finalising the Accounts does not involve consultation, but many staff throughout the Council are involved in providing information for inclusion in the Accounts.

6. CONCLUSION

6.1 The unaudited Annual Accounts shows the Council's financial position as at 31 March 2023. The audited accounts for 2022/23 will be submitted to a Council meeting in September 2023 along with any findings and recommendations from our external auditors, Grant Thornton.

| | |
|--------------------|--|
| Author of Report: | Lorraine Paisey, Chief Financial Officer |
| Background Papers: | |
| Ref: | LP/LJC/ <i>SPMAN-1293228629-864</i> |

UNAUDITED ACCOUNTS



ANNUAL ACCOUNTS FOR
THE YEAR ENDED

31 MARCH 2023

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 فالرجاء الإتصال بـ

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

The Annual Accounts are presented in four core statements:

Comprehensive Income and Expenditure Statement (CIES): what we spent on delivering services to the public during the year and how that expenditure was funded; any other changes in our net worth (for example as a result of revaluation of council assets).

Movement in Reserves Statement (MIRS): the balance of funding held for various purposes and how that has changed since last year.

Balance Sheet: the value of our assets and liabilities.

Cash Flow Statement: the movement of cash for the year.

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

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

This management commentary is to help those reading the Annual Accounts understand our financial performance in 2022/23. 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 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 changing 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 2022/23 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 aftermath of the Covid-19 pandemic has changed some of the ways in which we deliver our services and relate to our local businesses and communities, and the management commentary gives some context to this as well as identifying other significant influences on the Council as an organisation.

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. Following the May 2022 election, the Council was led by a minority Conservative administration. There are three groups of councillors: Conservative (eleven councillors reducing to nine following two members becoming Independents), SNP (nine councillors following a by-election), Labour (three councillors). There is one Scottish Green Party councillor, and four independent councillors.

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 heads of service (plus 2 NHS equivalent) and a workforce of 5,066, equivalent to around 3,800 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 and social work (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 has not been updated since February 2021. It will be updated in September 2023. General funding from Scottish Government has been reduced over the past 12 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. Regular reports on this are made to Council. Recent planning has focused also on our vision for the Council of the future.

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. The budgets for 2022/23 (General Fund revenue and capital and HRA revenue and capital) were approved by Council on 22 February 2022.

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 only). Successive freezes have reduced the proportion of our budget funded by Council Tax.

In addition to general grant funding we receive specific grant funding for certain services. Increasingly, general grant funding is linked to Scottish Government priorities such as teacher numbers. 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. COSLA estimate 65% of council expenditure in 2022/23 was directed or restricted by Scottish Government. Expenditure is driven by legislative requirements, government priorities and local priorities, as set out in the LOIP and in the Council's Corporate Plan.

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

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 2022/23 performance reports to committees, which also include service level performance information).

Education Resources and Communities:

Successes: developing strategic approaches to capital investment across the learning Estate and sports and leisure facilities.

Challenges: allocation of budget using Participatory Budgeting (dependent on other services' involvement).

Management Commentary (continued)

Education Services:

Successes: improvement in key attainment measures; including leaver attainment in literacy, numeracy and positive leaver destinations

Challenges: further improvement of attainment at key stages in the context of ongoing national reforms

Environmental and Commercial Services:

Successes: promoting active and green travel and an increase in electric car charging points

Challenges: none reported at Strategic level but at service level some delays in progress were noted including for the Energy from Waste Project, with running tests ongoing prior to full start up

Economic Development and Growth

Successes: developing a strategic support to funding opportunities, Hydrogen Strategy for Moray approved

Challenges: business new starts below target.

Housing and Property Services:

Successes: nothing at strategic level but at service level improvements to homelessness and voids processes were noted

Challenges: identification of land for industrial development

HR, ICT and Organisational Development:

Successes: revised Workforce Strategy and Plan approved.

Challenges: recruitment and retention challenges in some services

Governance, Strategy and Performance:

Successes: library information hubs implemented across Moray

Challenges: review of Local Outcome Improvement Plan

Financial Services:




Success: successful engagement with local suppliers and local award of meat contract

Challenges: Long to Medium Term financial strategy still to be reviewed


Key Performance Indicators (KPIs)



The KPIs below are for 2021/22 as these are the latest approved figures currently available across all services. As with the successes and challenges above, these are highlights, and a comprehensive performance report including 2022/23 figures will be published later this year. The Performance Report for 2020/21 can be found at

<http://www.moray.gov.uk/downloads/file148356.pdf>



| Short term trend | | | | | |
|---|-----------|---|-----------|---|---------------|
|  | Improving |  | No Change |  | Getting Worse |




Our People

| Children & Families | Target | 2022/23 | 2021/22 | 2020/21 | Short term trend |
|--|--------|------------|---------|---------|---|
| Percentage of leavers achieving 1+ awards at SCQF level 4 or above | 97% | March 2024 | 97.7% | 96.8% |  |




| | | | | | |
|--|-------|------------|-------|-------|---|
| Proportion of pupils entering positive destinations | 95% | March 2024 | 96.2% | 94.1% |  |
| Percentage of Looked After Children cared for in a community setting | 87.5% | 82% | 81.5% | 82.5% |  |

Management Commentary (continued)

| | | | | | |
|---|-----|------------|-----|-----|---|
| Percentage of Looked after leavers achieving 1+ awards at SCQF level 4 or above | 77% | March 2024 | 82% | 75% |  |
| Child Protection – Rate of registration (per 1,000 1-15 population) | 2.7 | 1.4 | 2.3 | 1.6 |  |





| Adults | Target | 2022/23 | 2021/22 | 2020/21 | Short term trend |
|--|--------|---------|---------|---------|--|
| Percentage of adults able to look after their health very well or quite well | 91% | N/A | 93% | 94% |  |
| Emergency admission rate (per 100,000 population) | 11,656 | N/A | 9,395 | 8,650 |  |
| Percentage of adults supported at home who agreed they felt safe | 80% | N/A | 72% | 79% |  |



Our Place

| | Target | 2022/23 | 2021/22 | 2020/21 | Short term trend |
|---|--------|---------|---------|---------|---|
| Number of Community Asset Transfers completed | 8 | 3 | 3 | 2 |  |
| Percentage of Participatory Budgeting (PB) expenditure achieved | 100% | 13.42% | 2.8% | 2.8% |  |
| Number of new Community Action Plans in place | 3 | 3 | 1 | 0 |  |

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; in 2022/23 we have achieved 13.42% of that target. Many plans to use PB in 2022/23 did not come to fruition, but areas where PB has been used have generally been considered to be successful.

Our Future

| | Target | 2022/23 | 2021/22 | 2020/21 | Short term trend |
|--|----------|----------|----------|---------|---|
| Economic impact of tourism, in Moray | Increase | £147.99m | £103.71m | £63.01m |  |
| Proportion of 16-29 year old in Moray population (NRS mid-year) | Increase | 15.3% | 15.3% | 15.1% |  |
| Proportion of people earning less than living wage (ASHE) Note (1) | Reduce | N/A | 19.4% | 21.5% |  |
| Median gross weekly earnings (excluding overtime) | Increase | N/A | £598.80 | £565.50 |  |

| | | | | | |
|---|---------|-------|---------|---------|---|
| Median gross weekly earnings – pay gap Note 2 | Improve | N/A | £170.80 | £165.60 |  |
| Modern Apprenticeship – achievement rate | 76% | 71.2% | 69.6% | 78.4% |  |

Note 1 Trend upwards as decreased percentage shows improving result.

Note 2 Trend downwards as increased amount shows a decreased result.

Management Commentary (continued)

Our People indicators – Education KPIs and children's social work KPIs are generally showing an improvement over the last year but adult care is showing a decrease.

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

Our Future indicators – a mix of improvement and decreases.

Management Commentary (continued)

Highlights of the year

May 2022

Our People



Mannachie Park community consultation

August 2022

Our people



80 Newly Qualified Teachers start with Moray Council

August 2022

Our people



NearMe appointments launch in Moray Libraries

February 2023

Our people



Sports kits for all launched

May 2022

Our place



Lossiemouth East Beach Bridge opens

June 2022

Our place



CAT for Garmouth Water Tower

Management Commentary (continued)

August 2022

Our place



Buckie Community Orchard officially opens

December 2022

Our place



Buckie's refurbished synthetic pitch opens

April 2022

Our future



Storm Arwen response prompts community resilience action plan updates

July 2022

Our future



Fresh food tender for school encourages local business applications

September 2022

Our future



Moray Council becomes Living Wage Accredited Employer

November 2022

Our future



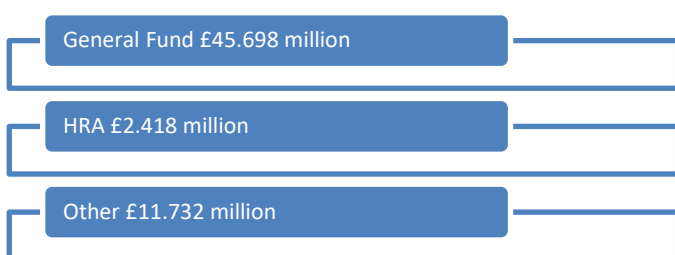
£880,000 awarded for Just Transition

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 2022/23 in the Comprehensive Income and Expenditure Statement (CIES) is £272.988 million (2021/2020: £121.836 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 £272.988 million shown in the CIES is the increase in overall reserves: an increase of £272.183 million in unusable reserves and £0.805 million usable reserves. Note 11 to the accounts further analyses the movement in the General Fund, showing a breakdown of the various ear-marked reserves (reserves set aside for specific purposes) and a balance of £5 million in free general reserves (2021/22 £5 million). The free general reserves are a cushion against unexpected events and the Council looks at various financial risks in setting the balance it requires to keep.

General fund revenue expenditure

We set the budget for 2022/23 on 22 February 2022. During the year the budget was revised, mainly to reflect additional funding from Scottish Government. The original and revised budgets and actual out-turn are set out below, with explanations of main variances on page 13:

| | 2022/23 We planned | We revised to | 2022/23 We out-turned | 2021/22 results |
|---|-----------------------|------------------|--------------------------|--------------------|
| | £m | £m | £m | £m |
| Expenditure | | | | |
| Departmental | 204.444 | 238.453 | 228.977 | 204.526 |
| Loans Fund | 13.707 | 19.000 | 12.244 | 19.702 |
| Additional provisions - monies held centrally | 22.581 | 0.774 | | |
| | <u>240.733</u> | <u>258.227</u> | <u>241.221</u> | <u>224.228</u> |
| Funded from: | | | | |
| SG Grant | 180.723 | 192.704 | 193.427 | 183.381 |
| BRIS | - | | | 0.023 |
| Council Tax | 46.555 | 46.555 | 47.687 | 45.979 |
| Use of reserves | 10.335 | 17.792 | | |
| Financial flexibilities | 3.120 | - | | (5.155) |
| | <u>240.733</u> | <u>258.227</u> | <u>241.114</u> | <u>224.228</u> |

The Council Tax Income Account in the Accounts for 2022/23 show Council Tax income of £48.375 million. £0.688 million was transferred to the HRA in respect of second homes and long-term empty dwellings (2021/22: £0.662 million). We collect Non Domestic Rates (NDR) on behalf of Scottish Government. NDR revenue is pooled at a national level then redistributed to councils as part of the government's grant funding for local authorities. Moray has 5,654 rateable properties (2021/22 5,569) with a combined rateable value of £124 million, a reduction of £2 million from 2021/22.

Management Commentary (continued)

Commentary on year-end position

Main reasons for variance from budget.

| | Amount |
|---|---------|
| Loans pool holiday | £7.583m |
| Underspend in services (see page 10) | |
| Staff vacancies | 2,049 |
| Additional income in services | 2.298 |
| DSM / PEF | 1,700 |
| Other underspends in services | 1,394 |
| Council Tax additional income | 1.132 |
| Central provisions unspent / additional savings | 0.774 |
| Interest on Revenue Balances | 0.715 |
| Other | 1.216 |
| Underspend for year against budget | 18.861 |

Ear marked reserves

Amount

Note 11 shows the detail of this Movement in Reserves:

Free general reserves – no movement, sits at policy minimum

Devolved School Management -reduction (£0.436m)

Pupil Equity Funding – reduction £0.289m

Transformation – no movement

Council priorities – no movement

Covid-19 – increase £0.638m

Other ear-marked reserves - increase £0.376 m

Total movement in general reserves - increase £0.289m

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. £2.2m movement into covid reserves arises from fund slippage in departments / late receipts – more than the net transfer in.

Management Commentary (continued)

Service expenditure

The adjustments to service expenditure from the accounting basis to the funding basis is shown in Note 8 to the accounts. The table below compares budgeted expenditure to actual expenditure on the funding basis and highlights the main reason for the variance in each service.

| Service | Budget £000s | Actual £000s | Reason for variance |
|---|-----------------|-----------------|--|
| Education | 78,538 | 77,123 | Mainly Devolved School (DSM) budgets and Pupil Equity Funds (PEF), all of which are carried forward in separate ear-marked reserves. DSM and PEF are spent across the academic year and carry forward is expected. |
| Education Resources and Communities | 25,494 | 23,718 | Mainly staff vacancies. Income from sports facilities above budget. |
| Children's Social Work Services | 18,225 | 16,382 | Reduced cost of care due to number and type of placements and delay in awarding contracts. Income from refugees will be carried forward. |
| General Services Housing and Property Service | 4,890 | 4,704 | Delay in implementing Rapid Rehousing Transition Plan – this will be carried forward to 2023/24. Additional income from Industrial Estates. |
| Environmental and Commercial Services | 28,102 | 27,885 | Income above budget in a number of areas. Overspend on winter maintenance due to worse weather than budgeted for. |
| Economic Growth and Development | 5,415 | 4,314 | Staff vacancies and delays in projects. Building Control and Planning fees above budget. |
| HR, ICT & OD | 5,935 | 5,829 | Staff vacancies and a number of minor underspends. |
| Financial Services | 2,079 | 1,279 | Interest on Revenue Balances (higher interest rates). |
| Governance, Strategy and Performance | 6,999 | 6,402 | Mainly staff vacancies. |
| Social Care services | 58,723 | 58,659 | Moray Integration Joint Board expenditure was met in full from Board funds. |
| Other expenditure | 2,553 | 2,503 | No major variance |
| Total departmental spend | 236,953 | 228,798 | |

Management Commentary (continued)

The out-turn figures are those reported to Council on 28 June 2023 – these are expressed on the same basis as the budget figures. The out-turn included in the CIES is calculated in accordance with accounting requirements. The main difference between the 2 bases are set out in Note 8 to the accounts and can be summarised as below:

| Description | Amount |
|--|---------|
| Departmental Outturn per Management Commentary | 228,798 |
| Statutory Adjustments | 41,438 |
| Bad Debt Provision – reflected in service outturn but in Financing and Investment Income in the CIES | 630 |
| | 270,866 |
| Net Cost of Services in CIES | 270,866 |

Savings

When the Council set its budget for 2022/23 it included savings of £1.576m – £0.068 million were one off savings with recurring savings of £1.508 million, £0.204 million from increased income, £0.293 million from efficiencies, £0.8 million from Children's Service review of practice and £0.211 million other savings. The bulk of the savings were achieved. The indicative savings from the Improvement and Modernisation Programme (£0.293 million) were not realised, though progress is being made with the work streams. However, additional savings identified after the budget was approved more than covered the shortfall and in all a total of £3.318 million savings were removed for the budget, with £2.032 million of these recurring.

Financial flexibilities

When the Council set its budget for 2022/23 it assumed that it would use one of the financial flexibilities indicated as available by Scottish Government to facilitate additional expenditure arising from the covid-19 pandemic, amounting to £3.12 million. The flexibility was to fund covid-related expenditure from capital receipts. However, this required permission from UK Government and that permission was not granted. During the year the decision to use the financial flexibility of a loans pool holiday was agreed and that has resulted in a one-off saving of £7.5 million. Financial flexibilities regarding service concessions have been approved for 2023/24.

Management Commentary (continued)

Housing Revenue Account

Our 6,332 houses (2021/22: 6,287) 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 decreased by £0.047 million from the balance at the end of 2021/22 bringing the total balance to £2.418 million. The HRA budgeted to break even in 2022/23, with planned expenditure of £21.666 million met from rent and other income.

| As budgeted | Budget £000s | Actual £000s | Reason for variance |
|------------------------------|-----------------|-----------------|--------------------------|
| Rental income | (21,557) | (21,499) | |
| Other income | (89) | (258) | |
| Supervision and management | 4,533 | 4,831 | |
| Repairs and maintenance | 7,956 | 8,502 | |
| Financing cost | 4,096 | 4,553 | Increased interest rates |
| Capital Funded from Revenue | 4,303 | 3,404 | |
| Other expenditure | 788 | 514 | |
| Use of/ (return to reserves) | | 47 | £47,000 net overspend |

| Reconciliation to accounts | £000s |
|---|--------------|
| Use of/ (return to reserves) | 47) |
| Statutory Adjustments (per Note 8) | 1,744 |
| Adjustments to Usable Reserves Permitted by Accounting Standards | 2,844 |
| CFCR (net of Council tax Discount on 2nd Homes) | (3,404) |
| IORB – included in outturn but not in the Net Cost of Services | 156 |
| Financing Costs – included in outturn but not in the Net Cost of Services | (4,553) |
| Net Cost of Services per CIES | (3,166) |

Management Commentary (continued)

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

New build

2022/23 – planned £14.099 million, actual £9.169 million – 65% of planned

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

Planned expenditure for 2022/23 included new build at Speyview in Aberlour. This project was delayed due to protracted negotiations over development costs in the context of current volatility in the construction industry, along with infrastructure difficulties on site, with the outcome that this project will be delayed until the next update of the HRA Business Plan, planned for 2024/25. The project at Bilbohall, Elgin was deemed to be not financially viable in the form originally tendered, following detailed cost review. Alternative options are being considered. In light of procurement difficulties experienced at Bilbohall and issues in the construction industry the Council has withdrawn its interest in the proposed development at the former Spynie Hospital in Elgin.

Housing improvements

2022/23 – planned £10.610 million, actual £8.487 million – 80% of planned

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

The underspend on the Housing Investment Capital Programme occurred as a result of a lack of availability of external contractors and internal staff resourcing issues that led to delays in the development of some key investment programmes.

Management Commentary (continued)

General Services Capital Programme

We originally planned to spend £54.1 million on capital projects in 2022/23, which was amended to £43.4 million during the year, reflecting changed timescales for projects. Following delays in a major construction project (£5.3m slippage), delays in delivery of vehicles because of supply chain difficulties (£0.8 m slippage), underspends on various bridge projects (£2.7 million), and other delays we actually spent £28.3 million (2021/22: £31.0 million).

£28.3m

Invested in Moray during the year – main items summarised below



• **£4.5m**

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



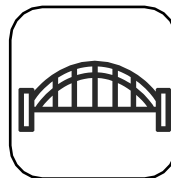
• **£2.0m**

Moray Growth Deal



• **£5.1m**

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



• **£3.0m**

Bridge renovations



• **£2.6m**

Vehicles and electric car chargers



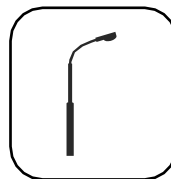
• **£2.5m**

Other land and buildings



• **£6.4m**

Road improvements, road safety measures and sustainable travel



• **£0.7m**

Street lighting



• **£1.5m**

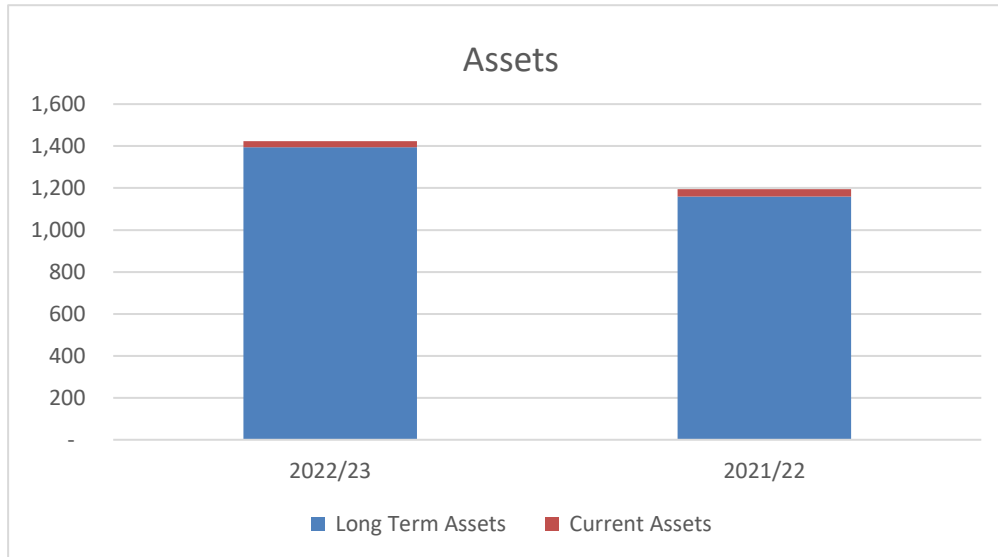
ICT and other equipment

Management Commentary (continued)

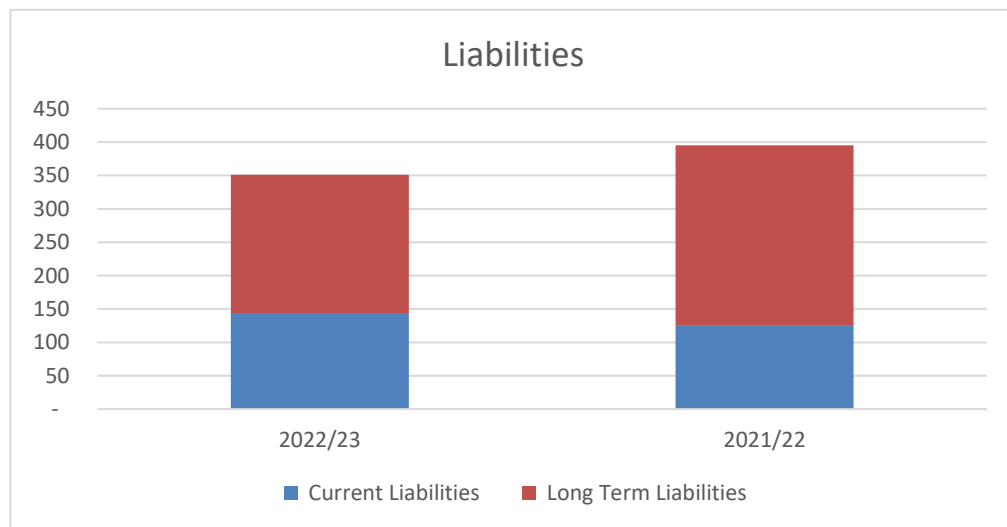
Balance sheet

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 2023.

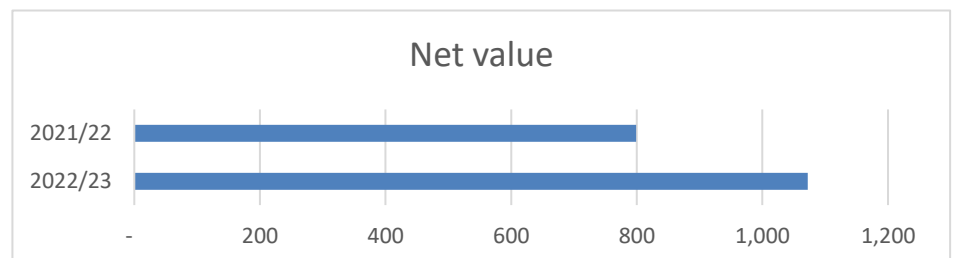
Our Assets



Less our liabilities



Give our net value



Our net value has increased by £273 million during 2022/23.

Significant movements are:

- £90m increase in the value of property, plant and equipment, through additions and revaluations.
- £161m pension asset following the triennial actuarial assessment (was £55m liability in 2021/22)

Management Commentary (continued)

Future risks

The Council maintains and keeps under review a corporate Risk Register, with risks grouped under nine themes, including financial risk. 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 planning, monitoring and review, including planning in the short to medium and medium to long term;
- Working within Moray Economic Partnership to support the local economy;
- Developing Community Wealth Building;
- Creating teams with expertise in bidding for funds;
- Workforce planning;
- Reviewing our capital programme for areas of increased risk of slippage and / or costs increase and developing a mechanism to further prioritise our capital spend;
- Joint monitoring reviews with MIJB officers and officers and Board members from NHS Grampian;
- We are carrying out a comprehensive Learning Estate Review;
- We have mapped out a high-level route map to net zero.

.....and opportunities

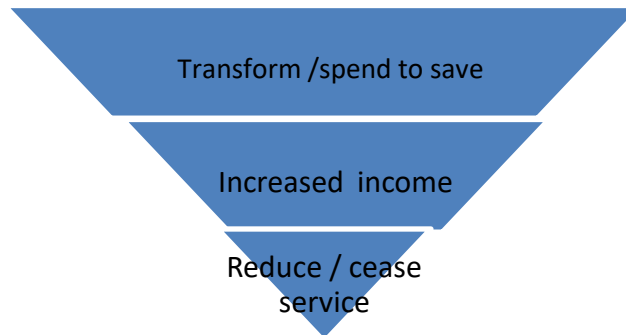
- The Moray Growth Deal, which will see significant investment in Moray's economy;
- Learning lessons from the pandemic about new ways of working and opportunities which arise from this, importing this learning into our revised core strategies and policies;
- Our Improvement and Modernisation Programme, 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 2024/25, has an indicative budgets for 2025/26 and will forecast the position for 2026/27. Although our level of funding from Scottish Government will not be confirmed for some months, we expect the need to make savings to continue. The awaited New Deal between Scottish Government and local authorities may assist this task.

We have agreed to adopt a hierarchical approach:



Our focus is on Improvement and Modernisation of services through further development of our change programme focussed on financial savings, with provision made for investment to transform how the Council delivers services with an eye to the future, while also generating efficiencies. This requires radical rethinking of the expectations around which services the council can continue to deliver within the resources available to it and this will take time to progress through to implementation. The challenge is how to achieve this step change with a parallel and pressing need for savings in early course. The Council's key strategic documents including the Corporate Plan and LOIP are being refreshed. Financial Plans are under review in both the short to medium and medium to long term, with known risks and opportunities are highlighted above. These strategies will be reviewed in the light of the New Deal when details of this are announced. In addition to this there are other factors such as the impact of the war in Ukraine and Scottish Government proposals for a National Care Service. We work in a constantly changing environment and strive to be an agile organisation, well equipped to cope with the many changes we encounter.

Councillor Kathleen Robertson
Leader of Moray Council

Roderick D. Burns
Chief Executive

Lorraine Paisey
Chief Financial Office

Statement of Responsibilities for the Annual Accounts

The Council's Responsibilities

The Council is required to:

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

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

Signed on behalf of Moray Council.

Councillor Kathleen Robertson
Leader of Moray Council

The Chief Financial Officer's Responsibilities

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

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

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

The Chief Financial Officer has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Council and its Group at the reporting date and the transactions of the Council and its Group for the year ended 31 March 2023.

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 and Senior Management Teams 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 delivering these functions, there is a requirement to have effective partnership working with others, principally with NHS Grampian and Moray Integration Joint Board, Grampian Valuation Joint Board and the Moray Leisure Centre, as well as with other bodies involved in Community Planning.

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 framework predates the Covid 19 pandemic, yet remains relevant as a good practice guide on how councils should be 'managed and controlled'.

Framework for Good Governance

The overall aim of the 'Delivering Good Governance in Local Government' Framework 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 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, a scheme of administration, a scheme of delegation, and financial regulations. These are updated regularly as required, with a review of committee structures completed during the year. Codes of Conduct for both elected members and officers have been developed and these define the ethical values and standards of behaviour expected. The Codes draw on the 'Standards in Public Life' covering issues including leadership, fairness and integrity.

A Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. Elected members have been provided with induction training post the Local Government elections in May 2022 and definitions of leadership roles and behaviours developed and agreed.

2. Ensuring openness and comprehensive stakeholder engagement

As the recovery from the pandemic continues and the council looks for improvement and modernisation opportunities, meetings of the council and its committees are now delivered using a hybrid format that enables attendance in person or via web link. Meetings are live streamed and thus available for public viewing, with matters discussed and determined in confidence relating only to those deemed confidential in terms of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973. The rationale for all decisions proposed and taken is fully set out in committee reports.

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 service users. Such engagement includes activity targeting citizens who are less likely to participate so as to better inform decision making processes. During the year, the Community Planning Partnership worked with community and third sector partners to refresh the Community Engagement Strategy. This was officially re-launched at an event in UHI Moray, and the updated strategy will support the development of future community and corporate plans as well as guiding consultation with local communities, for example, in progressing the participatory budgeting initiative.

The council seeks and obtains feedback on delivery of its services having adopted a comprehensive complaints procedure based on a model scheme developed by the Office of the Scottish Public Services Ombudsman. All complaints are responded to as appropriate, and inform improvements to service delivery. A comprehensive report on complaints handling is prepared and presented annually to a council committee.

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 (LOIP). 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'.

In particular, the LOIP recognises the importance of and benefits from reducing inequalities and poverty, with outcomes focused on 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.

The LOIP is a partnership plan and its strategic delivery is overseen by a Community Planning Board, which meets quarterly. The Board monitors plan performance for each quarter and during the year considered a number of key strategic documents, notably the NHS Grampian 'Plan for the Future' 2022-2028, that seeks to address pressures within the Health Service; and a refreshed Moray Economic Strategy 2022-2032 that has regard to change occasioned by the pandemic, the UK departure from the European Union, cost of living and doing business pressures, Climate Change and Net Zero targets, and the progress to date of the Moray Growth Deal.

Aligned to the LOIP, the council has its own Corporate Plan 2019-2024 that details specific council priorities under the banner of 'Our People, Our Place, Our Future.' The plan sets targets for improvement consistent with maintaining a sustainable council that provides valued services to its communities, and these targets are monitored through a Performance Management Framework. A review of the plan, involving wide consultation and incorporating the priorities of the council formed post the local government elections in 2022, has been progressed during the period. This work will inform a new Corporate Plan that will run from 2024.

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

The strategic Community and Corporate Plans are translated into service plans prepared within each service area. These facilitate delivery of agreed outcomes and assist in securing continuous improvement. Service plans are reported to a meeting of the council or appropriate service committee for consideration and approval, in reports that provide detailed information on planned activity. The reports contain a 'Summary of Implications' section that links report content to strategic plans, legal and policy issues; risk, staffing and property matters; equalities; social impact; and climate change and biodiversity considerations. A particular focus is given to financial implications given the current economic climate.

The council is fully aware of the financial challenges it faces and through its established committee structures, elected members have been provided with an extensive volume of information on both the availability of resources and options for future service delivery. This has been reflected in reports to the council on budget setting, including projections for the next two years; a capital strategy; and regular budget monitoring reports. The council successfully delivered a balanced budget for 2023/24.

Other interventions contributing to good governance during the period included reports providing high-level assessments of council priorities, service pressures and risks, and how these are inter-connected, as well as the provision of updates on numerous policy initiatives including Workforce Planning, Climate Change, Educational Attainment, and Best Value. Progress towards achieving agreed outcomes is monitored through an established Performance Management Framework that calls for quarterly reporting on key performance measures developed for each service. In addition, the council participates in the Local Government Benchmarking Framework which compares a range of established performance measures with those of other Scottish local authorities. Elected Members are provided with reports to review, scrutinise and note actions undertaken by Services to improve performance.

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

The Corporate Management Team (CMT) consists of the Chief Executive, two Depute Chief Executives and the Chief Officer, Health & Social Care (Moray Integration Joint Board), supported by a Senior Management Team (SMT) comprising nine Heads of Service. CMT/SMT meet frequently 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 elected members.

Leadership capacity of senior officers is supported through the promotion of a Leadership Forum, which brings together senior managers from all services to provide a wider perspective on the consideration of issues facing the council. Forum meetings ensure consistent messaging is available from senior management to managers. Human Resources have continued to review and refine the leadership development strategy and provide training opportunities online.

Annual Governance Statement (continued)

The council has an agreed elected members' development strategy that, in addition to the Induction Programme, includes an on-going training programme of learning, development and briefings. Members appointed to certain committees also receive specific training related to the responsibilities of these committees.

In addition, elected members represent the council on a range of outside bodies, including on boards of other Community Planning partners, across partnership bodies such as the 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 those 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 CMT/SMT considers are the principal risks facing the council and how these are managed and controlled. Risk implications also feature in committee reports to inform the decision-making process.

The council's 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 the system of internal control.

Strong financial management is 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. Draft and audited Annual Accounts are published on the council website.

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

Council business is conducted through an established cycle of webcast committee meetings. 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 meetings take place. Minutes of meetings are prepared and important decisions are publicised on the council website and through social media.

The council's website provides a platform from which to disseminate a wide range of information including news items on policy decisions, guidance on council services and on service disruptions/interruptions arising from weather events or similar. The website facilitates efficient access to digital services across a range of service areas and allows for consultations to be undertaken and for interested parties to provide feedback electronically.

The council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies generally by developing improvement Action Plans. The Audit and Scrutiny Committee is integral to overseeing independent and objective assurance processes that make recommendations for improvements to the system of internal control. The Committee's Terms of Reference were reviewed and updated during the year.

The council responds to requests for information and Freedom of Information legislation having processed over 1,300 such requests during the period covered by this statement.

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

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 from other roles that elected members fulfil. These include participation in the Community Planning Board and associated groups for multi-agency issues. Elected members 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, elected members have membership and represent Moray Council interests in partnerships that contribute to meeting council aims and objectives, notably in the development and delivery of the Moray Growth Deal.

Annual Governance Statement (continued)

• Audit and Scrutiny Committee

The council has an Audit and Scrutiny Committee where elected members consider reports on audit work completed. These provide assurances on the adequacy and effectiveness of the system of internal controls including those relative to the delivery of plans, compliance with laws and regulations, accuracy of information and safeguarding of assets. The Committee also receives reports on the performance of and trends from council services regarding service standards and performance information. During the period covered by this statement, to further strengthen oversight processes, two external members have been appointed to the committee in line with Chartered Institute of Public Finance and Accountancy best practice guidance for Audit Committees operating in Local Government.

This committee is a key component of good governance, distinguished from other committees by the role elected members are required to fulfil, not in setting policy or considering service matters, but by providing independent oversight and challenge in support of the council's duty to secure continuous improvement. These functions are delivered independently from the supervisory oversight roles of the Corporate and Senior Management Teams.

• The Corporate Management Team

The Corporate Management Team (CMT) has overarching operational responsibility for good governance arrangements. The team comprises the Chief Executive, two Deputy Chief Executives with portfolio responsibilities for Education, Communities and Organisational Development; and Economy, Environment and Finance respectively, and the Chief Officer (Health and Social Care Integration).

• The Corporate Management Team / Senior Management Team

This is an extended management team comprising the CMT and Heads of Services. 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 Heads of Service, collectively the Senior Management Team (SMT), 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 good governance and recognition of its importance within the senior leadership of the council.

Generally the assurance statements are positive with limited commentary on governance weaknesses, albeit it has been noted in several statements that minor data breaches have occurred. While in part this may be a reflection of a move to hybrid working post pandemic and an increase in electronic communications, the importance of holding personal data securely has been recognised and priority given to refresher training on this topic. This should minimise the risk of further similar breaches occurring.

• 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 provides an information annual report on the duties of Monitoring Officer to a meeting of the council.

• The Chief Social Work Officer

The Head of Service for Health and Social Care Moray undertakes the statutory role of Chief Social Work Officer (CSWO). The latest available CSWO annual report for the 2021/22 year noted that governance and accountability arrangements remained unchanged throughout the year, with accountability of the CSWO being to the Moray Integrated Joint Board (MIJB) for adult services, and to Education, Communities and Organisational Development Committee and Moray Council on matters relating to children and young people and justice social work.

The report noted that planning for the delegation of children's social work to the Integrated Joint Board was continuing, and it has since been confirmed that this will proceed during 2023/24. Overall the report concluded that notwithstanding the governance arrangements in place, Social Work, like other areas of Health and Social Care, continued to experience pressures.

Annual Governance Statement (continued)

• 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 complies with mandatory Public Sector Internal Audit Standards and with published good practice guidance e.g. on the Role of the Head of Internal Audit in Local Government. During the year, the Internal Audit Charter and the council's Policy to Combat Fraud, Theft, Bribery and Corruption were updated. 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 includes a range of audit projects covering main financial systems, other systems operating within services and several ad-hoc/unplanned projects. The outcomes from these projects, together with any recommendations to enhance the control environment, are reported to the Audit and Scrutiny Committee. This Committee is chaired by an elected member who is not part of the council Administration. Almost all planned reviews detailed within the Annual Internal Audit Plan for 2022/23 have been completed.

The Public Sector Internal Audit Standards require an internal audit opinion to be provided annually. As planned audit work was substantially completed by the year-end, and based on his wider 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 in the council during the year.

• Health & Social Care Integration

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

• External Agencies

In addition to the various internal review processes and the external audit of the Annual Accounts, 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 developed in response and good progress has been made. The council remains committed to responding positively to the remaining recommendations to strengthen governance arrangements, with progress closely monitored and updated status reports on each action being reported to the appropriate committee.

Overall assessment of the effectiveness of governance arrangements

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

Significant governance issues

Governance issues highlighted as significant in the Annual Governance Statement for 2021/22 went beyond describing governance processes and how effective they operated in practice, also providing commentary on the planned strategic direction of the council and its partners, and linked risk issues. That strategic direction continues to be developed and adapted in response to multiple factors both external and internal, and is covered more appropriately in a separate Management Commentary, also published with the Annual Accounts.

Annual Governance Statement (continued)

Specific governance issues noted in the prior year and how they have been addressed relate to:

An externally commissioned review on the management of social care contracts

A report on this was published in February 2023, and has been submitted to the Audit, Performance and Risk Committee of the Moray integration Joint Board and to the council's Audit and Scrutiny Committee for their respective interests. The report covers a complex area of work, with Self-directed Support legislation enabling individuals to exercise choice and control over the support or services required to meet assessed care needs. While the legislation provides welcome flexibility in terms of personalising care provision, this has created challenges for the Commissioning Service to review and update contractual agreements with multiple suppliers of care services, at a time when these services are operating under difficult market conditions with staffing and cost pressures widely documented.

The report makes recommendations to strengthen governance arrangements and deliver improvements. These recommendations have been accepted by the management of Health and Social Care Moray, and will require the Commissioning Service to work more closely with the council's procurement team going forward, and to develop an action plan for improvement that assigns responsibilities to relevant officers and sets timescales to enable progress to be effectively monitored.

Addressing the key challenges to support education recovery and the need for improving attainment

Educational Services has refreshed its standards for Professional Leadership and Learning 2022-2025. This has updated its vision to support and develop Moray teachers and practitioners to enable children and young people to be the best they can be. Attainment results have been monitored and reported to council in a detailed report which outlined achievements as well as challenges that require to be addressed as the service emerges from the pandemic. A number of other governance issues have been identified that require further development in the incoming period relating to curriculum improvements, inspections, and aspects of financial management.

Managing the fine political balance with new Members through a commitment to collaboration across all Councillors

A programme of induction has been delivered for new and returning elected members of the council. Briefing sessions have been provided as necessary on corporate and service projects as appropriate. Political Leaders have recognised the importance of collaborative working where possible and this message has been reinforced by the council's Corporate/Senior Management Team both informally and in committee reports covering strategic topics including on Best Value and on the Corporate Overview of Council Priorities.

Additional developments in the council's risk management and business continuity arrangements

A part - time officer has been appointed to assist in the assessment of risks affecting the council, and support the preparation of business continuity plans to aid delivery of critical services in the event of a disruption. An early stage review has been completed to inform areas requiring priority attention. The focus has been on the identification of critical functions and to align business continuity planning with risk management practice, thus ensuring that there is justification for allocating resources to particular tasks. A plan is in place to progress this work within council services and to develop links with partners and emergency planning as appropriate.

Increased numbers of data breaches have highlighted the need for further data protection training

Data breaches, albeit in small numbers, continue to be highlighted across a number of service areas, potentially a consequence of staff working in a more diverse way during and since the pandemic. The council has addressed this by updating its mandatory e-learning module covering General Data Protection Regulations (GDPR) and has developed a refresher training course for staff to annually measure their understanding of this important topic. Internal audits of information governance and of compliance with the GDPR requirements were completed and action plans developed and agreed with management for implementation during 2023/24.

Implementation of actions arising from the latest Best Value Progress Report from the Accounts Commission

A Best Value action plan was submitted and approved by council covering a number of themes – increasing the pace of transformational change, performance reporting, financial planning and sustainability, and improving educational attainment. The importance of committed decisive leadership was also highlighted as an issue in the Best Value report - this has been recognised as a political risk in the corporate risk register and in a number of reports to council and its committees on matters relative to strategic direction and good governance.

Annual Governance Statement (continued)

Concluding Remarks

This Annual Governance Statement summarises the extensive governance arrangements the council has in place to support delivery of its strategic plans and to secure Best Value in its use of resources. While the statement demonstrates that these arrangements are comprehensive and broadly fit for purpose, there are multiple challenges ahead that will impact on how council services are designed and delivered going forward. As these challenges are addressed in the incoming period, it is recognised that governance arrangements too will need to be adapted, and in our respective roles as Council Leader and Chief Executive (Head of Paid Service), we are committed to making this happen to ensure the council and its resources continue to be effectively managed and controlled.

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

.....
Roderick D Burns
Chief Executive

Remuneration Report

Introduction

The Local Authority Accounts (Scotland) Regulations 2014 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, Grant Thornton UK LLP, 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 Civic Leader and Senior Councillors

The annual salary of the Leader of the Council and the upper limit for the annual salary of the Civic Leader – previously the role of Convener in 2021/22 - are set out by the Scottish Government in terms of the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2022 (SSI No. 2022/18) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2021 (SSI No. 2020/26). The salary for the Leader of the Council is £32,622 per annum (2021/22 £31,010) and for the Civic Leader is £24,467 per annum (2021/22 £23,257).

In terms of the same Regulations, Moray Council can nominate up to nine Senior Councillors (in addition to the Leader of the Council and the Civic Leader) whose salaries in aggregate must not exceed a specified amount, currently £198,171 (2021/22 £188,375) and whose salaries individually must be on a specified scale, currently £19,571 to £24,467 (2021/22 £18,604 to £23,257).

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 Civic Leader and any Councillor designated a Senior Councillor. In 2022/23, Moray had eight Senior Councillors, (seven committee chairs/depute chairs and the Leader of the largest opposition group), each paid a salary of £24,467 per annum (2021/22 £23,257). The Convener of the Grampian Valuation Joint Board was also the Leader of the Council until 5 May 2022 so no reimbursement for an additional responsibility allowance was required to be paid by the Board for this period. From 26 August 2022 the new Convener has received an allowance for this responsibility which has been reimbursed by the Board. The Vice-Chair/Chair of the Moray Integration Joint Board was also the Convener of Moray Council until 5 May 2022 and, as she already received a Senior Councillor salary, then no additional payment was required. From 18 May 2022 the new Chair/Vice-Chair has received an allowance for this additional responsibility and this has been funded in full by Moray Council.

Table 1 shows the relevant amounts, before tax and other deductions, for each of the persons named for the year to 31 March 2023. 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 | Salary, Fees and Allowances | | Total Remuneration |
|--------------------|--|---------------------------------|----------------|--------------------|
| | | Total Remuneration 2021/22 £ | 2022/23 £ | |
| 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 until 5 May 2022 Chair of Audit and Scrutiny Committee from 18 May 2022 and Joint Leader of the largest Opposition Group from 10 August 2022 | 31,010 | 24,379 | 24,379 |
| Shona Morrison | Convener of the Council and Chair/Vice-Chair, Moray Integration Joint Board until 5 May 2022 Joint Leader of the largest Opposition group from 10 August 2022 (Note 2) | 23,257 | 23,612 | 23,612 |
| Kathleen Robertson | Leader of the Council from 10 August 2022 Co-Leader of the Council 18 May 2022 until 9 August 2022 Chair of Education, Children's and Leisure Services from 18 May 2022 (Note 1) | - | 27,481 | 27,481 |
| John Cowie | Civic Leader from 10 August 2022 | - | 15,719 | 15,719 |
| James Allan | Chair of Police and Fire and Rescue Services from 18 May 2022 until 9 August 2022 | - | 5,591 | 5,591 |
| Peter Bloomfield | Chair of Police and Fire and Rescue Services from 10 August 2022 | - | 15,719 | 15,719 |
| David Bremner | Chair of Planning and Regulatory Services Committee until 5 May 2022 | 23,257 | 2,302 | 2,302 |
| Tracy Colyer | Chair of Moray Integration Joint Board from 24 May 2022 until 30 September 2022 Vice Chair of Moray Integration Joint Board from 1 October 2022 | - | 20,435 | 20,435 |
| Theresa Coull | Chair of Police and Fire and Rescue Services Committee until 5 May 2022 | 7,002 | 2,302 | 2,302 |
| Gordon Cowie | Chair of Licensing Committee until 5 May 2022 | 23,257 | 2,302 | 2,302 |
| Paula Coy | Chair of Police and Fire and Rescue Services until 24 November 2021 | 15,117 | - | - |
| Amber Dunbar | Chair of Housing and Community Safety from 18 May 2022 | - | 21,310 | 21,310 |
| Timothy Eagle | Leader of the largest Opposition group until 5 May 2022 | 23,257 | 2,302 | 2,302 |
| Donald Gatt | Chair of Audit and Scrutiny Committee until 5 May 2022 Depute Council Leader from 18 May 2022 until 9 August 2022 Convener of Grampian Valuation Joint Board from 26 August 2022 | 23,257 | 22,625 | 22,625 |
| David Gordon | Chair of Planning and Regulatory Services Committee from 10 August 2022 | - | 15,719 | 15,719 |
| Louise Nicol | Depute Chair of Economic Growth, Housing and Environmental Sustainability Committee until 5 May 2022 Depute Chair of Police and Fire and Rescue Services until 5 May 2022 | 23,257 | 2,302 | 2,302 |
| Marc Macrae | Convener from 18 May 2022 until 3 August 2022 Chair, Economic Development and Infrastructure Services Committee from 18 May 2022 | - | 21,310 | 21,310 |
| Paul McBain | Chair of Licensing Committee from 18 May 2022 | - | 21,310 | 21,310 |
| Aaron McLean | Chair of Education, Communities and Organisational Development and | 23,257 | 2,302 | 2,302 |
| Neil McLennan | Chair of Corporate Committee until 5 May 2022 Co-Leader of the Council 18 May 2022 until 9 August 2022 (Note 1) | - | 6,522 | 6,522 |
| Bridget Mustard | Chair of Corporate Committee from 18 May 2022 | - | 21,310 | 21,310 |
| Sonya Warren | Chair of Education Children's and Leisure Services Committee until 5 May 2022 | 23,257 | 2,302 | 2,302 |
| Total | | 239,185 | 279,156 | 279,156 |

Remuneration Report (continued)

No taxable expenses were paid in 2022/23 or 2021/22.

Note 1 – It was agreed following the meeting of Moray Council on 18 May 2022 that Leadership of the Council would be shared between Councillor Robertson and Councillor McLennan. The additional responsibility allowance for this post was shared equally between the two councillors from this date until 10 August 2022 when Councillor Robertson was appointed sole leader. From 10 August 2022 Councillor McLennan returned to the basic councillor salary.

Note 2 – It was agreed following the meeting of Moray Council on 18 May 2022 that Leadership of the largest Opposition Group would be shared between Councillor Leadbitter and Councillor Morrison. As Councillor Leadbitter already received Senior Councillor remuneration as Chair of Audit and Scrutiny Committee the full additional responsibility allowance was received by Councillor Morrison.

Note 3 – At a meeting of Moray Council on 10 August 2022 it was approved to amend the position of Convener to Civic Leader.

TABLE 2: Remuneration paid to Councillors

The annual return of Councillors' salaries and expenses is available to view on the Council's website at http://www.moray.gov.uk/moray_standard/page_90017.html

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

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

| Type of Remuneration | 2021/22 | 2022/23 |
|----------------------|----------------|----------------|
| | £ | £ |
| Salaries | 531,247 | 563,901 |
| Expenses | 4,254 | 12,857 |
| Total | 535,501 | 576,758 |

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/152 was issued 28 February 2023 and covers salary scales to be paid to Chief Officers for the period of 1 April 2022 to 31 March 2023. Depute Chief Executives receive 84% of the Chief Executive's salary. The Depute Chief Executive for Education, Communities and Organisational Development is also the Presiding Officer and therefore the amount included in table 3 is higher than this. Moray Council does not pay bonuses or performance related pay.

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

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

The term *remuneration* means gross salary, fees and bonuses, allowances and taxable expenses, and compensation for loss of employment. Remuneration details are shown in Table 3. The table shows the relevant amounts, before tax and other deductions, for each of the persons named for the year to 31 March 2023. 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 |
|-------------------|--|--------------------|-----------------------------|--------------------|
| | | 2021/22 | 2022/23 | 2022/23 |
| | | £ | £ | £ |
| Roderick D Burns | Chief Executive | 117,449 | 123,089 | 123,089 |
| Rhona Gunn | Depute Chief Executive for Economy, Environment and Finance | 99,038 | 104,010 | 104,010 |
| Denise Whitworth | Depute Chief Executive for Education, Communities and Organisational Development | 102,472 | 107,382 | 107,382 |
| Vivienne Cross | Chief Education Officer | 94,369 | 87,498 | 87,498 |
| Jane Mackie | Head of Community Care (Chief Social Work Officer) until 31 October 2022 | 84,881 | 48,795 | 48,795 |
| Tracy Stephen | Head of Community Care (Chief Social Work Officer) from 1 November 2022 | - | 40,705 | 40,705 |
| Alasdair McEachan | Head of Governance, Strategy and Performance (Monitoring Officer) | 83,436 | 87,043 | 87,043 |
| Lorraine Paisey | Chief Financial Officer (s95) | 83,057 | 86,860 | 86,860 |
| Total | | 664,702 | 685,382 | 685,382 |

No taxable expenses were paid in 2022/23 or 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)

LGPS regulations require that contribution rates are applied according to ranges of pay bands rising from 5.5% to 12% depending on the member's rate of pensionable pay. The tables for the allocation of rates for 2021/22 and 2022/23 is shown below and can be found on the Scottish Public Pensions Agency website:

https://pensions.gov.scot/sites/default/files/2022-02/LGPS_Circular_Tiered_Contribution_Guidance_-_Version_16.pdf

Tiered Contribution Pay Rates

| Pensionable Pay 2021/22 | Rate (%) 2021/22 | Pensionable Pay 2022-23 | Rate (%) 2022/23 |
|---|---------------------|---|---------------------|
| On earnings up to and including £22,300 | 5.50% | On earnings up to and including £23,000 | 5.50% |
| On earnings above £22,301 and up to £27,300 | 7.25% | On earnings above £23,001 and up to £28,100 | 7.25% |
| On earnings above £27,301 and up to £37,400 | 8.5% | On earnings above £28,101 and up to £38,600 | 8.5% |
| On earnings above £37,401 and up to £49,900 | 9.5% | On earnings above £38,601 and up to £51,400 | 9.5% |
| On earnings of £49,901 and above | 12% | On earnings of £51,401 and above | 12% |

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 2023 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 | Responsibility | In-year pension contributions | | | Accrued pension benefits | |
|--------------------|---|--|--|------------------------|---------------------------------|---|
| | | For the year to 31 March 2022 £ | For the year to 31 March 2023 £ | | As at 31 March 2023 £'000 | Difference from March 2022 £'000 |
| 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 until 5 May 2022 Chair of Audit and Scrutiny Committee from 18 May 2022 and Joint Leader of the largest Opposition Group from 10 August 2022 | 5,985 | 4,705 | Pension Lump Sum | 8 2 | 1 - |
| Shona Morrison | Convener of the Council and Chair/Vice-Chair, Moray Integration Joint Board until 5 May 2022 Joint Leader of the largest Opposition group from 10 August 2022 | 4,489 | 4,557 | Pension Lump Sum | 3 - | 1 - |
| Kathleen Robertson | Leader of the Council from 10 August 2022 Co-Leader of the Council 18 May 2022 until 9 August 2022 Chair of Education, Children's and Leisure Services from 18 May 2022 | - | 5,304 | Pension Lump Sum | 1 - | |
| John Cowe | Civic Leader from 10 August 2022 | - | 3,034 | Pension Lump Sum | 7 - | 2 - |
| James Allan | Chair of Police and Fire and Rescue Services from 18 May 2022 until 9 August 2022 | - | 1,079 | Pension Lump Sum | 4 - | 1 - |
| Peter Bloomfield | Chair of Police and Fire and Rescue Services from 10 August 2022 | - | 3,034 | Pension Lump Sum | - - | - - |

Remuneration Report (continued)

TABLE 4: Senior Councillors (continued)

| | | In-year pension contributions | | Accrued pension benefits | | |
|---------------|---|----------------------------------|----------------------------------|--------------------------|------------------------|----------------------------------|
| | | For the year to 31 March 2022 | For the year to 31 March 2023 | | As at 31 March 2023 | Difference from March 2022 |
| | | £ | £ | | £'000 | £'000 |
| Councillor | Responsibility | | | | | |
| David Bremner | Chair of Planning and Regulatory Services Committee until 5 May 2022 | 4,489 | 444 | Pension | 2 | - |
| | | | | Lump Sum | - | - |
| Tracy Colyer | Chair of Moray Integration Joint Board from 24 May 2022 until 30 September 2022 | - | 3,944 | Pension | - | - |
| | | | | Lump Sum | - | - |
| Theresa Coull | Vice Chair of Moray Integration Joint Board from 1 October 2022 | | | | | |
| | Chair of Police and Fire and Rescue Services Committee until 5 May 2022 | 1,351 | 444 | Pension | 2 | - |
| | | | | Lump Sum | - | - |
| Gordon Cowie | Chair of Licensing Committee until 5 May 2022 | 4,489 | 444 | Pension | 5 | - |
| | | | | Lump Sum | - | - |
| Paula Coy | Chair of Police and Fire and Rescue Services until 24 November 2021 | 2,918 | - | Pension | 2 | - |
| | | | | Lump Sum | - | - |
| Amber Dunbar | Chair of Housing and Community Safety from 18 May 2022 | - | 4,113 | Pension | - | - |
| | | | | Lump Sum | - | - |
| Timothy Eagle | Leader of the largest Opposition group until 5 May 2022 | 4,489 | 444 | Pension | 2 | - |
| | | | | Lump Sum | - | - |
| Donald Gatt | Chair of Audit and Scrutiny Committee until 5 May 2022 | 4,489 | 4,367 | Pension | 3 | 1 |
| | Depute Council Leader from 18 May 2022 until 9 August 2022 | | | Lump Sum | - | - |
| | Convener of Grampian Valuation Joint Board from 26 August 2022 | | | | | |
| David Gordon | Chair of Planning and Regulatory Services Committee from 10 August 2022 | - | 3,034 | Pension | - | - |
| | | | | Lump Sum | - | - |

Remuneration Report (continued)

TABLE 4: Senior Councillors (continued)

| | | In-year pension contributions | | Accrued pension benefits | |
|-----------------|---|----------------------------------|----------------------------------|--------------------------|----------------------------------|
| | | For the year to 31 March 2022 | For the year to 31 March 2023 | As at 31 March 2023 | Difference from March 2022 |
| | | £ | £ | £'000 | £'000 |
| Councillor | Responsibility | | | | |
| Marc Macrae | Convener from 18 May 2022 until Chair, Economic Development and Infrastructure Services Committee from 18 May 2022 | - | 4,113 | Pension Lump Sum | 2 - - |
| Paul McBain | Chair of Licensing Committee from 18 May 2022 | - | 4,113 | Pension Lump Sum | - - - |
| Aaron McLean | Chair of Education, Communities and Organisational Development and Chair of Corporate Committee until 5 May 2022 | 4,489 | 444 | Pension Lump Sum | 4 - - |
| Neil McLennan | Co-Leader of the Council 18 May 2022 until 9 August 2022 | - | 1,259 | Pension Lump Sum | - - - |
| Bridget Mustard | Chair of Corporate Committee from 18 May 2022 | - | 4,113 | Pension Lump Sum | - - - |
| Louise Nicol | Depute Chair of Economic Growth, Housing and Environmental Sustainability Committee until 5 May 2022 Depute Chair of Police and Fire and Rescue Services until 5 May 2022 | 4,489 | 444 | Pension Lump Sum | 2 - - |
| Sonya Warren | Chair of Education Children's and Leisure Services Committee until 5 May 2022 | 4,489 | 444 | Pension Lump Sum | 3 - - |
| Total | | 46,166 | 53,877 | | 52 6 |

Remuneration Report (continued)

TABLE 5: Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2023 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 2022 | For the year to 31 March 2023 | | As at 31 March 2023 | Difference from March 2022 |
| | | £ | £ | | £'000 | £'000 |
| Roderick D Burns | Chief Executive | 22,661 | 23,750 | Pension | 73 | 5 |
| | | | | Lump | 123 | 6 |
| | | | | Sum | | |
| Rhona Gunn | Depute Chief Executive for Economy, Environment and Finance | 19,109 | 20,065 | Pension | 39 | 4 |
| | | | | Lump | 35 | 1 |
| | | | | Sum | | |
| Denise Whitworth | Depute Chief Executive for Education, Communities and Organisational Development | 19,772 | 20,720 | Pension | 50 | 3 |
| | | | | Lump | 73 | 4 |
| | | | | Sum | | |
| Vivienne Cross | Chief Education Officer | 17,291 | 16,872 | Pension | 13 | 2 |
| | | | | Lump | - | - |
| | | | | Sum | | |
| Jane Mackie | Head of Community care (Chief Social Work Officer) until 31 October 2022 | 16,259 | 9,569 | Pension | 44 | 1 |
| | | | | Lump | 68 | - |
| | | | | Sum | | |
| Tracy Stephen | Head of Community care (Chief Social Work Officer) from 1 November 2022 | - | 7,476 | Pension | 7 | 2 |
| | | | | Lump | - | - |
| | | | | Sum | | |
| Alasdair McEachan | Head of Governance, Strategy and Performance | 16,004 | 16,769 | Pension | 36 | 3 |
| | | | | Lump | 41 | 2 |
| | | | | Sum | | |
| Lorraine Paisey | Chief Financial Officer (s95 officer) | 16,022 | 16,758 | Pension | 39 | 3 |
| | | | | Lump | 54 | 3 |
| | | | | Sum | | |
| Total | | 127,118 | 131,979 | | 695 | 39 |

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

The pension information for the Chief Education Officer excludes her teacher's pension as information was not available from the Scottish Public Pensions Agency (SPPA).

Remuneration Report (continued)

Remuneration of Officers receiving more than £50,000

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

TABLE 6: General Disclosure by Pay Band

| Remuneration Band | Number of Employees | |
|-------------------|---------------------|------------|
| | 2021/22 | 2022/23 |
| £50,000-£54,999 | 144 | 150 |
| £55,000-£59,999 | 56 | 101 |
| £60,000-£64,999 | 33 | 54 |
| £65,000-£69,999 | 19 | 46 |
| £70,000-£74,999 | 3 | 19 |
| £75,000-£79,999 | 3 | 4 |
| £80,000-£84,999 | 10 | 4 |
| £85,000-£89,999 | 1 | 11 |
| £90,000-£94,999 | 1 | 1 |
| £95,000-£99,999 | 1 | - |
| £100,000-£104,999 | 1 | 2 |
| £115,000-£119,999 | 1 | - |
| £120,000-£124,999 | - | 1 |
| Total | 273 | 393 |

Exit Packages of Employees

The Council has agreed one exit package as detailed in Table 7. Exit packages 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.

TABLE 7: Exit Packages

| Banding | 2021/22 | | | 2022/23 | | |
|-------------------|--|---|-----------------|--|---|-----------------|
| | Compulsory Redundancies Number of Employees | Other Departures Number of Employees | Total Cost £ | Compulsory Redundancies Number of Employees | Other Departures Number of Employees | Total Cost £ |
| £0-£20,000 | 4 | - | 3,925 | - | - | - |
| £40,001-£60,000 | - | 1 | 47,432 | - | - | - |
| £120,000-£140,000 | - | - | - | 1 | - | 135,465 |
| Total | 4 | 1 | 51,357 | 1 | - | 135,465 |

Remuneration Report (continued)

Termination Benefits

During 2022/23 the Council terminated the contract of one employee. The contract was terminated as a result of redundancy. The cost to the Council was £0.135m comprising £0.025m of redundancy payments and £0.102m strain on pension fund costs (2021/22 £0.051m) which were reimbursed in full by the Scottish Government. No settlement costs for loss of employment were agreed in 2021/22 or 2022/23.

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 | |
|--|--------------|--------------------------------------|--------------|
| 2022/23 | | 2022/23 | |
| Teaching | Non-Teaching | Teaching | Non-Teaching |
| | 16 | | 10.92 |

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 | |
|--------------------|---------------------|--------------|
| | 2022/23 | |
| | Teaching | Non-Teaching |
| 0% | - | 4 |
| 1%-50% | | 11 |
| 51%-99% | | - |
| 100% | - | 1 |

Remuneration Report (continued)

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.

| | 2022/23 | |
|--|----------|--------------|
| | Teaching | Non-Teaching |
| Provide the total cost of facility time | | £62,159 |
| Provide the total pay bill | | £116,290,000 |
| Provide the percentage of the total pay bill spent on facility time calculated as: (total cost of facility time/total pay bill) x 100 | % | 0.05% |

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?

| | 2022/23 | |
|---|----------|--------------|
| | 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 | % | 13.27% |

Councillor Kathleen Robertson

Leader of the Council

Roderick D Burns

Chief Executive

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost for the year ended 31 March 2023 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.

| 2021/22 | | | | | | 2022/23 | | | | |
|-------------|-------------------|---------|--------------|----------------|--------------|--|-------------|-------------------|---------|--------------|
| Expenditure | Council Income | Net | Group Net | Council Net | Group Net | | Expenditure | Council Income | Net | Group Net |
| | | | | Restated | Restated | | | | | |
| £000 | £000 | £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| 91,406 | (13,271) | 78,135 | 78,260 | 76,860 | 76,985 | Education | 104,549 | (12,331) | 92,218 | 92,218 |
| 29,595 | (4,406) | 25,189 | 25,189 | 24,931 | 24,931 | Education Resources & Communities | 31,766 | (5,107) | 26,659 | 26,844 |
| 20,342 | (1,885) | 18,457 | 18,504 | 18,456 | 18,503 | Social Work | 20,782 | (3,392) | 17,390 | 17,439 |
| 14,242 | (9,006) | 5,236 | 5,259 | 4,544 | 4,567 | General Services Housing and Property Services | 16,745 | (9,489) | 7,256 | 7,269 |
| 56,486 | (14,792) | 41,694 | 41,730 | 38,250 | 38,286 | Environmental & Commercial Services | 59,282 | (17,463) | 41,819 | 41,972 |
| 9,648 | (4,543) | 5,105 | 5,105 | 5,065 | 5,065 | Economic Growth & Development | 10,358 | (5,222) | 5,136 | 5,136 |
| 7,118 | (400) | 6,718 | 6,718 | 6,432 | 6,432 | HR, ICT & Organisational Development | 7,450 | (383) | 7,067 | 7,067 |
| 20,175 | (14,045) | 6,130 | 6,719 | 6,130 | 6,156 | Governance, Strategy & Performance | 20,306 | (13,233) | 7,073 | 7,825 |
| 3,332 | (831) | 2,501 | 2,517 | 2,509 | 2,525 | Financial Services | 3,449 | (888) | 2,561 | 2,561 |
| 1,904 | (142) | 1,762 | 1,813 | 1,762 | 1,813 | Other | 1,825 | (205) | 1,620 | 1,633 |
| 119,454 | (66,160) | 53,294 | 53,294 | 53,144 | 53,144 | Health and Social Care | 135,749 | (73,682) | 62,067 | 62,067 |
| 14,618 | (21,229) | (6,611) | (6,611) | (6,359) | (6,359) | Housing Revenue Account | 18,604 | (21,770) | (3,166) | (3,166) |
| 388,320 | (150,710) | 237,610 | 238,497 | 231,724 | 232,048 | Cost Of Services | 430,865 | (163,165) | 267,700 | 268,865 |

Comprehensive Income and Expenditure Statement (continued)

| 2021/22 | | | | | | 2022/23 | | | |
|-------------|----------------|------------------|------------------|------------------|------------------|-------------|----------------|------------------|------------------|
| Expenditure | Council Income | Net | Group Net | Council Net | Group Net | Expenditure | Council Income | Net | Group Net |
| £000 | £000 | £000 | Restated £000 | Restated £000 | Restated £000 | £000 | £000 | £000 | £000 |
| 388,320 | (150,710) | 237,610 | 238,497 | 231,724 | 232,048 | 430,865 | (163,165) | 267,700 | 268,865 |
| | | 8,707 | 8,740 | 8,707 | 8,740 | | | 492 | 1,123 |
| | | 13,157 | 12,869 | 13,157 | 12,559 | | | 12,856 | 12,544 |
| | | (243,650) | (243,650) | (243,650) | (243,650) | | | (261,652) | (261,652) |
| | | - | (5,087) | - | (5,088) | | | - | 6,212 |
| | | 15,824 | 11,369 | 9,938 | 4,609 | | | 19,396 | 27,092 |
| | | (124,386) | (124,439) | (135,570) | (138,556) | | | (60,399) | (62,406) |
| | | - | (216) | - | (216) | | | - | 81 |
| | | (13,274) | (13,274) | (13,274) | (13,274) | | | (231,985) | (231,985) |
| | | - | 8 | - | 8 | | | - | (1,897) |
| | | (137,660) | (137,921) | (148,844) | (152,038) | | | (292,384) | (296,207) |
| | | (121,836) | (126,552) | (138,906) | (147,429) | | | (272,988) | (269,115) |

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 | 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 (restated) | | | | | | | | | | | |
| Total Comprehensive Expenditure and Income | (14,652) | 4,714 | - | - | - | (9,938) | 148,844 | 138,906 | 3,443 | 5079 | 147,428 |
| Adjustments to usable reserves permitted by accounting standards | 1,799 | 4,124 | - | - | - | 5,923 | (5,923) | - | - | - | - |
| Adjustments between accounting basis & funding basis under regulations (Note 10) | 18,006 | (9,424) | - | 1,281 | - | 9,863 | (9,863) | - | - | - | - |
| Net increase/(decrease) before transfers to/from earmarked and other statutory reserves | 5,153 | (586) | - | 1,281 | - | 5,848 | 133,058 | 138,906 | 3,443 | 5,079 | 147,428 |
| Transfers to/(from) statutory reserves | (1,616) | 650 | 4 | 944 | 18 | - | - | - | - | - | - |
| Increase/Decrease in 2021/22 | 3,537 | 64 | 4 | 2,225 | 18 | 5,848 | 133,058 | 138,906 | 3,443 | 5,079 | 147,428 |
| Balance at 31 March 2022 | 45,409 | 2,465 | 988 | 6,029 | 4,152 | 59,043 | 757,390 | 816,433 | 33,721 | 8,572 | 858,726 |
| Note | | | | | | | | | | | |
| Minority Interest | | | | | | | | | 731 | | 731 |
| Total Reserves as per Balance Sheet | | | | | | | | | 34,452 | | 859,457 |

Movement in Reserves Statement (continued)

| | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Capital Grants and Receipts Unapplied Account £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 2022 | 45,409 | 2,465 | 988 | 6,029 | 4,152 | 59,043 | 757,390 | 816,433 | 33,721 | 8,572 | 858,726 |
| Movement in Reserves 2022/23 | | | | | | | | | | | |
| Total Comprehensive Expenditure and Income | (28,703) | 9,307 | - | - | - | (19,396) | 292,384 | 272,988 | 442 | -4300 | 269,130 |
| Adjustments to usable reserves permitted by accounting standards | 7,634 | 2,844 | - | - | - | 10,478 | (10,478) | - | - | - | - |
| Adjustments between accounting basis & funding basis under regulations (Note 10) | 19,821 | (10,814) | - | 1,014 | - | 10,021 | (10,021) | - | - | - | - |
| Net increase/(decrease) before transfers to/from earmarked and other statutory reserves | (1,248) | 1,337 | - | 1,014 | - | 1,103 | 271,885 | 272,988 | 442 | (4,300) | 269,130 |
| Transfers to/(from) statutory reserves | 1,537 | (1,384) | 4,360 | (4,898) | 87 | (298) | 298 | - | - | - | - |
| Increase/Decrease in 2022/23 | 289 | (47) | 4,360 | (3,884) | 87 | 805 | 272,183 | 272,988 | 442 | (4,300) | 269,130 |
| Balance at 31 March 2023 | 45,698 | 2,418 | 5,348 | 2,145 | 4,239 | 59,848 | 1,029,573 | 1,089,421 | 34,163 | 4,272 | 1,127,856 |
| Note | | | | | | | | | | | |
| Minority Interest | | | | | | | | | 716 | | 716 |
| Total Reserves as per Balance Sheet | | | | | | | | | 34,879 | | 1,128,572 |

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 2022 | | 31 March 2022 | | Notes | 31 March 2023 | | |
|---------------|-----------|---------------|-----------|-----------------------------|---------------|-----------|-----------|
| Council | Group | Council | Group | | Council | Group | |
| | | Restated | Restated | | | | |
| £000 | £000 | £000 | £000 | | £000 | £000 | |
| 1,158,116 | 1,176,956 | 1,175,180 | 1,197,515 | Property, Plant & Equipment | 15 | 1,248,239 | 1,271,075 |
| 1,151 | 1,355 | 1,151 | 1,355 | Heritage Assets | 16 | 1,151 | 1,355 |
| 222 | 2,596 | 222 | 2,907 | Investment Property | 17 | 375 | 3,046 |
| 30 | 30 | 36 | 36 | Intangible Assets | 18 | 29 | 29 |
| - | 3,079 | - | 3,079 | Long Term Investments | | - | 2,998 |
| - | 8,572 | - | 8,572 | Investments in Associates | | - | 4,272 |
| - | - | - | - | Pension Asset | 42 | 161,095 | 161,095 |
| 484 | 484 | 484 | 484 | Long Term Debtors | 19 | 439 | 439 |
| 1,160,003 | 1,193,072 | 1,177,073 | 1,213,948 | Long Term Assets | | 1,411,328 | 1,444,309 |
| 1,642 | 1,643 | 1,642 | 1,643 | Inventories | 20 | 1,814 | 1,815 |
| 17,017 | 17,031 | 17,017 | 17,031 | Short Term Debtors | 21/22 | 16,243 | 16,261 |
| 877 | 877 | 877 | 877 | Assets held for sale | 23 | 463 | 463 |
| 15,409 | 15,409 | 15,409 | 15,409 | Cash and Cash Equivalents | 24 | 11,034 | 13,230 |
| 34,945 | 34,960 | 34,945 | 34,960 | Current Assets | | 29,554 | 31,769 |
| (75,973) | (75,973) | (75,973) | (75,973) | Short Term Borrowing | 19 | (88,123) | (88,123) |
| (48,265) | (42,131) | (48,265) | (42,131) | Short Term Creditors | 25 | (55,297) | (51,342) |
| (649) | (649) | (649) | (649) | Donated Inventories Account | 20 | (649) | (649) |
| (124,887) | (118,753) | (124,887) | (118,753) | Current Liabilities | | (144,069) | (140,114) |
| (149) | (149) | (149) | (149) | Provisions | 26 | (149) | (149) |
| (160,784) | (160,784) | (160,784) | (160,784) | Long Term Borrowing | 19 | (152,897) | (152,897) |
| (55,207) | (55,207) | (55,207) | (55,207) | Other Long Term Liabilities | 19 | (54,346) | (54,346) |
| (54,558) | (54,558) | (54,558) | (54,558) | Pensions Liability | 42 | - | - |
| (270,698) | (270,698) | (270,698) | (270,698) | Long Term Liabilities | | (207,392) | (207,392) |
| 799,363 | 838,581 | 816,433 | 859,457 | Net Assets | | 1,089,421 | 1,128,572 |

Balance Sheet (continued)

| 31 March 2022 | | 31 March 2022 | | Notes | 31 March 2023 | | |
|---------------|----------|---------------|----------|---|---------------|-----------|-----------|
| Council | Group | Council | Group | | Council | Group | |
| Restated | Restated | Restated | Restated | | | | |
| £000 | £000 | £000 | £000 | | | £000 | £000 |
| 45,409 | 56,241 | 45,409 | 56,545 | General Fund Balance | 27 | 45,698 | 55,017 |
| 2,465 | 2,458 | 2,465 | 2,465 | Housing Revenue Account | 27 | 2,418 | 2,418 |
| 988 | 988 | 988 | 988 | Capital Receipts Reserve | 27 | 5,348 | 5,348 |
| 6,029 | 6,029 | 6,029 | 6,029 | Capital Grants & Receipts Unapplied Account | 27/29 | 2,145 | 2,145 |
| 4,152 | 4,152 | 4,152 | 4,152 | Revenue Statutory Funds | 27 | 4,239 | 4,239 |
| 59,043 | 69,868 | 59,043 | 70,179 | Usable Reserves | | 59,848 | 69,167 |
| 406,094 | 421,942 | 417,278 | 436,621 | Revaluation Reserve | 28 | 466,344 | 486,208 |
| 402,325 | 405,567 | 408,211 | 411,453 | Capital Adjustment Account | 28 | 416,000 | 419,242 |
| (5,716) | (5,716) | (5,716) | (5,716) | Financial Instruments Adjustment Account | 28 | (5,404) | (3,666) |
| (7,825) | (7,825) | (7,825) | (7,825) | Employee Statutory Adjustment Account | 28 | (8,462) | (8,462) |
| (54,558) | (54,558) | (54,558) | (54,558) | Pensions Reserve | 28 | 161,095 | 161,095 |
| 740,320 | 759,410 | 757,390 | 779,975 | Unusable Reserves | | 1,029,573 | 1,054,417 |
| - | 8,572 | - | 8,372 | Share of Associates Reserves | | - | 4,272 |
| - | 731 | - | 731 | Minority Interest | | - | 716 |
| 799,363 | 838,581 | 816,433 | 859,257 | Total Reserves | | 1,089,421 | 1,128,572 |

The notes on pages 48 to 101 form part of the financial statements.

Lorraine Paisey CA

Chief Financial Officer

The unaudited Annual Accounts were issued on 28 June 2023 by 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.

| 2021/22 | | 2021/22 | | | 2022/23 | |
|-----------------|-----------------|-----------------|-----------------|---|----------------|----------------|
| Council | Group | Council | Group | | Council | Group |
| | | Restated | Restated | | | |
| £000 | £000 | £000 | £000 | | £000 | £000 |
| (15,824) | (16,456) | (9,938) | (9,697) | Net deficit on the provision of services | (19,396) | (20,880) |
| | | | | Adjust net deficit on the provision of services for non cash movements | | |
| 61,581 | 62,213 | 55,695 | 55,936 | | 53,106 | 54,590 |
| | | | | Adjust for items included in the net deficit on the provision of services that are investing and financing activities | | |
| (16,492) | (16,492) | (16,492) | (16,492) | | (22,998) | (22,998) |
| 29,265 | 29,265 | 29,265 | 29,747 | Net cash flows from Operating Activities | 10,712 | 10,712 |
| (23,115) | (23,115) | (23,115) | (23,115) | Investing Activities (Note 31) | (21,014) | (21,014) |
| (21,096) | (21,096) | (21,096) | (21,096) | Financing Activities (Note 32) | 5,927 | 5,927 |
| | | | | Net increase or (decrease) in cash and cash equivalents | | |
| (14,946) | (14,946) | (14,946) | (14,464) | | (4,375) | (4,375) |
| | | | | Cash and cash equivalents at the beginning of the financial year | | |
| 30,355 | 30,355 | 30,355 | 30,355 | | 15,409 | 15,409 |
| | | | | Cash and cash equivalents at the end of the financial year (Note 24) | | |
| 15,409 | 15,409 | 15,409 | 15,409 | | 11,034 | 11,034 |
| (14,946) | (14,946) | (14,946) | (14,946) | | (4,375) | (4,375) |

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 2022/23, supported by International Financial Reporting Standards (IFRS). These are issued jointly by CIPFA and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a “true and fair view” of the financial performance of the Council and its Group. The Annual Accounts have been prepared on a “going concern” basis. The accounting convention adopted in the Annual Accounts is principally historic cost, modified by the revaluation of certain categories of non-current and financial assets.

2. Accruals of Expenditure and Income

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

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

3. Bad and Doubtful Debts

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

4. Borrowing Costs

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

5. Cash and Cash Equivalents

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

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

6. Charges to Revenue for Non-Current Assets

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

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

7. Contingent Assets and Liabilities

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

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

8. Employee Benefits Payable during Employment

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

Note 1 Accounting Policies (continued)

9. Fair Value Measurement

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

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

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

10. Government Grants and Contributions

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

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

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

11. Impairment

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

12. Inventories

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

13. Loans Fund

A Loans Fund is maintained under powers contained in the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016. All loans raised by the Council are paid into the Fund and all advances to finance capital expenditure are made from the Fund except for capital projects financed directly from Revenue Accounts. The basis of recharging for loans is by half-yearly instalments on an annuity basis. This is only the case for pre 1 April 2022 and new loans fund repayments now follow option 3 permitted by Finance Circular 7/2016. Loans Fund interest and expenses have been charged to the CIES in accordance with the Code.

14. Prior Period Adjustments

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

15. Provisions

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

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

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

Note 1 Accounting Policies (continued)

16. Reserves

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

17. VAT

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

Note 2 Prior Period Amendments

Context

In arriving at these amendments, it should be noted that this note to the accounts relates to the single entity values only. Restatements were also made to the Common Good Accounts and the detail of these is discussed in Note 4.

Any adjustments made are as a direct result of the materiality of their impact on the Accounts for 2021/22.

Property, Plant & Equipment/Intangible Assets

The 2022/23 opening balance for Property, Plant & Equipment and Intangible Assets has been adjusted upward by a total of £17.070m. The adjustment relates to a number a number of non-current assets as follows:

- A number of assets were not revalued as part of the 2021/22 year end processes but were determined to have had a material change in value since their last valuation date. These assets were subject to a desktop valuation exercise and the opening balances restated.
- During 2022/23 the Council moved to a new Asset Register System. As part of the transition to the new system errors were identified in how indexation had been applied to assets in 2021/22 and the opening balances were corrected.

Overall Effect of the Prior Period Adjustment

When working through the amended non-current asset values for the prior periods, there has been an impact across several areas within the annual accounts. Therefore, individual summaries of the impacts have been recorded in the tables below. The main areas which were impacted were as follows:

- The value of assets recorded on the Balance Sheet;
- Levels of Unusable Reserves (Movement in Reserves Statement);
- Depreciation and Revaluation amounts recorded in the Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet.

Note 2 Prior Period Adjustments (continued)

Balance Sheet

| | Opening Balances as at 1st April 2022 | Restated Balances as at 1st April 2022 | Restatement |
|---|---|--|---------------|
| | £000 | £000 | £000 |
| Property, Plant & Equipment | 1,158,116 | 1,175,180 | 17,064 |
| Heritage Assets | 1,151 | 1,151 | - |
| Investment Property | 222 | 222 | - |
| Intangible Assets | 30 | 36 | 6 |
| Long Term Debtors | 484 | 484 | - |
| Long Term Assets | 1,160,003 | 1,177,073 | 17,070 |
| Inventories | 1,642 | 1,642 | - |
| Short Term Debtors | 17,017 | 17,017 | - |
| Assets held for sale | 877 | 877 | - |
| Cash and Cash Equivalents | 15,409 | 15,409 | - |
| Current Assets | 34,945 | 34,945 | - |
| Short Term Borrowing | (75,973) | (75,973) | - |
| Short Term Creditors | (48,265) | (48,265) | - |
| Donated Inventories Account | (649) | (649) | - |
| Current Liabilities | (124,887) | (124,887) | - |
| Provisions | (149) | (149) | - |
| Long Term Borrowing | (160,784) | (160,784) | - |
| Other Long Term Liabilities | (55,207) | (55,207) | - |
| Pensions Liability | (54,558) | (54,558) | - |
| Liabilities in Associates | - | - | - |
| Long Term Liabilities | (270,698) | (270,698) | - |
| Net Assets | 799,363 | 816,433 | 17,070 |
| General Fund Balance | 45,409 | 45,409 | - |
| Housing Revenue Account | 2,465 | 2,465 | - |
| Capital Receipts Reserve | 988 | 988 | - |
| Capital Grants & Receipts Unapplied Account | 6,029 | 6,029 | - |
| Revenue Statutory Funds | 4,152 | 4,152 | - |
| Usable Reserves | 59,043 | 59,043 | - |
| Revaluation Reserve | 406,094 | 417,278 | 11,184 |
| Capital Adjustment Account | 402,325 | 408,211 | 5,886 |
| Financial Instruments Adjustment Account | (5,716) | (5,716) | - |
| Employee Statutory Adjustment Account | (7,825) | (7,825) | - |
| Pensions Reserve | (54,558) | (54,558) | - |
| Unusable Reserves | 740,320 | 757,390 | 17,070 |
| Total Reserves | 799,363 | 816,433 | 17,070 |

Note 2 Prior Period Adjustments (continued)

Comprehensive Income and Expenditure Statement (CIES)

| | 2021/22 Audited Accounts | | | Restated 2021/22 | | | Restatement |
|--|--------------------------|-----------|---------|------------------|-----------|---------|-------------|
| | Council | | | Council | | | |
| | Expenditure | Income | Net | Expenditure | Income | Net | |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Education | 91,406 | (13,271) | 78,135 | 90,131 | (13,271) | 76,860 | (1,275) |
| Education Resources & Communities | 29,595 | (4,406) | 25,189 | 29,337 | (4,406) | 24,931 | (258) |
| Social Work | 20,342 | (1,885) | 18,457 | 20,341 | (1,885) | 18,456 | (1) |
| General Services Housing and Property Services | 14,242 | (9,006) | 5,236 | 13,550 | (9,006) | 4,544 | (692) |
| Environmental & Commercial Services | 56,486 | (14,792) | 41,694 | 53,042 | (14,792) | 38,250 | (3,444) |
| Economic Growth & Development | 9,648 | (4,543) | 5,105 | 9,608 | (4,543) | 5,065 | (40) |
| HR, ICT & Organisational Development | 7,118 | (400) | 6,718 | 6,832 | (400) | 6,432 | (286) |
| Governance, Strategy & Performance | 20,175 | (14,045) | 6,130 | 20,175 | (14,045) | 6,130 | - |
| Financial Services | 3,332 | (831) | 2,501 | 3,340 | (831) | 2,509 | 8 |
| Other | 1,904 | (142) | 1,762 | 1,904 | (142) | 1,762 | - |
| Health and Social Care | 119,454 | (66,160) | 53,294 | 119,304 | (66,160) | 53,144 | (150) |
| Housing Revenue Account | 14,618 | (21,229) | (6,611) | 14,870 | (21,229) | (6,359) | 252 |
| Cost Of Services | 388,320 | (150,710) | 237,610 | 382,434 | (150,710) | 231,724 | (5,886) |

Note 2 Prior Period Adjustments (continued)

Comprehensive Income and Expenditure Statement (CIES) (continued)

| | 2021/22 Audited Accounts | | | Restated 2021/22 | | | |
|---|--------------------------|-----------|-----------|------------------|-----------|-----------|-------------|
| | Council | | | Council | | | |
| | Expenditure | Income | Net | Expenditure | Income | Net | Restatement |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost Of Services Brought Forward | 388,320 | (150,710) | 237,610 | 382,434 | (150,710) | 231,724 | (5,886) |
| Other Operating Expenditure (Note 12) | | | 8,707 | | | 8,707 | - |
| Financing and Investment Income and Expenditure (Note 13) | | | 13,157 | | | 13,157 | - |
| Taxation and Non-Specific Grant Income (Note 14) | | | (243,650) | | | (243,650) | - |
| | | | | | | | - |
| Deficit on Provision of Services | | | 15,824 | | | 9,938 | (5,886) |
| (Surplus)/Deficit on revaluation of Property, Plant and Equipment (Notes 15 & 23) | | | (124,386) | | | (135,570) | (11,184) |
| (Surplus)/Deficit on revaluation of available for sale financial assets | | | - | | | - | - |
| Remeasurement of the net defined benefit liability (Note 28 & 42) | | | (13,274) | | | (13,274) | - |
| Other (Income)/Expenditure | | | (137,660) | | | (148,844) | (11,184) |
| Total Comprehensive Net (Income)/Expenditure | | | (121,836) | | | (138,906) | (17,070) |

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

The Code requires the Council to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts. This applies to the adoption of the following new or amended standards within the 2022/23 Code:

- Definition of Accounting Estimates (Amendments to IAS 8);
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Deferred Tax (Amendments to IAS 12);
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3).

The Code requires implementation from 1 April 2023 and there is, therefore, no impact on the 2022/23 financial statements.

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

Note 4 Nature of the Group and Group Members

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

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

Subsidiaries

The Entities which have been combined as subsidiaries are:

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

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 £2.102m. The Council acts as sole trustees for various other trust funds which have a net asset balance of £8.482m.

The Council is responsible for the administration of Common Good Funds which were all the property of a Royal Burgh not acquired under statutory powers or held under specific trusts. Council Members have responsibility for decisions on the distribution of these funds. The Common Good Funds have a net asset balance of £23.279m.

The individual accounts for these entities are shown separately on pages 107 to 120.

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

Associates

The Entities that have been combined as Associates are:

| Name of Associate | Principal Place of Business | Moray Council's Share of Voting Control | Moray Council's Share of Requisition | Measurement Method |
|--------------------------------|------------------------------------|--|---|---------------------------|
| Grampian Valuation Joint Board | Moray | 20% | 17% | Equity |
| Moray Leisure Limited | Moray | 33% | 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 4 Nature of the Group and Group Members (continued)

Summarised balance sheet

| | Grampian Valuation Joint Board | | Moray Leisure Limited | | Moray Integration Joint Board (Joint Venture) | |
|-------------------------------------|-----------------------------------|---------------|--------------------------|-------------|---|--------------|
| | Restated | | Restated | | | |
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Current assets | | | | | | |
| Cash and cash equivalents | 1,380 | 1,205 | 215 | 186 | | |
| Other current assets | 90 | 85 | 145 | 153 | 17,021 | 4,683 |
| Total current assets | 1,470 | 1,290 | 360 | 339 | 17,021 | 4,683 |
| Non-current assets | 730 | 10,942 | 364 | 329 | - | - |
| Current liabilities | (933) | (705) | (464) | (463) | - | - |
| Non-current liabilities | (503) | | (420) | (294) | - | - |
| Net assets/(liabilities) | 764 | 11,527 | (160) | (89) | 17,021 | 4,683 |
| Reconciliation to carrying amounts: | | | | | | |
| Opening net assets/(liabilities) | 998 | 764 | 352 | (160) | 6,342 | 17,021 |
| Surplus/(deficit) for the period | (234) | 10,763 | (512) | 72 | 10,679 | (12,338) |
| Closing net assets/(liabilities) | 764 | 11,527 | (160) | (88) | 17,021 | 4,683 |
| Reporting entity's share (%) | 17 | 17 | 43 | 33 | 50 | 50 |
| Reporting entity's share | 130 | 1,960 | (69) | (29) | 8,511 | 2,342 |
| Carrying amount | 130 | 1,960 | (69) | (29) | 8,511 | 2,342 |

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

Summarised Statements of Comprehensive Income and Expenditure

| | Valuation Joint | | Limited | | Joint Board (Joint | |
|---|-----------------|-----------------|--------------|-----------|--------------------|---------------|
| | Restated | | Restated | | | |
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Revenue | (4,560) | 4,894 | (2,236) | (3,321) | (164,487) | (156,443) |
| Interest Income | (12) | (27) | | | | |
| Depreciation and Amortisation | 34 | 34 | 81 | 88 | - | - |
| Interest Expense | - | - | | | | |
| (Surplus)/deficit for the period | 185 | 396 | (512) | 72 | (10,679) | 12,338 |
| Other Comprehensive Income and Expenditure | 49 | (11,159) | - | - | - | - |
| Total Comprehensive Income and Expenditure | 234 | (10,763) | (512) | 72 | (10,679) | 12,338 |

Inclusion of Associate entities has increased reserves and net assets in the group by £4.272m due mainly to the reserves of Moray Integration Joint Board, as well as a smaller increase in reserves for Grampian Valuation Joint Board and a small decrease for Moray Leisure Ltd.

Other Entities in which the Council has an Interest

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

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

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

Carrying amounts of the entities:

| | Capital Fund | | HITRANS | |
|--------------------------------|--------------|---------|---------|---------|
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| | £000 | £000 | £000 | £000 |
| carrying amount of receivables | 41 | 44 | 473 | 836 |
| carrying amount of liabilities | - | - | 750 | 796 |
| Maximum exposure to loss | 41 | 44 | 750 | 796 |

Note 5 Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- 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 £11.474m and £48.388m 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 £36.287m. The Council has considered the tests under IFRIC 12 and concluded there are service concessions.
- Assets held at current value are revalued on a five year rolling basis as set out in the accounting policy for Property, Plant and Equipment. A proportion of assets are subject to a desktop valuation on the basis of local market indices as advised by the Council's Estates Manager. For assets not subject to a formal or desktop valuation in year, the Council's Estates Manager, who is a qualified Royal Institution of Chartered Surveyors (RICS) Valuer, has asserted that the carrying amount does not differ materially from that which would be determined using current value, and the Chief Financial Officer is content with this assertion.
- During 2022/23 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 6 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31 March 2023 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 £1.756m 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 7 Events after the Reporting Period

The unaudited Annual Accounts were issued on 28 June 2023 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 2023, 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

| 2021/22 Restated | | | | 2022/23 | | | | |
|---|--|--|---|---|---|--|--|---|
| 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 |
| 68,247 | 8,613 | - | 76,860 | Education | 77,119 | 9,837 | 5,262 | 92,218 |
| 20,824 | 3,670 | 437 | 24,931 | Education Resources & Communities | 23,714 | 2,133 | 812 | 26,659 |
| 17,300 | 1,154 | 2 | 18,456 | Social Work | 15,507 | 1,008 | 875 | 17,390 |
| | | | | General Services Housing and Property Services | 4,987 | 1,714 | 555 | 7,256 |
| 2,719 | 1,281 | 544 | 4,544 | Environmental & Commercial Services | 28,295 | 13,522 | 2 | 41,819 |
| 25,444 | 12,056 | 750 | 38,250 | Economic Growth & Development | 4,254 | 882 | - | 5,136 |
| 4,285 | 780 | - | 5,065 | HR, ICT & Organisational Development | 5,830 | 1,237 | - | 7,067 |
| 5,329 | 1,103 | - | 6,432 | Governance, Strategy & Performance | 6,435 | 638 | - | 7,073 |
| 5,507 | 623 | - | 6,130 | Financial Services | 2,214 | 347 | - | 2,561 |
| 2,126 | 383 | - | 2,509 | Other | 2,502 | (882) | - | 1,620 |
| 2,610 | (848) | - | 1,762 | Health and Social Care | 58,571 | 3,367 | 129 | 62,067 |
| 49,601 | 3,477 | 66 | 53,144 | Housing Revenue Account | (7,801) | 1,791 | 2,844 | (3,166) |
| (9,198) | (1,285) | 4,124 | (6,359) | | | | | |
| 194,794 | 31,007 | 5,923 | 231,724 | Cost of Services | 221,627 | 35,594 | 10,479 | 267,700 |
| (199,360) | (22,426) | - | (221,786) | Other Income and Expenditure | (222,024) | (26,586) | - | (248,304) |
| (4,566) | 8,581 | 5,923 | 9,938 | (Suplus)/Deficit | (397) | 9,008 | 10,479 | 19,396 |
| | | | (44,273) | Opening General Fund and HRA Balance (Surplus) Deficit on General Fund and HRA Balance in year | (47,873) | | | |
| | | | (4,566) | | (396) | | | |
| | | | 966 | Transfers from Reserves | 153 | | | |
| | | | (47,873) | Closing General Fund and HRA Balance at 31 March* | (48,116) | | | |

*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 2021/22 Restated

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes Note a | Net Change for the Pensions Adjustments Note b | Other Differences Note c | Elimination of Internal Recharges Note d | Total Adjustments |
|---|--|---|-----------------------------|---|-------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Education | 6,478 | 2,055 | 325 | (245) | 8,613 |
| Education Resources & Communities | 1,318 | 1,972 | 482 | (102) | 3,670 |
| Social Work | 79 | 1,353 | 38 | (316) | 1,154 |
| General Services Housing and Property Services | 191 | 1,300 | (41) | (169) | 1,281 |
| Environmental & Commercial Services | 8,354 | 2,933 | (7) | 776 | 12,056 |
| Economic Growth & Development | 71 | 763 | (27) | (27) | 780 |
| HR, ICT & Organisational Development | 473 | 651 | (18) | (3) | 1,103 |
| Governance, Strategy & Performance | - | 667 | (42) | (2) | 623 |
| Financial Services | 8 | 371 | 4 | - | 383 |
| Other | 28 | (869) | (5) | (2) | (848) |
| Health and Social Care | (18) | 3,359 | 46 | 90 | 3,477 |
| Housing Revenue Account | (1,667) | 386 | (4) | - | (1,285) |
| Net Cost of Services | 15,315 | 14,941 | 751 | - | 31,007 |
| Other Income and Expenditure | (23,044) | 927 | (309) | | (22,426) |
| Total Adjustments | (7,729) | 15,868 | 442 | - | 8,581 |

Note 8 Expenditure and Funding Analysis (continued)

Adjustments between the Funding and the Accounting Basis 2022/23

2022/23

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes Note a | Net Change for the Pensions Adjustments Note b | Other Differences Note c | Elimination of Internal Recharges Note d | Total Adjustments |
|---|--|---|-----------------------------|---|-------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Education | 7,162 | 2,071 | 815 | (211) | 9,837 |
| Education Resources & Communities | 443 | 2,168 | (382) | (95) | 2,134 |
| Social Work | 20 | 1,277 | (69) | (219) | 1,009 |
| General Services Housing and Property Services | 577 | 1,315 | 59 | (237) | 1,714 |
| Environmental & Commercial Services | 9,445 | 2,871 | 317 | 888 | 13,521 |
| Economic Growth & Development | 135 | 773 | 3 | (28) | 883 |
| HR, ICT & Organisational Development | 612 | 647 | (14) | (8) | 1,237 |
| Governance, Strategy & Performance | - | 662 | 3 | (27) | 638 |
| Financial Services | 8 | 365 | (27) | - | 346 |
| Other | - | (882) | - | (1) | (883) |
| Health and Social Care | 140 | 3,372 | (83) | (62) | 3,367 |
| Housing Revenue Account | 1,368 | 408 | 15 | - | 1,791 |
| Net Cost of Services | 19,910 | 15,047 | 637 | - | 35,594 |
| Other Income and Expenditure | (27,560) | 1,285 | (311) | | (26,586) |
| Total Adjustments | (7,650) | 16,332 | 326 | - | 9,008 |

a) Adjustments for Capital Purposes

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

Adjustments to Other Income and Expenditure reflect:

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

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

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

Note 8 Expenditure and Funding Analysis (continued)

b) Net Change for the Pensions Adjustments

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

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

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

c) Other Differences

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

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

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

d) Elimination of Internal Recharges

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

Note 9 Expenditure and Income Analysed by Segment and Nature

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

Income and Expenditure 2021/22 Restated

| | 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 | 66,773 | 22,093 | 10,060 | 10,067 | 22,821 | 5,630 | 4,869 | 4,801 | 2,713 | 803 | 25,451 | 3,040 | 927 | 180,048 |
| Other service expenses | 16,880 | 5,489 | 10,200 | 2,748 | 21,117 | 2,960 | 1,490 | 15,374 | 619 | 1,073 | 93,805 | 9,373 | 187 | 181,315 |
| Depreciation, amortisation and impairment | 6,478 | 1,755 | 81 | 735 | 9,104 | 1,018 | 473 | - | 8 | 28 | 48 | 2,457 | - | 22,185 |
| Interest Payments | - | - | - | - | - | - | - | - | - | - | - | - | 12,282 | 12,282 |
| Loss on Disposal of Non Current Assets | - | - | - | - | - | - | - | - | - | - | - | - | 8,707 | 8,707 |
| Total Expenditure | 90,131 | 29,337 | 20,341 | 13,550 | 53,042 | 9,608 | 6,832 | 20,175 | 3,340 | 1,904 | 119,304 | 14,870 | 22,103 | 404,537 |
| Fees, charges & other service income | (359) | (1,712) | (144) | (7,846) | (14,575) | (2,187) | (390) | (13,170) | (809) | (142) | (66,118) | (21,229) | - | (128,681) |
| Interest and investment income | - | - | - | - | - | - | - | - | - | - | - | - | (240) | (240) |
| Income from council tax | - | - | - | - | - | - | - | - | - | - | - | - | (45,979) | (45,979) |
| Government grants and contributions | (12,912) | (2,694) | (1,741) | (1,160) | (217) | (2,356) | (10) | (875) | (22) | - | (42) | - | (197,670) | (219,699) |
| Total Income | (13,271) | (4,406) | (1,885) | (9,006) | (14,792) | (4,543) | (400) | (14,045) | (831) | (142) | (66,160) | (21,229) | (243,889) | (394,599) |
| Net Expenditure | 76,860 | 24,931 | 18,456 | 4,544 | 38,250 | 5,065 | 6,432 | 6,130 | 2,509 | 1,762 | 53,144 | (6,359) | | |
| (Surplus) or deficit on the provision of services | | | | | | | | | | | | | | 9,938 |

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

Income and Expenditure 2022/23

Income and Expenditure 2022/23

| | 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 | 72,530 | 25,250 | 10,324 | 11,148 | 24,437 | 6,148 | 5,195 | 5,217 | 2,788 | 998 | 27,730 | 3,447 | 1,285 | 196,497 |
| Other service expenses | 19,595 | 5,261 | 10,438 | 4,145 | 24,845 | 4,073 | 1,643 | 15,089 | 653 | 827 | 107,750 | 10,944 | 317 | 205,580 |
| Depreciation, amortisation and impairment | 12,424 | 1,255 | 20 | 1,452 | 10,000 | 137 | 612 | - | 8 | - | 269 | 4,213 | - | 30,390 |
| Interest Payments | - | - | - | - | - | - | - | - | - | - | - | - | 12,377 | 12,377 |
| Loss on Disposal of Non Current Assets | - | - | - | - | - | - | - | - | - | - | - | - | 492 | 492 |
| Total Expenditure | 104,549 | 31,766 | 20,782 | 16,745 | 59,282 | 10,358 | 7,450 | 20,306 | 3,449 | 1,825 | 135,749 | 18,604 | 14,471 | 445,336 |
| Fees, charges & other service income | (508) | (2,228) | (132) | (8,462) | (17,256) | (2,724) | (383) | (12,488) | (888) | (94) | (73,002) | (21,770) | - | (139,935) |
| Interest and investment income | - | - | - | - | - | - | - | - | - | - | - | - | (1,123) | (1,123) |
| Income from council tax | - | - | - | - | - | - | - | - | - | - | - | - | (48,375) | (48,375) |
| Government grants and contributions | (11,823) | (2,879) | (3,260) | (1,027) | (207) | (2,498) | - | (745) | - | (111) | (680) | - | (213,277) | (236,507) |
| Total Income | (12,331) | (5,107) | (3,392) | (9,489) | (17,463) | (5,222) | (383) | (13,233) | (888) | (205) | (73,682) | (21,770) | (262,775) | (425,940) |
| Net Expenditure | 92,218 | 26,659 | 17,390 | 7,256 | 41,819 | 5,136 | 7,067 | 7,073 | 2,561 | 1,620 | 62,067 | (3,166) | | |
| (Surplus) or deficit on the provision of services | | | | | | | | | | | | | | 19,396 |

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.

2021/22 Restated

| | Usable Reserves | | | | |
|--|-----------------|----------------|-------------------------|--------------------------|---|
| | General Fund | HRA | Revenue Statutory Funds | Capital Receipts Reserve | Capital Grants & Receipts Unapplied Account |
| | £000 | £000 | £000 | £000 | £000 |
| Adjustments to the Revenue Resources | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements, | | | | | |
| Pensions costs (transferred from the Pensions Reserve) | 15,462 | 407 | | | |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account) | (213) | (96) | | | |
| Holiday pay (transferred to the Employee Statutory Adjustment Account) | 755 | (4) | | | |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 13,867 | (2,832) | - | - | - |
| Total Adjustment to Revenue Resources | 29,871 | (2,525) | - | - | - |
| 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 1 | (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 finance new capi | - | - | - | - | - |
| Total Adjustments to Capital Resources | - | - | - | - | - |
| Total Adjustments | 18,005 | (9,424) | - | - | 1,281 |

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

2022/23

| | Usable Reserves | | | | |
|--|----------------------|----------------|------------------------------------|-------------------------------------|---|
| | General Fund £000 | HRA £000 | Revenue Statutory Funds £000 | Capital Receipts Reserve £000 | Capital Grants & Receipts Unapplied Account £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) | 15,894 | 438 | - | - | - |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account) | (215) | (96) | - | - | - |
| Holiday pay (transferred to the Employee Statutory Adjustment Account) | 622 | 15 | - | - | - |
| 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) | 14,571 | (4,534) | | | |
| Total Adjustment to Revenue Resources | 30,872 | (4,177) | - | - | - |
| 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 | (1,014) | - | - | - | - |
| Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account) | (2,402) | (1,708) | | | |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | - | (2,085) | - | - | - |
| Total Adjustments between Revenue and Capital Resources | (3,416) | (3,793) | - | - | - |
| Adjustments to Capital Resources | | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | - | - | - |
| Total Adjustments to Capital Resources | - | - | - | - | - |
| Total Adjustments | 27,456 | (7,970) | - | - | - |

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 2022/23.

| | Repairs and Renewals Fund £000 | Insurance Fund £000 | Total £000 |
|---------------------------------|--|---------------------------|---------------|
| 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 |
| Transfers in 2022/23 | 57 | 30 | 87 |
| Balance at 31 March 2023 | 2,797 | 1,442 | 4,239 |

Earmarked portions of the General Fund

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

| | General Services £000 | Devolved School Management £000 | Early Years Childcare Expansion £000 | Pupil Equity Funding £000 | Transformation £000 | Council Priorities £000 | Covid-19 Funding £000 | Other Funds £000 | Total £000 |
|---------------------------------|--------------------------|---------------------------------------|---|---------------------------------|------------------------|----------------------------|--------------------------|---------------------|---------------|
| Balance at 31 March 2021 | 15,349 | 1,343 | 573 | 802 | 3,664 | 2,881 | 16,421 | 839 | 41,872 |
| Transfers Out 2021/22 | (10,349) | (55) | (573) | - | - | - | - | (428) | (11,405) |
| Transfers In 2021/22 | - | - | - | 244 | 1,816 | 7,000 | 5,838 | 44 | 14,942 |
| Balance at 31 March 2022 | 5,000 | 1,288 | - | 1,046 | 5,480 | 9,881 | 22,259 | 455 | 45,409 |
| Transfers Out 2022/23 | - | (436) | - | (289) | - | - | - | (179) | (904) |
| Transfers In 2022/23 | - | - | - | - | - | - | 638 | 555 | 1,193 |
| Balance at 31 March 2023 | 5,000 | 852 | - | 757 | 5,480 | 9,881 | 22,897 | 831 | 45,698 |

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.

Expansion of Funded early Learning and Childcare from 600 to 1140 hours

This ring fenced fund was 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, which was full expended in 2021/22.

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.

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

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 largest individual component of these funds is for Employability and other large balances relate to amounts set aside for insurance claims beneath the Council's excess and 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 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, Nursery snack funds and funding approved to be used to alleviate the cost of living crisis.

Note 12 Other Operating Expenditure

| | 2021/22 | 2022/23 |
|--|--------------|------------|
| | £000 | £000 |
| Losses on disposal of non-current assets | 8,707 | 492 |
| | 8,707 | 492 |

Note 13 Financing and Investment Income and Expenditure

| | 2021/22 | 2022/23 |
|---|---------------|---------------|
| | £000 | £000 |
| Interest payable and similar charges | 12,282 | 12,377 |
| Net interest on the net defined benefit liability | 928 | 1,285 |
| Interest receivable and similar income | (236) | (1,119) |
| Income and expenditure in relation to investment properties | (4) | (4) |
| Expected credit losses on financial assets | 187 | 317 |
| | 13,157 | 12,856 |

Note 14 Taxation and Non-Specific Grant Income

| | 2021/22 | 2022/23 |
|-----------------------------------|------------------|------------------|
| | £000 | £000 |
| Council tax income | (45,979) | (48,375) |
| Non domestic rates | (41,260) | (54,575) |
| Non-ring fenced government grants | (142,144) | (136,845) |
| Capital grants and contributions | (14,267) | (21,857) |
| | (243,650) | (261,652) |

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 2021/22 Restated

| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £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 | 423,002 | 51,691 | 711 | 2,652 | 66,128 | 893,954 |
| Additions | 6,856 | 5,538 | 3,340 | 163 | - | 16,386 | 32,283 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | 25,740 | 45,904 | - | - | 242 | - | 71,886 |
| Revaluation (decreases) recognised in the Surplus on the Provision of Services | 3,459 | (1,856) | - | - | 115 | (1,165) | 553 |
| Derecognition – disposals | - | - | (361) | - | - | - | (361) |
| Derecognition – other | - | (8,796) | - | - | - | - | (8,796) |
| Assets reclassified (to)/ from Held for Sale | - | (1,571) | - | - | (160) | - | (1,731) |
| Other movements in cost or valuation | 5,616 | 48,169 | 265 | - | (22) | (54,052) | (24) |
| At 31 March 2022 | 391,441 | 510,390 | 54,935 | 874 | 2,827 | 27,297 | 987,764 |
| Accumulated Depreciation and Impairment | | | | | | | |
| At 1 April 2021 | 8,279 | 57,490 | 34,424 | 345 | 124 | - | 100,662 |
| Depreciation charge | 8,664 | 11,380 | 2,468 | 13 | 28 | - | 22,553 |
| Depreciation written out to the Revaluation Reserve | (13,291) | (51,018) | - | - | (94) | - | (64,403) |
| Depreciation written out to the Surplus on the Provision of Services | (2,917) | (3,287) | - | - | - | - | (6,204) |
| Derecognition – disposals | - | - | (305) | - | - | - | (305) |
| Derecognition – other | - | (1,539) | - | - | - | - | (1,539) |
| Assets reclassified (to)/ from Held for Sale | - | (153) | - | - | (6) | - | (159) |
| Other movements in depreciation and impairment | - | - | - | - | 28 | - | 28 |
| At 31 March 2022 | 735 | 12,873 | 36,587 | 358 | 80 | - | 50,633 |

Note 15 Property, Plant and Equipment (continued)

Movement in 2022/23

| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 |
|--|------------------------------|-------------------------------------|--|-----------------------------|------------------------|--------------------------------------|---|
| Cost or valuation | | | | | | | |
| At 1 April 2022 | 391,441 | 510,583 | 54,935 | 874 | 3,045 | 27,297 | 988,175 |
| Additions | 8,497 | 4,464 | 4,945 | 184 | - | 14,199 | 32,289 |
| (decreases) recognised in the Revaluation Reserve | 30,997 | 30,121 | - | - | (719) | - | 60,399 |
| recognised in the Surplus on the Provision of Services | (3,715) | - | - | - | - | - | (3,715) |
| Derecognition – disposals | - | (433) | (1,790) | - | - | - | (2,223) |
| Derecognition – other | - | - | - | - | - | (266) | (266) |
| Assets reclassified (to)/ from Held for Sale | - | (397) | - | - | (101) | - | (498) |
| valuation | - | 394 | - | - | (91) | (456) | (153) |
| At 31 March 2023 | 427,220 | 544,732 | 58,090 | 1,058 | 2,134 | 40,774 | 1,074,008 |
| Accumulated Depreciation and Impairment | | | | | | | |
| At 1 April 2022 | 734 | 12,873 | 36,587 | 358 | 80 | - | 50,632 |
| Depreciation charge | 8,857 | 16,144 | 3,087 | 17 | 41 | - | 28,146 |
| Depreciation written out to the Revaluation Reserve | - | - | - | - | - | - | - |
| Depreciation written out to the Surplus on the Provision of Services | - | - | - | - | - | - | - |
| Derecognition – disposals | - | - | (1,629) | - | - | - | (1,629) |
| Derecognition – other | - | - | - | - | - | - | - |
| Assets reclassified (to)/ from Held for Sale | - | - | - | - | - | - | - |
| Other movements in depreciation and impairment | - | - | - | - | - | - | - |
| At 31 March 2023 | 9,591 | 29,017 | 38,045 | 375 | 121 | - | 77,149 |
| Net Book Value | | | | | | | |
| at 31 March 2022 | 390,706 | 497,517 | 18,348 | 516 | 2,747 | 27,297 | 937,131 |
| at 31 March 2023 | 417,629 | 515,715 | 20,045 | 683 | 2,013 | 40,774 | 996,859 |

Note 15 Property, Plant and Equipment (continued)

The Scottish Government issued Finance Circular 9/2022 and the Council are invoking both statutory overrides permitted by this guidance and removed the Gross Book Value and Accumulated Depreciation amounts for Infrastructure Assets. The Net Book Value of these assets as at 31 March 2023 is £241m (2021/22 £238m), and is part of the Property, Plant and Equipment figure in the Balance Sheet.

Capital Commitments

At 31 March 2023, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2022/23 and future years budgeted to cost £5.304m (2021/22 £6.874m). The major contract is:

| | £000 |
|------------------------|--------------|
| NESS Energy from Waste | 5,304 |
| | 5,304 |

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current or fair value is revalued at least every five years, with an indexation exercise carried out in the intervening years. All valuations are carried out internally by the Council's Asset Manager (Commercial Property) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). A proportion of assets are subject to a desktop valuation on the basis of local market related indices at 31 March 2023. Such valuations were applied following consultation with the Council's Asset Manager (Commercial Property).

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

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

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--------------------------------|----------------------|-----------------------------|--|---------------------|----------------|------------------------------|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Carried at historical cost | - | - | 58,090 | 1,058 | - | 40,774 | 99,922 |
| Valued at current value as at: | | | | | | | |
| 31 March 2023 | 38,782 | 51,609 | - | - | (1,006) | - | 89,385 |
| 31 March 2022 | 47,728 | 123,808 | - | - | 41 | - | 171,577 |
| 01 April 2020 | 333,520 | 42,120 | - | - | (194) | - | 375,446 |
| 01 April 2019 | 8,116 | 36,378 | - | - | 1,282 | - | 45,776 |
| 01 April 2018 | 3,961 | 268,480 | - | - | 1,660 | - | 274,101 |
| Total cost or valuation | 432,107 | 522,395 | 58,090 | 1,058 | 1,783 | 40,774 | 1,056,207 |

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 2022/23 is as follows:

| | Cultural | Modern | Museums | Total |
|-----------------------------|-----------------|----------------|--------------------|-----------------|
| | £000 | Statues | Collections | Heritage |
| | £000 | £000 | £000 | Assets |
| | £000 | £000 | £000 | £000 |
| Valuation at 1 April 2021 | 126 | 105 | 920 | 1,151 |
| Additions | - | - | - | - |
| Transfers/Reclassifications | - | - | - | - |
| At 31 March 2022 | 126 | 105 | 920 | 1,151 |
| Valuation at 1 April 2022 | 126 | 105 | 920 | 1,151 |
| Additions | - | - | - | - |
| Transfers/Reclassifications | - | - | - | - |
| At 31 March 2023 | 126 | 105 | 920 | 1,151 |

The amount included above for the museum's collections is based on insurance valuations. 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 2023 |
| Archive Material | circa 1,000,000 |
| Monuments and Fountains | 11 |
| War Memorials | 46 |

Note 17 Investment Property

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

Investment Property is measured initially at cost and thereafter at fair value, being the price that would be received by selling such an asset in an orderly transaction between market participants at the measurement date. Investment Property is measured at highest and best use and the properties are not depreciated. Properties are reviewed each year and if it is deemed that there has been a material change in value or circumstance are revalued. Gains and losses on revaluation are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES). The same treatment applies to gains and losses on disposal.

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

Note 17 Investment Property (continued)

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

| | 2021/22 | 2022/23 |
|--|----------|----------|
| | £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:

| | 2021/22 | 2022/23 |
|---|------------|------------|
| | £000 | £000 |
| Balance at start of the year | 862 | 222 |
| Net gains/(losses) from fair value adjustments | - | - |
| Transfers (to)/from Property, Plant and Equipment | - | 153 |
| Disposals | (640) | - |
| Balance at end of the year | 222 | 375 |

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 £0.007m charged to revenue in 2022/23 (2021/22 £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.

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

| | 2021/22 Restated | 2022/23 |
|---|------------------|-----------|
| | £000 | £000 |
| Balance at start of the year: | | |
| Gross carrying amount | 252 | 252 |
| Accumulated amortisation | (209) | (222) |
| Net carrying amount at start of year | 43 | 30 |
| Amortisation for the period | (8) | (7) |
| Accumulated amortisation | | |
| Net carrying amount at end of year | 35 | 23 |
| Gross carrying amount | 252 | 252 |
| Accumulated amortisation | (222) | (229) |
| | 30 | 23 |

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.

Financial Instruments – Balances

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

| | 2021/22 | | 2022/23 | |
|------------------------|----------------|----------------|----------------|----------------|
| | Long Term | Short Term | Long Term | Short Term |
| | £000 | £000 | £000 | £000 |
| Amortised Cost: | | | | |
| Borrowing | 160,784 | 75,973 | 152,897 | 88,123 |
| Creditors | 55,207 | 44,360 | 54,346 | 48,254 |
| Total | 215,991 | 120,333 | 207,243 | 136,377 |

Note 19 Financial Instruments (continued)

Income, Expense, Gains and Losses

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

| | 2021/22 | | | 2022/23 | | |
|---|--|--|---------------|---|--|----------------|
| | Financial Liabilities measured at amortised cost £000 | Financial Assets: Loans and Receivables £000 | Total £000 | Financial Liabilities measured at amortised cost £000 | Financial Assets: Loans and Receivables £000 | Total £000 |
| Interest Expense | 12,282 | | 12,282 | 12,377 | | 12,377 |
| Impairment Losses | | 261 | 261 | | 444 | 444 |
| Total expense in Surplus or Deficit on the Provision of Services | 12,282 | 261 | 12,543 | 12,377 | 444 | 12,821 |
| Interest Income | - | (236) | (236) | | (1,119) | (1,119) |
| Total income in Surplus or Deficit on the Provision of Services | - | (236) | (236) | - | (1,119) | (1,119) |
| Net (gain)/loss for the year | 12,282 | 25 | 12,307 | 12,377 | (675) | 11,702 |

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.

Financial Assets

| | | 2021/22 | | 2022/23 | |
|--------------------|------------------|----------------------------|--------------------|----------------------------|--------------------|
| | Fair Value Level | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Short Term Debtors | 2 | 13,298 | 13,298 | 12,970 | 12,970 |
| Long Term Debtors | 2 | 484 | 484 | 439 | 439 |
| Total | | 13,782 | 13,782 | 13,409 | 13,409 |

Note 19 Financial Instruments (continued)

At 31 March 2023 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 (£13.409m).

Financial Liabilities

| Financial Liabilities | | 2021/22 | | 2022/23 | | |
|---|---|------------------|----------|------------|----------|------------|
| | | Fair Value Level | Carrying | Fair Value | Carrying | Fair Value |
| | | | Amount | | Amount | |
| | | | £000 | | £000 | |
| Financial liabilities held at amortised cost: | | | | | | |
| Short Term Creditors | 2 | 44,180 | 44,180 | 48,254 | 48,254 | |
| Short Term Borrowing | 2 | 75,973 | 75,973 | 88,123 | 88,123 | |
| Other Long Term liabilities | 2 | 3,876 | 3,876 | 4,337 | 4,337 | |
| Long Term Borrowing | 2 | 160,784 | 244,703 | 152,897 | 176,841 | |
| PPP and Finance Lease liabilities | 2 | 51,331 | 74,485 | 50,009 | 59,725 | |
| Total | | 336,144 | 443,217 | 343,620 | 377,280 | |

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 £147.615m 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 £152.897m of total long term borrowing would be valued at £176.841m. 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

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 |

2022/23

| | Balance at 1 April | Purchases | Recognised as an expense in the year | Balance at 31 March |
|-------------------|-----------------------|--------------|--|---------------------------|
| | £000 | £000 | £000 | £000 |
| Building Services | 258 | 978 | (862) | 374 |
| Fleet Services | 324 | 3,106 | (3,143) | 287 |
| Roads Maintenance | 185 | 759 | (745) | 199 |
| Donated PPE | 649 | - | - | 649 |
| Other | 226 | 1,752 | (1,673) | 305 |
| Total | 1,642 | 6,595 | (6,423) | 1,814 |

Note 21 Short Term Debtors

| | 2021/22 £000 | 2022/23 £000 |
|---|-----------------|-----------------|
| Trade Receivables | 1,239 | 1,857 |
| Prepayments | 1,765 | 1,222 |
| Other Receivable Amounts | 12,059 | 11,114 |
| | 15,063 | 14,193 |
| Prepayments included in debtors | (1,765) | (1,222) |
| Total Financial Assets Current Debtors | 13,298 | 12,970 |

Note 22 Debtors from Local Taxation

| | 2021/22 Council Tax £000 | 2022/23 Council Tax £000 |
|----------------------------------|--------------------------------|--------------------------------|
| Less than 1 year | 1,714 | 1,754 |
| One to two years | 2,922 | 2,994 |
| Three to five years | 2,610 | 2,726 |
| More than 5 years | 9,666 | 10,520 |
| | 16,912 | 17,994 |
| Impairment Allowance | (14,958) | (15,944) |
| Total (net of impairment) | 1,954 | 2,050 |

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 |
|--|-----------------------|-----------------------|
| | 2021/22 | 2022/23 |
| | £000 | £000 |
| Balance at 1 April | 1,000 | 877 |
| Assets reclassified from Property, Plant and Equipment | 1,602 | 498 |
| Revaluation gains/(losses) | (34) | - |
| Disposals | (1,691) | (912) |
| Balance at 31 March | 877 | 463 |

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.

| | 2021/22 | 2022/23 |
|----------------------------|----------------|----------------|
| | £000 | £000 |
| Cash Held by the Council | 16 | 18 |
| Bank Current/Call Accounts | 15,393 | 11,016 |
| Total | 15,409 | 11,034 |

Note 25 Short Term Creditors

| | 2021/22 | 2022/23 |
|--|----------------|----------------|
| | £000 | £000 |
| Trade Payables | 16,222 | 27,209 |
| Other Payables | 32,043 | 28,088 |
| Total | 48,265 | 55,297 |
| Tax Creditors included above | (3,545) | (5,036) |
| Receipts in advance included above | (540) | (2,007) |
| Total Financial Liabilities Current Creditors | 44,180 | 48,254 |

Note 26 Provisions

| | Equal Pay £000 | Total £000 |
|--|-------------------|---------------|
| Balance as at 1 April 2022 | 149 | 149 |
| Settlements made/provision released in 2022/23 | - | - |
| Increase in provision in 2022/23 | - | - |
| Balance as at 31 March 2023 | 149 | 149 |

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

Note 27 Usable Reserves

The Council has several reserve funds within this category:

- The Insurance Fund covers the main classes of insurance and is earmarked to pay any uninsured losses on school buildings. The Repairs and Renewal Fund provides for the upkeep of property assets held by the Council. Together these are the Revenue Statutory Funds on the Balance Sheet;
- The Capital Fund is used to meet the costs of capital investments in assets and for the repayment of the principal element of borrowings;
- Capital Grants and Receipts Unapplied holds the grants and contributions received towards capital projects for which the Council has met the conditions that 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

| 2021/22 Restated £000 | 2022/23 £000 |
|--|------------------|
| 408,211 Capital Adjustment Account | 416,000 |
| 417,278 Revaluation Reserve | 466,344 |
| (5,716) Financial Instruments Adjustment Account | (5,404) |
| (7,825) Employee Statutory Adjustment Account | (8,462) |
| (54,558) Pensions Reserve | 161,095 |
| 757,390 | 1,029,573 |

Note 28 Unusable Reserves (continued)

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.

| 2021/22 | | 2022/23 | |
|-----------------|---|----------|-----------------|
| Restated | | £000 | £000 |
| 396,945 | Balance at 1 April | | 408,211 |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| (23,084) | Charges for depreciation and impairment of non-current assets | (26,666) | |
| 7,782 | Revaluation losses on Property, Plant and Equipment | (3,715) | |
| (13) | Amortisation of Intangible Assets | (7) | |
| | Amounts of non-current assets written off on disposal or sale as part of the | | |
| (9,988) | loss on disposal to the Comprehensive Income and Expenditure Statement | (1,506) | |
| (25,303) | | | (31,894) |
| 4,818 | Adjusting amount written out of the Revaluation Reserve | | 11,333 |
| (20,485) | Net written out amount of the cost of non-current assets consumed in the year | | (20,561) |
| | Capital financing applied in the year: | | |
| 14,267 | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 21,857 | |
| - | Application of grants to capital financing from the Capital Grants Unapplied Account | 298 | |
| 11,412 | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | 4,110 | |
| 6,072 | Capital expenditure charged against the General Fund and HRA balances | 2,085 | |
| 31,751 | | | 28,350 |
| - | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | - |
| 408,211 | Balance at 31 March | | 416,000 |

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.

| 2021/22 | | 2022/23 | |
|----------------|--|----------|----------------|
| Restated | | £000 | £000 |
| 292,449 | Balance at 1 April | | 417,278 |
| 140,844 | Upward Revaluation of assets | 60,399 | |
| (5,274) | Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services | - | |
| 135,570 | Surplus /(deficit) on revaluation of non-current assets not posted to the Surplus on the Provision of Services | | 60,399 |
| (5,923) | Difference between fair value depreciation and historical cost depreciation | (10,479) | |
| (4,818) | Accumulated gains on assets sold or scrapped | (854) | |
| (10,741) | Amount written off to the Capital Adjustment Account | | (11,333) |
| 417,278 | Balance at 31 March | | 466,344 |

Note 28 Unusable Reserves (continued)

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

| 2021/22 | 2022/23 |
|---|----------------|
| £000 | £000 |
| (6,025) Balance at 1 April | (5,716) |
| 309 Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements | 312 |
| 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 | - |
| (5,716) Balance at 31 March | (5,404) |

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.

| 2021/22 | 2022/23 |
|---|----------------|
| £000 | £000 |
| (7,074) Balance at 1 April | (7,825) |
| 7,074 Settlement or cancellation of accrual made at the end of the preceding year | 7,825 |
| (7,825) Amounts accrued at the end of the current year | (8,462) |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (637) |
| (7,825) Balance at 31 March | (8,462) |

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.

| 2021/22 | 2022/23 |
|--|----------------|
| £000 | £000 |
| (51,963) Balance at 1 April | (54,558) |
| 13,274 Remeasurements (assets and liabilities) | 231,985 |
| 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 | (33,608) |
| 15,641 Employer's pensions contributions and direct payments to pensioners payable in the year | 17,276 |
| (54,558) Balance at 31 March | 161,095 |

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.

| | 2021/22 £000 | 2022/23 £000 |
|---|-----------------|-----------------|
| Capital Grants | | |
| Opening Balance | 1,082 | 2,299 |
| Additions | 1,217 | - |
| Applied | - | (298) |
| Closing Balance | 2,299 | 2,001 |
| Capital Receipts for Transformation Projects | | |
| Opening Balance | 2,722 | 3,730 |
| Additions | 1,281 | 1,014 |
| Applied | (290) | (4,727) |
| Closing Balance | 3,713 | 17 |
| Interest on Revenue Balances | 17 | 127 |
| Total opening balance at 1 April | 3,804 | 6,029 |
| Total closing balance at 31 March | 6,029 | 2,145 |

Note 30 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| | 2021/22 £000 | 2022/23 £000 |
|-------------------|-----------------|-----------------|
| Interest Received | 240 | 1,121 |
| Interest Paid | (12,351) | (11,875) |

Note 31 Cash Flow Statement - Investing Activities

| | 2021/22 £000 | 2022/23 £000 |
|--|-----------------|-----------------|
| Purchase of property, plant and equipment, investment property and intangible assets | (41,664) | (44,617) |
| Other payments for investing activities | (3) | - |
| Other receipts from investing activities | 18,552 | 23,603 |
| Net cash flows from investing activities | (23,115) | (21,014) |

Note 32 Cash Flow Statement - Financing Activities

| | 2021/22 £000 | 2022/23 £000 |
|---|-----------------|-----------------|
| Cash receipts of short-term and long-term borrowing | 68,000 | 56,500 |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases | (1,594) | (1,500) |
| Repayment of short and long-term borrowing | (85,152) | (52,736) |
| Other payments/(receipts) for financing activities | (2,350) | 3,663 |
| Net cash flows from financing activities | (21,096) | 5,927 |

Note 33 Reconciliation of Liabilities Arising from Financing Activities

| | Balance at 1 April | Financing Cash Flows | 2022/23 Changes which are not Financing Cash Flows | Balance at 31 March |
|--|-----------------------|----------------------------|---|---------------------------|
| | £000 | £000 | Acquisition £000 | Other £000 |
| Long Term Borrowing | 160,784 | (7,887) | - | - |
| Short Term Borrowing | 75,973 | 11,368 | - | 782 |
| On balance sheet PFI liabilities | 52,831 | (1,500) | - | - |
| Other deferred liabilities | 268 | - | - | 3 |
| Total Liabilities from Financing Activities | 289,856 | 1,981 | - | 785 |
| | | | | 292,622 |

Note 34 External Audit Costs

The agreed external audit fee for 2022/23 was £0.270m for work undertaken in accordance with the Code of Audit Practice (2021/22 £0.251m).

Note 35 Grant Income and Contributions

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23.

| | 2021/22 £000 | 2022/23 £000 |
|---|-----------------|-----------------|
| Credited to Taxation and Non-Specific Grant Income | | |
| General Revenue Grant | 142,144 | 136,845 |
| National Non Domestic Rate Income | 41,260 | 54,575 |
| Capital Grants and Contributions | 14,267 | 21,856 |
| Total | 197,671 | 213,276 |
| Credited to Services | | |
| Housing Benefits | 12,705 | 11,976 |
| Private Sector Housing Grant | 395 | 463 |
| Home Energy Efficiency Programme Scotland | 765 | 564 |
| Covid Education Grants | 543 | - |
| Criminal Justice | 1,336 | 1,456 |
| Pupil Equity Funding (PEF) | 1,673 | 1,484 |
| ELC Expansion | 10,452 | 9,359 |
| PPP Funding | 2,219 | 2,219 |
| Ukrainian Resettlement Scheme | - | 1,039 |
| Moray Growth Deal | - | 1,444 |
| Employability Moray | 4 | 652 |
| Other Grants | 3,989 | 4,839 |
| Contributions | | |
| Integration Joint Board | 66,311 | 73,765 |
| Other Contributions | 241 | 268 |
| NHS Grampian | 114 | 271 |
| Donations | 1 | 2 |
| Total | 100,748 | 109,801 |

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:

| | 2021/22 £000 | 2022/23 £000 |
|-----------------------------------|-----------------|-----------------|
| Grants received in advance | | |
| Capital Grants | 3,608 | 4,066 |
| Other Grants | 921 | 2,007 |
| Total | 4,529 | 6,073 |

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 2022/23 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 2022/23 the following financial transactions were made with Moray Council relating to the integrated and social care functions:

Transactions with other bodies are as follows:

| | 2021/22 | 2022/23 | Debtors/(Creditors) | |
|---------------------------------------|---------|---------|---------------------|---------|
| | £000 | £000 | 2021/22 | 2022/23 |
| | | | £000 | £000 |
| NHS Grampian | | | | |
| Funding received | 114 | 271 | 82 | 93 |
| Moray Integration Joint Board | | | | |
| Funding received from MIJB | 66,311 | 73,765 | (1,282) | (1,836) |
| Contribution to MIJB | 47,475 | 55,936 | - | - |
| European Union | | | | |
| Funding received | 342 | 1,143 | 439 | 1,027 |
| Grampian Valuation Joint Board | | | | |
| Contribution to GVJB | 792 | 776 | - | - |

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:

| | 2021/22 | 2022/23 |
|--------------------------------|---------|---------|
| | £000 | £000 |
| Grampian Valuation Joint Board | 1,380 | 1,205 |
| Trust Funds | 2,269 | 2,196 |
| Common Good | 3,897 | 3,982 |

The Council provided material financial assistance to Moray Leisure Limited of £0.664m in 2022/23 (2021/22 £0.534m).

The Council participates in the following partnerships:

| | 2021/22 | 2022/23 |
|--|---------|---------|
| | £000 | £000 |
| The Highlands and Islands Transport Partnership - contribution | 47 | 47 |
| Scotland Excel - contribution | 76 | 79 |
| SEEMIS Group LLP - contribution | 94 | 103 |

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.

| | 2021/22 | 2022/23 |
|---|----------------|----------------|
| | £000 | £000 |
| Opening Capital Financing Requirement | 341,891 | 351,981 |
| Capital Investment: | | |
| Property, Plant and Equipment (incl Held for Sale) | 41,840 | 44,552 |
| Intangible Assets | - | - |
| Heritage Assets | - | - |
| Sources of Finance: | | |
| Government grants and other contributions | (14,267) | (21,857) |
| Sum set Aside from Revenue: | | |
| Direct revenue contributions | (6,072) | (2,085) |
| Loans fund principal | (11,412) | (4,110) |
| Closing Capital Financing Requirement | 351,980 | 368,481 |
| Explanations of movements in year: | | |
| Increase/(decrease) in underlying need to borrow (supported by government financial assistance) | 10,090 | 16,500 |
| Increase/(decrease) in Capital Financing Requirement | 10,090 | 16,500 |

During 2022/23 the Council has recognised £20.6 million of loans fund advances (2021/22 £21.5 million).

Note 38 Capitalisation of Borrowing Costs

Borrowing costs of £1.737m have been capitalised during 2022/23 (2021/22 £1.076m), using a capitalisation rate of 3.54%.

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

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.

Note 39 Leases (continued)

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

| | 2021/22 | 2022/23 |
|---|----------------|----------------|
| | £000 | £000 |
| Not later than one year | 38 | 37 |
| Later than one year and not later than five years | 148 | 139 |
| Later than five years | 1,372 | 1,390 |
| Total | 1,558 | 1,566 |

The future minimum sublease payments expected to be received by the Council are £0.003m (2021/22 £0.002m).

The expenditure charged to the CIES during the year in relation to minimum lease payments was £0.037m (2021/22 £0.038m).

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:-

| | 2021/22 | 2022/23 |
|---|----------------|----------------|
| | £000 | £000 |
| Not later than one year | 758 | 717 |
| Later than one year and not later than five years | 2,782 | 2,722 |
| Later than five years | 31,940 | 32,109 |
| Total | 35,480 | 35,548 |

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 2022/23 was £5.367m (2021/22 £5.170m).

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 2022/23 was £2.590m (2021/22 £2.545m)

Note 40 Public Private Partnership and Similar Contracts (continued)

Property, Plant and Equipment

| | 2021/22 £000 | 2022/23 £000 |
|---------------------------------|-----------------|-----------------|
| Cost or valuation | | |
| at 1 April | 69,340 | 82,653 |
| Additions | 49 | - |
| Revaluations | 13,264 | 7,014 |
| | 82,653 | 89,667 |
| Accumulated Depreciation | | |
| At 1 April | 7,994 | - |
| Revaluations | - | - |
| Depreciation charge | 2,670 | 3,230 |
| Depreciation write back | (10,664) | (3,230) |
| | - | - |
| Net Book Value | 82,653 | 89,667 |

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 2023 (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 2023/24 | 1,184 | 1,322 | 3,677 | 6,183 |
| Payable within 2 to 5 years | 4,735 | 6,173 | 13,713 | 24,621 |
| Payable within 6 to 10 years | 5,918 | 10,229 | 14,382 | 30,529 |
| Payable within 11 to 15 years | 5,919 | 15,332 | 10,038 | 31,289 |
| Payable within 16 to 20 years | 4,858 | 18,275 | 3,608 | 26,741 |
| Total | 22,614 | 51,331 | 45,418 | 119,363 |

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:

| | 2021/22 £000 | 2022/23 £000 |
|--|-----------------|-----------------|
| Balance outstanding at start of year | 54,360 | 52,831 |
| Payments during the year | (1,529) | (1,500) |
| Balance outstanding at year-end | 52,831 | 51,331 |

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 Public Pensions Agency (SPPA), an executive agency of the Scottish Government. 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.

In 2022/23 the Council paid £10.925m in respect of teachers' retirement benefits, of which £1.493m was outstanding at 31 March 2023. The amount payable represents 23% of pensionable pay. In 2021/22 the amounts paid were £9.787m of which £0.848m was outstanding at 31 March 2022, and 23% of pensionable pay.

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 one scheme:

- 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 pension 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.

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.

Note 42 Defined Benefit Pension Schemes (continued)

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 | |
|--|----------------|------------------|------------|----------------|
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| | £000 | £000 | £000 | £000 |
| Comprehensive Income and Expenditure Statement Cost of Services: | | | | |
| Current Service Cost | 30,278 | 31,986 | - | - |
| Past Service Cost | - | - | - | - |
| Curtailment Cost | - | - | - | - |
| Settlement Cost | - | - | - | - |
| Administration Expenses | 304 | 337 | - | - |
| | 30,582 | 32,323 | - | - |
| Financing and Investment Income and Expenditure: | | | | |
| Net Interest Expense | 640 | 921 | 288 | 364 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 31,222 | 33,244 | 288 | 364 |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | | | | |
| Remeasurement of the net defined benefit liability comprising: | | | | |
| Return on plan assets | 3,159 | 55,193 | - | - |
| Actuarial gains/(losses) arising from changes in fin | (14,207) | (322,463) | (79) | (3,149) |
| Actuarial gains/(losses) arising from demographic | (4,032) | (17,330) | (72) | (309) |
| Other | 1,918 | 55,200 | 39 | 873 |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | 18,060 | (196,156) | 176 | (2,221) |
| 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 | (31,222) | (33,244) | (288) | (364) |
| Actual amount charged against the General Fund Balance for pensions in the year: | | | | |
| Employers' contributions payable to scheme | 14,673 | 16,286 | - | - |
| Retirement benefits payable to pensioners | - | - | 968 | 990 |

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 | |
|--|---------------------------------|----------------|------------------------|-----------------|
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| | £000 | £000 | £000 | £000 |
| Present Value of the defined benefit obligation | (793,742) | (552,122) | (13,468) | (10,257) |
| Fair value of plan assets | 752,652 | 723,474 | - | - |
| Net liability arising from defined benefit obligation | (41,090) | 171,352 | (13,468) | (10,257) |

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

| | Pension Scheme | | Benefits | |
|--|----------------|----------------|---------------|---------------|
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| | £000 | £000 | £000 | £000 |
| Opening Balance at 1 April | 776,355 | 793,742 | 14,260 | 13,468 |
| Current Service Cost | 30,278 | 31,986 | - | - |
| Interest Cost | 16,172 | 22,068 | 288 | 364 |
| Contributions from scheme participants | 4,586 | 5,038 | - | - |
| Remeasurement (gains)/losses: | | | | |
| Actuarial (gains)/losses arising from changes in financial assumptions | (14,207) | (322,463) | (79) | (3,149) |
| Actuarial (gains)/losses arising from demographic changes | (4,032) | (17,330) | (72) | (309) |
| Other | 1,918 | 55,200 | 39 | 873 |
| Past Service Cost | - | - | - | - |
| (Gains)/Losses on curtailment/settlements | - | - | - | - |
| Benefits paid | (17,328) | (16,119) | (968) | (990) |
| Closing Balance at 31 March | 793,742 | 552,122 | 13,468 | 10,257 |

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

| | Local Government Pension Scheme | | Discretionary Benefits | |
|---|---------------------------------|----------------|------------------------|----------|
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| | £000 | £000 | £000 | £000 |
| Opening fair value of scheme assets | 738,652 | 752,652 | - | - |
| Interest Income | 15,532 | 21,147 | - | - |
| Remeasurement Gains: | | | | |
| The return on plan assets, excluding the amount in the net interest expense | (3,159) | (55,193) | - | - |
| Contributions from employer | 14,673 | 16,286 | 968 | 990 |
| Contributions from employees into the scheme | 4,586 | 5,038 | - | - |
| Benefits paid | (17,328) | (16,119) | (968) | (990) |
| Other - administration expenses | (304) | (337) | - | - |
| Closing value of scheme assets | 752,652 | 723,474 | - | - |

Note 42 Defined Benefit Pension Schemes (continued)

Local Government Pension Scheme assets comprised:

Fair value of scheme assets

| | Quoted Prices in Active Markets £000 | Prices not Quoted in Active Markets £000 | Total £000 |
|-----------------------|--|---|----------------|
| 31 March 2022 | | | |
| UK Equities | 162,046 | - | 162,046 |
| Overseas Equities | 289,245 | - | 289,245 |
| UK Government Bonds | 61,717 | - | 61,717 |
| Property | - | 49,073 | 49,073 |
| Private Equity | - | 155,347 | 155,347 |
| Global Infrastructure | 13,021 | - | 13,021 |
| Cash Instruments | - | 22,203 | 22,203 |
| Total Assets | 526,029 | 226,623 | 752,652 |

| | Quoted Prices in Active Markets £000 | Prices not Quoted in Active Markets £000 | Total £000 |
|------------------------|--|--|----------------|
| 31 March 2023 | | | |
| UK Equities | 177,540 | - | 177,540 |
| Overseas Equities | 225,652 | - | 225,652 |
| UK Government Bonds | 46,447 | - | 46,447 |
| Other Government Bonds | - | - | - |
| Other UK Bonds | - | - | - |
| Other non UK Bonds | - | - | - |
| Property | - | 47,315 | 47,315 |
| Private Equity | - | 182,967 | 182,967 |
| Global Infrastructure | 15,410 | - | 15,410 |
| Cash Instruments | - | 28,143 | 28,143 |
| Total Assets | 465,049 | 258,425 | 723,474 |

Note 42 Defined Benefit Pension Schemes (continued)

Basis for Estimating Assets and Liabilities

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

The most recent actuarial valuation was carried out as at 31 March 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 2023. The significant assumptions used by the actuary have been:

| | Local Government Pension Scheme | | Unfunded Liabilities Discretionary Benefits | |
|---|---------------------------------|---------|---|---------|
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| Mortality Assumptions: | | | | |
| Longevity at 65 for current pensioners | | | | |
| Men | 21.5 | 21.0 | 21.5 | 21.0 |
| Women | 24.2 | 23.4 | 24.2 | 23.4 |
| Longevity at 65 for future pensioners | | | | |
| Men | 23.0 | 22.4 | - | - |
| Women | 26.3 | 25.4 | - | - |
| Rate of Inflation | 3.30% | 2.70% | 3.50% | 2.70% |
| Rate of increase in salaries | 4.80% | 4.20% | - | - |
| Rate of increase in pensions | 3.40% | 2.80% | 3.60% | 2.80% |
| Rate for discounting scheme liabilities | 2.80% | 4.80% | 2.80% | 4.90% |

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

| | Increase in Assumption £000 | Decrease in Assumption £000 |
|---|--------------------------------|--------------------------------|
| Impact on the Defined Benefit Obligation in the Scheme | | |
| Longevity (increase or decrease in 1 year) | 11,487 | (11,487) |
| Rate of inflation (increase or decrease by 0.1%) | 23,689 | (23,689) |
| Rate of increase in salaries (increase or decrease by 0.1%) | 2,578 | (2,578) |
| Rate of increase in pensions (increase or decrease by 0.1%) | (43,729) | 43,729 |

Note 42 Defined Benefit Pension Schemes (continued)

Funding Strategy Statement

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

The Pensions Committee's long-term funding objective is to achieve and maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis. The current actuarial valuation of the Fund is effective as at 31 March 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 2023, with March 2022 in brackets were: equities, including alternatives 83.15% (82.33%), bonds 6.42% (8.2%), property 6.54% (6.52%) and cash 3.89% (2.95%).

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 employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2023 is £16.282m. Expected contributions for Discretionary Benefits in the year to 31 March 2023 are £1.014m.

The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2020 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).

However, both the Council and GHA agreed to alter the missives to extend the buy-back period until 31 March 2024. In agreeing to the extension to the buy-back period both parties sought consent of the Scottish Government, which has assumed administrative responsibility for the grant given to GHA to purchase the site.

A masterplan for development of a wider area at Bilbohall has been finalised. The planning application was considered and approved at the meeting of Planning and Regulatory Services Committee on 23 March 2021. A tender for the contract was published in March 2021 but this resulted in no tenders being received with volatility in the supply chain cited as the reason. The same tender was reissued in December 2021 with a return date of 19 April 2022. The second tender has resulted in one tender received with a list of clarifications. The Council has engaged HUB North to act as Employers Agent. HUB North are facilitating detailed discussion with the contractor in an effort to resolve the clarifications, and arrive at a fixed price Design and Build contract which is acceptable to all parties. HUB North have only been partially successful in resolving approximately half of the qualifications but have not achieved a fixed price contract which is financially viable. 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. CMT have been updated several times on the procurement difficulties. More Homes Board will consider procurement options on 11 May 2023.

Building Dilapidations

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

Scottish Child Abuse Enquiry

Survivors of Historic Child Abuse in Care have the option of pursuing claims through civil proceedings and where the historical care provision crossed current local authority boundaries, any potential financial liability arising from such proceedings will be subject to agreement on a case by case basis amongst the local authorities concerned. It is therefore not possible to quantify any future claims.

Asbestos Related Illness

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

Energy from Waste Project

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

Note 44 Nature and Extent of Risks Arising From Financial Instruments

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

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

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

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

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

Credit Risk

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

The credit criteria in respect of financial assets held by the Council at 31 March 2023 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 2023 | Historical experience of default | Historical experience adjusted for market conditions as at 31 March 22 | Estimated maximum exposure to default and uncollectability |
|--------------|--|--------------------------|----------------------------------|--|--|
| | £000 | £000 | % | % | £000 |
| Customers | 3,063 | 3,875 | 13.90 | 13.90 | 539 |
| Total | 3,063 | 3,875 | | | 539 |

Debtors

The Council does not generally allow credit for customers. As a result, £3.544m of the £3.875m balance is past its due date for payment (2021/22 £2.830m). The past due but not impaired amount can be analysed by age as follows:

| | 2021/22 | 2022/23 |
|------------------------|--------------|--------------|
| | £000 | £000 |
| Less than six months | 1,652 | 1,962 |
| Six months to one year | 359 | 681 |
| More than one year | 819 | 901 |
| Total | 2,830 | 3,544 |

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

The impairments made, analysed by age are as follows:

| | 2021/22 £000 | 2022/23 £000 |
|------------------------|-----------------|-----------------|
| Less than six months | - | |
| Six months to one year | 180 | 341 |
| More than one year | 819 | 901 |
| Total | 999 | 1,242 |

Liquidity Risk

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

Although the Council has 22.13% of its current debt maturing within the period 2051/52 to 2055/56, it is continually reviewing its borrowing position to minimise the financial impact of debt maturing at any one time in the future and possibly exposing the Council to unfavourable interest rates. With the assistance of its treasury advisers, the Council manages this risk through prudent planning of new loans taken out where economic to do so.

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

| | 2021/22 £000 | Average Rate | 2022/23 £000 | Average Rate |
|-----------------------------------|-----------------|--------------|-----------------|--------------|
| Repayment less than 1 year | 75,973 | 2.41% | 88,123 | 2.16% |
| Repayment between 1 and 2 years | 8,035 | 2.49% | 7,250 | 3.06% |
| Repayment between 2 and 5 years | 17,710 | 2.83% | 15,740 | 2.94% |
| Repayment between 5 and 10 years | 22,356 | 3.48% | 20,116 | 4.93% |
| Repayment between 10 and 15 years | 15,606 | 6.13% | 14,716 | 6.35% |
| Repayment in more than 15 years | 97,077 | 5.43% | 95,075 | 5.40% |
| | 236,757 | | 241,020 | |

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

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.

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

The Council has a strategy for assessing interest rate exposure. The analysis will advise whether new borrowing taken out is fixed or variable. During 2022/23 the Council did take out several variable rate temporary borrowing loans.

According to this assessment strategy, at 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | 2021/22 | 2022/23 |
|---|------------|------------|
| | £000 | £000 |
| Increase in interest payable on variable rate borrowing | 474 | 244 |
| Impact on Comprehensive Income and Expenditure Statement | 474 | 244 |

Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost for the year ended 31 March 2023 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.

| 2021/22 | 2022/23 |
|---|-----------------|
| £000 | £000 |
| Income | |
| (20,555) Dwelling Rents | (20,975) |
| (187) Non Dwelling Rents | (193) |
| (487) Other Income | (602) |
| (21,229) Total Income | (21,770) |
| Expenditure | |
| 4,453 Supervision and Management | 5,170 |
| 7,305 Repairs and Maintenance | 8,482 |
| 151 Bad and Doubtful Debts | 204 |
| 9,564 Depreciation and Impairment of Non-Current Assets | 9,090 |
| (7,359) Revaluation losses on Non-Current Assets | (4,877) |
| 41 HRA Share of Corporate and Democratic Core Costs | 60 |
| 463 Other Expenditure | 475 |
| 14,618 Total Expenditure | 18,604 |
| (6,611) Net Cost of HRA Services | (3,166) |
| 2,824 Interest Payable and Similar Charges | 2,749 |
| (35) Interest and Investment Income | (173) |
| 21 Net Interest on the Defined Benefit Liability | 30 |
| (1,165) Capital Grants and Contributions Receivable | (8,747) |
| (4,966) (Surplus)/Deficit for the Year on HRA Services | (9,307) |

Movement on the Housing Revenue Account Statement

| 2021/22 | 2022/23 |
|---|----------------|
| £000 | £000 |
| (4,966) (Surplus)/Deficit for the Year on the HRA Income and Expenditure Account | (9,307) |
| (4,124) Adjustments to Usable Reserves permitted by Accounting Standards | (2,264) |
| Adjustments between accounting basis and funding basis under regulations | |
| Difference between interest payable and similar charges determined in accordance with the | |
| 96 Code and those determined in accordance with statute | 96 |
| 5,522 Capital expenditure funded by the Housing Revenue Account | 2,085 |
| (407) HRA share of contributions to/(from) the Pensions Reserve | (438) |
| 4 Employee Statutory Adjustment Account | (15) |
| Transfers to/from the Capital Adjustment Account: | |
| (5,440) Depreciation and Impairment of Non-Current Assets | (6,826) |
| 7,359 Revaluation losses on Property, Plant and Equipment | 4,877 |
| 1,377 Loans fund principal repayments | 1,708 |
| 1,165 Capital Grants applied | 8,747 |
| 586 Net Decrease Before Transfers to Reserves | (1,337) |
| Transfers to/(from) Reserves | |
| 9 IORB and Statutory Funds | 43 |
| (659) Transfers to/(from) Reserves | 1,341 |
| (650) | 1,384 |
| (64) (Increase)/decrease in the year on the HRA | 47 |
| (2,401) Housing Revenue Account Balance Brought Forward | (2,465) |
| (2,465) Housing Revenue Account Balance Carried Forward | (2,418) |

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:-

| | | 2021/22 | 2022/23 |
|---------------------|-----------------------|---------------------|---------------------|
| | | 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 | 711 | 719 |
| 2 bedroom | Houses and Bungalows | 2,221 | 2,222 |
| | Flats and Maisonettes | 691 | 691 |
| 3 bedroom | Houses and Bungalows | 1,267 | 1,299 |
| | Flats and Maisonettes | 99 | 99 |
| 4 or more bedroomed | Houses and Bungalows | 175 | 179 |
| | Total | 6,287 | 6,332 |

2. Rent Arrears

The total rent arrears, including rents outstanding from former tenants, as at 31 March 2023 was £0.998m which is 4.76% of gross rental income. This is equivalent to £157.54 per house (2021/22 £0.794m, 3.86%, £126.21).

3. Impairment of Debtors

The provision for uncollectable debts has increased by £0.101m (decrease in 2021/22 £0.008m). The total provision for uncollectable debts including rechargeable repairs is £0.375m (2021/22 £0.274m).

4. Voids

The loss of rental on void properties for the year was £0.220m (2021/22 £0.266m).

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.

| 2021/22 | 2022/23 |
|--|----------------|
| £000 | £000 |
| 60,143 Council Tax Levied and Contributions in Lieu | 62,656 |
| Deduct: | |
| (4,016) Local Council Tax Reduction Scheme | (4,059) |
| (8,983) Other discounts and reductions | (9,378) |
| 47,144 Total for Year | 49,219 |
| (54) Council Tax adjustment in respect of prior years | 142 |
| (1,111) Allowance for impairment of uncollectable debts | (986) |
| 45,979 Transfers to General Fund | 48,375 |

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 2022/23 Moray Council collected £0.5m (2021/22 £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

| | Discounts | | | | Total Equivalent Dwellings | Ratio to Band D | Band D Equivalent |
|------------------------------------|------------------------|-------------------------------------|--------------|------------|----------------------------------|--------------------|----------------------|
| | Number of Dwellings | Number of Exemptions/ Reliefs | 25% | Other | | | |
| Band A | 11,973 | 851 | 1,566 | 215 | 9,341 | 6/9 | 6,224 |
| Band B | 10,532 | 543 | 1,064 | 194 | 8,731 | 7/9 | 6,791 |
| Band C | 7,173 | 435 | 588 | 140 | 6,010 | 8/9 | 5,342 |
| Band D | 6,712 | 501 | 441 | 99 | 5,671 | 9/9 | 5,671 |
| Band E | 6,490 | 230 | 325 | 92 | 5,843 | 473/360 | 7,677 |
| Band F | 2,464 | 62 | 88 | 40 | 2,274 | 585/360 | 3,695 |
| Band G | 715 | 25 | 23 | 20 | 647 | 705/360 | 1,267 |
| Band H | 107 | 53 | 1 | 4 | 49 | 882/360 | 120 |
| | 46,166 | 2,700 | 4,096 | 804 | 38,566 | | 36,787 |
| Add: Contributions in Lieu | | | | | | | 954 |
| Less: Provision for non-collection | | | | | | | (755) |
| Council Tax Base 2022/23 | | | | | | | 36,986 |

Calculation of Council Tax

In 2022/23, the charges for each band were as follows:

| Band | Property Value £ | Number of Properties | Council Tax Charge |
|------|---------------------|----------------------|--------------------|
| A | Up to 27,000 | 9,341 | £908.37 |
| B | 27,000 - 35,000 | 8,731 | £1,059.77 |
| C | 35,001 - 45,000 | 6,010 | £1,211.16 |
| D | 45,001 - 58,000 | 5,671 | £1,362.56 |
| E | 58,001 - 80,000 | 5,843 | £1,790.25 |
| F | 80,001 - 106,000 | 2,274 | £2,214.16 |
| G | 106,001 - 212,000 | 647 | £2,668.35 |
| H | Above 212,000 | 49 | £3,338.27 |

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 2022/23 the rate poundage was 49.8p (49.0p in 2021/22). 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 (these supplements are unchanged from 2021/22).

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 which can retain 50% of any additional income above the target. The BRIS scheme was suspended by Scottish Government for the years 2020/21 and 2021/22 due to the impact of the COVID-19 pandemic, the last distribution of fund being for growth in 2019/20. Local authorities are awaiting confirmation from government of the scheme's future.

| 2021/22 | 2022/23 |
|---|----------------|
| £000 | £000 |
| 61,478 Gross Rates Levied | 63,931 |
| Deduct: | |
| (15,959) Reliefs and Other Deductions | (10,201) |
| - Payment of interest | |
| - Write-offs of uncollectable debts and allowance for impairment | |
| 45,519 Net Non-Domestic Rate Income | 53,730 |
| (7,935) Adjustments to previous years' National Non-Domestic Rates | (985) |
| 37,584 | 52,745 |
| (23) Business Rates Incentivisation Scheme (BRIS) retention | - |
| 3,676 Contribution (to)/from National Pooling | 1,830 |
| 41,237 Guaranteed Rate Income | 54,575 |
| 23 BRIS retention | |
| 41,260 Amount credited to the Comprehensive Income and Expenditure Statement | 54,575 |

Non-Domestic Rate Income Account (continued)

Analysis of Rateable Values and Numbers of Entries at 1 April 2022

| | Number of Entries | 2022/23 Rateable Value £000 |
|---|------------------------------|--|
| Shops | 915 | 19,166 |
| Public Houses | 58 | 1,089 |
| Offices (including Banks) | 503 | 5,833 |
| Hotels, Boarding Houses, etc. | 113 | 3,211 |
| Industrial and Freight Transport Subjects | 1,354 | 51,057 |
| Leisure, Entertainment Caravans and Holiday Sites | 904 | 4,229 |
| Garages and Petrol Stations | 123 | 1,444 |
| Cultural | 19 | 204 |
| Sporting Subjects | 565 | 712 |
| Education and Training | 83 | 7,937 |
| Public Service Subjects | 274 | 16,529 |
| Communications (Non-Formula) | 17 | 1,377 |
| Quarries, Mines, etc. | 34 | 380 |
| Petrochemical | 5 | 613 |
| Religious | 155 | 1,205 |
| Health Medical | 51 | 2,215 |
| Other | 431 | 697 |
| Care Facilities | 50 | 1,913 |
| Advertising | 18 | 33 |
| Undertaking | 22 | 4,215 |
| | 5,694 | 124,059 |

A revaluation of the rateable values of all non-domestic properties was implemented on 1st April 2017. The next will occur on 1 April 2023.

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 2023.

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 2022/23.

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

| 2021/22 | | | 2022/23 | | |
|----------------------|--------------|---|----------------------|----------------|-------|
| Connected Charitable | | Other | Connected Charitable | | Other |
| £000 | | £000 | £000 | | £000 |
| Income | | | | | |
| (24) | (102) | Investment Income | (28) | (116) | |
| - | (50) | Property Rental Income | - | (57) | |
| - | (212) | Gain on Revaluation of Fixed Assets | - | (1,337) | |
| (42) | (174) | (Surplus)/Deficit on revaluation of Available for Sale Financial Assets | 15 | 66 | |
| - | (2) | Other Income | - | (2) | |
| (66) | (540) | Total Income | (13) | (1,446) | |
| Expenditure | | | | | |
| 11 | 62 | Beneficiaries | 15 | 70 | |
| 6 | 8 | Administration | 8 | 10 | |
| - | 42 | Other Costs | - | 165 | |
| - | 130 | Depreciation | - | 130 | |
| 17 | 242 | Total Expenditure | 23 | 375 | |
| (49) | (298) | (Surplus)/Deficit for the year | 10 | (1,071) | |
| 42 | 256 | Items not Chargeable to Revenue Reserves | (15) | 1,141 | |
| (7) | (42) | (Increase)/Decrease in Revenue Reserves | (5) | 70 | |

Trust Funds Balance Sheet

| 2021/22 | | | 2022/23 | | |
|-------------------------|--------------|--|-------------------------|---------------|--------------|
| Connected Charitable | Other | | Connected Charitable | Other | |
| £000 | £000 | | £000 | £000 | |
| - | 5,130 | Property, Plant and Equipment | Note 1 | - | 6,317 |
| - | 80 | Investment Properties | Note 3 | - | 100 |
| 599 | 2,480 | Long Term Investments | Note 4 | 584 | 2,414 |
| 599 | 7,690 | Long Term Assets | | 584 | 8,831 |
| 1 | 5 | Debtors | 2 | 8 | |
| 433 | 1,836 | Loans Fund Balance | 437 | 1,759 | |
| 434 | 1,841 | Current Assets | 439 | 1,767 | |
| (7) | (18) | Creditors | (7) | (14) | |
| (7) | (18) | Current Liabilities | (7) | (14) | |
| 1,026 | 9,513 | Net Assets | 1,016 | 10,584 | |
| - | 3,242 | Capital Adjustment Account | - | 3,242 | |
| - | 1,944 | Revaluation Reserve | - | 3,151 | |
| 354 | 1,466 | Financial Instruments Adjustment Account | 338 | 1,400 | |
| 672 | 2,861 | Revenue Balance | 678 | 2,791 | |
| 1,026 | 9,513 | Total Reserves | 1,016 | 10,584 | |

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 2022/23.

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:

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 |
| Gross Book Value at 31 March 2022 | 5,516 | 15 | 5,531 |
| Accumulated Depreciation at 1 April 2021 | 356 | - | 356 |
| Revaluations | (85) | - | (85) |
| 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 |

2022/23

| | Other Land and Buildings | Community Assets | Total |
|--|-----------------------------|---------------------|--------------|
| | £000 | £000 | £000 |
| Gross Book Value at 1 April 2022 | 5,516 | 15 | 5,531 |
| Revaluations | 786 | - | 786 |
| Gross Book Value at 31 March 2023 | 6,302 | 15 | 6,317 |
| Accumulated Depreciation at 1 April 2022 | 401 | - | 401 |
| Revaluations | (531) | - | (531) |
| Charge for the Year | 130 | - | 130 |
| Depreciation at 31 March 2023 | - | - | - |

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 2023 |
|---|---|
| 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.

| | 2021/22 £000 | 2022/23 £000 |
|--|-------------------------|-------------------------|
| Balance at start of the year | 80 | 80 |
| Net gains/(losses) from fair value adjustments | - | 20 |
| Balance at end of the year | 80 | 100 |

Note 4 Trust Details

Funds for which The Moray Council act as Sole Trustee

| <u>Fund</u> | <u>Income</u> | <u>Expenditure</u> | <u>Assets</u> | <u>Liabilities</u> |
|--|---------------|--------------------|---------------|--------------------|
| | £000 | £000 | £000 | £000 |
| Registered Charitable Trusts | | | | |
| 6 Registered Charitable Trusts, each with Assets less than £50,000 | (1) | 1 | 57 | (1) |
| The Moray Council Charitable Trust <i>Established to reorganise trusts with out of date purposes. 23 trusts were approved for reorganisation in 2021/22. Split into sub categories by location and purpose.</i> | (5) | 20 | 709 | (5) |
| 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> | (6) | 1 | 257 | (1) |
| | (12) | 22 | 1,023 | (7) |
| Other Trusts | | | | |
| 6 Non Registered Trusts, each with Assets less than £50,000 | (1) | 1 | 85 | - |
| Longmore Hall <i>Village Hall for the use of the community</i> | (399) | 31 | 1,428 | - |
| Glenisla Comforts Fund <i>For the benefit of the residents of Glenisla Care Home</i> | (2) | - | 171 | - |
| John Pringle Bequest <i>For the benefit of students at Aberdeen University who have previously attended Elgin Academy</i> | - | - | 54 | - |
| Speyside Comforts Fund <i>For the benefit of the residents of Speyside Nursing Home</i> | - | - | 76 | - |
| 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> | (3) | 2 | 104 | - |

Note 4 Trust Details (continued)

| <u>Fund</u> | <u>Income</u> | <u>Expenditure</u> | <u>Assets</u> | <u>Liabilities</u> |
|---|---------------|--------------------|---------------|--------------------|
| | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> |
| William Lawtie <i>For the Poor of Cullen</i> | (23) | - | 225 | - |
| 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> | (5) | 8 | 296 | - |
| 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> | (2) | 8 | 309 | - |
| Laing Mortification <i>For the benefit of a decayed merchant resident in Elgin.</i> | (7) | - | 322 | - |
| Craigmoray Bequest (Bishopmill) <i>For the benefit of the residents of Craigmoray Care Home</i> | (6) | - | 484 | - |
| Ladyhill Public Trust <i>Provides homes for two veterans from the Elgin area</i> | (15) | 10 | 116 | (1) |
| 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> | (72) | 16 | 712 | - |
| 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> | (155) | 44 | 503 | - |
| River Lossie Public Trust <i>Established mid 1800's to provide ground for recreation for the people of Elgin</i> | (127) | 149 | 1,003 | - |
| 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> | (319) | 28 | 1,256 | - |
| Milnorduff Hall <i>Established to provide space for local groups for education, recreation etc</i> | (138) | 8 | 488 | - |

Note 4 Trust Details (continued)

| <u>Fund</u> | Income | Expenditure | Assets | Liabilities |
|---|----------------|--------------------|---------------|--------------------|
| | £000 | £000 | £000 | £000 |
| Logie Cottage <i>Proceeds from the sale of Logie cottage which was previously established to provide a free home or house of rest to a respectable retired couple or single woman in</i> | (2) | 3 | 87 | - |
| Fife Park, Keith Public Trust <i>Trust incorporating the playing field, pavilion and public</i> | - | 49 | - | - |
| Flemming Hall Aberlour | (200) | 13 | 764 | - |
| | <u>(1,476)</u> | <u>370</u> | <u>8,483</u> | <u>(1)</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> | (7) | 11 | 847 | (1) |
| | <u>(7)</u> | <u>11</u> | <u>847</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</i> | (3) | 10 | 384 | (10) |
| 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</i> | (1) | 3 | 105 | (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</i> | (6) | 28 | 779 | - |
| | <u>(10)</u> | <u>41</u> | <u>1,268</u> | <u>(12)</u> |
| <u>Fund</u> | Income | Expenditure | Assets | Liabilities |
| | £000 | £000 | £000 | £000 |
| Summary | | | | |
| Connected Charitable Trusts | (12) | 22 | 1,023 | (7) |
| Other Trusts | <u>(1,493)</u> | <u>422</u> | <u>10,598</u> | <u>(14)</u> |
| Total | <u>(1,505)</u> | <u>444</u> | <u>11,621</u> | <u>(21)</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 2022/23.

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 2022 | 31 March 2022 | | 31 March 2023 |
|--------------------|--|---------------|---------------|
| | Restated | | |
| £000 | £000 | | £000 |
| Income | | | |
| (7) | (7) Property | | (6) |
| (142) | (142) Investment Income | | (143) |
| (8) | (8) Other Income | | (1) |
| (5) | (5) Gain on Disposal of Asset | | |
| (162) | (162) Total Income | | (150) |
| Expenditure | | | |
| 2 | 2 Property Costs | | 4 |
| 7 | 7 Administrative Costs | | 8 |
| 33 | 33 Donations, Grants etc | | 92 |
| 29 | 29 Other Costs | | 20 |
| 564 | 1 Depreciation | Note 1 | 650 |
| - | - Loss on Disposal of Asset | | 646 |
| 40 | (271) Net Movement in Fair Value of Investment Property | | 34 |
| 675 | (199) Total Expenditure | | 1,454 |
| 513 | (361) (Surplus)/Deficit for the Year | | 1,304 |
| 159 | (2,774) Deficit/(Surplus) on revaluation of Non-current Assets | | (670) |
| 672 | (3,135) Total Comprehensive Net Expenditure | | 634 |

Common Good Funds Balance Sheet

| 31 March 2022 | 31 March 2022 | | 31 March 2023 |
|---------------|---------------|-----------------------------|----------------------|
| | Restated | | |
| £000 | £000 | | £000 |
| 13,710 | 17,205 | Property, Plant & Equipment | Note 1 16,519 |
| 204 | 204 | Heritage Assets | Note 2 204 |
| 2,294 | 2,605 | Investment Property | Note 3 2,571 |
| 16,208 | 20,014 | Long Term Assets | 19,294 |
| 1 | 1 | Inventories | 1 |
| 8 | 8 | Debtors | 8 |
| 3,896 | 3,896 | Loans Fund Balance | 3,982 |
| 3,905 | 3,905 | Current Assets | 3,991 |
| (6) | (6) | Creditors | (6) |
| (6) | (6) | Current Liabilities | (6) |
| 20,107 | 23,913 | Net Assets | 23,279 |
| 13,904 | 17,399 | Revaluation Reserve | 16,713 |
| 6,203 | 6,514 | Revenue Reserve | 6,566 |
| 20,107 | 23,913 | Total Reserves | 23,279 |

| 31 March 2022 | 31 March 2022 | | 31 March 2023 |
|---------------|---------------|--------------|---------------------------|
| | Restated | | |
| Total Funds | Total Funds | | Invested in Loans Fund |
| £000 | £000 | | £000 |
| 4,058 | 4,605 | Buckie | 1,633 |
| 193 | 193 | Cullen | 180 |
| 15 | 15 | Dufftown | 15 |
| 10,515 | 12,606 | Elgin | 1,614 |
| 3,197 | 3,972 | Forres | 471 |
| 52 | 52 | Portknockie | 53 |
| 298 | 353 | Keith | 12 |
| 1,257 | 1,483 | Lossiemouth | - |
| 522 | 634 | Findochty | 4 |
| 20,107 | 23,913 | TOTAL | 3,982 |
| | | | 23,279 |

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 2022/23.

A copy of the asset register can be found at <https://data-moray.opendata.arcgis.com>:

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:

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 | - | - |
| 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 |

Note 1 Property, Plant and Equipment (continued)

2021/22 Restated

| | 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) |
| Indexation | 2,109 | - | - | 2,109 |
| Reclassifications | (271) | 271 | - | - |
| Disposals | - | - | (122) | (122) |
| Gross Book Value at 31 March 2022 | 17,150 | 57 | - | 17,207 |
| Accumulated Depreciation at 1 April 2021 | 835 | - | - | 835 |
| Revaluations | (4) | (7) | - | (11) |
| Indexation | (823) | - | - | (823) |
| Reclassifications | (7) | 7 | - | - |
| Charge for the Year | 1 | - | - | 1 |
| Depreciation at 31 March 2022 | 2 | - | - | 2 |
| Net Book Value at 31 March 2022 | 17,148 | 57 | - | 17,205 |

2022/23

| | Other Land & Buildings £000 | Surplus Assets £000 | Assets Held For Sale £000 | Total £000 |
|--|-----------------------------------|---------------------------|---------------------------------|---------------|
| Gross Book Value at 1 April 2022 | 17,150 | 57 | - | 17,207 |
| Revaluations | (779) | - | - | (779) |
| Indexation | 796 | - | - | 796 |
| Reclassifications | (17) | (57) | 74 | - |
| Disposals | (631) | - | (74) | (705) |
| Gross Book Value at 31 March 2023 | 16,519 | - | - | 16,519 |
| Accumulated Depreciation at 1 April 2022 | 2 | - | - | 2 |
| Revaluations | (105) | - | - | (105) |
| Indexation | (547) | - | - | (547) |
| Charge for the Year | 650 | - | - | 650 |
| Depreciation at 31 March 2023 | - | - | - | - |
| Net Book Value at 31 March 2023 | 16,519 | - | - | 16,519 |

Revaluations (2021/22 and 2022/23) 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 2021/22 and 2022/23.

| | Fine Art £000 | Chains of Office £000 | Total Heritage Assets £000 |
|---------------------------|------------------|--------------------------|-------------------------------|
| Valuation at 1 April 2021 | 125 | 79 | 204 |
| Revaluations | - | - | - |
| At 31 March 2022 | 125 | 79 | 204 |
| Valuation at 1 April 2022 | 125 | 79 | 204 |
| Revaluations | - | - | - |
| At 31 March 2023 | 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 2023 |
|-------------------------|--|
| 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:-

| | 2021/22 £000 | 2021/22 Restated £000 | 2022/23 £000 |
|--|-----------------|-----------------------------|-----------------|
| Rental income from investment property | 63 | 63 | 52 |
| Net gain | 63 | 63 | 52 |

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.

Note 3 Investment Property

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

| | 2021/22 | 2021/22 | 2022/23 |
|---|--------------|--------------|--------------|
| | | Restated | |
| | £000 | £000 | £000 |
| Balance at start of the year | 2,334 | 2,334 | 2,605 |
| Net gains /(loss) from fair value adjustments | (40) | 271 | (34) |
| Balance at end of the year | 2,294 | 2,605 | 2,571 |

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.

