Annual Accounts

for the year ended
31 March 2021



moray council

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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.

This management commentary is to help those reading the Annual Accounts understand our financial performance in 2020/21. It summarises the key facts from the accounts, illustrates our main achievements in the past year, and highlights some of the risks and challenges we face in the coming years.

The Annual Accounts are presented in four core statements:

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

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

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

The commentary also looks at the council's performance during the year although Key Performance Indicators relating to the Council's Corporate Priorities are not yet available for 2020/21. Detailed performance information for the year can be found on our website: http://www.moray.gov.uk/moray_standard/page_92321.html

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

Management Commentary (continued)

About us

Moray is a largely rural area covering a land mass of 2,238km^2. It has a long coastline on the Moray Firth with harbours, fishing villages and world-class beaches. The area's population for 2021 is projected to be 95,792. The main centre of population is Elgin, which is home to more than one quarter of the people living in Moray. Other towns of population between 5,000 and 10,000 are Forres, Buckie, Lossiemouth and Keith.

Moray Council was established in 1996 following local government reorganisation and the demise of regional councils. Elections are held every five years to appoint the 26 councillors who form the membership of the Council. During 2020/21 the Council was led by a minority SNP administration. There are currently four groups of councillors: SNP (eight councillors), Conservative (nine councillors), Moray Open Group (four councillors), Moray Alliance Group (two councillors) and a Labour councillor and two independent councillors not aligned to any group. Group membership has fluctuated during the year.

Council members are supported by the Council's Corporate Management Team (CMT) to establish priorities for services and a programme of continuous improvement. There are four members of CMT: the Chief Executive, two Depute Chief Executives and the Chief Officer of Moray Integration Joint Board. They in turn are supported by nine permanent heads of service and a workforce of around 4,790, equivalent to around 3,560 full time staff. Delivering the wide range of services we're responsible for is assisted by a range of contracts with both the private and third sector.

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



Management Commentary (continued)

Strategy, planning and performance

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

Our strategic approach to financial planning is embodied in the Medium to Long Term Financial Plan which accompanies the Corporate Plan and we aim to achieve financial stability within the next few years. General funding from Scottish Government has been reduced over the past 10 years. 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 for driving out savings by changing the way in which we operate as a Council. The latest revision to the IMP has been in development since autumn 2020 and focuses on early intervention and prevention, as well as developing the skills, knowledge and capacity of our workforce, and we plan to invest over £6 million over the next three years.

Although our financial planning process focuses on the medium term, successive single-year settlements from the Scottish Government have resulted in annual budgets being approved. The budgets for 2020/21 (General Fund revenue and capital and HRA revenue and capital) were approved by Council on 3 March 2020.

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.

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

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

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 Policy and Resources Committee or (depending on the committee cycle) to the full council.

Management Commentary (continued)

Highlights of the year

1 May 2020 **Our people**



School catering staff volunteer with Moray Food Plus to help feed local families

15 May 2020 **Our future**



Multi-million pound Growth Deal for Moray gets thumbs-up from UK and Scottish parliaments

6 July 2020 **Our place**



Buckie community groups praised in Education Scotland report

17 July 2020 **Our people**



New £2 million Pilmuir Nursery handed over to Council for August return for children

22 July 2020 **Our place**



Work begins on new £43k play park in Buckie

3 August 2020 **Our future**



Moray's 10-year local development plan signed off

17 September 2020 Our people



Devices delivered to digitally-disconnected 'shielders' in Moray

6 October 2020 Our place



Community Asset Transfers in Aberlour, Lossiemouth and Findochty given go-ahead

28 October 2020 Our people



Dedicated employability support for young people, and low-income parents, in development

14 January 2021 Our people



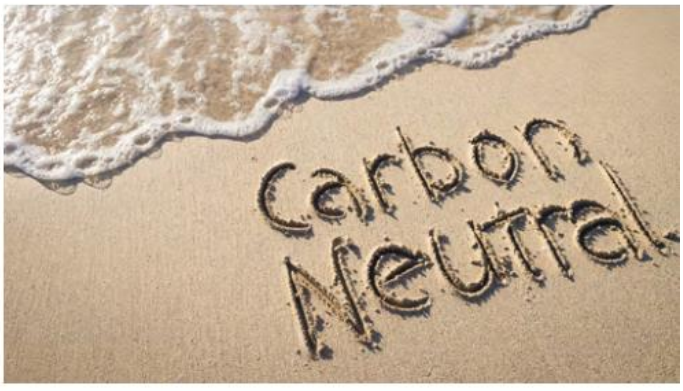
£12.8 million Linkwood Primary School opens

4 February 2021 Our people



Moray Council offers free on-site Coronavirus testing to businesses

10 March 2021 Our future



Action plan to secure carbon neutral status for Moray Council approved

Management Commentary (continued)

Impact of the pandemic

No review of the events of the year would be complete without mentioning the Covid-19 pandemic. When the country went into its first lockdown the Council responded with its community partners and community organisations to support local communities. We set up community hubs, providing childcare for key workers; provided food vouchers to those who were entitled to free school meals; administered Scottish Government business grant schemes, paying out over £31million in grants to local businesses. We also supported organisations which provide services to the Council by paying supplier relief to support them through lockdown. Emergency Council governance structures were quickly developed and all meetings held virtually.

Some Council services were stopped, some stepped up, some delivered differently. Levels of service disruption varied greatly. Some ceased entirely: libraries and leisure centres were shut; most day centres for some of our most vulnerable citizens were closed, respite care put on hold. Education was delivered differently with a range of solutions to continuing to teach and learn, including drop-off materials for learning and fully developed digital learning. Waste management was rescheduled to incorporate social distancing. Environmental Protection provided support for shops which were still open to comply with social distancing and additional hygiene measures. All services which could be delivered by staff working from home did so, which entailed a huge programme of roll out of lap-tops and other devices and significant upgrade of the Council's remote connections. Equipment was also provided to school pupils to facilitate home learning.

When construction recommenced the Council's programme of roads maintenance recommenced, scaled back to accommodate the restrictions posed to achieve social distancing. The initial lockdown and social distancing requirements when construction works restarted also created delays for the Council's capital programme, including housing new build and upgrade of our housing stock. As the country moved from full lockdown into various levels of restriction the Council planned for recovery through the Recovery and Renewal Strategic Framework and Action Plan which drew together recovery activity across the council including economic and education recovery. We developed an Economic Recovery Strategy for Moray along with the local business community. Scottish Government provided significant levels of additional funding towards the cost of the pandemic. Moray has received £12.4 million general funding, £4.4 million to support individuals or families in need, £4.6 million for education recovery. A further £32 million funding was given for business grants administered by the Council.

Much funding was announced in March 2021 and has been carried forward into 2021/22 in an ear-marked reserve for pandemic-related expenditure.

The Council saw a significant reduction in income, from leisure facilities but also from parking charges, planning and building control fees, sale of recyclates, school meals. More people qualified for Council Tax reduction. The cost of building cleaning increased to meet more stringent standards of hygiene. Hand sanitiser costs and PPE increased. There were increased costs associated with running community hubs, provision of food vouchers, test and protect, accommodation for homeless people, supplier relief for a range of our suppliers.

An unexpected financial impact is from staffing vacancies, as there was effectively a recruitment freeze for the 3 months of the first lockdown. Although this has sheltered additional expenditure it also placed an increased workload on remaining staff.
The impact of the pandemic is still being felt and work continues to refine and deliver the Recovery and Renewal Action Plan and to begin to review existing strategies looking at how they might need to change in a world living with Covid-19. To maximise the funding allocated for future costs the transfer to the ear-marked reserve includes not only amounts given for specific areas such as education recovery but also the maximum general funding resulting in a nil call on free general reserve in 2020/21.

Key Performance Indicators

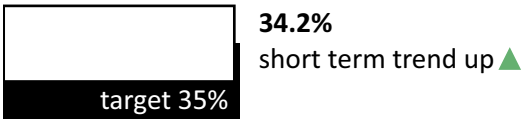
The PIs below are for 2019/20 as these are the latest figures currently available. A comprehensive performance report with 2020/21 figures will be published later in the financial year.

Our People

- Percentage of leavers achieving 5+ awards at SCQF level 5 or above.



- Percentage of leavers achieving 5+ awards at SCQF level 6 or above.



- Proportion of pupils entering positive destinations.



- Percentage of leavers attaining Level 4 literacy and numeracy.

Management Commentary (continued)

86.3%
short term trend up ▲

- Percentage of schools that are rated B or better for condition.

45.3%
short term trend up ▲
target 50.9%

- Percentage of Looked After Children cared for in a Community Setting.

78.75%
short term trend up ▲
target 81.7%

- Looked After Children Rate/1,000 0-17 population.

10.3 per 1,000
short term trend down ▼
target 11.2 per 1,000

- Number of children and young people with child protection orders (per 1,000 0-15 population).

0.62 per 1,000

> Our People KPIs are showing improvements in performance compared to last year.

Our Future

- Economic impact of tourism in Moray.

£134.18m
short term trend up ▲
target trend increase

- Proportion of 16-29 year olds within Moray Population (NRS Mid-Year).

16.85%
short term trend down ▼
target trend increase

- Proportion of people earning less than living wage (ASHE).

24%
short term trend down ▼
target trend reduction

- Median gross weekly earnings (excluding overtime).

£561.60
short term trend up ▲
target trend increase

- Median gross weekly earnings – Pay Gap.

£198.00m
short term trend down ▼
target trend increase

- Modern Apprenticeship – Achievement Rate – All ages.

2019/20 **76%**
short term trend down ▼
target 38%

> Our Future KPIs are generally showing a deterioration in our performance compared to last year.
>
> To address this we are working to finalise the Moray Growth Deal allowing projects which will help to attract and retain young people and improve skills and pay levels move from planning into delivery. The Economic Recovery Plan is also designed to help address these areas.

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 2020/21 in the Comprehensive Income and Expenditure Statement (CIES) is £156.780 million (2019/2020: £51.098 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
General Fund – £41.872 million	£624.332 million
HRA – £2.401 million	
Other – £8.922 million	

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 shown in the CIES is the increase in overall reserves. The marked increase in net income in 2020/21 compared to 2019/20 relates to two such accounting entries, relating to revaluation of assets and valuation of the pension fund liability. Note 11 to the accounts further analyses the movement in the General Fund, showing no movement in free reserves which remain at £15.349 million (2019/20: increase of £3.073 million) and an increase in ear-marked reserves (reserves set aside for specific purposes) of £21.001 million to £41.872 million (2019/20: £3.768 million). The increase in ear-marked reserves is partly to invest in Council priorities in the context of the Improvement and Modernisation Programme and the new Corporate Plan (£2.964 million) but predominantly to fund the Council's continuing response to the pandemic and to cushion the shortfall in income anticipated to continue over the next two years at least (£16.421 million). The creation of a Covid ear-marked reserve has been made possible by additional funding in March 2021 from Scottish Government related to the pandemic.

General fund revenue expenditure

We set the budget for 2020/21 on 3 March 2020. Twenty days later the country went into lockdown. During the year the budget was revised, mainly to reflect additional funding from Scottish Government (SG) for the pandemic. The original and revised budgets and actual out-turn are set out below:

	We planned	We revised to	We out-turned	2019/20 results
Expenditure				
Departmental	£190.952m	£192.847m	£188.750m	£199.173m
Loans Fund	£21.398m	£21.398m	18.953m	-
Additional provisions - monies held centrally	-	£17.845m	-	-
	£212.350m	£232.090m	£207.703m	£199.173m
Funded from:				
SG Grant	£162.442m	£182.319m	£181.546m	£160.906m
BRIS	-	-	£1.859m	£1.859m
Council Tax	£45.700m	£45.700m	£45.079m	£43.067m
Capital receipts	£2.000m	-	£0.220m	£0.480m
Use of reserves	£2.208m	£4.071m	-	-
Return to reserves	-	-	£21.001m	£7.139m

The Council Tax Income Account in the Accounts show Council Tax income of £45.731 million. £652,000 was transferred to the HRA in respect of second homes and long-term empty dwellings (2019/20: £656,000) and the amount above is net of that transfer. We collect Non Domestic Rates (NDR) on behalf of Scottish Government. NDR revenue is pooled at a national level then redistributed to councils as part of the government's grant funding for local authorities. In 2020/21 and 2019/20 we were able to retain £1.859 million of the NDR collected locally for local use under the Business Rates Incentivisation Scheme (BRIS). Moray has 5,537 rateable properties (2019/20 5,475) with a combined rateable value of over £122 million.

The difference between our income and our expenditure is £21.001 million and this is the amount transferred into general reserves. The bulk of this is funding for Covid measures announced in March 2021.

Management Commentary (continued)

Commentary on year-end position

The table below gives high level detail of the Movements in Reserves for the General Fund. Despite loss of income from charges for services overall the cost of services was under budget. Children's social work services have been reviewing their service delivery to bring about better outcomes for less cost and underspent by almost £3 million – as this is part of the Council's Transformation programme this underspend was transferred to ear-marked reserves for transformation. Loans charges were under budget because of slippage in the Council's capital programme due to the pandemic. This underspend was transferred to the Covid-19 reserve along with the balance of government funding received for Covid-19 related spend / financial pressures and held centrally for this purpose.

Description	Amount
Planned use of reserves, inc. devolved school budgets	£4.071m
Less underspend in services delivered	£3.765m
Less underspend on loans charges	£2.445m
Less balance of monies held centrally	£17.845m
Less income from grants and taxation above budget	£0.797m
Less funded from capital receipts	£0.220m
Results in transferred to general reserves	£21.001m

Description	Amount
Note 11 shows the detail of this Movement in Reserves: Covid-19 funding	£16.421 million
Transformation of services	£2.964 million
Devolve School Management	£0.877 million
Other ear-marked reserves	£0.739 million

There was no movement on free general reserves.

Management Commentary (continued)

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

Service	Budget £000s	Actual £000s	Reason for variance
Education	64,592	62,460	Mainly Devolved School budgets and Pupil Equity Funds (PEF), all of which are carried forward in ear-marked reserves. School closures due to the pandemic have affected schools abilities to spend devolved budgets. PEF is spent across the academic year and carry forward is expected.
Education Resources and Communities	19,544	19,069	Reduction in income from leisure facilities due to pandemic. Partly offset by running costs of those facilities, underspend on school property maintenance due to pandemic restrictions and higher than expected staff vacancies.
Children's Social Work Services	19,694	16,730	Reduced cost of care due to number and type of placements.
General Services Housing and Property Service	2,835	2,768	Underspend in housing Improvement Grants due to pandemic restrictions. Shortfall in fees charged to capital projects, also pandemic related. Staff vacancies higher than budget.
Environmental and Commercial Services	23,062	25,320	Reduction in income (car parking, recycling, school meals). Shortfall in fees charged to capital works due to pandemic restrictions. Overspend on winter maintenance due to severe weather.
Economic Growth and Development	3,305	3,116	Staff vacancies and delays in projects
HR, ICT & OD	5,295	4,999	Underspend in training. Staff vacancies.
Financial Services	1,653	1,842	Interest on revenue balances below budget – low interest rates.
Governance, Strategy and Performance	6,029	5,703	Mainly underspend on grants from the Scottish Welfare Fund – this will be held in an ear-marked reserve for future use.
Social Care services	44,104	44,220	Income generated by employment services below budget – Moray Integration Joint Board expenditure was within budget
Other expenditure	2,734	2,523	Grant for Grampian Valuation Joint Board, to be held in an ear-marked reserve and carried forward for spend in 2021/22.
Total departmental spend	192,847	188,750	£4.097million underspend

Management Commentary (continued)

The out-turn figures are those reported to council on 30 June 2021 – these are expressed on the same basis as the budget figures. The out-turn included in the CEIS is calculated in accordance with accounting requirements. The main difference between the 2 bases are set out in Note 8 to the accounts and can be summarised as below:

Description	Amount
Outturn per Management Commentary	188,750
Statutory Adjustments per EFA	29,816
Adjustments to Usable Reserves Permitted by Accounting Standards	4,863
Bad Debt Provision – reflected in service outturn but in Financing and Investment Income in the CIES per IFRS 9	242
CFCR – reversed in the department for monitoring but reflected in Other Income and Expenditure in CIES	165
	223,022
Net Cost of Services in CIES	223,022
Difference	-

When the Council set its budget for 2020/21 it included savings of £3.102m – £583,000 were one off savings with recurring savings of £2,429,000, £444,000 from increased income, £1,102,000 from efficiencies and £883,000 other savings. Unsurprisingly the pandemic affected the Council's ability to achieve these savings. However, the income from the collection of garden waste and from burials both exceeded the amended target. Efficiencies from the installation of LED street lighting also exceeded target. The response to the pandemic diverted attention from many other planned efficiencies, particularly those which relied on ICT where attention was refocused on equipping staff for home-working, however planned savings from management restructure totalling £148,000 was achieved. In all £2,047,000 planned savings were taken from the Council budget.

Management Commentary (continued)

Housing Revenue Account

Our 6,219 houses (2019/20: 6,139) 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 2020/21 the balance had increased by £0.182 million from the balance at the end of 2019/20 bringing the total balance to £2.401 million.
The HRA budgeted to use reserves of £0.072 million in 2020/21, with planned expenditure of £20.643 million met from rent and other income totalling £20.391 million, balanced by the planned use of reserves:

	Budget £000s	Actual £000s	Reason for variance
Rental income	(20,217)	(19,791)	Delayed new build completions due to covid-19 restrictions resulted in less rental income
Other income	(354)	(289)	
Supervision and management	4,239	3,996	Mainly due to staff vacancies
Repairs and maintenance	6,981	6,811	Less work carried out due to covid restrictions
Financing cost	4,236	4,272	
CFCR	4,793	4,541	Reduction in contribution to new build houses (covid-19)
Other expenditure	394	278	
use of/ (return to reserves)	72	(182)	£254,000 net underspend

	£000s
use of/ (return to reserves)	(182)
Statutory Adjustments (per Note 8)	(8,531)
Adjustments to Usable Reserves Permitted by Accounting Standards	3,335
CFCR (net of Council tax Discount on 2nd Homes)	(4,541)
IORB – included in outturn but not in the Net Cost of Services	3
Financing Costs – included in outturn but not in the Net Cost of Services	(4,271)
Net Cost of Services per CIES	(14,187)

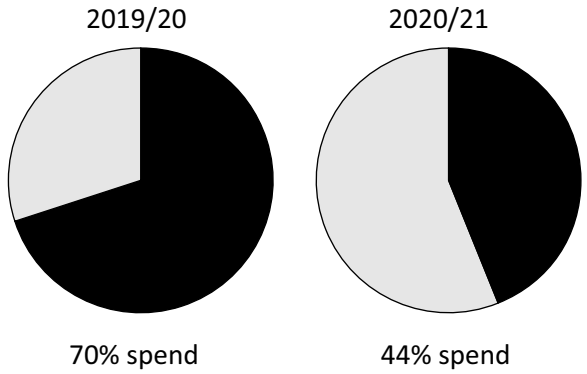
Management Commentary (continued)

These variances in income and expenditure led to the £0.182 million increase in HRA reserves – £0.254 million variance above less planned use of reserves £0.072 million.

We invest in building new homes and improve the existing ones, supported where possible by government grant. The lockdown and on-going Covid-19 restrictions had a big impact on our new build and improvement programmes.

New build

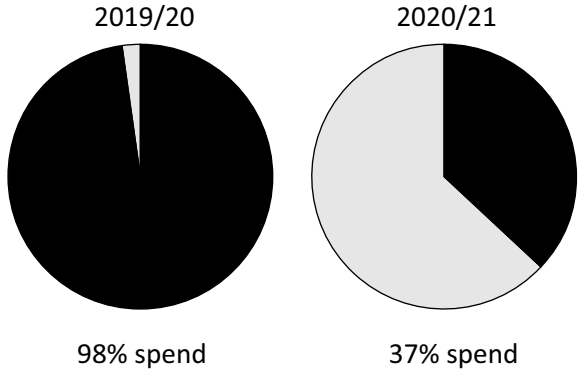
2019/20 – planned £17.131 million actual £12.015 million
2020/21 – planned £18.454 million actual £8.090 million



We spent 44% of what we planned to spend on new build houses in 2020/21 (2019/20: 70%), with Covid-19 restrictions resulting in slow progress with the planned building programme.

Housing improvements

2019/20 – planned £6.234 million actual £6.110 million
2020/21 – planned £10.060 million actual £3.769 million



We spent 37% of what we planned to spend on improving our housing stock (2019/20: 98%).

The area most affected by Covid-19 restrictions was work to achieve Energy Efficiency Standard for Social Housing (EESSH), where contractors were mainly not locally based and unable to travel to Moray for significant parts of the year. Only 9% of planned expenditure occurred. In contrast, spend on replacement central heating was 82% of the planned programme.

Management Commentary (continued)

General Services Capital Programme
We originally planned to spend £42.3 million on capital projects in 2020/21, scaling that back to £41.9 million as timings on major projects and the impact of the pandemic became clearer. We actually spent £39.2 million (2019/20: £56.7 million).

£39.2m
Invested in Moray during the year



- **£20.0m**
  New schools, improvements to existing schools and facilities for early learning and childcare



- **£10.0m**
  Waste management facilities, including a joint project with Aberdeen City and Aberdeenshire councils to build an energy from waste plant



- **£2.7m**
  Vehicles and electric car chargers



- **£2.2m**
  Road improvements, road safety measures and sustainable travel



- **£1.9m**
  ICT and other equipment



- **£0.9m**
  Various works at harbours



- **£0.6m**
  Bridge renovations



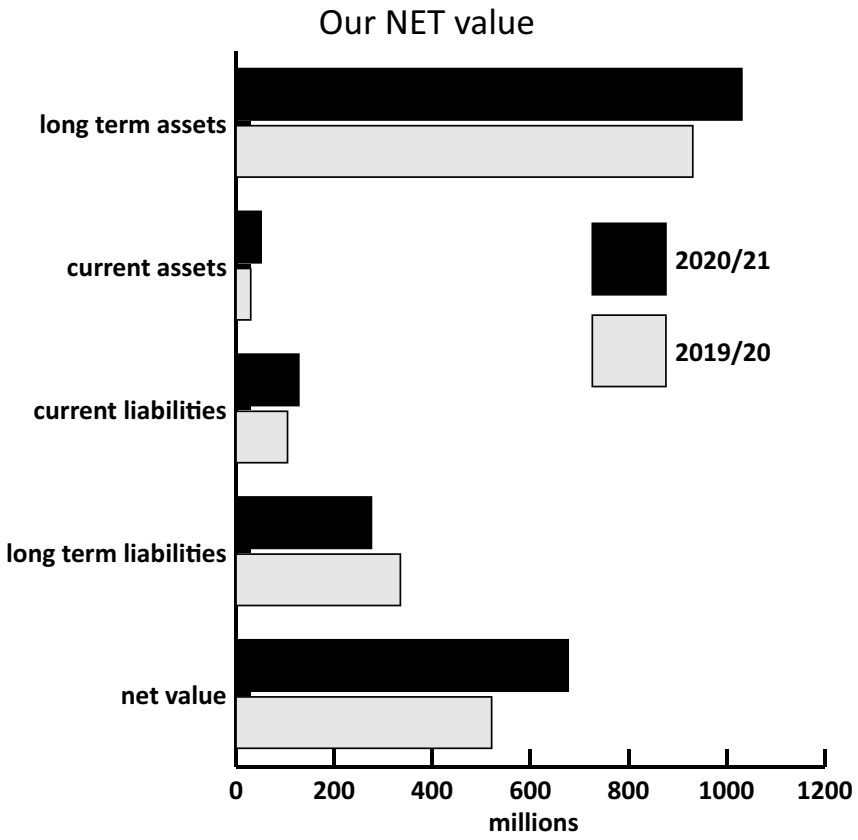
- **£0.6m**
  Other land and buildings



- **£0.3m**
  Street lighting

Management Commentary (continued)

Balance sheet
The balance sheet records our assets (such as properties, vehicles, investments and cash) and liabilities and is a snapshot of our value or financial position at 31 March 2021.



Our net value has increased by £156 million during 2020/21.

Significant movements are:

- £52m additions to property, plant and equipment including new schools.
- £19 million increase in short-term borrowing, taking advantage of low interest rates.
- £14 million increase in the Council's bank balance, reflecting grant funding paid on 31 March 2021 relating to the pandemic.
- £55 million decrease in pension scheme liabilities per the latest actuarial evauation.

Management Commentary (continued)

Future risks
The Council maintains and keeps under review a corporate Risk Register, with risks grouped under nine themes. This section of the management commentary identifies the Council's main concerns for financial risk and also areas of planned development.
We expect to need to make savings over the next two years in order to balance our budget without relying on reserves. However, there is considerable lack of clarity about our future financial position.
Our main risks are:

- Uncertainty as to the ongoing impact of the Covid-19 pandemic on the Council's finances, the local economy, the national economy and what this will mean for public spending generally and our grant settlement in particular.
- The impact of Brexit.
- A combination of the above is already showing in shortages of some materials (eg timber) and significantly increased costs of construction are forecast as well as delays.
- We also recognise risk from the social impact of the pandemic which may result in increased demand for Council services.
- 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.

How we are managing these risks:

- Rigorous financial monitoring and review.
- Working within Moray Economic Partnership to support the local economy.
- Developing Community Wealth Building.
- Assessing vulnerability issues regarding Brexit.
- Reviewing our capital programme for areas of increased risk of slippage and / or costs increase.
- Engaging with local communities; ASN review; schools well-being investment.
- Joint monitoring reviews with MIJB officers and officers and Board members from NHS Grampian.
- We have commenced a comprehensive Learning Estate Review.

... and potential opportunities:

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

Next steps

The Council is preparing its budget for 2022/23 and indicative budgets for 2023/24 and 2024/25. Although our level of funding from Scottish Government has not yet been confirmed, we expect the need to make savings to continue, and our focus is on Improvement and Modernisation of services through our change programme "Transforming to Achieve," with significant investment identified in areas including education and climate change to transform how the Council delivers services with an eye to the future, while also generating efficiencies. This will take time and the challenge is how to achieve this whilst also recovering from the impact of the pandemic. The Council's key strategic documents including the Corporate Plan, LOIP and Recovery and Renewal Strategic Framework and Action Plan set out how this will be achieved. Known risks and opportunities are highlighted above. In addition to this there are emerging factors. In particular, the implications for the Council of the Scottish Programme for Government and National Covid Recovery Strategy are emerging and need to be factored into our future plans. Looking ahead to May 2022 there will be local government elections and the view on corporate priorities may change as a result of those elections. 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 Graham Leadbitter
Leader of Moray Council

Roderick D. Burns
Chief Executive

Lorraine Paisey
Chief Financial Officer

Statement of Responsibilities for the Annual Accounts

The Council's Responsibilities

The Council is required to:

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

I confirm that these Annual Accounts were approved by the Council at its meeting on 19 January 2022.

Signed on behalf of Moray Council.

Councillor Graham Leadbitter
Leader of the 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 2020/21 (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 2021.

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 also has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

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

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

The governance framework

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

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

The tenets of this principle remained unaffected by the pandemic, although the initial lockdown in March 2020 called for alternative arrangements to be introduced to secure appropriate levels of accountability. These included the establishment of an Incident Management Team which met regularly throughout in the very early stages of the pandemic to address immediate priorities. There was openness and transparency in this process throughout, culminating in a report to Council in June 2020 which provided comprehensive information on the governance arrangements adopted during this interim period. As well as including details of meetings of the Incident Management Team, the report also noted the involvement of an Emergency Cabinet comprising senior members, a Renewal and Recovery Management Team established when the early stages of the pandemic were considered to have passed, and engagement with external partners nationally and across the North of Scotland for the purposes of securing effective partnership working.

Notwithstanding these interim arrangements, the constitutional documents of the Council continued to have effect and standing orders, a scheme of administration, scheme of delegation, and financial regulations remain as cornerstones of governance arrangements. The established committee timetable, suspended during the early stages of the pandemic, was re-introduced following the summer recess with meetings held remotely and under a simplified structure. This has fewer meetings albeit with fuller, more strategic and wide-ranging agendas aligned to the areas of responsibilities of each Depute Chief Executive. During the year, elected members considered a significant alteration to governance practice which would have seen a Cabinet structure replace Committees, but this was not taken forward.

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

The Council's Monitoring Officer has a statutory responsibility to ensure established procedures are followed, that all legislative and other regulatory processes are complied with, and provides advice and guidance in these areas.

Governance Principle 2 – ensuring openness and comprehensive stakeholder engagement.

Stakeholder engagement is central to the Council's work at a strategic level e.g. with community planning partners and on policy development, or on planned changes to services affecting communities or individual services users. Such engagement informs decision making processes with recent consultations covering topics including the corporate Recovery and Renewal Strategic Framework post Covid, the Council's climate change strategy, the future of early learning, and on planning and development masterplans for areas of Elgin.

Such engagement is also evident through assessing and progressing Community Asset Transfers which continued successfully during the period, and with plans well developed to roll out participatory budgeting, this will be a further way by which stakeholders can influence activity and spend within their communities.

Annual Governance Statement (continued)

Benefits of the Moray Connected project, which is focused on the development of digital services, continued during the pandemic with stakeholders able to access an increasingly wide range of Council services on line. Where this was not appropriate, alternative engagement strategies were adopted to ensure vulnerable members of the community were able to access essential services, for example through the Grampian Coronavirus Assistance Hub and the Council's contact centre.
Extensive engagement also took place with recipients and potential recipients of Covid funding support packages available to individuals and businesses, and while there have been delays in meeting Freedom of Information requests due to workload priorities, these have been publicised on the Council website along with responses provided.

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

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

This plan, developed in conjunction with Community Planning partners was refreshed during the year. Key priorities remain broadly unchanged with an underlying theme of addressing poverty and the potential for widening inequalities associated with the pandemic. These cover the need for a growing, diverse and sustainable economy, building a better future for our children and young people in Moray, empowering and connecting communities, and a broadened objective of improving the well-being of our population. Each priority has been developed based on experiences and evidence drawn from the partner agencies, and increasingly feeds into planned initiatives including the Moray Growth Deal and Council strategies including for example those for the Learning Estate and on Climate Change.

The Council's own corporate plan for the period 2019-2024 continues to provide leadership and direction for services in the delivery of Council priorities, recognising the need to ensure that services are sustainable and targeted to areas where they will have greatest impact. The pandemic has temporarily diverted staff resources to maintaining essential services but the principles of the plan remain relevant aligned as they are to sustainable financial planning, service transformation, developing workforce and ICT strategies and an improved performance management framework. A recovery and renewal strategic framework complements this plan with a focus on understanding the impact of Covid-19 and supporting those affected by re-engineering strategies and policies as appropriate.

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

The Council recognises the financial challenges it faces and through its established committee structures has furnished elected members with an extensive volume of information on both the availability of resources and options for future service delivery. The Council successfully delivered a balanced budget for 2021/22.

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

All reports placed before Council committees contain a 'summary of implications' section to link individual proposals to overarching strategic plans, and ensures matters relative to good governance including risks, legality and equalities are given due consideration as part of decision-making processes. This process has been strengthened relative to finance by explicitly requiring financial implications of any proposed additional spend to be fully justified, and ideally aligned to corporate priorities and anticipated outcomes.

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

A consistent theme around proposals for policy development is the need for transformation that is sustainable and will enable delivery of outcomes the Council and its partners have proposed within their published strategic plans, and as such will have a continued focus on the promotion of preventative policies, requiring reduced interventions by partners, and enhanced community engagement and involvement. Elements of this approach to prevention are evident in the second phase of projects progressing in terms of the Council's Improvement and Modernisation Programme (IMP).

Capacity building is also an issue that has been raised in the course of the Council's best value inspection. Focus has thus been applied to ensuring that resources to deliver the improvement and transformational change set out within the IMP are recognised, with specific funding set aside to support innovative approaches that will deliver effective and efficient services within the resources the Council has available.

The need for ongoing elected member training is recognised as a means of assisting members to meet the challenges of the changing public sector environment. As well as providing briefings and development sessions on specific topics, members are also supported by an Elected Member Development Strategy.

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

Leadership capacity of senior officers is supported through promotion of a Leadership Forum which brings together senior managers from all Council services to bring a wider perspective to the consideration of issues facing the Council. Forum meetings were suspended temporarily during the pandemic but have been reintroduced remotely to ensure consistent messaging is available from senior management to managers and as a forum for information sharing.

For employees, a Workforce and Organisational Development Strategy is in place which covers issues including workforce transformation and change, employee engagement and culture, workforce and employee development, and health and well-being. Taking these forward has been challenging with the Human Resources team focusing on supporting staff throughout the pandemic. Priority has been given to the health and well-being of the workforce, and the associated challenges of home-working for many staff groups, while meeting the essential day to day functions of the service including delivery of the payroll service using new ways of working.

Governance Principle 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 which may impact on its ability to meet its objectives. A Corporate Risk Register provides summary information on what the Corporate Management Team and Senior Management Team considers are the principal risks facing the Council and how these are managed and controlled. Risk implications also feature in committee reports to inform decision making where required.

A revised performance management framework was developed with the intention of streamlining the information reported and ensuring it relates to key Council objectives and the delivery of expected service outcomes. There is further work to be done to improve reporting in terms of the framework and this work will continue into the 2021/22 financial year.

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

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

Strong financial management procedures are secured through the work of the Chief Financial Officer appointed in terms of s. 95 of the Local Government (Scotland) Act 1973. This officer provides advice to the Council on all financial matters and ensures the timely production and reporting of budget estimates, budget monitoring reports and annual accounts, and as outlined under principle 4 above.

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

Annual Governance Statement (continued)

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

Council business, post the initial stages of the pandemic, has reverted to being conducted through an established cycle of committee meetings. These meetings are held remotely and available on the internet by live webcast (unless exempt under statutory provision). Webcasts remain available on the website for viewing for 12 months following a meeting. Meeting dates are published in advance and agenda papers are made available at least one week prior to meetings being held.
Committee reports follow a corporate style and include: the Reason for the Report, Recommendations, the Background to the report, information relevant to the matter under consideration, a Summary of Implications and a Conclusion. Minutes of meetings are prepared and important decisions are publicised on the Council website and through social media. Reports requiring a decision are supplemented by information reports and elected members have a 'question time' opportunity during meetings.
Information is disseminated in many forms targeted at different audiences for different purposes ranging from statutory returns that follow prescribed layouts, through newsletters which target specific groups of service users, to consultation documents which contain basic information designed to elicit initial interest in particular services. A style guide is used to provide consistency in the production of written materials. Guidance on customer focus sets standards to be followed when engaging with citizens.

Assurance and accountability oversight is a key role for the Audit and Scrutiny Committee which is chaired by a member of the political opposition. The committee receives reports on the work of the internal auditor and the external auditor. The extent of the reporting has reduced during the period with access to services restricted, but the quality of audit work has been maintained with a focus being given to the key financial controls operating within main financial systems and on additional expenditure incurred in providing financial support to individuals and businesses affected by the pandemic. This is considered further below.

Effectiveness of governance arrangements

In order to assess the effectiveness of the governance framework including the system of internal control it is necessary to consider the role of the functions and individuals who contribute to it. How these contributions were made altered substantially during the period with the move to remote working, however aside from not being able to, for example, attend meetings in person their roles and functions continued excepting during the early period of the pandemic, when the interim arrangements outlined above were in place.

- **Elected Members**

Governance arrangements at a political level emanate from the Council, its committees and other activities that elected members participate in. These include the Community Planning Board and associated groups for multi-agency issues. Councillors also have substantive roles on Moray Integration Joint Board for Health and Social Care, on the Grampian Valuation Joint Board, and on the Moray Leisure Arm's-Length External Organisation (ALEO), each of which has its own governance arrangements, and Group Leaders' meetings have also been established as an informal governance forum.

- **The Corporate Management Team**

The Corporate Management Team (CMT), which has operational responsibility for good governance arrangements, comprises the Chief Executive, and two Depute Chief Executives with portfolio responsibilities for Education, Communities and Organisational Development, and Economy, Environment and Finance respectively. The Chief Officer (Health and Social Care Integration) is also a member of the CMT but as this role straddles three organisations, the nature and extent of participation at CMT is under review. In response to an external review of Council management structures, the Chief Financial Officer also participates in the CMT during consideration of financial matters as do other officers on issues relevant to their statutory role including the Monitoring Officer.

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

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

Annual Governance Statement (continued)

Individual senior managers within the Senior Management Team have considered the effectiveness of governance arrangements within their respective services by reference to the principal risks identified in the Council's corporate risk register and to key control questions extracted from an Audit Scotland publication entitled Covid19 – Guidance for Audit Committees.

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

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

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

- **The Chief Social Work Officer**

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

The latest available CSWO annual report for the 2019/20 year sets out the governance and accountability arrangements of the role and its relationships with reference to Children and Families. The report noted that Social Work has faced very significant challenges in the past year and latterly the incredibly difficult Covid-19 disruption, but that the structures of management and governance have been fluid and changeable during this period, and that the priority is to ensure that all within the Governance and Leadership Group recognise and value the importance of Social Care and Social Work..

- **Internal Audit**

Internal Auditing is defined in the Public Sector Internal Audit Standards (PSIAS) as an independent, objective, assurance and consultancy activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Internal Audit Manager is accountable on a day-to-day basis to the Head of Governance, Strategy and Performance, and to an Audit and Scrutiny Committee. This Committee is chaired by an opposition Councillor.

The results of an external review of Internal Audit were reported to the Audit and Scrutiny Committee at its meeting in April 2019, which identified a number of areas of good practice and concluded that the service generally conforms to the PSIAS. The review identified a number of areas for improvement and most of the agreed actions have been implemented. The two exceptions relate to assurance mapping which has not been taken forward due to resource constraints and having audit reports presented to committee in the name of the Internal Audit Manager which needs further corporate consideration.

The PSIAS requires an internal audit opinion to be provided annually and as a consequence of the pandemic, CIPFA has encouraged Heads of Internal Audit to determine whether or not there has been a 'limitation of scope' that requires to be considered when providing an opinion. This matter has been reported to the Audit and Scrutiny Committee and the Corporate Management Team.

After careful consideration the Internal Audit Manager is of the view is that a 'limitation of scope' must be disclosed insofar as it has not been possible to develop an audit plan and deliver a programme of audit work as would apply in a typical year. That stated, audit topics have been risk based to the extent possible with audit testing focusing on controls within main financial systems and on prominent expenditures incurred as a consequence of the pandemic.

In addition, audit work has been undertaken to support the development of this governance statement, the updating of the corporate risk register and the overview of the data returned to the Council through the National Fraud Initiative.

It has been concluded that any limitation to the scope of the audit plan, occasioned due to inability to access particular services that were suspended or staff redeployed, was essentially offset by the audit work completed in these other areas. Thus, on balance, it is the opinion of the Internal Audit Manager that reasonable assurance can be placed on the Council's framework of governance, risk management and internal control for the year ended 31 March 2021.

Annual Governance Statement (continued)

- **External Agencies**

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

One Social Work complaint referred to the Scottish Public Services Ombudsman (SPSO) during the year was upheld. The circumstances of the complaint were considered at a meeting of Council and appropriate actions and learnings identified to inform service improvement. A follow up report was also prepared affirming improvement actions taken albeit there were some delays caused by the need to secure the views of affected service users. A commitment to improving practice in line with SPSO recommendations was noted, with it being reported that the SPSO was satisfied that the subject of the complaint was being actively addressed.

Audit Scotland on behalf of the Accounts Commission also published a Best Value report. A key observation in the report was the need for the Council to develop capacity to meet the challenges ahead and a programme of improvement with timescales was developed.

The Council is committed to responding positively to the recommendations arising from the inspection reports where these provide opportunities to strengthen governance arrangements, albeit these actions are being addressed alongside more immediate priorities arising from the pandemic.

Review of effectiveness of governance arrangements

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

Prior year governance issues

Governance issues highlighted as priorities in the annual governance statement for 2019/20 were as follows:

- Providing capacity to meet statutory obligations and community expectations against a background of continuing funding reductions and rising demand for services.
- Making difficult choices across the political spectrum as to the use of resources in ways that deliver the best possible outcomes for the citizens of Moray.
- Continuing to address key challenges in education around improving attainment, staff recruitment and retention, and developing a school estate that is fit for purpose.
- Ensuring community and corporate plans remain relevant, achievable and sustainable relative to constraints affecting all public sector organisations.
- Working closely with the Moray Integration Joint Board to support integration of Health and Social Care, particularly in respect of financial planning arrangements and management of the associated risks.
- Monitoring 'Brexit' negotiations and the potential impacts on people, financial resources and regulations;
- Responding to any issues arising following publication of the report on the Council's Best Value inspection that was recently completed.
- Ensuring that temporary governance arrangements that have been implemented to support the Council's response to the Covid-19 pandemic are regularly, democratically and transparently reviewed to maintain democratic confidence and accountability.

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

- Assigning of specific funding for use in transformation of services.
- Revisions to key governance documents to focus on priorities and improvement outcomes.
- The development and promotion of a Learning Estate strategy in Education.
- Maintaining and strengthening links with partner bodies where joint working is beneficial.
- Close working with Health and Social Care relative to the pandemic response; and,
- Preparation of an action plan in response to the Best Value Audit.

Covid 19 – the Impact of the Pandemic

At the time of preparing this statement the immediate impacts of the pandemic on Council services and associated governance arrangements have been addressed but uncertainties remain. Reference has been made to the four harms of the pandemic; the health impacts of Covid, other health impacts, wider societal impacts and economic impacts.

Annual Governance Statement (continued)

All of these are recognised as having the potential to create additional risks for the Council that may require further changes to governance processes. Some areas of service delivery also have seen substantial backlogs and delays; these have been identified as Covid-related pressures and will continue to be monitored and addressed as circumstances permit, while taking forward the actions in the Recovery and Renewal Action Plan.

Looking forward – significant governance issues

Key governance challenges going forward will involve:

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

Concluding Remarks

Notwithstanding the unprecedented challenges the pandemic has wrought on wider society, we believe that the strength of the Council's governance arrangements has been maintained, enabling it to deliver a range of emergency measures to support those most vulnerable in our community while also pursuing a number of important policy initiatives to meet the broader challenges the Council is facing. The way forward in respect of the pandemic remains uncertain and may yet need further interventions, but in our respective roles as Leader of the Council and Chief Executive, we recognise the importance of good governance practice and its contribution to securing effective delivery of services on which our communities depend. This annual governance statement summarises the current governance arrangements of the Council and its Group, and affirms our commitment to ensuring they are regularly reviewed and remain fit for purpose.

…….. ……..……

Cllr. Graham Leadbitter
Leader of the Council

Roderick D Burns
Chief Executive

Remuneration Report

Introduction

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

All information disclosed in the tables in this Remuneration Report, with the exception of the Tiered Contribution Pay Rates table on page 32 and the Trade Union disclosures, will be audited by the appointed auditors, Audit Scotland, and the information reviewed by them to ensure it is consistent with other sections of the Annual Accounts.

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

The annual salary of the Leader of the Council and the upper limit for the annual salary of the Convener are set out by the Scottish Government in terms of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007, as amended by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2020. The salary for the Leader of the Council is £29,760 per annum (2019/20 £29,119) and for the Convener is £22,320 per annum (2019/20 £21,840).

In terms of the same Regulations, the Scottish Government permits Moray Council to nominate up to nine Senior Councillors (in addition to the Leader of the Council and the Convener) whose salaries in aggregate must not exceed a specified amount, currently £180,783 (2019/20 £176,895) and whose salaries individually must be on a specified scale, currently £17,854 to £22,320 (2019/20 £17,470 to £21,840).

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

Under the Regulations, remuneration disclosures are to be made for the Leader of the Council, the Convener and any Councillor designated a Senior Councillor. In 2020/21, Moray had eight Senior Councillors, (seven committee chairs/depute chairs and the Leader of the largest opposition group), each paid a salary of £22,320 per annum (2019/20 £21,840). The Convener of the Grampian Valuation Joint Board is also the Leader of the Council so no reimbursement for an additional responsibility allowance was required to be paid by the Board in 2020/21. The Vice-Chair of the Moray Integration Joint Board was also the Convener of Moray Council in 2020/21 and, as she already received a Senior Councillor salary, then no additional payment was required.

Table 1 shows the relevant amounts, before tax and other deductions, for each of the persons named for the year 31 March 2021. All salaries are paid monthly.

Remuneration Report (continued)

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

Councillor Name	Responsibility	Total Remuneration 2019/20 £	Salary, Fees and Allowances £	Total Remuneration 2020/21 £
Graham Leadbitter	Leader of the Council, Chair of Economic Development and Infrastructure Committee and Convener of Grampian Valuation Joint Board. Chair Economic Growth, Housing and Environmental Sustainability Committee from 1 July 2020	29,119	29,760	29,760
Shona Morrison	Convener of the Council and Vice-Chair, Moray Integration Joint Board	21,840	22,320	22,320
David Bremner	Chair, Planning and Regulatory Services Committee	21,840	22,320	22,320
Theresa Coull	Chair, Licensing Committee from 11 September 2020 to 16 November 2020	-	4,092	4,092
Gordon Cowie	Chair, Licensing Committee from 17 November 2020	-	8,308	8,308
Paula Coy	Convener, Police, Fire and Rescue Services	21,840	22,320	22,320
Timothy Eagle	Leader of the largest Opposition Group	21,840	22,320	22,320
Donald Gatt	Chair, Audit and Scrutiny	19,609	22,320	22,320
Louise Laing	Chair, Communities Committee. Depute Chair Economic Growth, Housing and Environmental Sustainability Committee from 1 July 2020	21,840	22,320	22,320
Aaron McLean	Chair, Policy and Resources Committee. Chair Education, Communities and Organisational Development from 1 July 2020	21,840	22,320	22,320
Amy Taylor	Chair, Licensing Committee until 3 September 2020	21,840	9,486	9,486
Sonya Warren	Chair, Children and Young People's Services Committee. Depute Chair Education, Communities and Organisational Development from 1 July 2020	21,840	22,320	22,320
Total		**223,448**	**230,206**	**230,206**

No taxable expenses were paid in 2020/21.

As a result of the pandemic, a number of committees were temporarily amalgamated during 2020/21. The chairs and depute committee chairs who were entitled to a responsibility allowance are shown in the table above.

Remuneration Report (continued)

TABLE 2: Remuneration paid to Councillors

The annual return of Councillors' salaries and expenses is available to view on the Council's website at: http://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	2019/20 £	2020/21 £
Salaries	501,151	517,590
Expenses	25,584	4,491
Total	**526,735**	**522,081**

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/150 was issued on 04 March 2019 and covers salary scales to be paid to Chief Officers for the period of 1 April 2018 to 31 March 2021. Corporate Directors receive 84% of the Chief Executive's salary. The Corporate Director 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 2021. Salaries are paid monthly.

Remuneration Report (continued)

TABLE 3: Remuneration of Senior Employees of the Council

Name	Post Title	Total Remuneration 2019/20 £	Salary, fees and allowances £	Total Remuneration 2020/21 £
Roderick D Burns	Chief Executive	112,839	116,508	116,508
Rhona Gunn	Depute Chief Executive for Economy, Environment and Finance	95,519	97,939	97,939
Denise Whitworth	Depute Chief Executive for Education, Communities and Organisational Development	100,916	98,909	98,909
Vivienne Cross	Chief Education Officer	81,027	87,705	87,705
Jane Mackie	Head of Community Care (Chief Social Work Officer)	80,450	82,905	82,905
Alasdair McEachan	Head of Governance, Strategy and Performance	79,775	82,146	82,146
Lorraine Paisey	Chief Financial Officer (s95)	79,458	81,940	81,940
Total		**629,984**	**648,052**	**648,052**

No taxable expenses were paid in 2020/21.

Pension Entitlement

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

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

Remuneration Report (continued)

A LGPS member's contribution depends upon his or her full time equivalent pay. The tables of rates for 2019/20 and 2020/21 are shown below and can be found on the LGPS website: http://scotlgps2015.org/content/what-will-new-scheme-cost-me

Tiered Contribution Pay Rates

Whole time pay 2019-20	Contribution rate 2019/20	Whole time pay 2020-21	Contribution rate 2020/21
On earnings up to and including £22,441	5.50%	On earnings up to and including £22,852	5.50%
On earnings above £22,442 and up to £29,193	Between 5.6% - 6.0%	On earnings above £22,853 and up to £29,683	Between 5.6% - 6.0%
On earnings above £29,194 and up to £36,652	Between 6.1% - 6.5%	On earnings above £29,684 and up to £37,262	Between 6.1% - 6.5%
On earnings above £36,653 and up to £51,713	Between 6.6% - 7.5%	On earnings above £37,263 and up to £52,567	Between 6.6% - 7.5%
On earnings above £51,714 and up to £58,259	Between 7.6% - 8.0%	On earnings above £52,568 and up to £59,221	Between 7.6% - 8.0%
On earnings above £58,260 and up to £78,008	Between 8.1% - 9.0%	On earnings above £59,222 and up to £79,296	Between 8.1% - 9.0%
On earnings above £78,009 and up to £118,012	Between 9.1% - 10.0%	On earnings above £79,297 and up to £119,961	Between 9.1% - 10.0%
On earnings above £118,013	10.1% and over	On earnings above £119,962	10.1% and over

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

Remuneration Report (continued)

TABLE 4: Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2021 are shown in the table below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Councillor Name	Responsibility	In-year pension contributions for the year to 31 March 2020 £	In-year pension contributions for the year to 31 March 2021 £		Accrued pension benefits as at 31 March 2021 £'000	Accrued pension benefits difference from March 2020 £'000
Graham Leadbitter	Leader of the Council, Chair of Economic Development and Infrastructure Committee and Convener of Grampian Valuation Joint Board. Chair Economic Growth, Housing and Environmental Sustainability Committee from 1 July 2020	5,620	5,744	Pension Lump Sum	6 2	1 -
Shona Morrison	Convener of the Council and Chair/ Vice-Chair, Moray Integration Joint Board	4,215	4,308	Pension Lump Sum	2 -	1 -
David Bremner	Chair, Planning and Regulatory Services Committee	4,215	4,308	Pension Lump Sum	2 -	1 -
Theresa Coull	Chair, Licensing Committee from 11 September 2020 to 16 November 2020	-	790	Pension Lump Sum	1 -	- '-
Gordon Cowie	Chair, Licensing Committee from 17 November	-	1,603	Pension Lump Sum	4 -	1 '-
Paula Coy	Convener, Police, Fire and Rescue Services	4,215	4,308	Pension Lump Sum	2 -	1 -
Timothy Eagle	Leader of the largest Opposition Group	4,215	4,308	Pension Lump Sum	2 -	1 -
Donald Gatt	Chair, Audit and Scrutiny	3,785	4,308	Pension Lump Sum	2 -	1 -
Louise Laing	Chair, Communities Committee. Depute Chair Economic Growth, Housing and Environmental Sustainability Committee from 1 July 2020	4,215	4,308	Pension Lump Sum	2 -	1 -
Aaron McLean	Chair, Policy and Resources Committee. Chair Education, Communities and Organisational Development from 1 July 2020	4,215	4,308	Pension Lump Sum	4 -	1 -
Amy Taylor	Chair, Licensing Committee until 3 September 2020	4,215	1,831	Pension Lump Sum	2 -	1 -
Sonya Warren	Chair, Children and Young People's Services Committee. Depute Chair Education, Communities and Organisational Development from 1 July 2020	4,215	4,308	Pension Lump Sum	2 -	- -
Total		**43,125**	**44,432**		**33**	**10**

Remuneration Report (continued)

TABLE 5: Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2021 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 for the year to 31 March 2020 £	In-year pension contributions for the year to 31 March 2021 £		Accrued pension benefits as at 31 March 2021 £000	Accrued pension benefits difference from March 2020 £000
Roderick D Burns	Chief Executive	21,775	22,479	Pension Lump Sum	64 116	4 4
Rhona Gunn	Depute Chief Executive for Economy, Environment and Finance	18,429	18,899	Pension Lump Sum	33 33	3 1
Denise Whitworth	Depute Chief Executive for Education, Communities and Organisational Development	19,471	19,085	Pension Lump Sum	44 69	3 2
Vivienne Cross	Chief Education Officer	16,128	15,630	Pension Lump Sum	9 0	2 0
Jane Mackie	Head of Community Care (Chief Social Work Officer)	15,980	15,508	Pension Lump Sum	40 67	3 2
Alasdair McEachan	Head of Governance, Strategy and Performance	15,331	15,845	Pension Lump Sum	31 39	3 2
Lorraine Paisey	Chief Financial Officer (s95 officer)	15,331	15,809	Pension Lump Sum	34 51	3 2
Total		**122,445**	**123,255**		**630**	**34**

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

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

Remuneration Report (continued)

Remuneration of Officers receiving more than £50,000

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

TABLE 6: General Disclosure by Pay Band

Remuneration Band	Number of Employees 2019/20	Number of Employees 2020/21
£50,000-£54,999	116	110
£55,000-£59,999	49	62
£60,000-£64,999	32	31
£65,000-£69,999	12	16
£70,000-£74,999	2	6
£75,000-£79,999	9	4
£80,000-£84,999	4	7
£85,000-£89,999	1	2
£90,000-£94,999	-	-
£95,000-£99,999	1	2
£100,000-£104,999	1	-
£110,000-£114,999	1	-
£115,000-£119,999	-	1
Total	**228**	**241**

Exit Packages of Employees

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

Remuneration Report (continued)

TABLE 7: Exit Packages

Banding	2019/20 Compulsory Redundancies Number of Employees	2019/20 Other Departures Number of Employees	2019/20 Total Cost £	2020/21 Compulsory Redundancies Number of Employees	2020/21 Other Departures Number of Employees	2020/21 Total Cost £
£0-£20,000	20	6	80,545	2	-	11,119
£20,001-£40,000	1	-	30,000	1	-	24,822
£40,001-£60,000	-	-	-	-	-	-
£60,001-£80,000	-	-	-	-	-	-
£80,001-£100,000	-	-	-	-	-	-
£100,001-£150,000	-	1	140,060	-	-	-
£150,001-£200,000	-	-	-	-	-	-
£200,001-£250,000	-	-	-	-	-	-
Total	**21**	**7**	**250,605**	**3**	**-**	**35,941**

Termination Benefits

During 2020/21 the Council terminated the contracts of 3 employees. The contracts were terminated as a result of either budget savings, the redesign of Council services or Council restructuring. The cost to the Council was £0.030m comprising £0.005m of redundancy payments (2019/20 £0.078m) and £0.025m of settlement costs for loss of employment (2019/20 £0.033m).

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

Trade Union (Facility Time Publication Requirements) Regulations 2017

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

Table 8: Relevant Union Officials

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

Number of employees who were relevant union officials during the relevant period 2020/21 Teaching	Number of employees who were relevant union officials during the relevant period 2020/21 Non-Teaching	Full-time equivalent employee number 2020/21 Teaching	Full-time equivalent employee number 2020/21 Non-Teaching
11	17	11	15.02

Remuneration Report (continued)

Table 9: Percentage of Time Spent on Facility Time

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

Percentage of time	Number of employees 2020/21 Teaching	Number of employees 2020/21 Non-Teaching
0%	0	2
1%-50%	10	14
51%-99%	1	1
100%	0	0

Table 10: Percentage of Pay Bill Spent on Facility Time

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

	2020/21 Teaching	2020/21 Non-Teaching
Provide the total cost of facility time	80,350	58,656
Provide the total pay bill	53,546,000	96,347,000
Provide the percentage of the total pay bill spent on facility time calculated as: (total cost of facility time/total pay bill) x 100	0.15%	0.06%

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?

	2020/21 Teaching	2020/21 Non-Teaching
Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on trade union activities by relevant union officials during the relevant period/total paid facility time hours) x 100	3.14%	0.14%

Councillor Graham Leadbitter
Leader of the Council

Roderick D Burns
Chief Executive

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost for the year ended 31 March 2021 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.

2019/20 Council Expenditure £000	2019/20 Council Income £000	2019/20 Council Net £000	Group (restated) Net £000		2020/21 Council Expenditure £000	2020/21 Council Income £000	2020/21 Council Net £000	Group Net £000
76,937	(8,343)	68,594	68,721	Education	85,774	(11,801)	73,973	74,278
25,204	(4,807)	20,397	20,397	Education Resources & Communities	24,563	(3,258)	21,305	21,305
20,540	(1,386)	19,154	19,201	Social Work	18,958	(1,738)	17,220	17,252
16,476	(12,356)	4,120	4,120	General Services Housing and Property Services	11,489	(6,970)	4,519	4,519
51,470	(15,171)	36,299	36,334	Environmental & Commercial Services	48,867	(9,239)	39,628	39,663
5,798	(2,059)	3,739	3,739	Economic Growth & Development	6,661	(3,043)	3,618	3,618
6,589	(366)	6,223	6,223	HR, ICT & Organisational Development	6,669	(334)	6,335	6,335
21,440	(15,646)	5,794	6,522	Governance, Strategy & Performance	21,307	(15,210)	6,097	6,707
2,917	(2,233)	684	684	Financial Services	2,566	(512)	2,054	2,054
5,084	(184)	4,900	4,972	Other	2,121	(317)	1,804	1,856
103,794	(57,738)	46,056	46,056	Health and Social Care	109,184	(62,715)	46,469	46,469
19,959	(19,668)	291	291	Housing Revenue Account	6,023	(20,210)	(14,187)	(14,187)
356,208	**(139,957)**	**216,251**	**217,260**	**Cost Of Services**	**344,182**	**(135,347)**	**208,835**	**209,869**

Comprehensive Income and Expenditure Statement (continued)

2019/20 Council Expenditure £000	2019/20 Council Income £000	2019/20 Council Net £000	Group (restated) Net £000		2020/21 Council Expenditure £000	2020/21 Council Income £000	2020/21 Council Net £000	Group Net £000
356,208	(139,957)	216,251	217,260	**Cost Of Services**	344,182	(135,347)	208,835	209,869
		317	375	Other Operating Expenditure (Note 12)			2,202	3,440
		15,570	16,976	Financing and Investment Income and Expenditure (Note 13)			14,311	14,025
		(241,100)	(241,100)	Taxation and Non-Specific Grant Income (Note 14)			(242,904)	(242,904)
		-	91	Associates accounted for on an equity basis			-	(3,064)
		(8,962)	**(6,398)**	**Surplus on Provision of Services**			**(17,556)**	**(18,634)**
		(13,097)	(19,855)	(Surplus)/Deficit on revaluation of Property, Plant and Equipment (Notes 15 & 23)			(73,548)	(72,519)
		-	384	(Surplus)/Deficit on revaluation of available for sale financial assets			-	(586)
		(29,039)	(29,039)	Remeasurement of the net defined benefit liability (Note 28 & 42)			(65,676)	(65,676)
		-	-	All other (gains)/losses for the year			-	-
		-	(236)	Share of other Comprehensive (Income) and Expenditure of Associates			-	(783)
		(42,136)	**(48,746)**	**Other (Income)/Expenditure**			**(139,224)**	**(139,564)**
		(51,098)	**(55,144)**	**Total Comprehensive Net (Income)/Expenditure**			**(156,780)**	**(158,198)**

Movement in Reserves Statement

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

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants and Receipts Unapplied Account	Capital Fund	Revenue Statutory Funds	**Total Usable Reserves**	**Unusable Reserves**	**Total Authority Reserves**	**Authority's Share of Subsidiaries Reserves**	**Authority's Share of Associates Reserves (Restated)**	**Total Group Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 31 March 2019	**14,030**	**1,172**	**839**	**659**	**-**	**4,103**	**20,803**	**448,846**	**469,649**	**28,806**	**(498)**	**497,957**
Movement in Reserves 2019/20												
Total Comprehensive Expenditure and Income	5,364	3,598	-	-	-	-	8,962	42,136	51,098	3,901	144	55,143
Adjustments between accounting basis & funding basis under regulations (Note 10)	2,681	(2,982)	139	1,662	-	-	1,500	(1,500)	-	-	-	-
Net increase/(decrease) before transfers to/from earmarked and other statutory reserves	**8,045**	**616**	**139**	**1,662**	**-**	**-**	**10,462**	**40,636**	**51,098**	**3,901**	**144**	**55,143**
Transfers to/from statutory reserves	(1,204)	431	5	(57)	206	29	(590)	590	-	-	-	-
Increase/Decrease in 2019/20	**6,841**	**1,047**	**144**	**1,605**	**206**	**29**	**9,872**	**41,226**	**51,098**	**3,901**	**144**	**55,143**
Balance at 31 March 2020	**20,871**	**2,219**	**983**	**2,264**	**206**	**4,132**	**30,675**	**490,072**	**520,747**	**32,707**	**(354)**	**553,100**
Note												
Minority Interest										580		580
Total Reserves as per Balance Sheet										**33,287**		**553,680**

Movement in Reserves Statement (continued)

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants and Receipts Unapplied Account	Capital Fund	Revenue Statutory Funds	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiaries Reserves	Authority's Share of Associates Reserves (Restated)	Total Group Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020	**20,871**	**2,219**	**983**	**2,264**	**206**	**4,132**	**30,675**	**490,072**	**520,747**	**32,707**	**(354)**	**553,100**
Movement in Reserves 2020/21												
Total Comprehensive Expenditure and Income	4,035	13,521	-	-	-	-	17,556	139,224	156,780	(2,429)	3,847	158,198
Adjustments to usable reserves permitted by accounting standards	4,863	3,335	-	-	-	-	8,198	(8,198)	-	-	-	-
Adjustments between accounting basis & funding basis under regulations (Note 10)	12,537	(17,531)	-	1,760	-	-	(3,234)	3,234	-	-	-	-
Net increase/(decrease) before transfers to/from earmarked and other statutory reserves	**21,435**	**(675)**	**-**	**1,760**	**-**	**-**	**22,520**	**134,260**	**156,780**	**(2,429)**	**3,847**	**158,198**
Transfers to/from statutory reserves	**(434)**	**857**	**1**	**(220)**	**(206)**	**2**	**-**	**-**	**-**	**-**	**-**	**-**
Increase/Decrease in 2020/21	**21,001**	**182**	**1**	**1,540**	**(206)**	**2**	**22,520**	**134,260**	**156,780**	**(2,429)**	**3,847**	**158,198**
Balance at 31 March 2021	**41,872**	**2,401**	**984**	**3,804**	**-**	**4,134**	**53,195**	**624,332**	**677,527**	**30,278**	**3,493**	**711,298**

Note		
Minority Interest	693	693
Total Reserves as per Balance Sheet	**30,971**	**711,991**

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 2020 Council £000	31 March 2020 Group (restated) £000		Notes	31 March 2021 Council £000	31 March 2021 Group £000
928,527	951,325	Property, Plant & Equipment	15	1,028,227	1,047,830
1,148	1,352	Heritage Assets	16	1,151	1,355
862	3,308	Investment Property	17	862	3,276
20	20	Intangible Assets	18	42	42
-	2,277	Long Term Investments		-	2,863
-	213	Investments in Associates		-	3,493
320	320	Long Term Debtors	19	537	537
930,877	**958,815**	**Long Term Assets**		**1,030,819**	**1,059,396**
801	802	Inventories	20	1,505	1,506
11,847	11,861	Short Term Debtors	21/22	18,348	18,360
827	827	Assets held for sale	23	1,000	1,000
16,354	16,354	Cash and Cash Equivalents	24	30,355	30,355
29,829	**29,844**	**Current Assets**		**51,208**	**51,221**
(67,189)	(67,189)	Short Term Borrowing	19	(85,539)	(85,539)
(37,719)	(32,172)	Short Term Creditors	25	(42,246)	(36,372)
-	-	Donated Inventories Account		(478)	(478)
(104,908)	**(99,361)**	**Current Liabilities**		**(128,263)**	**(122,389)**
(149)	(149)	Provisions	26	(149)	(149)
(170,800)	(170,800)	Long Term Borrowing	19	(168,439)	(168,439)
(57,010)	(57,010)	Other Long Term Liabilities	19	(55,686)	(55,686)
(107,092)	(107,092)	Pensions Liability	42	(51,963)	(51,963)
-	(567)	Liabilities in Associates		-	-
(335,051)	**(335,618)**	**Long Term Liabilities**		**(276,237)**	**(276,237)**
520,747	**553,680**	**Net Assets**		**677,527**	**711,991**

Balance Sheet (continued)

31 March 2020 Council £000	31 March 2020 Group (restated) £000		Notes	31 March 2021 Council £000	31 March 2021 Group £000
20,871	30,530	General Fund Balance	27	41,872	52,297
2,219	2,219	Housing Revenue Account	27	2,401	2,401
983	983	Capital Receipts Reserve	27	984	984
2,264	2,264	Capital Grants Unapplied	27	3,804	3,804
206	206	Capital Fund	27	-	-
4,132	4,132	Revenue Statutory Funds	27	4,134	4,134
30,675	**40,334**	**Usable Reserves**		**53,195**	**63,620**
228,335	251,318	Revaluation Reserve	28	292,449	309,060
381,892	381,957	Capital Adjustment Account	28	396,945	400,187
(6,333)	(6,333)	Financial Instruments Adjustment Account	28	(6,025)	(6,025)
(6,730)	(6,730)	Employee Statutory Adjustment Account	28	(7,074)	(7,074)
(107,092)	(107,092)	Pensions Reserve	28	(51,963)	(51,963)
490,072	**513,120**	**Unusable Reserves**		**624,332**	**644,185**
-	(354)	Share of Associates Reserves		-	3,493
-	580	Minority Interest		-	693
520,747	**553,680**	**Total Reserves**		**677,527**	**711,991**

The notes on pages 45 to 94 form part of the financial statements.

Lorraine Paisey CA
Chief Financial Officer

The unaudited Annual Accounts were issued on 30 June 2021, and the audited Annual Accounts were authorised for issue by Lorraine Paisey, Chief Financial Officer on 19 January 2022.

Cash Flow Statement

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

2019/20 Council £000	2019/20 Group £000		2020/21 Council £000	2020/21 Group £000
8,962	6,489	Net surplus on the provision of services	17,556	15,570
42,328	44,801	Adjust net surplus on the provision of services for non cash movements	33,381	35,367
(38,603)	(38,603)	Adjust for items included in the net deficit on the provision of services that are investing and financing activities	(15,308)	(15,308)
12,687	**12,687**	**Net cash flows from Operating Activities**	**35,629**	**35,629**
(36,322)	(36,322)	Investing Activities (Note 31)	(34,904)	(34,904)
21,916	21,916	Financing Activities (Note 32)	13,276	13,276
(1,719)	**(1,719)**	**Net increase or (decrease) in cash and cash equivalents**	**14,001**	**14,001**
18,073	18,073	Cash and cash equivalents at the beginning of the financial year	16,354	16,354
16,354	16,354	Cash and cash equivalents at the end of the financial year (Note 24)	30,355	30,355
(1,719)	**(1,719)**		**14,001**	**14,001**

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 2020/21, supported by International Financial Reporting Standards (IFRS). These are issued jointly by CIPFA and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the Council and its Group. The Annual Accounts have been prepared on a "going concern" basis. The accounting convention adopted in the Annual Accounts is principally historic cost, modified by the revaluation of certain categories of non-current and financial assets.

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

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

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

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

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

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

6. Charges to Revenue for Non-Current Assets
Services are debited with the following amounts to record the cost of holding non-current assets during the year:

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

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

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

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

Note 1 Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 1 Accounting Policies (continued)

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

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

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

The Code requires the Council to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts. This applies to the adoption of the following new or amended standards within the 2020/21 Code:

- Definition of a Business: Amendments to IFRS 3 Business Combinations.
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7.
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS39, IFRS 7, IFRS 4 and IFRS 16.

The Code requires implementation from 1 April 2021 and there is, therefore, no impact on the 2020/21 Financial Statements.

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

Note 3 Nature of the Group and Group Members

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

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

Subsidiaries

The Entities which have been combined as subsidiaries are:

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

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.

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

The Council acts as joint trustee with other parties for four trust funds which have a combined net asset balance of £2.026m. The Council acts as sole trustees for various other trust funds which have a net asset balance of £8.166m.

The Council is responsible for the administration of Common Good Funds which were all the property of a Royal Burgh not acquired under statutory powers or held under specific trusts. Council Members have responsibility for decisions on the distribution of these funds. The Common Good Funds have a new asset balance of £20.779m.

The individual accounts for these entities are shown separately on pages 103 to 115.

Associates

The Entities that have been combined as Associates are:

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

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

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

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

Prior Period Restatements

The Group Account Figures for 2019/20 have been restated. This is due to a change in Directors of Moray Leisure which affect the Group percentages. The Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and Balance Sheet for 2019/20 has been restated to take account of this. The impact is a £0.006m reduction in the associates accounted for on an equity basis in the CIES and £0.016m increase in the share of associates reserves in the Balance Sheet.

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

Summarised balance sheet

	Grampian Valuation Joint Board 2019/20	Grampian Valuation Joint Board 2020/21	Moray Leisure Limited (Restated) 2019/20	Moray Leisure Limited 2020/21	Moray Integration Joint Board (Joint Venture) 2019/20	Moray Integration Joint Board (Joint Venture) 2020/21
	£000	£000	£000	£000	£000	£000
Current assets						
Cash and cash equivalents	651	1,367	143	650	-	-
Other current assets	39	39	153	143	187	6,342
Total current assets	**690**	**1,406**	**296**	**793**	**187**	**6,342**
Non-current assets	730	748	421	383	-	-
Current liabilities	(476)	(1,164)	(438)	(278)	-	-
Non-current liabilities	(4,277)	8	-	(546)	-	-
Net assets/(liabilities)	**(3,333)**	**998**	**279**	**352**	**187**	**6,342**
Reconciliation to carrying amounts:						
Opening net assets/(liabilities)	(4,173)	(3,333)	193	278	257	187
Surplus/(deficit) for the period	840	4,331	85	74	(70)	6,155
Closing net assets/(liabilities)	(3,333)	998	278	352	187	6,342
Reporting entity's share (%)	17	17	43	43	50	50
Reporting entity's share	(567)	170	120	151	94	3,171
Carrying amount	**(567)**	**170**	**120**	**151**	**94**	**3,171**

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

Summarised Statements of Comprehensive Income and Expenditure

	Grampian Valuation Joint Board 2019/20	Grampian Valuation Joint Board 2020/21	Moray Leisure Limited (Restated) 2019/20	Moray Leisure Limited 2020/21	Moray Integration Joint Board (Joint Venture) 2019/20	Moray Integration Joint Board (Joint Venture) 2020/21
	£000	£000	£000	£000	£000	£000
Revenue	(4,513)	(4,421)	(2,821)	(2,293)	(136,889)	(151,557)
Interest Income	(5)	(1)	-	-	-	-
Depreciation and Amortisation	23	30	94	79	-	-
Interest Expense	115	96	-	-	-	-
(Surplus)/deficit for the period	**549**	**272**	**(85)**	**(74)**	**70**	**(6,155)**
Other Comprehensive Income and Expenditure	**(1,389)**	**(4,603)**	**-**	**-**	**-**	**-**
Total Comprehensive Income and Expenditure	**(840)**	**(4,331)**	**(85)**	**(74)**	**70**	**(6,155)**

Inclusion of Associate entities has increased reserves and net assets in the group by £3.494m due mainly to the reserves of Moray Integration Joint Board, as well as smaller increases in reserves for Moray Leisure Ltd.and Grampian Valuation Joint Board.

Other Entities in which the Council has an Interest

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

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

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

Carrying amounts of the entities:

	Grampian Venture Capital Fund 2019/20 £000	Grampian Venture Capital Fund 2020/21 £000	HITRANS 2019/20 £000	HITRANS 2020/21 £000
carrying amount of receivables	62	62	155	194
carrying amount of liabilities	-	-	351	523
Maximum exposure to loss	62	62	351	523

Note 4 Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- The Council has entered into a Public Private Partnership (PPP) for the construction, maintenance and operation of two schools in Keith and Elgin (Keith Primary School and Elgin Academy) which have a carrying value of £8.518m and £33.817m 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 £24.546m. The Council has considered the tests under IFRIC 12 and concluded there are service concessions.
- Assets held at current value are revalued on a five year rolling basis as set out in the accounting policy for Property, Plant and Equipment. The Council's Estates Manager, who is a qualified RICS Valuer, has asserted that the carrying amount does not differ materially from that which would be determined using current value.

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

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

The items in the Council's Balance Sheet at 31 March 2021 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 £1.959m for every year that useful lives had to be reduced.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effects on the net pensions liability of changes in individual assumptions can be measured and are detailed in Note 42.
Pension Assets	Estimation of the expected return on Pension Assets.	Part of the pension fund is invested in Level 3 Investments. The nature of these investments means there is a greater risk and more uncertainty over their valuation. There may be an impact on net pension scheme liabilities depending on the stock market.

Note 6 Material Items of Income and Expenditure

Where material items of Income and Expenditure are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the Code requires that the nature and amount of these items are disclosed in a note to the accounts. The main item of material expenditure relates to the payment of Business Grants to local businesses during the pandemic. As there are agency arrangements the spend is not reflected in the Comprehensive Income and Expenditure Statement. During 2020/21 the following items are regarded as material:

Nature	£000
Continuation of the Council house new build programme. One hundred and two dwellings were completed during the year. A further seventy nine were under construction at 31 March 2021.	8,090
Building of the new Lossiemouth High School has advanced during the year and construction on the school building was complete by 31st March with the school becoming operational in April 2021. The final phase of the project is still ongoing at 31 March 2021.	11,738
Building of the new Linkwood Primary School in South Elgin has advanced during the year and became operational in January 2021.	3,445
NESS Energy for Waste Plant, a joint project with Aberdeen City and Aberdeenshire Councils, has advanced during the year and is still ongoing at 31 March 2021.	7,220
As a result of the Covid-19 pandemic the Council acted as an agent for making payments of Business Grants to local businesses. At 31 March 2021 £7.109m was due from the Scottish Government.	31,882
The Council received donated of stock of personal protective equipment (PPE). Some of this was issued to internal council staff but some was issued to third parties. This is an agency arrangement which is not recognised in out financial statements. £602,113 remains in stock but this is the amount issued.	518

Note 7 Events after the Reporting Period

The unaudited Annual Accounts were issued on 30 June 2021, and the audited Annual Accounts were authorised for issue by Lorraine Paisey, Chief Financial Officer on 19 January 2022.

Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, 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

2019/20 Net expenditure chargeable to the General Fund and HRA Balances	2019/20 Adjustments between the Funding and the Accounting Basis	2019/20 Net expenditure in the Comprehensive Income and Expenditure Statement		2020/21 Net expenditure chargeable to the General Fund and HRA Balances	2020/21 Adjustments between the Funding and the Accounting Basis	2020/21 Adjustments to Usable Reserves Permitted by Accounting Standards	2020/21 Net expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000		£000	£000	£000	£000
58,516	10,078	68,594	Education	62,287	8,478	3,208	73,973
17,426	2,971	20,397	Education Resources & Communities	19,066	1,659	580	21,305
18,369	785	19,154	Social Work	16,715	498	7	17,220
2,155	1,965	4,120	General Services Housing and Property Services	2,716	1,468	335	4,519
21,992	14,307	36,299	Environmental & Commercial Services	25,247	13,695	686	39,628
2,946	793	3,739	Economic Growth & Development	3,104	514	0	3,618
4,766	1,457	6,223	HR, ICT & Organisational Development	5,000	1,335	0	6,335
5,127	667	5,794	Governance, Strategy & Performance	5,603	494	0	6,097
449	235	684	Financial Services	1,875	179	0	2,054
2,735	2,165	4,900	Other	2,520	(716)	0	1,804
43,158	2,898	46,056	Health and Social Care	44,210	2,212	47	46,469
(8,996)	9,287	291	Housing Revenue Account	(8,991)	(8,531)	3,335	(14,187)
168,643	**47,608**	**216,251**	**Cost of Services**	**179,352**	**21,285**	**8,198**	**208,835**
(177,304)	(47,909)	(225,213)	Other Income and Expenditure	(200,112)	(26,279)	0	(226,391)
(8,661)	**(301)**	**(8,962)**	**(Suplus)/Deficit**	**(20,760)**	**(4,994)**	**8,198**	**(17,556)**
		(15,202)	**Opening General Fund and HRA Balance**	(23,090)			
		(8,661)	**(Surplus) Deficit on General Fund and HRA Balance in year**	(20,760)			
		773	**Transfers from Reserves**	(423)			
		(23,090)	**Closing General Fund and HRA Balance at 31 March***	**(44,273)**			

*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)

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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 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes Note a	Net Change for the Pensions Adjustments Note b	Other Differences Note c	Elimination of Internal Recharges Note d	Total Adjustments
	£000	£000	£000	£000	£000
Education	8,793	1,234	193	(142)	10,078
Education Resources & Communities	1,600	1,411	40	(80)	2,971
Social Work	20	961	49	(245)	785
General Services Housing and Property Services	1,245	1,038	(20)	(298)	1,965
Environmental & Commercial Services	11,696	2,149	(49)	511	14,307
Economic Growth & Development	15	510	33	235	793
HR, ICT & Organisational Development	956	489	19	(7)	1,457
Governance, Strategy & Performance	35	616	20	(4)	667
Financial Services	-	222	13	-	235
Other	49	2,107	11	(2)	2,165
Health and Social Care	239	2,531	96	32	2,898
Housing Revenue Account	9,018	282	(13)	-	9,287
Net Cost of Services	**33,666**	**13,550**	**392**	**-**	**47,608**
Other Income and Expenditure	(50,293)	2,694	(310)	-	(47,909)
Total Adjustments	**(16,627)**	**16,244**	**82**	**-**	**(301)**

Adjustments between the Funding and the Accounting Basis 2020/21

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

Note 8 Expenditure and Funding Analysis (continued)

a. Adjustments for Capital Purposes

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

Adjustments to Other Income and Expenditure reflect:

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

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

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

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 2019/20

	Education £000	Education Resources & Communities £000	Social Work £000	General Services Housing & Property Services £000	Environmental & Commercial Services £000	Economic Growth & Development £000	HR, ICT & Organisational Development £000	Governance, Strategy & Performance £000	Financial Services £000	Other Services £000	Health & Social Care £000	Housing Revenue Account £000	Costs not included in a Service £000	Total £000
Employee expenses	55,286	19,038	8,464	9,611	20,084	4,523	4,343	5,299	1,942	4,133	23,064	2,698	2,694	161,179
Other service expenses	12,859	4,566	12,056	5,620	19,690	1,260	1,290	16,106	975	902	80,491	8,243	91	164,149
Depreciation, amortisation and impairment	8,792	1,600	20	1,245	11,696	15	956	35	-	49	239	9,018	(115)	33,550
Interest Payments	-	-	-	-	-	-	-	-	-	-	-	-	13,314	13,314
Loss on Disposal of Non Current Assets	-	-	-	-	-	-	-	-	-	-	-	-	317	317
Total Expenditure	**76,937**	**25,204**	**20,540**	**16,476**	**51,470**	**5,798**	**6,589**	**21,440**	**2,917**	**5,084**	**103,794**	**19,959**	**16,301**	**372,509**
Fees, charges & other service income	(650)	(2,315)	(121)	(9,846)	(15,021)	(1,391)	(366)	(15,133)	(2,233)	(184)	(57,682)	(19,668)	-	(124,610)
Interest and investment income	-	-	-	-	-	-	-	-	-	-	-	-	(414)	(414)
Income from council tax	-	-	-	-	-	-	-	-	-	-	-	-	(43,723)	(43,723)
Government grants and contributions	(7,693)	(2,492)	(1,265)	(2,510)	(150)	(668)	-	(513)	-	-	(56)	-	(197,377)	(212,724)
Total Income	**(8,343)**	**(4,807)**	**(1,386)**	**(12,356)**	**(15,171)**	**(2,059)**	**(366)**	**(15,646)**	**(2,233)**	**(184)**	**(57,738)**	**(19,668)**	**(241,514)**	**(381,471)**
Net Expenditure	**68,594**	**20,397**	**19,154**	**4,120**	**36,299**	**3,739**	**6,223**	**5,794**	**684**	**4,900**	**46,056**	**291**		
(Surplus) or deficit on the provision of services														**(8,962)**

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

Income and Expenditure 2020/21

	Education £000	Education Resources & Communities £000	Social Work £000	General Services Housing & Property Services £000	Environmental & Commercial Services £000	Economic Growth & Development £000	HR, ICT & Organisational Development £000	Governance, Strategy & Performance £000	Financial Services £000	Other Services £000	Health & Social Care £000	Housing Revenue Account £000	Costs not included in a Service £000	Total £000
Employee expenses	59,319	19,163	8,713	9,269	19,901	4,693	4,311	4,956	1,945	1,106	22,736	2,670	2,395	161,177
Other service expenses	15,778	4,200	10,223	950	17,064	1,869	1,426	16,316	621	985	85,795	8,774	275	164,276
Depreciation, amortisation and impairment	10,677	1,200	22	1,270	11,902	99	932	35	-	30	241	(5,421)	-	20,987
Interest Payments	-	-	-	-	-	-	-	-	-	-	-	-	11,681	11,681
Loss on Disposal of Non Current Assets	-	-	-	-	-	-	-	-	-	-	-	-	2,202	2,202
Total Expenditure	**85,774**	**24,563**	**18,958**	**11,489**	**48,867**	**6,661**	**6,669**	**21,307**	**2,566**	**2,121**	**108,772**	**6,023**	**16,553**	**360,323**
Fees, charges & other service income	(297)	(575)	(148)	(6,548)	(9,076)	(1,874)	(334)	(14,401)	(512)	(131)	(62,259)	(20,210)	-	(116,365)
Interest and investment income	-	-	-	-	-	-	-	-	-	-	-	-	(40)	(40)
Income from council tax	-	-	-	-	-	-	-	-	-	-	-	-	(45,731)	(45,731)
Government grants and contributions	(11,504)	(2,683)	(1,590)	(422)	(163)	(1,169)	-	(809)	-	(186)	(44)	-	(197,173)	(215,743)
Total Income	**(11,801)**	**(3,258)**	**(1,738)**	**(6,970)**	**(9,239)**	**(3,043)**	**(334)**	**(15,210)**	**(512)**	**(317)**	**(62,303)**	**(20,210)**	**(242,944)**	**(377,879)**
Net Expenditure	**73,973**	**21,305**	**17,220**	**4,519**	**39,628**	**3,618**	**6,335**	**6,097**	**2,054**	**1,804**	**46,469**	**(14,187)**		
(Surplus) or deficit on the provision of services														**(17,556)**

Note 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.

2019/20 Usable Reserves	General Fund	HRA	Revenue Statutory Funds	Capital Receipts Reserve	Capital Grants & Receipts Unapplied	Capital Fund
	£000	£000	£000	£000	£000	£000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements,						
Pensions costs (transferred from the Pensions Reserve)	15,898	346				
Financial Instruments (transferred to the Financial Instruments Adjustment Account)	(215)	(95)				
Holiday pay (transferred to the Employee Statutory Adjustment Account)	405	(13)				
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(1,181)	2,239	-	-	-	-
Total Adjustment to Revenue Resources	**14,907**	**2,477**	**-**	**-**	**-**	**-**
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(139)		-	139	-	-
Capital receipts transferred to the Capital Grants and Receipts Unapplied Account	(1,662)				1,662	
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(9,425)	(1,114)	-	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,000)	(4,345)	-	-	-	-
Total Adjustments between Revenue and Capital Resources	(12,226)	(5,459)	-	139	1,662	-
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-	-	-
Total Adjustments to Capital Resources	-	-	-	-	-	-
Total Adjustments	**2,681**	**(2,982)**	**-**	**139**	**1,662**	**-**

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

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

Note 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 2020/21.

Revenue Statutory Funds	**Repairs and Renewals Fund**	**Insurance Fund**	**Total**
	£000	**£000**	**£000**
Balance at 1 April 2019	2,707	1,396	4,103
Transfers In 2019/20	19	10	29
Balance at 31 March 2020	2,726	1,406	4,132
Transfers in 2020/21	2	-	2
Balance at 31 March 20201	**2,728**	**1,406**	**4,134**

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 1 April 2019	12,276	10	50	583	700	-	-	411	14,030
Transfers Out 2019/20	-	-	-	-	-	-	-	(17)	(17)
Transfers In 2019/20	3,073	456	364	77	-	2,881	-	7	6,858
Balance at 31 March 2020	**15,349**	**466**	**414**	**660**	**700**	**2,881**	**-**	**401**	**20,871**
Transfers Out 2020/21	-	-	-	-	-	-	-	(41)	(41)
Transfers In 2020/21	-	877	159	142	2,964	-	16,421	479	21,042
Balance at 31 March 2021	**15,349**	**1,343**	**573**	**802**	**3,664**	**2,881**	**16,421**	**839**	**41,872**

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

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

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

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

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

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

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

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

Note 12 Other Operating Expenditure

	2019/20 £000	2020/21 £000
Losses on disposal of non-current assets	317	2,202
	317	**2,202**

Note 13 Financing and Investment Income and Expenditure

	2019/20 £000	2020/21 £000
Interest payable and similar charges	13,314	11,681
Net interest on the net defined benefit liability	2,694	2,395
Interest receivable and similar income	(410)	(36)
Income and expenditure in relation to investment properties	(4)	(4)
Expected credit losses on financial assets	91	275
Movement on revaluation in investment property	(115)	-
	15,570	**14,311**

Note 14 Taxation and Non-Specific Grant Income

	2019/20 £000	2020/21 £000
Council tax income	(43,723)	(45,731)
Non domestic rates	(45,422)	(30,867)
Non-ring fenced government grants	(116,335)	(152,538)
Capital grants and contributions	(35,620)	(13,768)
	(241,100)	**(242,904)**

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

Note 15 Property, Plant and Equipment (continued)

Movement in 2020/21	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Cost or valuation								
At 1 April 2020	281,838	383,854	49,139	311,092	711	4,358	62,259	1,093,251
Additions	3,769	3,449	5,306	5,857	-	-	32,879	51,260
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	38,916	4,953	-	-	-	-	-	43,869
Revaluation (decreases) recognised in the Surplus on the Provision of Services	9,852	(1,254)	-	-	-	-	-	8,598
Derecognition – disposals	-	(1,892)	(2,754)	-	-	-	-	(4,646)
Derecognition – other	-	(274)	-	-	-	-	-	(274)
Assets reclassified (to)/ from Held for Sale	-	(518)	-	-	-	(1,446)	-	(1,964)
Other movements in cost or valuation	15,395	13,875	-	-	-	(260)	(29,010)	-
At 31 March 2021	**349,770**	**402,193**	**51,691**	**316,949**	**711**	**2,652**	**66,128**	**1,190,094**
Accumulated Depreciation and Impairment								
At 1 April 2020	31,769	26,200	32,616	73,616	330	193	-	164,724
Depreciation charge	8,279	12,790	4,312	8,398	15	18	-	33,812
Depreciation written out to the Revaluation Reserve	(27,724)	(2,083)	-	-	-	-	-	(29,807)
Depreciation written out to the Surplus on the Provision of Services	(4,045)	(203)	-	-	-	-	-	(4,248)
Derecognition – disposals	-	(41)	(2,504)	-	-	-	-	(2,545)
Derecognition – other	-	(15)						(15)
Assets reclassified (to)/ from Held for Sale	-	-	-	-	-	(54)	-	(54)
Other movements in depreciation and impairment	-	33				(33)	-	-
At 31 March 2021	**8,279**	**36,681**	**34,424**	**82,014**	**345**	**124**	**-**	**161,867**
Net Book Value								
at 31 March 2020	250,069	357,654	16,523	237,476	381	4,165	62,259	928,527
at 31 March 2021	341,491	365,512	17,267	234,935	366	2,528	66,128	1,028,227

Note 15 Property, Plant and Equipment (continued)

Capital Commitments

At 31 March 2021, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years budgeted to cost £17.729m (2019/20 £45.316m). The major contracts are:

	£000
HRA Council House New Build projects	4,848
NESS Energy from Waste	12,881
	17,729

Revaluations

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

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

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

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
Carried at historical cost			51,691	316,949	711		64,682	434,033
Valued at current value as at:								
01 April 2020	333,520	42,120				41		375,681
01 April 2019	8,116	36,378				(194)		44,300
01 April 2018	3,961	268,480	-	-	-	1,282	-	273,723
01 April 2017	3,003	17,460	-	-	-	1,660	-	22,123
01 April 2016	1,170	37,755	-	-	-	1,309	-	40,234
Total cost or valuation	**349,770**	**402,193**	**51,691**	**316,949**	**711**	**4,098**	**64,682**	**1,190,094**

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 2020/21 is as follows:

	Cultural £000	Modern Statues £000	Museums Collections £000	Total Heritage Assets £000
Valuation at 1 April 2019	126	102	920	1,148
Additions	-	-	-	-
Transfers/ Reclassifications	-	-	-	-
At 31 March 2020	**126**	**102**	**920**	**1,148**
Valuation at 1 April 2020	126	102	920	1,148
Additions	-	3	-	3
Transfers/ Reclassifications	-	-	-	-
At 31 March 2021	**126**	**105**	**920**	**1,151**

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

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

Assets excluded from Heritage Assets		**Estimated number of assets 31 March 2021**
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 but are revalued annually according to market conditions at year end. Gains and losses on revaluation are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES). The same treatment applies to gains and losses on disposal.

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

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.

	2019/20 £000	2020/21 £000
Rental Income from investment property	4	4
Net gain	**4**	**4**

Note 17 Investment Property (continued)

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:

	2019/20 £000	2020/21 £000
Balance at start of the year	747	862
Net gains/(losses) from fair value adjustments	115	-
Balance at end of the year	**862**	**862**

Note 18 Intangible Assets

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

	Licences £000
Expected Useful Life 5 - 6 years	252

The carrying amount of licences is amortised on a straight line basis. The amortisation of £0.013m charged to revenue in 2020/21 (2019/20 £0.007m) 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:

	2019/20 £000	2020/21 £000
Balance at start of the year:		
Gross carrying amount	355	217
Accumulated amortisation	(189)	(197)
Net carrying amount at start of year	**166**	**20**
Purchases	-	35
Amortisation for the period	(7)	(13)
Disposals:		
Gross carrying amount	(139)	-
Accumulated amortisation	-	
Net carrying amount at end of year	**20**	**42**
Comprising:		
Gross carrying amount	217	252
Accumulated amortisation	(197)	(210)
	20	**42**

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:

	2019/20 Long Term £000	2019/20 Short Term £000	2020/21 Long Term £000	2020/21 Short Term £000
Amortised Cost:				
Borrowing	170,800	67,189	168,439	85,539
Creditors	57,010	32,005	55,686	34,556
Total	**227,810**	**99,194**	**224,125**	**120,095**

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:

	2019/20 Financial Liabilities measured at amortised cost £000	2019/20 Financial Assets: Loans and receivables £000	Total £000	2020/21 Financial Liabilities measured at amortised cost £000	2020/21 Financial Assets: Loans and receivables £000	Total £000
Interest Expense	12,767	-	12,767	11,681		11,681
Impairment losses	-	213	213		417	417
Total expense in Surplus or Deficit on the Provision of Services	12,767	213	12,980	11,681	417	12,098
Interest income	-	(412)	(412)		(36)	(36)
Total income in Surplus or Deficit on the Provision of Services	-	(412)	(412)	-	(36)	(36)
Net (gain)/loss for the year	**12,767**	**(199)**	**12,568**	**11,681**	**381**	**12,062**

Financial Instruments – Fair Value

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

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

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

Note 19 Financial Instruments (continued)

Financial Assets	Fair Value Level	2019/20 Carrying Amount £000	2019/20 Fair Value £000	2020/21 Carrying Amount £000	2020/21 Fair Value £000
Short Term Debtors	2	9,122	9,122	14,642	14,642
Long Term Debtors	2	320	320	537	537
Total		**9,442**	**9,442**	**15,179**	**15,179**

At 31 March 2021 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 (£15.189m).

Financial Liabilities	Fair Value Level	2019/20 Carrying Amount £000	2019/20 Fair Value £000	2020/21 Carrying Amount £000	2020/21 Fair Value £000
Financial liabilities held at amortised cost:					
Short Term Creditors	2	32,005	32,005	33,904	33,904
Short Term Borrowing	2	67,189	67,189	85,539	85,539
Other Long Term liabilities	2	2,585	2,585	2,855	2,855
Long Term Borrowing	2	170,800	268,202	168,439	255,363
PPP and Finance Lease liabilities	2	54,425	82,234	52,831	85,686
Total		**327,004**	**452,215**	**343,568**	**463,347**

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 £209.613m 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 £168.437m of total long term borrowing would be valued at £209.613m. However, if the Council sought to repay the loans to the PWLB, the exit price for the PWLB loans would be £275.807m.

Note 20 Inventories

2019/20	Balance at 1 April	Purchases	Recognised as an expense in the year	Balance at 31 March
	£000	£000	£000	£000
Building Services	186	775	(744)	217
Fleet Services	191	2,718	(2,677)	232
Roads Maintenance	170	415	(430)	155
Other	113	1,386	(1,302)	197
Total	**660**	**5,294**	**(5,153)**	**801**

2020/21	Balance at 1 April	Purchases	Recognised as an expense in the year	Balance at 31 March
	£000	£000	£000	£000
Building Services	217	738	(684)	271
Fleet Services	232	2,127	(2,103)	256
Roads Maintenance	155	578	(528)	205
Donated PPE	-	890	(412)	478
Other	197	781	(683)	295
Total	**801**	**5,114**	**(4,410)**	**1,505**

Note 21 Short Term Debtors

	2019/20 £000	2020/21 £000
Trade Receivables	1,255	1,202
Prepayments	939	1,234
Other Receivable Amounts	7,867	13,440
Total Short Term Debtors	**10,061**	**15,876**
Prepayments included in debtors	(939)	(1,234)
Total Financial Assets Current Debtors	**9,122**	**14,642**

Note 22 Debtors from Local Taxation

	2019/20 Council Tax £000	2020/21 Council Tax £000
Less than 1 year	1,536	2,197
One to two years	2,325	2,423
Three to five years	2,839	2,626
More than 5 years	8,300	9,073
	15,000	16,319
Impairment Allowance	(13,214)	(13,847)
Total (net of impairment)	**1,786**	**2,472**

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.

	2019/20 Current Assets £000	2020/21 Current Assets £000
Balance at 1 April	996	827
Assets reclassified from Property, Plant and Equipment	-	1,910
Revaluation gains/(losses)	(29)	(137)
Assets reclassified to Property, Plant and Equipment	-	-
Disposals	(140)	(1,600)
Balance at 31 March	**827**	**1,000**

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.

	2019/20 £000	2020/21 £000
Cash Held by the Council	18	17
Bank Current/Call Accounts	16,336	30,338
Total	**16,354**	**30,355**

Note 25 Short Term Creditors

	2019/20 £000	2020/21 £000
Trade Payables	13,538	14,759
Other Payables	24,181	27,487
Total	**37,719**	**42,246**
Tax Creditors included above	(4,505)	(4,804)
Receipts in advance included above	(1,209)	(3,538)
Total Financial Liabilities Current Creditors	**32,005**	**33,904**

Note 26 Provisions

	Equal Pay £000	Total £000
Balance as at 1 April 2020	149	149
Settlements made/provision released in 2020/21	-	-
Increase in provision in 2020/21	-	-
Balance as at 31 March 2021	**149**	**149**

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

Note 27 Usable Reserves

The Council has several reserve funds within this category:

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

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

Note 28 Unusable Reserves

2019/20 £000		2020/21 £000
381,892	Capital Adjustment Account	396,945
228,335	Revaluation Reserve	292,449
(6,333)	Financial Instruments Adjustment Account	(6,025)
(6,730)	Employee Statutory Adjustment Account	(7,074)
(107,092)	Pensions Reserve	(51,963)
490,072		**624,332**

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.

2019/20 £000		2020/21 £000	2020/21 £000
359,660	Balance at 1 April		381,892
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(31,468)	Charges for depreciation and impairment of non-current assets	(25,613)	
(2,192)	Revaluation gains/(losses) on Property, Plant and Equipment	12,837	
(7)	Amortisation of Intangible Assets	(13)	
(2,117)	Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure Statement	(3,961)	
(35,784)			(16,750)
6,816	Adjusting amount written out of the Revaluation Reserve		1,237
(28,968)	Net written out amount of the cost of non-current assets consumed in the year		(15,513)
	Capital financing applied in the year:		
34,612	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,768	
590	Application of grants to capital financing from the Capital Grants Unapplied Account	-	
10,538	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	11,235	
5,345	Capital expenditure charged against the General Fund and HRA balances	5,563	
51,085			30,566
115	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-
381,892	**Balance at 31 March**		**396,945**

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.

2019/20 £000		2020/21 £000	2020/21 £000
222,054	Balance at 1 April		228,335
14,212	Upward Revaluation of assets	75,075	
(1,115)	Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services	(1,527)	
13,097	Surplus /(deficit) on revaluation of non-current assets not posted to the Surplus on the Provision of Services		73,548
(6,291)	Difference between fair value depreciation and historical cost depreciation		(8,198)
(525)	Accumulated gains on assets sold or scrapped	(1,236)	
(6,816)	Amount written off to the Capital Adjustment Account		(1,236)
228,335	**Balance at 31 March**		**292,449**

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.

2019/20 £000		2020/21 £000
(6,643)	Balance at 1 April	(6,333)
310	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	308
-	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-
(6,333)	**Balance at 31 March**	**(6,025)**

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.

2019/20 £000		2020/21 £000
(6,338)	Balance at 1 April	(6,730)
6,338	Settlement or cancellation of accrual made at the end of the preceding year	6,730
(6,730)	Amounts accrued at the end of the current year	(7,074)
(392)	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	(344)
(6,730)	**Balance at 31 March**	**(7,074)**

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.

2019/20 £000		2020/21 £000
(119,887)	Balance at 1 April	(107,092)
29,039	Remeasurements (assets and liabilities)	65,676
(31,582)	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	(25,137)
15,338	Employer's pensions contributions and direct payments to pensioners payable in the year	14,590
(107,092)	**Balance at 31 March**	**(51,963)**

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.

	2019/20 £000	2020/21 £000
Capital Grants		
Opening Balance	659	1,082
Additions	1,008	-
Applied	(590)	-
Closing Balance	1,077	1,082
Capital Receipts for Transformation Projects		
Opening Balance	-	1,182
Additions	1,662	1,760
Applied	(480)	(220)
Closing Balance	1,182	2,722
Interest on Revenue Balances	5	-
Total opening balance at 1 April	**659**	**2,264**
Total closing balance at 31 March	**2,264**	**3,804**

Note 30 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2019/20 £000	2020/21 £000
Interest Received	410	36
Interest Paid	(13,262)	(11,711)

Note 31 Cash Flow Statement - Investing Activities

	2019/20 £000	2020/21 £000
Purchase of property, plant and equipment, investment property and intangible assets	(74,449)	(50,570)
Other payments for investing activities	(55)	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	1,801	-
Other receipts from investing activities	36,381	15,666
Net cash flows from investing activities	**(36,322)**	**(34,904)**

Note 32 Cash Flow Statement – Financing Activities

	2019/20 £000	2020/21 £000
Cash receipts of short-term and long-term borrowing	81,500	92,500
Cash payments for the reduction of the outstanding liabilities relating to finance leases	(1,498)	(1,584)
Repayment of short and long-term borrowing	(59,276)	(76,478)
Other payments/(receipts) for financing activities	1,190	(1,162)
Net cash flows from financing activities	**21,916**	**13,276**

Note 33 Reconciliation of Liabilities Arising from Financing Activities

2020/21	Balance at 1 April	Financing Cash Flows	Changes which are not Financing Cash Flows Acquisition	Changes which are not Financing Cash Flows Other	Balance at 31 March
	£000	£000	£000	£000	£000
Long Term Borrowing	170,800	(2,363)	-	2	168,439
Short Term Borrowing	67,189	18,382	-	(32)	85,539
Lease Liabilities	192	(127)	-	-	65
On balance sheet PFI liabilities	55,817	(1,457)	-	-	54,360
Other deferred liabilities	265	3	-	-	268
Total Liabilities from Financing Activities	**294,263**	**14,438**	**-**	**(30)**	**308,671**

Note 34 External Audit Costs

The agreed external audit fee for 2020/21 was £0.246m for work undertaken in accordance with the Code of Audit Practice (2019/20 £0.240m).

Note 35 Grant Income and Contributions

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21.

	2019/20 £000	2020/21 £000
Credited to Taxation and Non-Specific Grant Income		
General Revenue Grant	116,335	152,870
National Non Domestic Rate Income	45,422	30,867
Capital Grants and Contributions	35,620	13,768
Total	197,377	197,505
Credited to Services		
Housing Benefits	14,114	13,765
Private Sector Housing Grant	463	222
Home Energy Efficiency Programme Scotland	2,044	167
Flexible Food Fund	-	209
Covid Education Grants	-	589
Criminal Justice	1,185	1,195
Pupil Equity Funding (PEF)	1,418	1,395
ELC Expansion	5,507	9,335
PPP Funding	2,223	2,216
Other Grants	2,737	3,325
Contributions		
Integration Joint Board	56,370	61,193
Other Contributions	1,316	303
NHS Grampian	35	320
Donations	3	31
Total	**87,415**	**94,265**

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:

	2019/20 £000	2020/21 £000
Grants received in advance		
Capital Grants	2,320	2,587
Other Grants	547	1,826
Total	**2,867**	**4,413**

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.

Central Government has effective control over the Council. It is responsible for providing the statutory framework within which the Council operates, and provides the majority of its funding. Government grants and contributions are included in note 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 2020/21 no works or services were commissioned from companies in which any member had a noted interest. Details of members' expenses are included in the Remuneration Report.

Transactions with other bodies are as follows:

Debtors/(Creditors)	**2019/20 £000**	**2020/21 £000**	**2019/20 £000**	**2020/21 £000**
NHS Grampian				
Funding received	35	23	10	92
Moray Integration Joint Board				
Funding received from MIJB	56,370	61,011	417	(182)
Contribution to MIJB	43,950	45,060	-	-
European Union				
Funding received	256	205	-	-
Grampian Valuation Joint Board				
Contribution to GVJB	729	768	651	-

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

	2019/20 £000	**2020/21 £000**
Grampian Valuation Joint Board	651	1,367
Trust Funds	2,048	2,216
Common Good	3,523	3,684

The Council provided material financial assistance to Moray Leisure Limited of £0.774m in 2020/21 (2019/20 £0.568m)

The Council participates in the following partnerships:

	2019/20 £000	**2020/21 £000**
The Highlands and Islands Transport Partnership – contribution	47	47
Scotland Excel – contribution	72	75
SEEMIS Group LLP – contribution	86	90

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.

	2019/20 £000	2020/21 £000
Opening Capital Financing Requirement	296,394	321,161
Capital Investment:		
Property, Plant and Equipment (inc. Held for Sale)	75,852	51,259
Intangible Assets	-	35
Heritage Assets	-	3
Sources of Finance:		
Government grants and other contributions	(35,202)	(13,768)
Sum set Aside from Revenue:		
Direct revenue contributions	(5,345)	(5,563)
Loans fund principal	(10,538)	(11,236)
Closing Capital Financing Requirement	**321,161**	**341,891**
Explanations of movements in year:		
Increase/(decrease) in underlying need to borrow (supported by government financial assistance)	24,767	20,729
Increase/(decrease) in Capital Financing Requirement	**24,767**	**20,729**

Note 38 Capitalisation of Borrowing Costs

Borrowing costs of £2.226m have been capitalised during 2020/21 (2019/20 £0.749m), using a capitalisation rate of 3.42%.

Note 39 Leases

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

Council as Lessee

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

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

	2019/20 £000	2020/21 £000
Machinery, Plant, Vehicles and Equipment	21	-

Outstanding obligations under finance leases as 31 March 2020:

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

Note 39 Leases (continued)

Outstanding obligations under finance leases at 31 March 2021:

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

Operating Leases

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

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

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

	2019/20 £000	2020/21 £000
Not later than one year	69	25
Later than one year and not later than five years	135	101
Later than five years	1,357	1,329
Total	**1,561**	**1,455**

The future minimum sublease payments expected to be received by the Council are £0.036m (2019/20 £0.065m).

The expenditure charged to the CIES during the year in relation to minimum lease payments was £0.054m (2019/20 £0.114m).

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:

	2019/20 £000	2020/21 £000
Not later than one year	1,006	918
Later than one year and not later than five years	2,970	2,791
Later than five years	31,027	30,863
Total	**35,003**	**34,572**

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 2020/21 was £5.114m (2019/20 £5.040m).

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 2020/21 was £2.535m (2019/20 £2.524m)

Property, Plant and Equipment

	2019/20 £000	2020/21 £000
Cost or valuation		
At 1 April	69,338	69,338
Additions	-	2
	69,338	69,340
Accumulated Depreciation		
At 1 April	2,656	5,325
Depreciation charge	2,669	2,669
	5,325	7,994
Net Book Value	**64,013**	**61,346**

Note 40 Public Private Partnership and Similar Contracts (continued)

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 2021 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2021/22	1,184	1,528	3,887	6,599
Payable within 2 to 5 years	4,735	5,871	14,523	25,129
Payable within 6 to 10 years	5,918	9,052	15,708	30,678
Payable within 11 to 15 years	5,919	12,974	11,981	30,874
Payable within 16 to 20 years	5,919	18,644	6,482	31,045
Payable within 21 to 25 years	1,307	6,291	504	8,102
Total	**24,982**	**54,360**	**53,085**	**132,427**

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:

	2019/20 £000	2020/21 £000
Balance outstanding at start of year	57,193	55,817
Payments during the year	(1,376)	(1,457)
Balance outstanding at year end	**55,817**	**54,360**

Note 41 Pension Schemes Accounted for as Defined Contribution Schemes

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

As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the scheme at a level to meet the cost of pensions as they accrue. It is not possible, however, for the Council to identify a share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of the annual accounts it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension during the year ending 31 March 2021, the Council's own contributions equate to approximately 1.43%.

In 2020/21 the amount payable to the Scottish Government in respect of teachers' retirement benefits was £9.238m of which £0.777m was outstanding at 31 March 2021. The amount payable represents 13.3% of pensionable pay. In 2019/20 the amounts payable were £8.032m of which £0.743m was outstanding at 31 March 2020.

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

Note 42 Defined Benefit Pension Schemes

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

The Council participates in two schemes:

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

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

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:

	2019/20 Local Government Pension Scheme £000	2020/21 Local Government Pension Scheme £000	2019/20 Discretionary Benefits £000	2020/21 Discretionary Benefits £000
Comprehensive Income and Expenditure Statement Cost of Services:				
Current Service Cost	25,657	22,296	-	-
Past Service Cost	1,315	-	-	-
Curtailment Cost	1,644	10	-	-
Settlement Cost	-	154	-	-
Administration Expenses	272	282	-	-
	28,888	22,742		
Financing and Investment Income and Expenditure:				
Net Interest Expense	2,316	2,055	378	340
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**31,204**	**24,797**	**378**	**340**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets	26,132	(167,207)	-	-
Actuarial gains/(losses) arising from changes in financial assumptions	(12,195)	116,877	(211)	1,427
Actuarial gains/(losses) arising from demographic changes	(40,060)	(1,840)	(639)	(51)
Other	(1,985)	(13,738)	(81)	(1,144)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**3,096**	**(41,111)**	**(553)**	**572**
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	(31,204)	(24,797)	(378)	(340)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	14,378	13,606	-	-
Retirement benefits payable to pensioners	-	-	960	984

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:

	2019/20 Local Government Pension Scheme £000	2020/21 Local Government Pension Scheme £000	2019/20 Discretionary Benefits £000	2020/21 Discretionary Benefits £000
Present Value of the defined benefit obligation	(652,201)	(776,355)	(14,672)	(14,260)
Fair value of plan assets	559,781	738,652	-	-
Net liability arising from defined benefit obligation	**(92,420)**	**(37,703)**	**(14,672)**	**(14,260)**

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

	2019/20 Local Government Pension Scheme £000	2020/21 Local Government Pension Scheme £000	2019/20 Discretionary Benefits £000	2020/21 Discretionary Benefits £000
Opening Balance at 1 April	674,861	652,201	16,185	14,672
Current Service Cost	25,657	22,296	-	
Interest Cost	16,039	15,489	378	340
Contributions from scheme participants	4,097	4,257	-	-
Remeasurement (gains)/losses:				
Actuarial (gains)/losses arising from changes in financial assumptions	(12,195)	116,877	(211)	1,427
Actuarial (gains)/losses arising from demographic changes	(40,060)	(1,840)	(639)	(51)
Other	(1,985)	(13,738)	(81)	(1,144)
Past Service Cost	1,315	-	-	-
(Gains)/Losses on curtailment/settlements	1,644	(1,276)	-	-
Benefits paid	(17,172)	(17,911)	(960)	(984)
Closing Balance at 31 March	**652,201**	**776,355**	**14,672**	**14,260**

Note 42 Defined Benefit Pension Schemes (continued)

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

	2019/20 Local Government Pension Scheme £000	2020/21 Local Government Pension Scheme £000	2019/20 Discretionary Benefits £000	2020/21 Discretionary Benefits £000
Opening fair value of scheme assets	571,159	559,781	-	-
Interest Income	13,723	13,434	-	-
Remeasurement Gains:				
The return on plan assets, excluding the amount in the net interest expense	(26,132)	167,207	-	-
The effect of settlements	-	(1,440)	-	-
Contributions from employer	14,378	13,606	960	984
Contributions from employees into the scheme	4,097	4,257	-	-
Benefits paid	(17,172)	(17,911)	(960)	(984)
Other – administration expenses	(272)	(282)	-	-
Closing value of scheme assets	**559,781**	**738,652**	**-**	**-**

Local Government Pension Scheme assets comprised:

Fair value of scheme assets

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

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

Note 42 Defined Benefit Pension Schemes (continued)

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 2021. The significant assumptions used by the actuary have been:

	2019/20 Local Government Pension Scheme	2020/21 Local Government Pension Scheme	2019/20 Discretionary Benefits	2020/21 Discretionary Benefits
Mortality Assumptions:				
Longevity at 65 for current pensioners				
Men	21.5	21.5	21.5	21.5
Women	24.2	24.2	24.2	24.2
Longevity at 65 for future pensioners				
Men	23.1	23.1	-	-
Women	26.3	26.3	-	-
Rate of Inflation	2.10%	2.70%	2.10%	2.70%
Rate of increase in salaries	3.60%	4.20%	-	-
Rate of increase in pensions	2.20%	2.80%	2.20%	2.80%
Rate for discounting scheme liabilities	2.40%	2.10%	2.40%	2.10%

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)	24,102	(24,102)
Rate of inflation (increase or decrease by 0.1%)	14,057	(14,057)
Rate of increase in salaries (increase or decrease by 0.1%)	1,849	(1,849)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(13,811)	13,811

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 107% 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 2021, with March 2020 in brackets were: equities, including alternatives 85.4% (86.54%), bonds 5.96% (4.17%), property 5.69% (7.30%) and cash 2.95% (1.99%). Given the current positive funding position of the Fund, a new investment strategy has been approved by the Pensions Committee from 1 April 2020 to reduce reliance on the volatile global equities market and increase allocation to both bonds and other protection and income asset classes.

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

The projected employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2022 is £13.599m. Expected contributions for the Discretionary Benefits in the year to 31 March 2022 are £0.983m.

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).

Both the Council and GHA agreed to alter the missives to extend the buy-back period until 31 March 2022. 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 will be issued shortly but, due to issues with supply chains and accessing materials, there may be delays in the procurement process. All parties are working to resolve the issue to allow the building of affordable houses to proceed as soon as possible. The development features prominently in the recently approved Strategic Housing Investment Plan with high priority for allocation of Scottish Government More Homes Division Funding.

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

Note 43 Contingent Liabilities (continued)

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

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

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

Energy from Waste Project
Construction of the joint Local Authority Energy from Waste (EfW) plant in Aberdeen was impacted by the first national lockdown resulting from the Covid-19 pandemic. Under the terms of the agreement the primary supplier is permitted to claim for exceptional costs associated with a delay outwith their control. The Project Board, representing the Local Authorities' interests, is in commercial negotiations as to the value of this claim with an agreement expected early in the new financial year.

New Builds (Schools) Project
Construction on phase 3 of the replacement Lossiemouth High School was delayed as a result of the Covid-19 pandemic. The contract entitles the contractor to costs due to the delays as a result of Government restrictions imposed. Negotiations are currently ongoing to establish the value of these costs.

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:

- 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.

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

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 2021 are detailed below.

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

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

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

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

	Estimated maximum exposure to default and uncollectability	Amounts at 31 March 2021	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2021	Estimated maximum exposure to default and uncollectability
	£000	£000	%	%	£000
Customers	843	3,063	23.44	23.44	718
Total	**843**	**3,063**			**718**

Debtors

The Council does not generally allow credit for customers. As a result, £2.797m of the £3.063m balance is past its due date for payment (2019/20 £2.708m). The past due but not impaired amount can be analysed by age as follows:

	2019/20 £000	2020/21 £000
Less than six months	1,513	1,576
Six months to one year	312	416
More than one year	883	805
Total	**2,708**	**2,797**

The impairments made, analysed by age are as follows:

	2019/20 £000	2020/21 £000
Less than six months	-	-
Six months to one year	156	208
More than one year	883	805
Total	**1,039**	**1,013**

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

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 21.05% 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):

	2019/20 £000	Average Rate	2020/21 £000	Average Rate
Repayment less than 1 year	67,189	3.88%	85,539	2.41%
Repayment between 1 and 2 years	8,029	2.53%	7,696	2.49%
Repayment between 2 and 5 years	20,697	2.71%	21,479	2.83%
Repayment between 5 and 10 years	20,096	3.51%	21,718	3.48%
Repayment between 10 and 15 years	22,150	5.96%	19,657	6.13%
Repayment in more than 15 years	99,828	5.48%	97,889	5.45%
	237,989		**253,978**	

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.

The Council has a strategy for assessing interest rate exposure. The analysis will advise whether new borrowing taken out is fixed or variable. During 2020/21 the Council did take out several variable rate temporary borrowing loans.

According to this assessment strategy, at 31 March 2021, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2019/20 £000	2020/21 £000
Increase in interest payable on variable rate borrowing	286	474
Impact on Comprehensive Income and Expenditure Statement	**286**	**474**

Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost for the year ended 31 March 2021 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.

2019/20 £000		2020/21 £000
	Income	
(18,901)	Dwelling Rents	(19,518)
(187)	Non Dwelling Rents	(190)
(580)	Other Income	(502)
(19,668)	**Total Income**	**(20,210)**
	Expenditure	
4,030	Supervision and Management	3,982
6,255	Repairs and Maintenance	6,757
172	Bad and Doubtful Debts	196
7,066	Depreciation and Impairment of Non-Current Assets	8,475
1,952	Revaluation losses on Non-Current Assets	(13,896)
40	HRA Share of Corporate and Democratic Core Costs	45
444	Other Expenditure	464
19,959	**Total Expenditure**	**6,023**
291	**Net Cost of HRA Services**	**(14,187)**
2,887	Interest Payable and Similar Charges	2,893
(60)	Interest and Investment Income	(4)
63	Net Interest on the Defined Benefit Liability	56
(6,779)	Capital Grants and Contributions Receivable	(2,279)
(3,598)	**(Surplus)/Deficit for the Year on HRA Services**	**(13,521)**

Movement on the Housing Revenue Account Statement

2019/20 £000		2020/21 £000
(3,598)	**(Surplus)/Deficit for the Year on the HRA Income and Expenditure Account**	(13,521)
-	**Adjustments to Usable Reserves permitted by Accounting Standards**	(3,335)
	Adjustments between accounting basis and funding basis under regulations	
95	Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with statute	96
4,345	Capital expenditure funded by the Housing Revenue Account	5,398
(346)	HRA share of contributions to/(from) the Pensions Reserve	(272)
13	Employee Statutory Adjustment Account	(9)
	Transfers to/from the Capital Adjustment Account:	
(7,066)	Depreciation and Impairment of Non-Current Assets	(5,140)
(1,952)	Revaluation losses on Property, Plant and Equipment	13,896
1,114	Loans fund principal repayments	1,283
6,779	Capital Grants applied	2,279
(616)	**Net Decrease Before Transfers to Reserves**	**17,531**
	Transfers to/(from) Reserves	
19	IORB and Statutory Funds	1
(450)	Transfers from the General Fund as directed by the Minister	(858)
(431)		**(857)**
(1,047)	**(Increase)/decrease in the year on the HRA**	**(182)**
(1,172)	**Housing Revenue Account Balance Brought Forward**	**(2,219)**
(2,219)	**Housing Revenue Account Balance Carried Forward**	**(2,401)**

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:-

		2019/20 Number of Dwellings	2020/21 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	667	699
2 bedroom	Houses and Bungalows	2,178	2,212
	Flats and Maisonettes	687	687
3 bedroom	Houses and Bungalows	1,227	1,248
	Flats and Maisonettes	99	99
4 or more bedroomed	Houses and Bungalows	158	173
	Total	**6,139**	**6,241**

2. Rent Arrears

The total rent arrears, including rents outstanding from former tenants, as at 31 March 2021 was £0.656m which is 3.36% of gross rental income. This is equivalent to £105.13 per house (2019/20 £0.562m, 2.97%, £91.55).

3. Impairment of Debtors

The provision for uncollectable debts has increased by £0.055m (decrease in 2019/20 £0.002m). The total provision for uncollectable debts including rechargeable repairs is £0.282m (2019/20 £0.227m).

4. Voids

The loss of rental on void properties for the year was £0.252m (2019/20 £0.185m).

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.

2019/20 £000		2020/21 £000
56,445	**Council Tax Levied and Contributions in Lieu**	59,642
	Deduct:	
(3,762)	Local Council Tax Reduction Scheme	(4,243)
(8,441)	Other discounts and reductions	(8,937)
44,242	**Total for Year**	**46,462**
(118)	Council Tax adjustment in respect of prior years	(98)
(401)	Allowance for impairment of uncollectable debts	(633)
43,723	**Transfers to General Fund**	**45,731**

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

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

Council Tax Income Account (continued)

Calculation of Council Tax Base

Number of Dwellings

Discounts	Number of Dwellings	Number of Exemptions/ Reliefs	25%	Other	Total Equivalent Dwellings	Ratio to Band D	Band D Equivalent
Band A	11,996	825	1,542	223	9,406	6/9	6,268
Band B	10,525	488	1,026	211	8,800	7/9	6,844
Band C	7,034	424	544	142	5,924	8/9	5,266
Band D	6,597	511	415	119	5,552	9/9	5,552
Band E	6,317	241	312	107	5,657	473/360	7,432
Band F	2,357	53	84	46	2,174	585/360	3,533
Band G	697	22	21	23	631	705/360	1,236
Band H	107	54	1	5	47	882/360	115
	45,630	**2,618**	**3,945**	**876**	**38,191**		**36,246**

Add: Contributions in Lieu	913
Less: Provision for non-collection	(557)
Council Tax Base 2020/21	**36,602**

Calculation of Council Tax

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

Band	Property Value £	Number of Properties	Council Tax Charge £
A	Up to 27,000	9,406	£881.91
B	27,000 - 35,000	8,800	£1,028.90
C	35,001 - 45,000	5,924	£1,175.89
D	45,001 - 58,000	5,552	£1,322.87
E	58,001 - 80,000	5,657	£1,738.11
F	80,001 - 106,000	2,174	£2,149.67
G	106,001 - 212,000	631	£2,590.62
H	Above 212,000	47	£3,241.03

Non-Domestic Rate Income Account

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

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

In 2020/21 the rate poundage was 49.8p (49.0p in 2019/20). 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.

In recognition of the impact of the COVID-19 pandemic, the government introduced a 1.6% reduction in the rate poundage. This was deducted from all rates bills.

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

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

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

2019/20 £000		2020/21 £000
61,712	**Gross Rates Levied**	62,962
	Deduct:	
(11,047)	Reliefs and Other Deductions	(20,716)
-	Payment of interest	(3)
(3)	Write-offs of uncollectable debts and allowance for impairment	(1)
50,662	**Net Non-Domestic Rate Income**	**42,242**
(2,756)	Adjustments to previous years' National Non-Domestic Rates	(2,184)
47,906		**40,058**
(1,859)	Business Rates Incentivisation Scheme (BRIS) retention	(1,859)
(2,484)	Contribution (to)/from National Pooling	(9,191)
43,563	**Guaranteed Rate Income**	**29,008**
1,859	BRIS retention	1,859
45,422	**Amount credited to the Comprehensive Income and Expenditure Statement**	**30,867**

Non-Domestic Rate Income Account (continued)

Analysis of Rateable Values and Numbers of Entries at 1 April 2020

	Number of Entries	2020/21 Rateable Value £000
Shops	922	19,519
Public Houses	59	1,095
Offices (including Banks)	499	5,899
Hotels, Boarding Houses, etc.	110	3,027
Industrial and Freight Transport Subjects	1,272	52,554
Leisure, Entertainment Caravans and Holiday Sites	824	4,168
Garages and Petrol Stations	122	1,397
Cultural	19	213
Sporting Subjects	569	748
Education and Training	83	7,350
Public Service Subjects	273	13,713
Communications (Non-Formula)	15	1,692
Quarries, Mines, etc.	33	373
Petrochemical	5	723
Religious	156	1,168
Health Medical	51	2,357
Other	433	675
Care Facilities	53	1,950
Advertising	18	33
Undertaking	21	4,215
	5,537	**122,869**

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

Trust Funds

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

The statements below summarise the trust funds' income and expenditure for the year and the funds' assets and liabilities at 31 March 2021.

Trust Reorganisation

The Council is currently undertaking a review of its trusts, in consultation with the Office of the Scottish Charities Regulator (OSCR), to identify options for restructuring its existing charitable and non-charitable trusts in order to create a smaller number of trusts with improved governance arrangements and with the opportunity to maximise the use of these resources to the benefit of the citizens of Moray. In August 2016, The Moray Council Charitable Trust (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. In 2018/19 one trust was given approval to be reorganised into TMCCT and a further 23 trusts were approved by OSCR for reorganisation this financial year. Their assets have been transferred into the new trust and are reflected in the accounts and notes on the following pages.

Accounting Policies

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

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

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

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

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

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

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

Trust Funds Income and Expenditure Account

2019/20 (restated) Connected Charitable £000	2019/20 (restated) Other £000		2020/21 Connected Charitable £000	2020/21 Other £000
		Income		
(25)	(101)	Investment Income	(22)	(90)
-	(76)	Property Rental Income	-	(77)
-	(734)	Donated Assets	-	-
-	(242)	Gain on Revaluation of Fixed Assets	-	(45)
-	-	Surplus on revaluation of Available for Sale Financial Assets	(114)	(472)
-	(27)	Other Income	-	(2)
(25)	**(1,180)**	**Total Income**	**(136)**	**(686)**
		Expenditure		
12	62	Beneficiaries	14	50
7	11	Administration	13	8
-	63	Other Costs	-	44
-	-	Loss on Disposal of Fixed Assets	-	173
75	309	Deficit on revaluation of Available for Sale Financial Assets	-	-
-	126	Depreciation **Note 1**	-	122
94	**571**	**Total Expenditure**	**27**	**397**
69	**(609)**	**(Surplus)/Deficit for the year**	**(109)**	**(289)**
(75)	541	Items not Chargeable to Revenue Reserves	114	132
(6)	**(68)**	**(Increase)/Decrease in Revenue Reserves**	**5**	**(157)**

Trust Funds Balance Sheet

2019/20 (restated) Connected Charitable £000	2019/20 (restated) Other £000			2020/21 Connected Charitable £000	2020/21 Other £000
-	5,400	Property, Plant and Equipment	Note 1	-	5,048
-	80	Investment Properties	Note 3	-	80
443	1,834	Long Term Investments	Note 4	557	2,306
443	**7,314**	**Long Term Assets**		**557**	**7,434**
1	5	Debtors		1	3
429	1,619	Loans Fund Balance		424	1,791
430	**1,624**	**Current Assets**		**425**	**1,794**
(5)	(12)	Creditors		(5)	(13)
(5)	**(12)**	**Current Liabilities**		**(5)**	**(13)**
868	**8,926**	**Net Assets**		**977**	**9,215**
-	3,517	Capital Adjustment Account		-	3,242
-	1,939	Revaluation Reserve		-	1,862
198	820	Financial Instruments Adjustment Account		312	1,292
670	2,650	Revenue Balance		665	2,819
868	**8,926**	**Total Reserves**		**977**	**9,215**

Notes to the Trust Fund Accounts

Note 1 Property, Plant and Equipment

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

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

Assets have been valued on the following basis:

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

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

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

Movements of property, plant and equipment were as follows:

2019/20	**Other Land and Buildings £000**	**Community Assets £000**	**Total £000**
Gross Book Value at 1 April 2019	4,849	15	4,864
Revaluations	98	-	98
Additions	734	-	734
Gross Book Value at 31 March 2020	**5,681**	**15**	**5,696**
Accumulated Depreciation at 1 April 2019	308	-	308
Revaluations	(138)	-	(138)
Charge for the Year	126	-	126
Depreciation at 31 March 2020	**296**	**-**	**296**
Net Book Value at 31 March 2020	**5,385**	**15**	**5,400**

2020/21	**Other Land and Buildings £000**	**Community Assets £000**	**Total £000**
Gross Book Value at 1 April 2020	5,681	15	5,696
Revaluations	(4)	-	(4)
Additions	-	-	-
Disposals	(288)		(288)
Gross Book Value at 31 March 2021	**5,389**	**15**	**5,404**
Accumulated Depreciation at 1 April 2020	296	-	296
Revaluations	(49)	-	(49)
Disposals	(13)	-	(13)
Charge for the Year	122	-	122
Depreciation at 31 March 2021	**356**	**-**	**356**
Net Book Value at 31 March 2021	**5,033**	**15**	**5,048**

Note 2 Heritage Assets

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

Assets Excluded from Heritage Assets	Estimated number of assets 31 March 2021
Monuments and Fountains	2

Note 3 Investment Properties

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

	2019/20 £000	2020/21 £000
Balance at start of the year	80	80
Net gains/(losses) from fair value adjustments	-	-
Balance at end of the year	**80**	**80**

Note 4 Trust Details

Funds for which The Moray Council act as Sole Trustee

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Registered Charitable Trusts				
6 Registered Charitable Trusts, each with Assets less than £50,000	(1)	2	54	-
The Moray Council Charitable Trust				
Established to reorganise trusts with out of date purposes. 23 trusts were approved for reorganisation in 2020/21.Split into sub categories by location and purpose.	(5)	7	250	(1)
Moray & Nairn Educational	(130)	18	678	(4)
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				
	(136)	**27**	**982**	**(5)**
Other Trusts				
5 Non Registered Trusts, each with Assets less than £50,000	(6)	1	82	-
Longmore Hall	-	31	1,091	-
Village Hall for the use of the community				
Glenisla Comforts Fund	(24)	-	158	-
For the benefit of the residents of Glenisla Care Home				
John Pringle Bequest	(7)	-	50	-
For the benefit of the residents of Speyside Nursing Home				
Speyside Comforts Fund	(11)	-	70	-
For the benefit of the residents of Speyside Nursing Home				
The Pringle Trust	(2)	2	103	-
Established to make payments annually to Ministers, serving and emeriti of the Church of Scotland, Baptist and Free Church of Scotland				

Note 4 Trust Details (continued)

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
William Lawtie For the Poor of Cullen	(3)	-	200	-
The MacDonald Benevolent Fund Established in 1989 for persons in need of financial assistance particularly in Dufftown as decided by the Social Work Department	(18)	3	288	-
Milne's Institution Trust The free annual income to be applied as The Moray Council thinks fit for the purposes of the educational enrichment of pupils attending Milne's High School and Milne's Primary School. The income shall be apportioned to the schools on a pro rata basis by reference to attendance rolls of the respective schools	(60)	8	295	-
Laing Mortification For the benefit of a decayed merchant resident in Elgin.	(6)	-	308	-
Craigmoray Bequest (Bishopmill) For the benefit of the residents of Craigmoray Care Home	(61)	-	449	-
Ladyhill Public Trust Provides homes for two veterans from the Elgin area	-	5	108	-
Jubilee Cottages Public Trust Trust established by monies raised during Queen Victoria's Diamond Jubilee for the purposes of providing low cost housing	-	11	593	-
Cooper Park Public Trust Trust established at turn of last century to provide Elgin library and reading rooms and parkland for recreation – all for the inhabitants of Elgin	(39)	38	402	-
River Lossie Public Trust Established mid 1800's to provide ground for recreation for the people of Elgin	(84)	34	941	-
Grant Park Public Trust Trust incorporating the public convenience, tea room/shop and the cricket and bowling pavilions, to be used for the benefit of the community of Forres	(3)	25	958	-
Miltonduff Hall Established to provide space for local groups for education, recreation etc	-	8	365	-
Logie Cottage Established to provide a free home or house of rest to a respectable retired couple or single woman in Forres	(12)	11	86	-
Fife Park, Keith Public Trust Trust incorporating the playing field, pavilion and public convenience	-	2	52	-
Portknockie Bowling Club Public Trust Tennis & Bowling Club located in Portknockie	-	185	-	-

Note 4 Trust Details (continued)

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Fleming Hall Aberlour	-	13	590	-
	(336)	377	7,189	-
Funds for which The Moray Council acts as one of several trustees				
Registered Charitable Trusts				
Auchernack Trust	(136)	5	808	-
For the benefit of the elderly community of the Forres Area who are in need of relief by reason of advanced age				
	(136)	5	808	-
Other Trusts				
Donald Manson (Edinkillie) Fund	(70)	11	367	(10)
3 Bursaries for children living in the Parish of Edinkillie in S1 as well as one Further Education Bursary for a student aged under 18. The annual balance of the fund is payable to Forres Academy				
Donald Manson (Forres) Fund	(17)	3	102	(3)
One bursary for a child living in the Burgh of Forres in S1. The annual balance of the fund is payable to Forres Academy				
Banffshire Educational Trust	(139)	13	762	-
Grants payable to persons resident in the former County of Banffshire, including University, Post Graduate, Apprentices & Trainees; School Equipment; Sports Facilities; Support of Clubs; Promoting Education in Drama, Music & Visual Arts; Travel Grants and School Excursions.				
	(226)	27	1,231	(13)

Fund	Income £000	Expenditure £000	Assets £000	Liabilities £000
Summary				
Connected Charitable Trusts	(136)	27	982	(5)
Other Trusts	(698)	409	9,228	(13)
Total	**(834)**	**436**	**10,210**	**(18)**

Common Good Funds

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

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

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

Accounting Policies

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

Common Good Funds Income and Expenditure Account

31 March 2020 £000			31 March 2021 £000
	Income		
(3)	Property		(5)
(105)	Investment Income		(125)
-	Other Income		(2)
(108)	Total Income		(132)
	Expenditure		
6	Property Costs		3
5	Administrative Costs		5
40	Donations, Grants etc		22
19	Other Costs		16
661	Depreciation	Note 1	569
127	Loss on Disposal of Asset		1,125
1,740	Revaluation of Investment Property		(91)
-	Investment Property Transfer to Assets Held for Sale		123
2,598	Total Expenditure		**1,772**
2,490	**(Surplus)/Deficit for the Year**		**1,640**
(5,782)	(Surplus)/Deficit on revaluation of Non-current Assets		1,074
(3,292)	**Total Comprehensive Net (Income)/Expenditure**		**2,714**

Common Good Funds Balance Sheet

31 March 2020 £000			31 March 2021 £000
17,398	Property, Plant & Equipment	Note 1	14,555
204	Heritage Assets	Note 2	204
2,366	Investment Property	Note 3	2,334
19,968	**Long Term Assets**		**17,093**
1	Inventories		1
8	Debtors		8
3,522	Loans Fund Balance		3,684
3,531	**Current Assets**		**3,693**
(6)	Creditors		(7)
(6)	Current Liabilities		(7)
23,493	**Net Assets**		**20,779**
17,592	Revaluation Reserve		14,749
5,901	Revenue Reserve		6,030
23,493	**Total Reserves**		**20,779**

Summary of Funds

31 March 2020 Total Funds £000		31 March 2021 Invested in Loans Fund £000	31 March 2021 Total Funds £000
4,117	Buckie	1,547	4,091
186	Cullen	57	196
14	Dufftown	15	15
13,686	Elgin	1,562	10,884
4,309	Forres	442	3,221
51	Portknockie	52	52
297	Keith	7	295
288	Lossiemouth	-	1,492
545	Findochty	2	533
23,493	**TOTAL**	**3,684**	**20,779**

Notes to the Common Good Accounts

Note 1 Property, Plant and Equipment

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

Assets have been valued on the following basis:

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

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

Other Land and Buildings	–	Buildings up to 60 years, land is not depreciated
Surplus Assets	–	land is not depreciated

Movements of Property Plant and Equipment were as follows:

2019/20	**Other Land & Buildings £000**	**Surplus Assets £000**	**Assets Held For Sale £000**	**Total £000**
Gross Book Value at 1 April 2019	13,521	750	30	14,301
Revaluations	4,471	(425)	-	4,046
Disposals	(139)	-	(30)	(169)
Gross Book Value at 31 March 2020	17,853	325	-	18,178
Accumulated Depreciation at 1 April 2019	1,867	-	-	1,867
Revaluations	(1,748)	-	-	(1,748)
Charge for the Year	661	-	-	661
Depreciation at 31 March 2020	780	-	-	780
Net Book Value at 31 March 2020	**17,073**	**325**	**-**	**17,398**

2020/21	**Other Land & Buildings £000**	**Surplus Assets £000**	**Assets Held For Sale £000**	**Total £000**
Gross Book Value at 1 April 2020	17,853	325	-	18,178
Revaluations	(1,676)	-	-	(1,676)
Reclassifications	325	(325)	122	122
Disposals	(1,234)	-	-	(1,234)
Gross Book Value at 31 March 2021	15,268	-	122	15,390
Accumulated Depreciation at 1 April 2020	780	-	-	780
Revaluations	(480)	-	-	(480)
Disposals	(34)	-	-	(34)
Charge for the Year	569	-	-	569
Depreciation at 31 March 2021	835	-	-	835
Net Book Value at 31 March 2021	**14,433**	**-**	**122**	**14,555**

Revaluations (2019/20 and 2020/21) 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 2019/20 and 2020/21.

	Fine Art	Chains of Office	Total Heritage Assets
	£000	£000	£000
Valuation at 1 April 2019	125	79	204
Revaluations	-	-	-
At 31 March 2020	**125**	**79**	**204**
Valuation at 1 April 2020	125	79	204
Revaluations	-	-	-
At 31 March 2021	**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 2021
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:

	2019/20 £000	2020/21 £000
Rental income from investment property	51	50
Net gain	**51**	**50**

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

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

	2019/20 £000	2020/21 £000
Balance at start of the year	4,106	2,366
Revaluations	(1,740)	91
Movement to Assets Held for Sale	-	(123)
Balance at end of the year	**2,366**	**2,334**

Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements
I certify that I have audited the financial statements in the annual accounts of Moray Council and its group for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash Flow Statement, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, the Non-Domestic Rate Income Account, the Trust Funds Income and Expenditure Account, the Trust Funds Balance Sheet, the Common Good Funds Income and Expenditure Account, the Common Good Funds Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion
I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is 5 years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

Risks of material misstatement
I report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my judgements thereon.

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

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

The council is responsible for overseeing the financial reporting process.

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

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

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

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.
A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

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

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

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

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement 2020/21 to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

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

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

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

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

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

I have nothing to report in respect of these matters.

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

Use of my report

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

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

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.

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