

DRAFT Annual Accounts

For year ended 31 March 2024

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

The Annual Accounts are presented in four core statements:

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

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

Balance Sheet: the value of our assets and liabilities.

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

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

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

This management commentary is to help those reading the Annual Accounts understand our financial performance in 2023/24. It summarises the key facts from the accounts, illustrates our main achievements in the past year, and highlights some of the risks and challenges we face in the coming years.

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

The commentary also looks at the Council's performance during the year and Key Performance Indicators relating to the Council's Corporate Priorities for 2022/23 can be found on our website as well as detailed performance information. http://www.moray.gov.uk/moray_standard/page_92320.html

The management commentary gives some context to the way in which we deliver our services and relate to our local businesses and communities as well as identifying other significant influences on the Council as an organisation.

Management Commentary (continued)

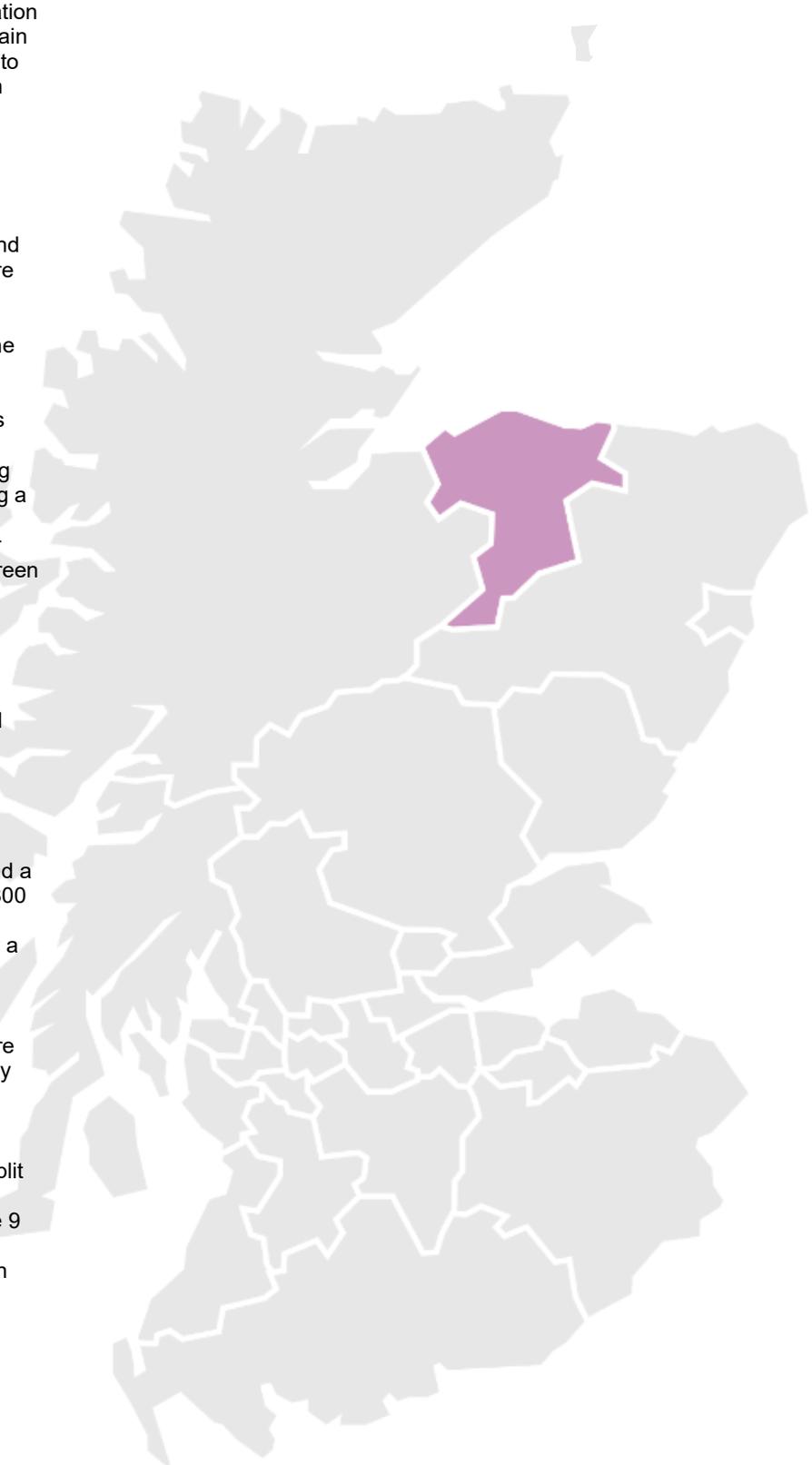
About us

Moray is a largely rural area covering a land mass of 2,238km². It has a long coastline on the Moray Firth with harbours, fishing villages and world-class beaches. The area's population for 2023 was projected to be 94,280. The main centre of population is Elgin, which is home to more than one quarter of the people living in Moray. Other towns of population between 5,000 and 10,000 are Forres, Buckie, Lossiemouth and Keith.

Moray Council was established in 1996 following local government reorganisation and the demise of regional councils. Elections are held every five years to appoint the 26 councillors who form the membership of the Council. Following the May 2022 election, the Council was led by a minority Conservative administration. There are three groups of councillors: Conservative (eleven councillors reduced to nine following one member becoming an Independent and another being non-aligned), SNP (nine councillors following a by-election reduced to eight following one member becoming an Independent), Labour (three councillors). There is one Scottish Green Party councillor, and four independent councillors.

Council members are supported by the Council's Corporate Management Team (CMT) to establish priorities for services and a programme of continuous improvement. There are four members of CMT: the Chief Executive, two Deputy Chief Executives and the Chief Officer of Moray Integration Joint Board. They in turn are supported by nine heads of service (plus 2 NHS equivalent) and a workforce of 5,017, equivalent to around 3,800 full time staff. Delivering the wide range of services we're responsible for is assisted by a range of contracts with both the private and third sector.

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



Management Commentary (continued)

Strategy, planning and performance

We agree priorities for public services in Moray with our Community Planning Partners, and these priorities are set out in our Local Outcome Improvement Plan (LOIP). Our own priorities – specific to council services – are set out in our Corporate Plan. The latest version of the Corporate Plan (for 2024 – 2027) was approved by Council on 28 February 2024, and identifies the top three priorities as Tackle poverty and inequality; Build thriving, resilient, empowered communities, Build a stronger, greener, vibrant economy. As this report looks mainly at the period prior to this revised Corporate Plan, reporting will be based on the previously identified priorities – Our People, Our Place, Our Future. Both versions include a focus on ensuring a Sustainable Council for the future, including financial stability.

Our strategic approach to financial planning is embodied in the Medium to Long Term Financial Plan which accompanies the Corporate Plan and we aim to achieve financial stability by 2025/26. This Plan was last updated and approved by Council on 25 October 2023. It will be updated again in October 2024. General funding from Scottish Government has been reduced over the past 13 years. We have made savings and we have also made planned use of reserves to cushion the effect on services of reduced funding. However, this is not sustainable. We have agreed an Improvement and Modernisation Programme (IMP) as a vehicle to assist in driving out savings by changing the way in which we operate as a Council. Regular reports on this are made to Council. Recent planning has focused also on our vision for the Council of the future. These elements are brought together in the Council's Transformation Strategy, the first iteration of which was approved by Council on 24 April 2024.

Although our financial planning process in normal times focuses on the medium term, successive single-year settlements from the Scottish Government have resulted in annual budgets being approved. The budgets for 2023/24 (General Fund revenue and capital and HRA revenue and capital) were approved by Council on 1 March 2023.

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

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

The General Fund is mainly funded by grants from the Scottish Government. Council Tax meets less than 20% of general revenue expenditure. Scottish Government called a halt to the Council Tax freeze in 2017/18 but capped the level of increase which councils could set in successive years. A freeze was reintroduced for 2021/22 (for the one year only) and again in 2024/25. Successive freezes have reduced the proportion of our budget funded by Council Tax.

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

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

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

Highlights of successes and challenges for strategic objectives are summarised below (these have been extracted from final 2023/24 performance reports to committees, which also include service level performance information).

Education Resources and Communities:

Successes: the Changing Lives approach is embedding well in Sports and Culture services

Challenges: addressing the affordability and standard of the Learning Estate.

Management Commentary (continued)

Education Services:

Success: pace of progress with the ASN review to ensure that the service has a clear focus on supporting all learners

Challenge: roll out of AnalyseM for secondary

Environmental and Commercial Services:

Successes: Electric Vehicle (EV) Strategy complete and increased EV charging points as planned . Joint Energy from Waste project complete

Challenges: implementation of public use charging infrastructure

Economic Development and Growth

Successes: Building Standards performance indicators exceeding target year on year. Three Moray Growth Deal projects now in delivery.

Challenges: number of new business start ups 107, below target of 130.

Housing and Property Services:

Successes: Smarter Working project roll out complete. Response to emergent issues with Reinforced Autoclaved Aerated Concrete (RAAC)

Challenges: delay in developing Stores and Depots Review Outline Business Case

HR, ICT and Organisational Development:

Successes: expansion of digital approach, with 105 services now available online; Smarter Working project complete.

Challenges: sickness absence across the Council has increased

Governance, Strategy and Performance:

Success: tendering and initial roll out of corporate printing / copying contract

Challenges: development of the Benefits e-form has been slower than expected

Financial Services:

Success: nothing at Strategic level; development of an e-form for Accounts Payable complete and form being rolled out

Challenges: Participatory Budgeting levels have dropped

Management Commentary (continued)

Key Performance Indicators (KPIs)

The KPIs below are for 2021/22 as these are the latest approved figures currently available across all services. As with the successes and challenges above, these are highlights, and a comprehensive performance report including 2022/23 figures will be published later this year. The Performance Report for 2022/23 can be found at <http://www.moray.gov.uk/downloads/file148356.pdf>

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

Our People

| Children & Families | Target | Benchmarking Comparator averages | 2023/24 | 2022/23 | 2021/22 | Short term trend |
|---|--------|----------------------------------|------------|---------|---------|---|
| Percentage of leavers achieving 1+ awards at SCQF level 4 or above | 96.1% | 96.1% Virtual | March 2025 | 96.2% | 97.7% |  |
| Proportion of pupils entering positive destinations | 95.6% | 95.3% Family Gp | March 2025 | 95.1% | 96.2% |  |
| Percentage of Looked After Children cared for in a community setting | 82.5% | 84.8% Family Gp | 82% | 82% | 81.5% |  |
| Percentage of Looked after leavers achieving 1+ awards at SCQF level 4 or above | 77% | 88.3% virtual | March 2025 | 75% | 81.8% |  |
| Child Protection – Rate of registration (per 1,000 1-15 population) | 2.7 | 2.15 Family Gp | 4.5 | 1.5 | 2.3 |  |

| Adults | Target | Benchmarking Comparator Averages | 2023/24 | 2022/23 | 2021/22 | Short term trend |
|--|--------|----------------------------------|-----------|---------|---------|---|
| Percentage of adults able to look after their health very well or quite well | 91% | 91% National | 92% | N/A | 93% |  |
| Emergency admission rate (per 100,000 population) | 11,636 | N/A | July 2024 | 8,255 | 9,241 |  |
| Percentage of adults supported at home who agreed they felt safe | 80% | 66% National | 60% | N/A | 72% |  |

Our Place

| | Target | Benchmarking Comparator Average | 2023/24 | 2022/23 | 2021/22 | Short term trend |
|---|--------|---------------------------------|---------|---------|---------|---|
| Number of Community Asset Transfers completed | 8 | N/A | 5 | 3 | 3 |  |
| Percentage of Participatory Budgeting (PB) expenditure achieved | 100% | N/A | 27% | 23.99% | 2.8% |  |
| Number of new Community Action Plans in place | 3 | N/A | 3 | 3 | 1 |  |

Scottish Government have set a target of 1% of a local authority's budget to be allocated by Participatory Budgeting (PB) – our target is to achieve 100% of the Scottish Government target; in 2023/24 we have achieved 27% of that target.

Management Commentary (continued)

Our Future

| | Target | Benchmarking Comparator Average | 2023/24 | 2022/23 | 2021/22 | Short term trend |
|---|----------|--|------------------|----------------------------|------------------|---|
| Economic impact of tourism, in Moray | Increase | N/A | N/A | £147.99m | £103.71m |  |
| Proportion of 16-29 year old in Moray population (NRS mid-year) | Increase | N/A | 14.4% (Mid 2022) | 15.3% (Mid 2021) | 15.3% (Mid 2020) |  |
| Proportion of people earning less than living wage (ASHE) Note (1) | Reduce | 10.1% National | 14.6% | 13.8% | 19.4% |  |
| Median gross weekly earnings (excluding overtime) (ONS-ASHE Full time by place of residence 2023 provisional data. Previous result updated from refresh) | Increase | £681.00 National | N/A | £603.70 | £541.10 |  |
| Median gross weekly earnings – pay gap (excluding overtime) (ONS-ASHE Full time by place of residence 2023 provisional data. Previous result updated from refresh) Note (2) | Improve | £31.90 * National – provisional result | N/A | £20.40 Provisional results | £142.60 |  |
| Modern Apprenticeship – achievement rate | 76% | N/A | 80.4% | 71.2% | 69.6% |  |

Note 1 Trend downwards as increased percentage shows improving result.

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

Our People indicators – are generally showing a decrease over the last year. This reverses the trend in last year’s report.

Our Place indicators – one indicator shows an improving trend, a reduction from last year’s position. The proportion of budget allocated by PB remains significantly below target.

Our Future indicators – a mix of improvement and decreases, as last year.

Management Commentary (continued)

Highlights of the year

May 2023

Our People



33 new build Council houses in Keith

September 2023

Our People



Engagement of Forres school estate

January 2024

Our People



Elgin Academy achieves Reading School gold award

February 2024

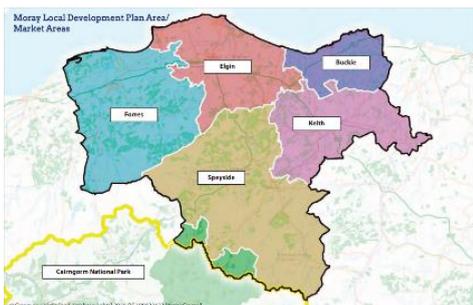
Our People



Damp and mould action improved for tenants

June 2023

Our Place



Local Place Plans registered

July 2023

Our Place



Elgin allotments handed to community

Management Commentary (continued)

January 2024

Our Place



Parking measures approved to address issues in Elgin

February 2024

Our Place



Play park upgrades at Letterfourie and Tomnavoulin

May 2023

Our Future



m-connect services launch

June 2023

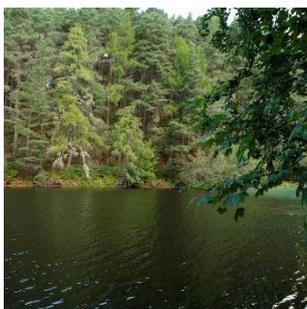
Our Future



Draft Community Wealth Building Strategy agreed

August 2023

Our Future



Non-native species removal at Millbuies

December 2023

Our Future



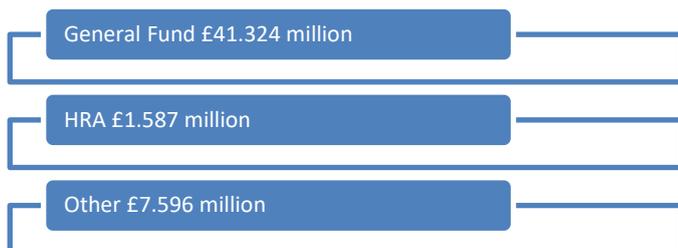
Energy from Waste facility fully operational

Management Commentary (continued)

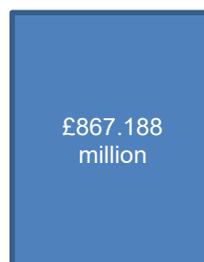
Financial Results for the year

The Council's Annual Accounts are prepared on a different basis from the basis on which it sets its budget. The net income for 2023/24 in the Comprehensive Income and Expenditure Statement (CIES) is £6.926m (2022/23: £94.336m). This adds together the General Fund and HRA, to give an overall picture of the Council's financial activities in the year. It also includes a number of accounting entries required by the accounting regulations but which are not a charge on the income the Council receives to deliver services and which cannot create income which the Council can use. The impacts of these accounting entries are reflected in the Council's unusable reserves. The Council's usable reserves show what the Council has available to spend, either on a planned basis or to meet unexpected contingencies.

Usable reserves



Unusable reserves



The Movement in Reserves Statement shows the net income to the Council per the CIES analysed across the General Fund, HRA, other usable reserves and unusable reserves. The net income of £6.926m shown in the CIES is the increase in overall reserves: a decrease of £9.341m in usable reserves and an increase of £6.926m unusable reserves. Note 11 to the accounts further analyses the movement in the General Fund, showing a breakdown of the various ear-marked reserves (reserves set aside for specific purposes) and a balance of £6m in free general reserves (2022/23 £5m). The free general reserves are a cushion against unexpected events and the Council looks at various financial risks in setting the balance it requires to keep.

General fund revenue expenditure

We set the budget for 2023/24 on 1 March 2023. During the year the budget was revised, mainly to reflect additional funding from Scottish Government. The original and revised budgets and actual out-turn are set out below, with explanations of main variances on page 13:

| | 2023/24 We planned | We revised to | 2023/24 We out turned | 2022/23 results |
|---|-----------------------|----------------|--------------------------|--------------------|
| | £m | £m | £m | £m |
| Expenditure | | | | |
| Departmental | 231.397 | 256.088 | 244.151 | 228.977 |
| Loans Fund | 16.407 | 16.407 | 16.148 | 12.244 |
| Additional provisions – monies held centrally | 13.036 | (4.505) | - | - |
| | <u>260.840</u> | <u>267.990</u> | <u>260.299</u> | <u>241.221</u> |
| Funded from: | | | | |
| SG Grant | 193.416 | 204.228 | 204.358 | 193.427 |
| Council Tax | 49.574 | 49.974 | 50.799 | 47.687 |
| Use of reserves | 17.850 | 13.789 | 5.142 | - |
| | <u>260.840</u> | <u>267.990</u> | <u>260.299</u> | <u>241.114</u> |

The Council Tax Income Account in the Accounts for 2023/24 show Council Tax income of £51.538m. £0.739m was transferred to the HRA in respect of second homes and long-term empty dwellings (2022/23: £0.668m). We collect Non Domestic Rates (NDR) on behalf of Scottish Government. NDR revenue is pooled at a national level then redistributed to councils as part of the government's grant funding for local authorities. Moray has 5,758 rateable properties (2022/23 5,694) with a combined rateable value of £145m, an increase of £21m from 2022/23.

Management Commentary (continued)

Commentary on year-end position

Main reasons for variance from budget.

| | Amount |
|--|------------------|
| Underspends: | |
| Staff vacancies | £1.364m |
| Additional income in services | £1.044m |
| Council Tax additional income | <u>£0.825m</u> |
| | £3.233m |
| Overspends: | |
| Share of Moray Integration Joint Board overspend | (£1.119m) |
| Additional call on inflation provision | (£1.313m) |
| Other net overspends in services | (£0.943m) |
| Net impact of loans charges and interest on revenue balances | <u>(£0.165m)</u> |
| | (£3.540m) |
| Overspend for year against budget | (£0.387m) |

| Ear marked reserves | Amount |
|--|---------------|
| Note 11 shows the detail of this Movement in Reserves: | |
| Free general reserves – increase per budget report | £1.000m |
| Devolved School Management -reduction | (£0.134m) |
| Transformation – increase per budget report, reduced by in-year spend – net increase | £0.672m |
| Council priorities – reduction per budget report | (£2.747m) |
| Working reserve – decrease | (£14.176m) |
| Retrospective service concession reserve – new reserve (increase) | £7.526m |
| Other ear-marked reserves - increase | £3.485 m |
| Total movement in general reserves - decrease | (£4.374m) |

in order to better track some significant amounts of government funding – eg for refugee resettlement – additional ear-marked reserves have been set up to hold unspent balances and give greater clarity as to the amount available for the Working reserve. £3.485m has been transferred into ear-marked reserves and this is reflected in the reduced balance on Working reserve below that forecast for the year end.

Management Commentary (continued)

Service expenditure

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

| Service | Budget £000s | Actual £000s | Main Reasons for Variance |
|---|-----------------|-----------------|---|
| Education | 100,550 | 104,540 | £1.763m carried forward in separate ear-marked reserves, largest being DSM and PEF which are spent across the academic year and carry forward is expected. Other minor variances as forecast. |
| Education Resources and Communities | 8,523 | 8,069 | Mainly staff vacancies. Income from sports facilities above budget. |
| Children's Social Work Services | 14,941 | 14,315 | £0.313m transferred to ear-marked reserves (refugee programmes). Underspend arise from staff vacancies but mainly from contracts in the process of being re-let. |
| General Services Housing and Property Service | 4,373 | 3,814 | £0.426m transferred to ear-marked reserves (refugee programmes). Underspend in corporate repairs and maintenance. |
| Environmental and Commercial Services | 30,146 | 30,239 | Overspend on vehicle hire and parts. |
| Economic Growth and Development | 4,247 | 3,820 | Staff vacancies and delays in projects. Building Control and Planning fees above budget. |
| HR, ICT & OD | 6,486 | 6,289 | Underspend on corporate training budget. |
| Financial Services | 2,169 | 39 | Interest on Revenue Balances (higher interest rates) offsetting higher loans interest paid, not included in service spend. |
| Governance, Strategy and Performance | 6,662 | 6,255 | Mainly staff vacancies. |
| Social Care services | 64,018 | 64,018 | MIJB overspend is posted against central contingencies. |
| Other expenditure | 2,665 | 2,717 | Additional pensions costs re early retirement. |
| Total departmental spend | 244,780 | 244,151 | |

Management Commentary (continued)

The out-turn figures are those reported to Council on 26 June 2024 – these are expressed on the same basis as the budget figures. The out-turn included in the CIES is calculated in accordance with accounting requirements. The main difference between the 2 bases are set out in Note 8 to the accounts and can be summarised as below:

| Description | Amount |
|--|----------------|
| Departmental Outturn per Management Commentary | 244,151 |
| Statutory Adjustments | 33,023 |
| Bad Debt Provision – reflected in service outturn but in Financing and Investment Income in the CIES | 630 |
| Net Cost of Services in CIES | 289,353 |

Savings

When the Council set its budget for 2023/24 it included savings of £4.4765m – £0.775m were one off savings with recurring savings of £3.990m, £0.980m from increased income, £0.801m from efficiencies, and £2.209m other savings. Further savings of £1.920m were identified during the year. The bulk of the savings were achieved. The indicative savings from the Improvement and Modernisation Programme (£0.293m) were not realised, though progress is being made with the work streams. However, additional savings identified after the budget was approved more than covered the shortfall and in all a total of £4.055m savings were removed from the budget, with £3.757m of these recurring.

Financial flexibility

Financial flexibility regarding service concessions were approved for 2023/24 and have been implemented. When approved it was assumed that the Council would have implemented IFRS 16, which would have had the effect of reporting the contingent rental element of the service concession as a lease payment and therefore part of the retrospective adjustment. The implementation date for IFRS 16 was put back by CIPFA LASAAC and so not implemented by the Council for 2023/24 accounts and thus the reserve created by the retrospective adjustment is less than originally forecast.

Management Commentary (continued)

Housing Revenue Account

Our 6,370 houses (2022/23: 6,332) 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 2023/24 the balance had decreased by £0.831m from the balance at the end of 2022/23 bringing the total balance to £1.587m. The HRA budgeted to break even in 2023/24, with planned expenditure of £22.812m met from rent and other income.

| As budgeted | Budget £000s | Actual £000s | Reason for variance |
|---|-------------------------|-------------------------|--|
| Rental income | (22,362) | (22,320) | |
| Other income | (450) | (985) | |
| Supervision and management | 5,521 | 5,342 | Recruitment to new posts |
| Repairs and maintenance | 10,696 | 11,168 | Void repairs to empty houses purchased |
| Financing cost | 5,183 | 5,255 | |
| Capital Funded from Revenue / transfer to General Fund | 902 | 2,041 | Transfer to General Fund of capital grant received for pay award funding |
| Other expenditure | 510 | 331 | Improved rent recovery. |
| Use of/ (return to reserves) | - | 832 | net overspend |
| Reconciliation to accounts | | | £000s |
| Use of/ (return to reserves) | | | 832 |
| Statutory Adjustments | | | 9,381 |
| Adjustments to Usable Reserves Permitted by Accounting Standards | | | 5,768 |
| CFCR (net of Council tax Discount on 2nd Homes) | | | (2,007) |
| IORB – included in outturn but not in the Net Cost of Services | | | 381 |
| Financing Costs – included in outturn but not in the Net Cost of Services | | | (5,225) |
| Net Cost of Services per CIES | | | 9,100 |

Management Commentary (continued)

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

New build and open market acquisitions

2023/24 – planned £8.993m, actual £1.904m – 21% of planned

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

Planned expenditure for 2023/24 included new build at Speyview in Aberlour. This project was delayed due to protracted negotiations over development costs in the context of current volatility in the construction industry, along with infrastructure difficulties on site, with the outcome that this project will be delayed until the next update of the HRA Business Plan, planned for 2024/25. Construction at Speyview commenced at the end of May 2024.

The project at Bilbohall, Elgin was deemed to be not financially viable in the form originally tendered, following detailed cost review. Alternative options were considered and subsequently a revised planning application was submitted in May 2024.

The open market purchase scheme was introduced in June 2023. It took time to establish and refine the assessment process, resulting in a single acquisition during 2023/24.

Housing improvements

2023/24 – planned £10.678m, actual £3.978m – 37% of planned

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

The underspend on the Housing Investment Capital Programme occurred as a result of a lack of availability of external contractors and internal staff resourcing issues that led to delays in the development of some key investment programmes. Due to the low delivery a Housing and Property SHQS (Scottish Housing Quality Standard) Compliance Improvement Plan has been developed focusing on key Scottish Housing Regulator performance targets which was reported and approved at the Housing and Community Safety Committee on 7 May 2024.

Management Commentary (continued)

General Services Capital Programme

We originally planned to spend £60m on capital projects in 2022/23, which was amended to £42.9m during the year, reflecting changed timescales for projects. Following delays on a range of projects we actually spent £30.4m (2022/23: £28.3m).

£30.4m

Invested in Moray during the year – main items summarised below



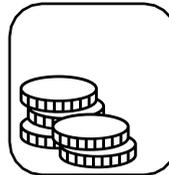
- **£4.9m**
New schools, improvements to existing schools and facilities for early learning and childcare



- **£3.1m**
Moray Growth Deal



- **£2.9m**
Waste management facilities and equipment, including a joint project with Aberdeen City and Aberdeenshire councils to build an energy from waste plant.



- **£1.0m**
Other economic development

- **£2.4m**
Harbour improvements

- **£0.5m**
Flood alleviation and coastal protection



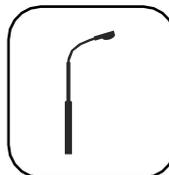
- **£5.2m**
Vehicles and electric car chargers



- **£0.9m**
Other land and buildings



- **£6.5m**
Road improvements, road safety measures and sustainable travel



- **£0.8m**
Street lighting



- **£1.1m**
ICT and other equipment



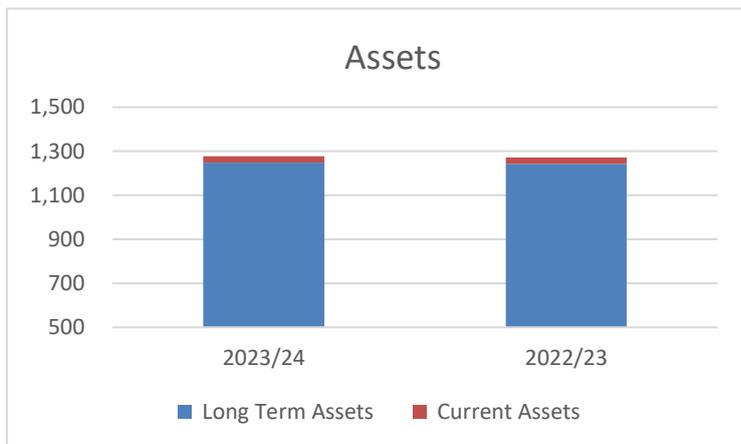
- **£1.1m**
Bridge renovations

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 2024.

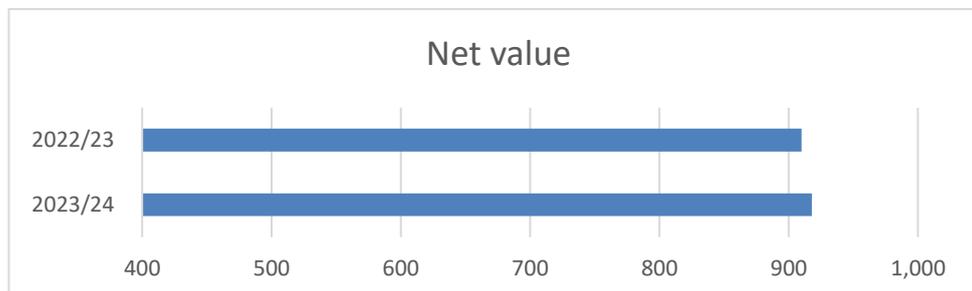
Our Assets



Less our liabilities



Give our net value



Our net value has increased by £6.926m during 2022/23.

Management Commentary (continued)

Significant movements are:

- £13m increase in the value of property, plant and equipment, through additions and revaluations.
- £19m increase in borrowing (both short and long term).

Future risks

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

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

Our main risks are:

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

How we are managing these risks

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

.....and opportunities

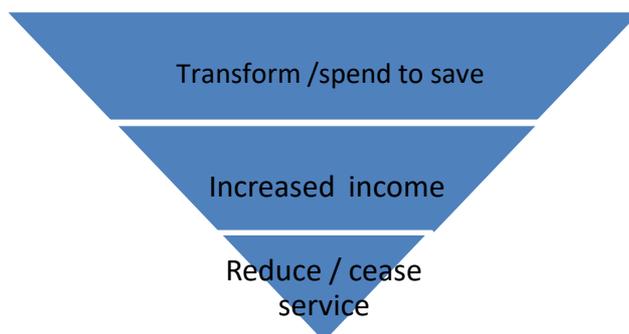
- The Moray Growth Deal, which is starting to see significant investment in Moray's economy;
- Our Community Wealth Building Strategy also looking to strengthen Moray's economy;
- Our Transformation Strategy, redesigning how we deliver services in today's world to deliver efficiencies, building on our investment in ICT for flexible working and a range of
- Our Learning Estate Review, looking at how we can improve the learning experience by enhancing the environment in which it takes place;
- Our Leisure Estate Review, looking to develop a strategic network of good quality leisure facilities across Moray;
- Our Climate Change Strategy, looking to become carbon neutral by 2030.

Management Commentary (continued)

Next steps

The Council approved significant savings as part of its budget for 2024/25. The indicative budgets for 2025/26 and 2026/27 show the need to make further significant savings in early course. Although our level of funding from Scottish Government will not be confirmed for some months, we expect the need to make savings to continue.

We have agreed to follow a hierarchical approach:



We have a short term plan to make savings, based on three strands: the thematic approach, looking across Council Services; a review-led approach, based on the Corporate Plan and service reviews, and a Partnership approach with MIJB. We anticipate there will still be a need to reduce services.

Our focus for the future is on Transformation of services through further development of our change programme focussed on financial savings, with provision made for investment to transform how the Council delivers services with an eye to the future, while also generating efficiencies. This requires radical rethinking of the expectations around which services the Council can continue to deliver within the resources available to it and this will take time to progress through to implementation. The first step in this was approval of a Transformation Strategy.

The Council's Corporate Plan – a key strategic document along with the LOIP - has been refreshed. The Accounts Commission published its Best Value report on Moray in March 2024 and we have agreed an Action Plan to implement agreed improvements to the Council's ways of working.

There are other factors external to the Council, such as the ongoing impact of war and of Scottish Government proposals for a National Care Service which affect the Council's plans. In addition to these discussions are on-going between COSLA and Scottish Government officers regarding the potential make up of a Fiscal Framework for Scottish Local Authority funding.

We work in a constantly changing environment and strive to be an agile organisation, well equipped to cope with the many changes we encounter.

Councillor Kathleen Robertson
Leader of Moray Council

John Mundell OBE
Interim 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 for signature by the Council at its meeting on

Signed on behalf of Moray Council.

Councillor Kathleen Robertson
Leader of Moray Council

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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 2024.

Lorraine Paisey CA
Chief Financial Officer

Annual Governance Statement

Scope of Responsibility

The council is responsible for ensuring its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The council has a statutory duty to make arrangements to secure Best Value under the Local Government in Scotland Act 2003. In discharging these responsibilities, elected members and the corporate and senior management teams are responsible for putting in place proper arrangements for the governance of the council's affairs and for facilitating the effective exercise of its functions. In delivering these functions, there is a requirement to maintain effective partnership working with others, principally with NHS Grampian and Moray Integration Joint Board, Grampian Valuation Joint Board, and the Moray Leisure Centre, as well as with other bodies involved in Community Planning and in the delivery of the Moray Growth Deal.

This annual governance statement, which covers the period from 1 April 2023 through to the date of signing of these annual accounts, 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.

Framework for Good Governance

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

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

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

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

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

The roles and responsibilities of elected members and senior officers and the processes to govern the conduct of the council's business are defined in procedural Standing Orders, a Scheme of Administration, a Scheme of Delegation, and Financial Regulations. These are updated in response to strategic need. The Schemes of Administration and Delegation were revised during the year primarily to reflect amendments to the Integration Scheme for the Health and Social Care Partnership. Standing Orders were also updated to support improvements in collaborative leadership. Codes of Conduct for both elected members and officers are in place, and these define the ethical values and standards of behaviour expected. The Codes draw on the 'Standards in Public Life' covering issues including leadership, fairness and integrity. The Council's Head of Governance, Strategy and Performance is the designated Monitoring Officer responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. External support during the period has also assisted in the development of collaborative leadership as an aid to good governance in decision making.

2. Ensuring openness and comprehensive stakeholder engagement;

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

Stakeholder engagement is central to the council's work at a strategic level, notably in the development of the Corporate Plan which was refreshed during the year. Both staff and the public were surveyed, and the results reported to a meeting of the council to aid and inform consideration of the priorities to be taken forward. Service consultations are also conducted as appropriate, recent examples including a tenant satisfaction survey in housing, and on options for future school provision in several communities across Moray. The council's petitions process was also widened to include and improve engagement with groups under 18 years of age.

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

Annual Governance Statement (continued)

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

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

In particular, the LOIP recognises the importance of and benefits from reducing inequalities and poverty, with outcomes focused on the need for a growing, diverse and sustainable economy, building a better future for our children and young people in Moray, empowering and connecting communities, and a broadened objective of improving the wellbeing of our population.

The LOIP is a partnership plan, and its strategic delivery is overseen by a Community Planning Board, which meets quarterly. The Board comprises representatives from a broad range of organisations as reflected in agenda items considered during the year. These included reports on School Age Childcare, Climate Change, Moray Growth Deal, Behaviour in Moray schools; Promotion of Physical Activity, and Health and Transport partnership working. Development sessions have been held to further strengthen good governance arrangements, recognising the benefits that working in partnership can bring.

A proposal under active consideration is the development of a single multi-agency strategic plan for Moray. Currently the LOIP sits alongside a refreshed Corporate Plan Moray 2024-2029, that sets out the vision and priorities of the council for the next five years. The council plan updates council priorities focussing on three key themes; tackling poverty and inequality, building a stronger greener vibrant economy, and seeking to build thriving, resilient, empowered communities. The plan sets targets for outcomes consistent with maintaining a sustainable council that provides valued services to its communities.

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

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

The council is fully aware of the financial challenges it faces and through its established committee structures, elected members have been provided with an extensive volume of information on both the availability of resources and options for future service delivery. This has been reflected in reports to the council on budget setting, including projections for the medium to longer term, and regular budget monitoring reports. The council successfully delivered a balanced budget for 2024/25, noting that its financial position in future years is not sustainable based on current known factors. This sustainability issue is one of a number of issues highlighted by the Accounts Commission during the period in its latest report on Best Value, with concerns raised about the council's capacity to effect change of the scale required within a relatively short time frame.

The achievement of agreed outcomes is monitored through an established Performance Management Framework that calls for frequent reporting on key performance measures developed for each service. In addition, the council participates in the Local Government Benchmarking Framework which compares a range of established performance measures with those of other Scottish local authorities. Elected members are provided with reports to review, scrutinise and note actions undertaken by services to meet performance objectives and an annual Public Performance Report is prepared and published.

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

The Corporate Management Team (CMT) consists of a Chief Executive, two Deputy Chief Executives and the Chief Officer, Health & Social Care Moray. CMT is supported by a Senior Management Team (SMT) comprising nine Heads of Service. CMT/SMT meet frequently to discuss and provide leadership on the strategic direction of the council. The Chief Executive is responsible and accountable to the council for all aspects of management including promoting sound governance, providing quality information/support to inform decision making and scrutiny, supporting other statutory officers, and building relationships with all elected members. This role is currently filled on an interim basis following retirement of the permanent jobholder. Four other senior management posts have also seen changes during the period due to staff retiring or leaving the organisation.

Leadership capacity of senior officers is supported through the promotion of a Leadership Forum, which brings together senior managers from all services to provide a wider perspective to the consideration of issues facing the council. Forum meetings ensure consistent messaging is available from senior management to managers. Human Resources has continued to review and refine the leadership development strategy and provide training opportunities online. The council has an agreed elected members' development strategy that includes an on-going training programme of learning, development and briefings. Members appointed to certain committees also receive specific training related to the responsibilities of these committees. A Strategic Leadership Forum has been established involving both elected members and senior officers to facilitate cross party discussions on the future direction of council services.

Annual Governance Statement (continued)

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

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

The council has a risk management policy designed to support the identification, evaluation and mitigation of risks that may impact on its ability to meet its objectives. The policy was updated during the year. A Corporate Risk Register is also maintained providing summary information on what the CMT/SMT considers are the principal risks facing the council. The register describes how these are managed and controlled. Risk implications feature in committee reports to inform the decision-making process.

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

Strong financial management is secured through the work of the Chief Financial Officer appointed in terms of s.5 of the Local Government (Scotland) Act 1973. This officer advises the Council on all financial matters and ensures the timely production and reporting of budget estimates, budget monitoring reports and annual accounts. Draft and audited Annual Accounts are published on the council website.

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

Council business is conducted through an established cycle of webcast committee meetings. Webcasts remain available for viewing for 12 months following a meeting. Meeting dates are published in advance, and agenda papers are made available at least one week before meetings take place. Minutes of meetings are prepared, and important decisions are publicised on the council website and through social media.

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

The council responds to the findings and recommendations of Internal Audit, External Audit, and other Scrutiny and Inspection bodies by developing improvement Action Plans. The Audit and Scrutiny Committee is integral to overseeing independent and objective assurance processes that make recommendations for improvements to the system of internal control. Training for elected members on the specifics of effective scrutiny was provided during the period. The council responds to requests for information under Freedom of Information legislation having processed over 1,500 such requests during the period covered by this statement.

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

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

• Elected Members

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

Audit and Scrutiny Committee

The council has an Audit and Scrutiny Committee where elected members consider reports on audit matters. These provide assurances on the adequacy and effectiveness of the system of internal controls including those relative to the delivery of plans, compliance with laws and regulations, accuracy of information and safeguarding of assets. The Committee functions in line with best practice guidance published by the Chartered Institute of Public Finance and Accountancy. Two external members sit on the committee to provide an independent perspective on issues under consideration.

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

Annual Governance Statement (continued)

• The Corporate Management Team

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

• The Corporate Management Team / Senior Management Team

This is an extended management team comprising the CMT and Heads of Services. The role and remit of this group is to support the formulation and implementation of policies, strategies and plans to achieve local and national outcomes, to 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 to assist CMT in keeping the governance of the council and its services under review.

Individual Heads of Service, collectively the Senior Management Team (SMT), have considered the effectiveness of governance arrangements within their respective services by reference to the principal risks identified in the council's Corporate Risk Register and provided assurance statements for use in the preparation of this corporate statement. This affirms the broad ownership of good governance and recognition of its importance within the senior leadership of the council.

Overall, the assurance statements provided confirm that governance arrangements within services are working as intended, and in support commentary has been given on elevated risks and on mitigating actions taken in response. The main issues raised in these returns are:

- Staffing shortages and vacancies impacting on capacity to deliver change at pace and on the interdependencies required to progress complex areas of work.
- Continuing risk of data breaches with monitoring statistics showing the number of breaches remaining broadly similar compared with last year. This despite mitigating actions having been taken to provide refresher training and remind staff of the importance of holding personal data safely and securely.
- Elements of partnership working require on-going attention, including oversight and control of the council's funding contribution to the Health and Social Care Partnership (as detailed further below), and a need to progress work to secure an updated service level agreement with Moray Leisure Centre.
- Housing Service obligations to monitor homelessness data and progress electrical safety improvements in council houses in support of national initiatives directed by the Scottish Housing Regulator.
- A need for continued focus on Health and Safety requirements thereby protecting the workforce and minimising the number of reportable incidents.

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

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

• The Chief Social Work Officer

The Head of Service, Health and Social Care Moray fulfils the statutory role of Chief Social Work Officer (CSWO) as part of the duties of the post. The latest available CSWO annual report for the year to 31 March 2024 notes continuing challenges, with increased service needs set against financial and recruitment pressures.

This is the first year Children & Young People and Criminal Justice Social Work services have been fully integrated into the Health and Social Care Partnership. The report describes this as a period of many changes and adjustment, and that work will continue to better align governance structures across Health and Social Care.

Improvements under way include replacement of the case management system, development of data used for performance reporting, and progressing the review of adult commissioning arrangements in response to a recently completed audit of current practice by an external firm.

The report also noted an impending change in the holder of the CSWO post and in a number of other senior manager roles and stresses the importance of ensuring services remain as stable as possible during a period of further transition. Key to this will be the realisation of savings plans, while delivering appropriate and proportionate services that uphold the rights and best interests of individuals in need of support. Interim appointments have since been made to the posts of CSWO and Chief Officer - Health and Social Care.

Annual Governance Statement (continued)

• Internal Audit

The Audit and Risk Manager is accountable on a day-to-day basis to the Head of Governance, Strategy and Performance and to the Audit and Scrutiny Committee. Internal Audit applies mandatory Public Sector Internal Audit Standards (PSIAS) in delivering the Internal Audit Service.

PSIAS requires an external quality assessment of Internal Audit to be undertaken at least every five years. This assessment was conducted during the year and disclosed that the service fully complies with these Standards. The Council has a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The internal audit plan for the year includes a range of audit projects covering main financial systems, other systems operating within services and several ad-hoc/unplanned projects. The outcomes from these projects, together with any recommendations to enhance the control environment, are reported to the Audit and Scrutiny Committee. This Committee is chaired by an elected member who is not part of the council Administration. Almost all planned reviews detailed within the Annual Internal Audit Plan for 2023/24 were completed as scheduled.

PSIAS requires an internal audit opinion to be provided annually. As planned audit work was substantially completed by the year-end and based on this and other knowledge of the organisation and its control systems, it is the opinion of the Audit and Risk Manager that reasonable assurance can be placed upon the adequacy and effectiveness of the internal control environment which operated in the council during the year.

• Health & Social Care Partnership

The council, as a key partner of Health and Social Care Moray has an interest in the governance arrangements of the Moray Integration Joint Board (MIJB). This given its financial exposure as a principal funder and continuing statutory responsibilities for Social Work services and the role of the Chief Social Work Officer.

Audit arrangements for the MIJB are provided jointly by the council's Internal Audit Service and NHS Grampian's Internal Auditors. The council's Audit and Risk Manager (as Chief Internal Auditor for the MIJB) provides assurance over social care services, and oversight of the MIJB governance arrangements. There is no formal reporting of internal audit work relative to NHS services delivered under direction by the IJB. These audits are reported solely to the NHS Grampian's Audit Committee. This position remains under review, the appointed NHS internal auditors being contractually accountable only to the NHS and not to any other third party.

From audit work completed in this role, the Chief Internal Auditor has provided an opinion of only limited assurance that the Moray Integration Joint Board has adequate systems of governance and internal control for the year ended 31st March 2024.

A particular governance consideration for the council on a recurring basis is the financial sustainability of the MIJB, with any overspend against budget requiring to be met by NHS Grampian and the council as principal funders, pro-rata in line with an agreed funding agreement. For the 2023/24 financial year, an overspend was forecast and work undertaken to identify savings. While progress has been made, service pressures in Health and Social Care are likely to persist and require close monitoring going forward.

• External Agencies

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

The latest Accounts Commission Best Value Report on the council, while highlighting areas of good practice, made a number of recommendations to further strengthen systems and processes in key strategic areas. The council in response has reviewed its governance arrangements around priorities and strategic direction and prepared a comprehensive Best Value Action Plan and Transformation Strategy to aid progress. The Best Value Report findings were formally accepted at a special meeting of the council on 12 June 2024. A need for additional resources to support implementation of these plans has been identified.

Overall assessment of the effectiveness of governance arrangements

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

Annual Governance Statement (continued)

Significant governance issues

Governance issues requiring attention for the prior financial year 2022/23 were described in the management commentary published with the Annual Accounts for that year as risks and mitigation measures. They were not restated in the Annual Governance Statement. The council has a good awareness of its risks through regular consideration of its Corporate Risk Register, and of how it seeks to mitigate these risks having regard to the extensive regulatory framework in which it operates.

Looking forward, the focus on strengthening governance arrangements further has been aligned to a recent Accounts Commission Best Value report, and to a report prepared by an external adviser who provided consultancy support during the period. These reports informed a Best Value self-assessment exercise completed by council managers and the development of a three-year action plan designed to effect improvements. The following are priority areas:

- Continue work to establish a clear shared vision for Moray that supports delivery of sustainable public services.
- Maintain current activity to ensure leadership is effective and there is good collaboration between elected members and senior officers.
- Increase the pace of transformation and identify savings with the intention of securing longer term financial sustainability.
- Revisit governance arrangements covering partnerships; principally for Health and Social Care Moray in respect of performance and early identification of any significant financial and service risks.

Creating capacity to deliver these priorities alongside the 'routine' business of the council will be key to maintaining good governance arrangements. The challenge of doing so remains considerable with difficulty in recruiting staff an issue reported across many services and a number of senior manager positions presently vacant or filled on an interim basis. Despite the risk this presents in terms of service continuity, it also provides an opportunity to review roles and responsibilities within current structures and determine any revisions necessary to support the effective delivery of change going forward.

Concluding Remarks

This Annual Governance Statement summarises the extensive governance arrangements the council has in place to support delivery of its strategic plans and to secure Best Value in its use of resources. While the statement demonstrates that these arrangements are comprehensive and broadly fit for purpose, there are multiple influences, both external and internal, that will impact on how council services are designed and delivered going forward. It is clear that a period of significant change and challenge lies ahead and this, inevitably, will require further refinement of existing governance arrangements. In our respective roles as Council Leader and Interim Chief Executive, we are committed to making this happen to ensure the council and its resources continue to be effectively managed and controlled.

Kathleen Robertson
Leader of the Council

John W Mundell OBE
Interim Chief Executive

26th June 2024

Remuneration Report

Introduction

The Local Authority Accounts (Scotland) Regulations 2014 require Local Authorities in Scotland to prepare a Remuneration Report as part of the statutory Annual Accounts.

All information disclosed in the tables in this Remuneration Report, with the exception of the Tiered Contribution Pay Rates table on page 31 and the Trade Union disclosures, will be audited by the appointed auditors, Grant Thornton UK LLP, and the information reviewed by them to ensure it is consistent with other sections of the Annual Accounts.

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

The annual salary of the Leader of the Council and the upper limit for the annual salary of the Civic Leader are set out by the Scottish Government in terms of the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2023 (SSI No. 2023/21) which amended the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2022 (SSI No. 2022/18). The salary for the Leader of the Council is £33,503 per annum (2022/23 £32,622) and for the Civic Leader is £25,128 per annum (2022/23 £24,467).

In terms of the same Regulations, Moray Council can nominate up to nine Senior Councillors (in addition to the Leader of the Council and the Civic Leader) whose salaries in aggregate must not exceed a specified amount, currently £203,517 (2022/23 £198,171) and whose salaries individually must be on a specified scale, currently £20,099 to £25,128 (2022/23 £19,571 to £24,467).

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-Convenor 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-Convenor (as the case may be) is a member. The Council is also required to pay any pension contributions arising from the Convener or Vice-Convenor being a member of the Local Government Pension Scheme.

Under the Regulations, remuneration disclosures are to be made for the Leader of the Council, the Civic Leader and any Councillor designated a Senior Councillor. In 2023/24, Moray had eight Senior Councillors, (seven committee chairs/depute chairs and the Leader of the largest opposition group), each paid a salary of £25,128 per annum (2022/23 £24,467). The Convener of the Grampian Valuation Joint Board has received an allowance for this responsibility which has been reimbursed by the Board. The Vice-Chair/Chair of the Moray Integration Joint Board has received an allowance for this additional responsibility and this has been funded in full by Moray Council.

Table 1 shows the relevant amounts, before tax and other deductions, for each of the persons named for the year to 31 March 2024. All salaries are paid monthly.

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

| Councillor Name | Responsibility | Total | | Total Remuneration 2023/24 £ |
|--------------------|--|------------------------------|-------------------------------------|---------------------------------------|
| | | Remuneration 2022/23 £ | Salary, Fees and Allowances £ | |
| Kathleen Robertson | Leader of the Council (also Chair of Education, Children's and Leisure Services) | 27,481 | 33,503 | 33,503 |
| John Cowe | Civic Leader | 15,719 | 25,128 | 25,128 |
| Graham Leadbitter | Chair of Audit and Scrutiny Committee (also Joint Leader of the largest Opposition Group) | 24,379 | 25,128 | 25,128 |
| Shona Morrison | Joint Leader of the largest Opposition group (Note 1) | 23,612 | 25,128 | 25,128 |
| Peter Bloomfield | Chair of Police and Fire and Rescue Services | 15,719 | 25,128 | 25,128 |
| Tracy Colyer | Vice Chair of Moray Integration Joint Board from 1 October 2022 | 20,435 | 23,872 | 23,872 |
| Amber Dunbar | Chair of Housing and Community Safety from 18 May 2022 | 21,310 | 25,128 | 25,128 |
| Donald Gatt | Convener of Grampian Valuation Joint Board from 26 August 2022 | 22,625 | 24,917 | 24,917 |
| David Gordon | Chair of Planning and Regulatory Services Committee | 15,719 | 25,128 | 25,128 |
| Marc Macrae | Chair, Economic Development and Infrastructure Services Committee | 21,310 | 25,128 | 25,128 |
| Paul McBain | Chair of Licensing Committee | 21,310 | 25,128 | 25,128 |
| Bridget Mustard | Chair of Corporate Committee | 21,310 | 25,128 | 25,128 |
| Total | | 250,929 | 308,444 | 308,444 |

Remuneration Report (continued)

* 2022/23 figures have been restated to remove the Councillors who left prior to 2023/24

No taxable expenses were paid in 2023/24 or 2022/23.

Note 1 – It was agreed following the meeting of Moray Council on 18 May 2022 that Leadership of the largest Opposition Group would be shared between Councillor Leadbitter and Councillor Morrison. As Councillor Leadbitter already received Senior Councillor remuneration as Chair of Audit and Scrutiny Committee the full additional responsibility allowance was received by Councillor Morrison.

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 | 2022/23 | 2023/24 |
|----------------------|----------------|----------------|
| | £ | £ |
| Salaries | 563,901 | 589,830 |
| Expenses | 12,857 | 17,753 |
| Total | 576,758 | 607,583 |

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). Industrial Relations Circular 11-23b was issued 28 November 2023 and covers salary scales to be paid to Chief Officers for the period of 1 April 2023 to 31 March 2024. Depute Chief Executives receive 84% of the Chief Executive's salary. The Depute Chief Executive for Education, Communities and Organisational Development is also the Presiding Officer and therefore the amount included in table 3 is higher than this. Moray Council does not pay bonuses or performance related pay.

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

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

The term *remuneration* means gross salary, fees and bonuses, allowances and taxable expenses, and compensation for loss of employment. Remuneration details are shown in Table 3. The table shows the relevant amounts, before tax and other deductions, for each of the persons named for the year to 31 March 2024. Salaries are paid monthly.

Remuneration Report (continued)

TABLE 3: Remuneration of Senior Employees of the Council

| | | Total Remuneration | Salary, fees | Total |
|-------------------|--|---------------------------|---------------------|---------------------|
| | Post Title | 2022/23 | and | Remuneration |
| | | £ | allowances | 2023/24 |
| | | | £ | £ |
| Roderick D Burns | Chief Executive | 123,089 | 130,458 | 130,458 |
| Rhona Gunn | Depute Chief Executive for Economy, Environment and Finance | 104,010 | 110,091 | 110,091 |
| Denise Whitworth | Depute Chief Executive for Education, Communities and Organisational Development | 107,382 | 109,550 | 109,550 |
| Vivienne Cross | Chief Education Officer | 87,498 | 99,986 | 99,986 |
| Tracy Stephen | Head of Community Care (Chief Social Work Officer) from 1 | 40,705 | 94,596 | 94,596 |
| Alasdair McEachan | Head of Governance, Strategy and Performance (Monitoring Officer) | 87,043 | 92,288 | 92,288 |
| Lorraine Paisey | Chief Financial Officer (s95) | 86,860 | 91,918 | 91,918 |
| Total | | 636,587 | 728,887 | 728,887 |

* 2022/23 figures have been restated to remove employees who left prior to 2023/24

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

Pension Entitlement

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

For officers, from 1 April 2015 the pension is a Career Average Revalued Earnings (CARE) scheme. 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.

LGPS regulations require that contribution rates are applied according to ranges of pay bands rising from 5.5% to 12% depending on the member's rate of pensionable pay. The tables for the allocation of rates for 2022/23 and 2023/24 is shown below and can be found on the Scottish Public Pensions Agency website:

https://pensions.gov.scot/sites/default/files/2023-03/2023-02_LGPS_Circular_-_Tiered_Contribution_Guidance_Version_17.pdf

Remuneration Report (continued)

Tiered Contribution Pay Rates

| Pensionable Pay 2022/23 | Rate (%) 2022/23 | Pensionable Pay 2023/24 | Rate (%) 2023/24 |
|---|-----------------------------|---|-----------------------------|
| On earnings up to and including £23,000 | 5.5% | On earnings up to and including £25,300 | 5.5% |
| On earnings above £23,001 and up to £28,100 | 7.25% | On earnings above £25,301 and up to £31,000 | 7.25% |
| On earnings above £28,101 and up to £38,600 | 8.5% | On earnings above £31,001 and up to £42,500 | 8.5% |
| On earnings above £38,601 and up to £51,400 | 9.5% | On earnings above £42,501 and up to £56,600 | 9.5% |
| On earnings of £51,401 and above | 12% | On earnings of £56,601 and above | 12% |

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

The pension entitlements for Senior Councillors for the year to 31 March 2024 are shown in the table below, together with the contribution made by the Council to each Senior Councillor's pension during the year.

Remuneration Report (continued)

TABLE 4: Senior Councillors

| Councillor Name | Responsibility | In-year pension | | | Accrued pension | |
|--------------------|---|------------------------------------|------------------------------------|----------|------------------------------|-------------------------------------|
| | | For the year to 31 March 2023 £ | For the year to 31 March 2024 £ | | As at 31 March 2024 £'000 | Difference from March 2023 £'000 |
| Kathleen Robertson | Leader of the Council | 5,304 | 6,466 | Pension | 1 | - |
| | | | | Lump Sum | - | - |
| John Cowe | Civic Leader | 3,034 | 1,212 | Pension | 8 | 1 |
| | | | | Lump Sum | - | - |
| Graham Leadbitter | Chair of Audit and Scrutiny Committee | 4,705 | 4,850 | Pension | 9 | 1 |
| | | | | Lump Sum | 2 | - |
| Shona Morrison | Joint Leader of the largest Opposition group | 4,557 | 4,850 | Pension | 4 | 1 |
| | | | | Lump Sum | - | - |
| Peter Bloomfield | Chair of Police and Fire and Rescue Services | 3,034 | 2,829 | Pension | 1 | 1 |
| | | | | Lump Sum | - | - |
| Tracy Colyer | Vice Chair of Moray Integration Joint Board | 3,944 | 4,607 | Pension | 1 | 1 |
| | | | | Lump Sum | - | - |
| Amber Dunbar | Chair of Housing and Community Safety | 4,113 | 4,850 | Pension | 1 | 1 |
| | | | | Lump Sum | - | - |
| Donald Gatt | Convener of Grampian Valuation Joint Board | 4,367 | 4,809 | Pension | 3 | - |
| | | | | Lump Sum | - | - |
| David Gordon | Chair of Planning and Regulatory Services Committee | 3,034 | 4,850 | Pension | 1 | 1 |
| | | | | Lump Sum | - | - |
| Marc Macrae | Chair, Economic Development and Infrastructure Services Committee | 4,113 | 4,850 | Pension | 3 | 1 |
| | | | | Lump Sum | - | - |
| Paul McBain | Chair of Licensing Committee | 4,113 | 4,850 | Pension | 1 | 1 |
| | | | | Lump Sum | - | - |
| Bridget Mustard | Chair of Corporate Committee | 4,113 | 4,850 | Pension | 1 | 1 |
| | | | | Lump Sum | - | - |
| Total | | 48,431 | 53,873 | | 36 | 10 |

Remuneration Report (continued)

TABLE 5: Senior Employees

The pension entitlements of Senior Employees for the year to 31 March 2024 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

| Name | Post Title | In-year pension contributions | | | Accrued pension benefits | |
|-------------------|--|---------------------------------------|---------------------------------------|----------|---------------------------------|---|
| | | For the year to 31 March 2023 £ | For the year to 31 March 2024 £ | | As at 31 March 2024 £'000 | Difference from March 2023 £'000 |
| Roderick D Burns | Chief Executive | 23,750 | 25,172 | Pension | 81 | 8 |
| | | | | Lump Sum | 130 | 7 |
| Rhona Gunn | Depute Chief Executive for Economy, Environment and Finance | 20,065 | 21,242 | Pension | 44 | 5 |
| | | | | Lump Sum | 37 | 2 |
| Denise Whitworth | Depute Chief Executive for Education, Communities and Organisational Development | 20,720 | 21,239 | Pension | 56 | 6 |
| | | | | Lump Sum | 77 | 4 |
| Vivienne Cross | Chief Education Officer | 16,872 | 19,288 | Pension | 16 | 3 |
| Tracy Stephen | Head of Community care (Chief Social Work Officer) from 1 November 2022 | 7,476 | 17,916 | Lump Sum | - | - |
| | | | | Pension | 10 | 3 |
| Alasdair McEachan | Head of Governance, Strategy and Performance | 16,769 | 17,803 | Lump Sum | - | - |
| | | | | Pension | 41 | 5 |
| Lorraine Paisey | Chief Financial Officer (s95 officer) | 16,758 | 17,737 | Lump Sum | 43 | 2 |
| | | | | Pension | 44 | 5 |
| Total | | 122,410 | 140,397 | | 636 | 53 |

* 2022/23 figures have been restated to remove employees who left prior to 2023/24

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

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

Remuneration Report (continued)

Remuneration of Officers receiving more than £50,000

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

TABLE 6: General Disclosure by Pay Band

| Remuneration Band | Number of Employees | |
|-------------------|---------------------|------------|
| | 2022/23 | 2023/24 |
| £50,000-£54,999 | 150 | 140 |
| £55,000-£59,999 | 101 | 164 |
| £60,000-£64,999 | 54 | 59 |
| £65,000-£69,999 | 46 | 48 |
| £70,000-£74,999 | 19 | 36 |
| £75,000-£79,999 | 4 | 15 |
| £80,000-£84,999 | 4 | 4 |
| £85,000-£89,999 | 11 | 3 |
| £90,000-£94,999 | 1 | 10 |
| £95,000-£99,999 | - | 1 |
| £100,000-£104,999 | 2 | 1 |
| £105,000-£109,999 | - | 1 |
| £110,000-£114,999 | - | 1 |
| £115,000-£119,999 | - | - |
| £120,000-£124,999 | 1 | 1 |
| Total | 393 | 484 |

Exit Packages of Employees

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

TABLE 7: Exit Packages

| Banding | 2022/23 | | | 2023/24 | | |
|-------------------|-------------------------|---------------------|----------------|-------------------------|---------------------|----------------|
| | Compulsory Redundancies | Other Departures | Total Cost | Compulsory Redundancies | Other Departures | Total Cost |
| | Number of Employees | Number of Employees | £ | Number of Employees | Number of Employees | £ |
| £20,000-£40,000 | - | - | - | - | 1 | 26,061 |
| £40,001-£60,000 | - | - | - | - | 3 | 146,622 |
| £100,001-£120,000 | - | - | - | - | 1 | 113,931 |
| £120,001-£140,000 | 1 | - | 135,465 | - | - | - |
| Total | 1 | - | 135,465 | - | 5 | 286,614 |

Remuneration Report (continued)

Termination Benefits

During 2022/23 the Council terminated the contract of five employees. The contracts were terminated as a result of Voluntary Early Retirement. The cost to the Council was £0.287m comprising £0.070m of redundancy payments and £0.217m strain on pension fund costs (2022/23 £0.135m). No settlement costs for loss of employment were agreed in 2022/23 or 2023/24.

Trade Union (Facility Time Publication Requirements) Regulations 2017

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

Table 8: Relevant Union Officials**

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

| Number of employees who were relevant union officials during the relevant period | | Full-time equivalent employee number | |
|--|--------------|--------------------------------------|--------------|
| 2023/24 | | 2023/24 | |
| Teaching | Non-Teaching | Teaching | Non-Teaching |
| | | | |

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 | |
|--------------------|---------------------|--------------|
| | 2023/24 | |
| | Teaching | Non-Teaching |
| 0% | | |
| 1%-50% | | |
| 51%-99% | | |
| 100% | | |

**** Figures unavailable for 23/24. To be added for audited accounts**

Remuneration Report (continued)

Table 10: Percentage of Pay Bill Spent on Facility Time

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

| | 2023/24 | |
|--|----------|--------------|
| | Teaching | Non-Teaching |
| Provide the total cost of facility time | | |
| Provide the total pay bill | | |
| Provide the percentage of the total pay bill spent on facility time calculated as: (total cost of facility time/total pay bill) x 100 | | |

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?

| | 2023/24 | |
|---|----------|--------------|
| | Teaching | Non-Teaching |
| Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on trade union activities by relevant union officials during the relevant period/total paid facility time hours) x 100 | | |

Councillor Kathleen Robertson
Leader of the Council

John W Mundell OBE
Chief Executive

Comprehensive Income and Expenditure Statement

This Statement for the Council and its Group shows the accounting cost for the year ended 31 March 2024 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.

| 2022/23 | | | | 2023/24 | | | |
|------------------|-------------------|------------------|------------------|----------------|-------------------|----------------|-------------------------|
| Expenditure | Council Income | Net | Group Net | Expenditure | Council Income | Net | Group Net |
| Restated £000 | Restated £000 | Restated £000 | Restated £000 | £000 | £000 | £000 | £000 |
| 104,549 | (12,331) | 92,218 | 92,218 | 134,640 | (12,731) | 121,909 | 121,909 |
| 31,766 | (5,107) | 26,659 | 26,844 | 14,345 | (5,154) | 9,191 | 9,337 |
| 20,782 | (3,392) | 17,390 | 17,439 | 17,021 | (2,814) | 14,207 | 14,419 |
| 16,745 | (9,489) | 7,256 | 7,269 | 20,494 | (15,818) | 4,676 | 4,674 |
| 59,282 | (17,463) | 41,819 | 41,972 | 62,312 | (17,141) | 45,171 | 45,207 |
| 10,358 | (5,222) | 5,136 | 5,136 | 10,528 | (6,778) | 3,750 | 3,767 |
| 7,450 | (383) | 7,067 | 7,067 | 7,396 | (425) | 6,971 | 6,971 |
| 20,306 | (13,233) | 7,073 | 7,825 | 19,144 | (12,984) | 6,160 | 6,928 |
| 3,449 | (888) | 2,561 | 2,561 | 3,785 | (1,001) | 2,784 | 2,784 |
| 1,825 | (205) | 1,620 | 1,633 | 1,933 | (108) | 1,825 | 1,972 |
| 135,749 | (73,682) | 62,067 | 62,067 | 163,778 | (100,169) | 63,609 | 63,609 |
| 19,620 | (21,770) | (2,150) | (2,150) | 32,037 | (22,937) | 9,100 | 9,100 |
| 431,881 | (163,165) | 268,716 | 269,881 | 487,413 | (198,060) | 289,353 | 290,677 |
| | | | | | | | Cost Of Services |

Comprehensive Income and Expenditure Statement (continued)

| 2022/23 | | | | 2023/24 | | | |
|------------------|-------------------|------------------|---|-------------|-------------------|-----------------|-----------------|
| Expenditure | Council Income | Net | Group Net | Expenditure | Council Income | Net | Group Net |
| Restated £000 | Restated £000 | Restated £000 | Restated £000 | £000 | £000 | £000 | £000 |
| 431,881 | (163,165) | 268,716 | 269,881 | 487,413 | (198,060) | 289,353 | 290,677 |
| | | | Cost Of Services | | | | |
| | | 492 | 1,123 | | | 2 | 1040 |
| | | 12,856 | 12,544 | | | 11,709 | 11,061 |
| | | (261,652) | (261,652) | | | (266,966) | (266,966) |
| | | - | 6,212 | | | - | 1,413 |
| | | 20,412 | 28,108 | | | 34,098 | 37,225 |
| | | (46,631) | (48,638) | | | (29,774) | (31,039) |
| | | - | 81 | | | - | (161) |
| | | (68,117) | (68,117) | | | (11,250) | (11,250) |
| | | - | - | | | - | - |
| | | - | (1,897) | | | - | (51) |
| | | (114,748) | (118,571) | | | (41,024) | (42,501) |
| | | (94,336) | (90,463) | | | (6,926) | (5,276) |
| | | | Total Comprehensive Net (Income)/Expenditure | | | | |

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council and its Group, 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 | Revenue Statutory Fund | Total Usable Reserves | Unusable Reserves | Total Authority Reserves | Authority's Share of Subsidiaries Reserves | Authority's Share of Associates Reserves | Total Group Reserves |
|--|----------------------------|-------------------------------|--------------------------------|---|------------------------------|-----------------------------|----------------------|--------------------------------|---|---|----------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| | | | | | | | RESTATED | RESTATED | | RESTATED | RESTATED |
| Balance at 31 March 2022 | 45,409 | 2,465 | 988 | 6,029 | 4,152 | 59,043 | 757,390 | 816,433 | 33,721 | 8,572 | 858,726 |
| Movement in Reserves 2022/23 | | | | | | | | | | | |
| Total Comprehensive Expenditure and | (28,703) | 8,291 | - | - | - | (20,412) | 107,264 | 86,852 | 442 | (6,063) | 81,231 |
| Adjustments to usable reserves permitted by accounting standards | 7,634 | 2,844 | - | - | - | 10,478 | (10,478) | - | - | - | - |
| Adjustments between accounting basis & funding basis under regulations (Note 10) | 19,821 | (9,798) | | 1,014 | | 11,037 | (11,037) | - | - | - | - |
| Net increase/(decrease) before transfers to/from earmarked and other statutory reserves | (1,248) | 1,337 | - | 1,014 | - | 1,103 | 85,749 | 86,852 | 442 | (6,063) | 81,231 |
| Transfers to/from statutory reserves | 1,537 | (1,384) | 4,360 | (4,898) | 87 | (298) | 298 | - | - | - | - |
| Increase/Decrease in 2022/23 | 289 | (47) | 4,360 | (3,884) | 87 | 805 | 86,047 | 86,852 | 442 | (6,063) | 81,231 |
| Balance at 31 March 2023 | 45,698 | 2,418 | 5,348 | 2,145 | 4,239 | 59,848 | 843,437 | 903,285 | 34,163 | 2,509 | 939,957 |
| Note | | | | | | | | | | | |
| Minority Interest | | | | | | | | | 716 | | 716 |
| Total Reserves as per Balance Sheet | | | | | | | | | 34,879 | | 940,673 |

Movement in Reserves Statement (continued)

| | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Capital Grants and Receipts Unapplied Account £000 | Revenue Statutory Fund £000 | Total Usable Reserves £000 | Total Unusable Reserves £000 | Total Authority Reserves £000 | Authority's Share of Subsidiaries Reserves £000 | Authority's Share of Associates Reserves £000 | Total Group Reserves £000 |
|---|------------------------------------|---------------------------------------|--|--|--------------------------------------|-------------------------------------|---------------------------------------|--|---|---|------------------------------------|
| Balance at 31 March 2023 | 45,698 | 2,418 | 5,348 | 2,145 | 4,239 | 59,848 | 843,437 | 903,285 | 34,163 | 2,509 | 939,957 |
| Movement in Reserves 2023/24 | | | | | | | | | | | |
| Total Comprehensive Expenditure and Income | (25,487) | (8,611) | - | - | - | (34,098) | 41,024 | 6,926 | (288) | (1,362) | 5,276 |
| Adjustments to usable reserves permitted by accounting standards | 8,890 | 5,768 | - | - | - | 14,658 | (14,658) | - | - | - | - |
| Adjustment to the statutory repayment of debt for service concession arrangements - permitted flexibility | 8,332 | - | - | - | - | 8,332 | (8,332) | - | - | - | - |
| Adjustments between accounting basis & funding basis under regulations (Note 10) | 2,300 | 3,415 | (3,948) | - | - | 1,767 | (1,767) | - | - | - | - |
| Net increase/(decrease) before transfers to/from earmarked and other statutory reserves | (5,965) | 572 | (3,948) | - | - | (9,341) | 16,267 | 6,926 | (288) | (1,362) | 5,276 |
| Transfers to/from statutory reserves | 1,591 | (1,403) | 264 | 106 | (558) | - | - | - | - | - | - |
| Increase/Decrease in 2023/24 | (4,374) | (831) | (3,684) | 106 | (558) | (9,341) | 16,267 | 6,926 | (288) | (1,362) | 5,276 |
| Balance at 31 March 2024 | 41,324 | 1,587 | 1,664 | 2,251 | 3,681 | 50,507 | 859,704 | 910,211 | 33,875 | 1,147 | 945,233 |

Note

Minority Interest

Total Reserves as per Balance Sheet

| | |
|---------------|----------------|
| 748 | 748 |
| 34,623 | 945,981 |

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council and its Group. 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 2023 | | | Notes | 31 March 2024 | |
|------------------|------------------|------------------------------------|-------|------------------|------------------|
| Council | Group | | | Council | Group |
| Restated | Restated | | | | |
| £000 | £000 | | | £000 | £000 |
| 1,233,435 | 1,256,271 | Property, Plant & Equipment | 15 | 1,246,404 | 1,268,717 |
| 1,151 | 1,355 | Heritage Assets | 16 | 1,151 | 1,355 |
| 395 | 3,066 | Investment Property | 17 | 395 | 3,116 |
| 29 | 29 | Intangible Assets | 18 | 22 | 22 |
| - | 2,998 | Long Term Investments | | - | 3,159 |
| - | 2,509 | Investments in Associates | | - | 1,147 |
| - | - | Pension Asset | 43 | 2,988 | 2,988 |
| 439 | 439 | Long Term Debtors | 19 | 406 | 406 |
| 1,235,449 | 1,266,667 | Long Term Assets | | 1,251,366 | 1,280,910 |
| 1,814 | 1,815 | Inventories | 20 | 1,108 | 1,109 |
| 16,243 | 16,261 | Short Term Debtors | 21/22 | 18,009 | 18,036 |
| 463 | 463 | Assets held for sale | 23 | 485 | 485 |
| 11,034 | 11,034 | Cash and Cash Equivalents | 24 | 9,944 | 12,196 |
| 29,554 | 29,573 | Current Assets | | 29,546 | 31,826 |
| (88,123) | (88,123) | Short Term Borrowing | 19 | (105,146) | (105,146) |
| (53,946) | (47,795) | Short Term Creditors | 25 | (56,687) | (52,741) |
| (1,351) | (1,351) | Grants Received in Advance | 36 | (1,215) | (1,215) |
| (649) | (649) | Donated Inventories Account | 20 | - | - |
| (144,069) | (137,918) | Current Liabilities | | (163,048) | (159,102) |
| (149) | (149) | Provisions | 26 | (149) | (149) |
| (152,897) | (152,897) | Long Term Borrowing | 19 | (154,495) | (154,495) |
| (50,280) | (50,280) | Other Long Term Liabilities | 19 | (48,774) | (48,774) |
| (4,066) | (4,066) | Capital Grants Received in Advance | 36 | (4,235) | (4,235) |
| (10,257) | (10,257) | Pensions Liability | 42 | - | - |
| (217,649) | (217,649) | Long Term Liabilities | | (207,653) | (207,653) |
| 903,285 | 940,673 | Net Assets | | 910,211 | 945,981 |

Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Council and its Group 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.

| 2022/23 | | | 2023/24 | |
|----------------|----------------|---|----------------|----------------|
| Council | Group | | Council | Group |
| Restated | Restated | | | |
| £000 | £000 | | £000 | £000 |
| (20,412) | (28,108) | Net deficit on the provision of services | (34,098) | (37,225) |
| | | Adjust net deficit on the provision of services for non cash movements: | | |
| 26,666 | 27,446 | Depreciation | 39,153 | 39,935 |
| 4,731 | 4,731 | Impairments and downward revaluations | 10,765 | 10,765 |
| 7 | 7 | Amortisation | 7 | 7 |
| 7,040 | 7,035 | Increase/(decrease) in creditors | 3,773 | 3,794 |
| (2,170) | (2,173) | Increase/(decrease) in debtors | (1,735) | (1,745) |
| (172) | (172) | Increase/(decrease) in inventories | 57 | 57 |
| 16,333 | 16,333 | Movement in Pension Liability | (1,995) | (1,995) |
| 1,506 | 1,506 | Carrying amount of non-current assets sold or derecognised | 1,069 | 1,069 |
| - | 6,212 | Associates & Joint Ventures accounted for on an equity basis | - | 1,413 |
| 263 | 975 | Other non-cash items charged to the net surplus or deficit on the provision of services | (15) | 906 |
| 54,204 | 61,900 | | 51,079 | 54,206 |
| | | Adjust for items included in the net deficit on the provision of services that are investing and financing activities: | | |
| (22,998) | (22,998) | Capital grants credited to the surplus or deficit on the provision of services | (14,250) | (14,250) |
| 10,794 | 10,794 | Net cash flows from Operating Activities | 2,731 | 2,731 |
| (21,097) | (21,097) | Investing Activities (Note 31) | (20,901) | (20,901) |
| 5,928 | 5,928 | Financing Activities (Note 32) | 17,080 | 17,080 |
| (4,375) | (4,375) | Net increase or (decrease) in cash and cash equivalents | (1,090) | (1,090) |
| 15,409 | 15,409 | Cash and cash equivalents at the beginning of the financial year | 11,034 | 11,034 |
| 11,034 | 11,034 | Cash and cash equivalents at the end of the financial year (Note 24) | 9,944 | 9,944 |
| (4,375) | (4,375) | | (1,090) | (1,090) |

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 2024/25, supported by International Financial Reporting Standards (IFRS). These are issued jointly by CIPFA and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the Council and its Group. The Annual Accounts have been prepared on a "going concern" basis. The accounting convention adopted in the Annual Accounts is principally historic cost, modified by the revaluation of certain categories of non-current and financial assets.

2. Accruals of Expenditure and Income

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

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

3. Bad and Doubtful Debts

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

4. Borrowing Costs

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

5. Cash and Cash Equivalents

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

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

6. Charges to Revenue for Non-Current Assets

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

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

7. Contingent Assets and Liabilities

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

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

8. Employee Benefits Payable during Employment

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

Note 1 Accounting Policies (continued)

9. Fair Value Measurement

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

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

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

10. Government Grants and Contributions

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

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

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

11. Impairment

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

12. Inventories

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

13. Loans Fund

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

14. Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes are made by adjusting the opening balances and comparative amounts for the prior period.

15. Provisions

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

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

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

Note 1 Accounting Policies (continued)

16. Reserves

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

17. VAT

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

Note 2 Prior Period Amendments

Context

In arriving at these amendments, it should be noted that this note to the accounts relates to the single entity values only.

Any adjustments made are as a direct result of the materiality of their impact on the Accounts for 2023/24.

Pensions Asset / Pension Liability

The 2022/23 opening balance for Pension Asset has been adjusted downward by a total of £7.484m. The adjustment relates to the application of the asset ceiling test as prescribed by IFRIC 14 which limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.' The pension asset can be recognised as the lower of the net pension asset or the present value of any economic benefits available.

Overall Effect of the Prior Period Adjustment

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

- The value of assets and liabilities recorded on the Balance Sheet;
- Levels of Unusable Reserves (Movement in Reserves Statement)

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

The Code requires the Council to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts. This applies to the adoption of the following new or amended standards within the 2023/24 Code:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3).
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax (Amendments to IAS 12);
- Leases (Amendments to IFRS 16)

The Code requires implementation from 1 April 2024 and there is, therefore, no impact on the 2023/24 financial statements.

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

Note 4 Nature of the Group and Group Members

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

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

Subsidiaries

The Entities which have been combined as subsidiaries are:

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

The Council acts as joint trustee with other parties for four trust funds which have a combined net asset balance of £2.195m. The Council acts as sole trustees for various other trust funds which have a net asset balance of £8.624m.

The Council is responsible for the administration of Common Good Funds which were all the property of a Royal Burgh not acquired under statutory powers or held under specific trusts. Council Members have responsibility for decisions on the distribution of these funds. The Common Good Funds have a net asset balance of £22.757m.

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

Associates and Joint Ventures

The Entities that have been combined as Associates and Joint Ventures are:

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

Copies of Accounts for Associates and Joint Ventures 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 and joint ventures that are material to the Council. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the reporting entity's share of those amounts.

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

Summarised balance sheet

| | Grampian Valuation | | Moray Leisure | | Moray Integration | |
|-------------------------------------|--------------------|--------------|---------------|-------------|-------------------|--------------|
| | Restated | | Restated | | | |
| | 2022/23 | 2023/24 | 2022/23 | 2023/24 | 2022/23 | 2023/24 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Current assets | | | | | | |
| Cash and cash equivalents | 1,205 | 1,463 | 186 | 143 | - | - |
| Other current assets | 85 | 38 | 167 | 143 | 4,683 | 1,986 |
| Total current assets | 1,290 | 1,501 | 353 | 286 | 4,683 | 1,986 |
| Non-current assets | 696 | 680 | 329 | 301 | - | - |
| Current liabilities | (705) | (817) | (483) | (505) | - | - |
| Non-current liabilities | (130) | (304) | (294) | (168) | - | - |
| Net assets/(liabilities) | 1,151 | 1,060 | (95) | (86) | 4,683 | 1,986 |
| Reconciliation to carrying amounts: | | | | | | |
| Opening net assets/(liabilities) | 764 | 1,151 | (160) | (95) | 17,021 | 4,683 |
| Surplus/(deficit) for the period | 387 | (91) | 65 | 9 | (12,338) | (2,697) |
| Closing net assets/(liabilities) | 1,151 | 1,060 | (95) | (86) | 4,683 | 1,986 |
| Reporting entity's share (%) | 17 | 17 | 43 | 30 | 50 | 50 |
| Reporting entity's share | 196 | 180 | (41) | (26) | 2,342 | 993 |
| Carrying amount | 196 | 180 | (41) | (26) | 2,342 | 993 |

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

Summarised Statements of Comprehensive Income and Expenditure

| | Grampian Valuation Restated | | Moray Leisure Restated | | Moray Integration | |
|---|--------------------------------|-----------------|---------------------------|-----------------|-------------------|-----------------|
| | 2022/23 £000 | 2023/24 £000 | 2022/23 £000 | 2023/24 £000 | 2022/23 £000 | 2023/24 £000 |
| Revenue | 4,894 | 4,490 | (3,328) | (3,692) | (156,443) | (200,086) |
| Interest Income | (27) | (82) | | | | |
| Depreciation and Amortisation | 34 | 34 | 88 | 86 | - | - |
| Interest Expense | - | | | | | |
| (Surplus)/deficit for the period | 396 | (179) | 66 | 9 | 12,338 | 2,697 |
| Other Comprehensive Income and Expenditure | (783) | 270 | - | - | - | - |
| Total Comprehensive Income and Expenditure | (387) | 91 | 66 | 9 | 12,338 | 2,697 |

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

Other Entities in which the Council has an Interest

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

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

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

Carrying amounts of the entities:

| | Grampian Venture | | HITRANS | |
|--------------------------------|------------------|-----------------|-----------------|-----------------|
| | 2022/23 £000 | 2023/24 £000 | 2022/23 £000 | 2023/24 £000 |
| carrying amount of receivables | 44 | 44 | 836 | 1,094 |
| carrying amount of liabilities | - | - | 796 | 987 |
| Maximum exposure to loss | 44 | 44 | 796 | 987 |

Note 5 Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

- The Council has entered into a Public Private Partnership (PPP) for the construction, maintenance and operation of two schools in Keith and Elgin (Keith Primary School and Elgin Academy) which have a carrying value of £11.474m and £48.388m respectively. The Council has also entered into a Design, Build, Finance and Maintain (DBFM) contract for the construction, maintenance and operation of Elgin High School, which has a carrying value of £36.287m. The Council has considered the tests under IFRIC 12 and concluded there are service concessions.
- The Council is part of a Defined Benefit Pension Scheme. In 2022/23 there was a pension asset. In preparing the accounts the Council has applied the asset ceiling test per IFRIC 14 which states that the amounts of net pension asset that can be recognised is the lower of either the amount of the net pension asset or the present value of any economic benefits available. The asset in the Council's balance sheet is the amount following the application of this test.
- Assets held at current value are revalued on a five year rolling basis as set out in the accounting policy for Property, Plant and Equipment. A proportion of assets are subject to a desktop valuation on the basis of local market indices as advised by the Council's Estates Manager. For assets not subject to a formal or desktop valuation in year, the Council's Estates Manager, who is a qualified Royal Institution of Chartered Surveyors (RICS) Valuer, has asserted that the carrying amount does not differ materially from that which would be determined using current value, and the Chief Financial Officer is content with this assertion.
- During 2022/23 the Council was responsible for the payment of business and other grants on behalf of the Scottish Government. In preparing the Annual Accounts it was considered whether these amounts met the definition of being a principal or an agency transaction. Relevant guidance issued by CIPFA LASAAC was considered and where amounts were deemed to be agency transactions, the amounts are not recognised in the Council's income or expenditure.

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

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

The items in the Council's Balance Sheet at 31 March 2024 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 (£1.246 billion) | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual buildings. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £1.756m for every year that useful lives had to be reduced. |
| | Assets held at fair value are revalued on a five year rolling basis by a professionally qualified Royal Institution of Chartered Surveyors (RICS) valuer, Additional valuations are carried out on an ad hoc basis outwith the tolling programme arrangements where it is deemed necessary. The valuer also assess assets not formally revalued for material movements and indexation is applied where applicable. | The estimated effect of a 1% change in the rate used for valuations would be a change up or down of £9.645m. |
| Pension Assets (£2.998m) | Estimation of the expected return on Pension Assets. | Part of the pension fund is invested in Level 3 Investments. The nature of these investments means there is a greater risk and more uncertainty over their valuation. There may be an impact on net pension scheme liabilities depending on the stock market. |

Note 7 Events after the Reporting Period

The unaudited Annual Accounts were issued on 26 June 2024, and the audited Annual Accounts were authorised for issue by Lorraine Paisey, Chief Financial Officer on XX-XX-XXXX. 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 2024, 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

| 2022/23 | | | | 2023/24 | | | | |
|---|--|--|---|--|---|--|--|---|
| Net expenditure chargeable to the General Fund and HRA Balances | Adjustments between the Funding and the Accounting Basis | Adjustments to Usable Reserves Permitted by Accounting Standards | Net expenditure in the Comprehensive Income and Expenditure Statement | | Net expenditure chargeable to the General Fund and HRA Balances | Adjustments between the Funding and the Accounting Basis | Adjustments to Usable Reserves Permitted by Accounting Standards | Net expenditure in the Comprehensive Income and Expenditure Statement |
| £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 |
| 77,119 | 9,837 | 5,262 | 92,218 | Education | 104,540 | 11,539 | 5,830 | 121,909 |
| 23,714 | 2,133 | 812 | 26,659 | Education Resources & Communities | 8,064 | (45) | 1,172 | 9,191 |
| 15,507 | 1,008 | 875 | 17,390 | Social Work | 14,315 | (108) | - | 14,207 |
| 4,987 | 1,714 | 555 | 7,256 | General Services Housing and Property Services | 3,706 | 97 | 873 | 4,676 |
| 28,295 | 13,521 | 2 | 41,818 | Environmental & Commercial Services | 30,132 | 14,140 | 900 | 45,172 |
| 4,254 | 882 | - | 5,136 | Economic Growth & Development | 3,779 | (31) | - | 3,748 |
| 5,830 | 1,237 | - | 7,067 | HR, ICT & Organisational Development | 6,289 | 683 | - | 6,972 |
| 6,435 | 638 | - | 7,073 | Governance, Strategy & Performance | 6,272 | (112) | - | 6,160 |
| 2,214 | 347 | - | 2,561 | Financial Services | 2,811 | (27) | - | 2,784 |
| 2,503 | (882) | - | 1,621 | Other | 2,718 | (893) | - | 1,825 |
| 58,572 | 3,368 | 129 | 62,069 | Health and Social Care | 64,064 | (570) | 115 | 63,609 |
| (7,801) | 2,807 | 2,844 | (2,150) | Housing Revenue Account | (6,049) | 9,381 | 5,768 | 9,100 |
| 221,629 | 36,610 | 10,479 | 268,718 | Cost of Services | 240,641 | 34,054 | 14,658 | 289,353 |
| (221,718) | (26,586) | - | (248,304) | Other Income and Expenditure | (235,249) | (20,006) | - | (255,255) |
| (89) | 10,024 | 10,479 | 20,414 | (Surplus)/Deficit | 5,392 | 14,048 | 14,658 | 34,098 |
| | | | (47,873) | Opening General Fund and HRA Balance | (48,115) | | | |
| | | | (89) | (Surplus) Deficit on General Fund and HRA Balance in year | 5,392 | | | |
| | | | (153) | Transfers from Reserves | (188) | | | |
| | | | (48,115) | Closing General Fund and HRA Balance at 31 March | (42,911) | | | |

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

Note 8 Expenditure and Funding Analysis (continued)

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

The Net Expenditure Chargeable to the General Fund and HRA balances differs from the outturn reported in the Management Commentary due to the movement in the bad debt provision, which is included in Financing and Investment Income and Expenditure.

Adjustments between the Funding and the Accounting Basis 2022/23 Restated

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes Note a £000 | Net Change for the Pensions Adjustments Note b £000 | Other Differences Note c £000 | Elimination of Internal Recharges Note d £000 | Total Adjustments £000 |
|---|--|---|-------------------------------------|---|---------------------------|
| Education | 7,162 | 2,071 | 815 | (211) | 9,837 |
| Education Resources & Communities | 443 | 2,168 | (382) | (95) | 2,134 |
| Social Work | 20 | 1,277 | (69) | (219) | 1,009 |
| General Services Housing and Property Services | 577 | 1,315 | 59 | (237) | 1,714 |
| Environmental & Commercial Services | 9,445 | 2,871 | 317 | 888 | 13,521 |
| Economic Growth & Development | 135 | 773 | 3 | (28) | 883 |
| HR, ICT & Organisational Development | 612 | 647 | (14) | (8) | 1,237 |
| Governance, Strategy & Performance | - | 662 | 3 | (27) | 638 |
| Financial Services | 8 | 365 | (27) | - | 346 |
| Other | - | (882) | - | (1) | (883) |
| Health and Social Care | 140 | 3,372 | (83) | (62) | 3,367 |
| Housing Revenue Account | 2,384 | 408 | 15 | - | 2,807 |
| Net Cost of Services | 20,926 | 15,047 | 637 | - | 36,610 |
| Other Income and Expenditure | (27,560) | 1,285 | (311) | - | (26,586) |
| Total Adjustments | (6,634) | 16,332 | 326 | - | 10,024 |

Note 8 Expenditure and Funding Analysis (continued)

Adjustments between the Funding and the Accounting Basis 2023/24

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts | Adjustments for Capital Purposes Note a £000 | Net Change for the Pensions Adjustments Note b £000 | Other Differences Note c £000 | Elimination of Internal Recharges Note d £000 | Total Adjustments £000 |
|---|--|---|-------------------------------------|---|---------------------------|
| Education | 11,148 | (233) | 876 | (252) | 11,539 |
| Education Resources & Communities | 122 | (71) | - | (96) | (45) |
| Social Work | 20 | (88) | 26 | (67) | (109) |
| General Services Housing and Property Services | 554 | (95) | (30) | (332) | 97 |
| Environmental & Commercial Services | 12,793 | (205) | 45 | 1,508 | 14,140 |
| Economic Growth & Development | 135 | (57) | (28) | (82) | (31) |
| HR, ICT & Organisational Development | 761 | (46) | (23) | (10) | 683 |
| Governance, Strategy & Performance | - | (45) | (24) | (43) | (112) |
| Financial Services | 8 | (25) | (10) | - | (27) |
| Other | - | (878) | (6) | (9) | (893) |
| Health and Social Care | 305 | (262) | 4 | (617) | (570) |
| Housing Revenue Account | 9,421 | (32) | (8) | - | 9,381 |
| Net Cost of Services | 35,268 | (2,037) | 823 | - | 34,054 |
| Other Income and Expenditure | (19,724) | 42 | (324) | | (20,006) |
| Total Adjustments | 15,544 | (1,995) | 499 | - | 14,048 |

a) Adjustments for Capital Purposes

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

Adjustments to Other Income and Expenditure reflect:

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

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

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

Note 8 Expenditure and Funding Analysis (continued)

b) Net Change for the Pensions Adjustments

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

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

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

c) Other Differences

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

For **Services** this reconciles the impact of accruals for accumulating compensated absences, e.g. holiday pay as required by IAS 19 Employee Benefits, to the salaries actually payable in the financial year in accordance with statute (£0.637m)

For **Financing and Investment Income and Expenditure** the entry recognises adjustments to the General Fund for the timing differences for premiums and discounts (£-0.311m)

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 2022/23 Restated

| | Education £000 | Education Resources & Communities £000 | Social Work £000 | General Services Housing & Property Services £000 | Environmental & Commercial Services £000 | Economic Growth & Development £000 | HR, ICT & Organisational Development £000 | Governance, Strategy & Performance £000 | Financial Services £000 | Other Services £000 | Health & Social Care £000 | Housing Revenue Account £000 | Costs not included in a Service £000 | Total £000 |
|---|-------------------|---|---------------------|--|---|--|--|--|----------------------------|------------------------|---------------------------------|------------------------------------|---|------------------|
| Employee expenses | 72,530 | 25,250 | 10,324 | 11,148 | 24,437 | 6,148 | 5,195 | 5,217 | 2,788 | 998 | 27,730 | 3,447 | 1,285 | 196,497 |
| Other service expenses | 19,595 | 5,261 | 10,438 | 4,145 | 24,845 | 4,073 | 1,643 | 15,089 | 653 | 827 | 107,750 | 10,944 | 317 | 205,580 |
| Depreciation, amortisation and impairment | 12,424 | 1,255 | 20 | 1,452 | 10,000 | 137 | 612 | - | 8 | - | 269 | 5,229 | - | 31,406 |
| Interest Payments | - | - | - | - | - | - | - | - | - | - | - | - | 12,377 | 12,377 |
| Loss on Disposal of Non Current Assets | - | - | - | - | - | - | - | - | - | - | - | - | 492 | 492 |
| Total Expenditure | 104,549 | 31,766 | 20,782 | 16,745 | 59,282 | 10,358 | 7,450 | 20,306 | 3,449 | 1,825 | 135,749 | 19,620 | 14,471 | 446,352 |
| Fees, charges & other service income | (508) | (2,228) | (132) | (8,462) | (17,256) | (2,724) | (383) | (12,488) | (888) | (94) | (73,002) | (21,770) | - | (139,935) |
| Interest and investment income | - | - | - | - | - | - | - | - | - | - | - | - | (1,123) | (1,123) |
| Income from council tax Government grants and contributions | (11,823) | (2,879) | (3,260) | (1,027) | (207) | (2,498) | - | (745) | - | (111) | (680) | - | (213,277) | (236,507) |
| Total Income | (12,331) | (5,107) | (3,392) | (9,489) | (17,463) | (5,222) | (383) | (13,233) | (888) | (205) | (73,682) | (21,770) | (262,775) | (425,940) |
| Net Expenditure | 92,218 | 26,659 | 17,390 | 7,256 | 41,819 | 5,136 | 7,067 | 7,073 | 2,561 | 1,620 | 62,067 | (2,150) | | |
| (Surplus) or deficit on the provision of services | | | | | | | | | | | | | | 20,412 |

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

Income and Expenditure 2023/24

| | Education £000 | Education Resources & Communities £000 | Social Work General Services £000 | Housing & Property £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 | 91,677 | 8,233 | 9,435 | 10,802 | 22,927 | 5,988 | 4,886 | 4,520 | 2,569 | 833 | 28,846 | 3,562 | 42 | 194,320 |
| Other service expenses | 25,985 | 4,818 | 7,567 | 8,265 | 25,694 | 4,404 | 1,749 | 14,623 | 1,208 | 1,100 | 134,513 | 13,286 | 225 | 243,437 |
| Depreciation, amortisation and impairment | 16,978 | 1,294 | 20 | 1,427 | 13,691 | 135 | 761 | - | 8 | - | 420 | 15,189 | - | 49,923 |
| Interest Payments | - | - | - | - | - | - | - | - | - | - | - | - | 14,726 | 14,726 |
| Loss on Disposal of Non Current Assets | - | - | - | - | - | - | - | - | - | - | - | - | 2 | 2 |
| Total Expenditure | 134,640 | 14,345 | 17,022 | 20,494 | 62,312 | 10,527 | 7,396 | 19,143 | 3,785 | 1,933 | 163,779 | 32,037 | 14,995 | 502,408 |
| Fees, charges & other service income | (806) | (2,163) | (247) | (9,286) | (16,742) | (2,437) | (425) | (12,588) | (967) | (108) | (100,125) | (22,825) | - | (168,719) |
| Interest and investment income | - | - | - | - | - | - | - | - | - | - | - | - | (3,284) | (3,284) |
| Income from council tax | - | - | - | - | - | - | - | - | - | - | - | - | (51,538) | (51,538) |
| Government grants and contributions | (11,925) | (2,991) | (2,568) | (6,532) | (399) | (4,340) | - | (395) | (34) | - | (45) | (112) | (215,428) | (244,769) |
| Total Income | (12,731) | (5,154) | (2,815) | (15,818) | (17,141) | (6,777) | (425) | (12,983) | (1,001) | (108) | (100,170) | (22,937) | (270,250) | (468,310) |
| Net Expenditure | 121,909 | 9,191 | 14,207 | 4,676 | 45,171 | 3,750 | 6,971 | 6,160 | 2,784 | 1,825 | 63,609 | 9,100 | | |
| (Surplus) or deficit on the provision of services | | | | | | | | | | | | | | 34,098 |

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.

| | Usable Reserves | | | | |
|--|----------------------|----------------|------------------------------------|-------------------------------------|---|
| | General Fund £000 | HRA £000 | Revenue Statutory Funds £000 | Capital Receipts Reserve £000 | Capital Grants & Receipts Unapplied £000 |
| Adjustments to the Revenue Resources | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements, | | | | | |
| Pensions costs (transferred from the Pensions Reserve) | 15,894 | 438 | - | - | - |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account) | (215) | (96) | - | - | - |
| Holiday pay (transferred to the Employee Statutory Adjustment Account) | 622 | 15 | - | - | - |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 14,571 | (3,518) | - | - | - |
| Total Adjustment to Revenue Resources | 30,872 | (3,161) | - | - | - |
| Adjustments between Revenue and Capital Resources | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | | | | | |
| Capital receipts transferred to the Capital Grants and Receipts Unapplied Account | (1,014) | - | - | - | (1,014) |
| Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account) | (2,402) | (1,708) | - | - | - |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | - | (2,085) | - | - | - |
| Total Adjustments between Revenue and Capital Resources | (3,416) | (3,793) | - | - | (1,014) |
| Adjustments to Capital Resources | | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | - | - | - |
| Total Adjustments to Capital Resources | - | - | - | - | - |
| Total Adjustments | 27,456 | (6,954) | - | - | (1,014) |

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

2023/24

| | Usable Reserves | | | | |
|--|----------------------|----------------|------------------------------------|-------------------------------------|--|
| | General Fund £000 | HRA £000 | Revenue Statutory Funds £000 | Capital Receipts Reserve £000 | Capital Grants & Receipts Unapplied £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) | (1,961) | (34) | - | - | - |
| Financial Instruments (transferred to the Financial Instruments Adjustment Account) | (228) | (96) | - | - | - |
| Holiday pay (transferred to the Employee Statutory Adjustment Account) | 831 | (8) | - | - | - |
| 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) | 25,718 | 12,199 | - | - | - |
| Total Adjustment to Revenue Resources | 24,360 | 12,061 | - | - | - |
| Adjustments between Revenue and Capital Resources | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (948) | (119) | 1,067 | - | - |
| Capital receipts transferred to the Capital Grants and Receipts Unapplied Account | - | - | - | - | - |
| Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account) | (3,890) | (2,020) | - | - | - |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | - | (739) | - | - | - |
| Total Adjustments between Revenue and Capital Resources | (4,838) | (2,878) | 1,067 | - | - |
| Adjustments to Capital Resources | | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | (5,015) | - | - |

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 2023/24.

| | Repairs and Renewals Fund £000 | Insurance Fund £000 | Total £000 |
|---------------------------------|---|------------------------------------|-----------------------|
| Balance at 31 March 2022 | 2,740 | 1,412 | 4,152 |
| Transfers in 2022/23 | 57 | 30 | 87 |
| Balance at 31 March 2023 | 2,797 | 1,442 | 4,239 |
| Transfers Out 2023/24 | (768) | - | (768) |
| Transfers in 2023/24 | 138 | 72 | 210 |
| Balance at 31 March 2024 | 2,167 | 1,514 | 3,681 |

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 | Whole Family Wellbeing Fund £000 | Education Attainment Fund £000 | Transformation £000 | Council Priorities £000 | Working Reserve £000 | Retrospective Service Concession £000 | Refugee Resettlement £000 | Other Funds £000 | Total £000 |
|-------------------------------------|----------------------------------|--|---|---|--------------------------------|------------------------------------|---------------------------------|--|--|-----------------------------|-----------------------|
| Balance at 31 March 2022 | 5,000 | 1,288 | - | 1,046 | 5,480 | 9,881 | 22,259 | - | - | 455 | 45,409 |
| Transfers Out 2022/23 | - | (436) | - | (289) | - | - | - | - | - | (179) | (904) |
| Transfers In 2022/23 | - | - | - | - | - | - | 638 | - | - | 555 | 1,193 |
| Balance at 31 March 2023 | 5,000 | 852 | - | 757 | 5,480 | 9,881 | 22,897 | - | - | 831 | 45,698 |
| Transfers Out 2023/24 | - | (99) | - | - | - | (2,747) | (14,211) | - | - | (581) | (17,638) |
| Transfers In 2023/24 | 1,000 | - | 827 | 162 | 672 | - | - | 7,526 | 2,449 | 628 | 13,264 |
| Balance at 31 March 2024 | 6,000 | 753 | 827 | 919 | 6,152 | 7,134 | 8,686 | 7,526 | 2,449 | 878 | 41,324 |

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.

Education Attainment Fund

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

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

Transformation

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

Council Priorities

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

Working Reserve

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. It is being deployed to balance the budget until the structural deficit is eliminated.

Retrospective Service Concession

This ear-marked reserve was created by the exercise of the flexibility to account for service concessions over the expected life of the asset rather than the length of the contract. The reserve relates to the impact of prior year expenditure and is purely an accounting entry. It therefore differs from other ear-marked reserves in that it is not cash backed.

Refugee Resettlement

The Council has received funds in support of various refugee resettlement programmes and unspent funds are held in this ear-marked reserve and will be released as required.

Whole Family Wellbeing Fund

The Council receives grant funding from the Whole Family Wellbeing Fund, expenditure plans for which must be approved by Community Planning Partners. Unspent funds are held in an ear-marked reserve as the Council cannot determine the use of these funds.

Other Funds

These funds are grants and contributions unspent at the reporting year end which have restrictions on their use. The largest individual component of these funds is for Employability and other large balances relate to amounts set aside for insurance claims beneath the Council's excess and to the Scottish Welfare Fund, which was set up in 2016/17 to be used to provide individuals with assistance for short term need and community care. Other funds held include unspent monies to be used to upgrade/maintain Sanquhar Loch in Forres, amounts to cover core path maintenance and upgrading within and outside the boundary of Dorenell Windfarm, Nursery snack funds and funding approved to be used to alleviate the cost of living crisis.

Note 12 Other Operating Expenditure

| | 2022/23 | 2023/24 |
|--|------------|----------|
| | £000 | £000 |
| Losses on disposal of non-current assets | 492 | 2 |
| | 492 | 2 |

Note 13 Financing and Investment Income and Expenditure

| | 2022/23 | 2023/24 |
|---|---------------|---------------|
| | £000 | £000 |
| Interest payable and similar charges | 12,377 | 14,726 |
| Net interest on the net defined benefit liability | 1,285 | 42 |
| Interest receivable and similar income | (1,119) | (3,280) |
| Income and expenditure in relation to investment properties | (4) | (4) |
| Expected credit losses on financial assets | 317 | 225 |
| | 12,856 | 11,709 |

Note 14 Taxation and Non-Specific Grant Income

| | 2022/23 | 2023/24 |
|-----------------------------------|------------------|------------------|
| | £000 | £000 |
| Council tax income | (48,375) | (51,538) |
| Non domestic rates | (54,575) | (55,314) |
| Non-ring fenced government grants | (136,845) | (147,037) |
| Capital grants and contributions | (21,857) | (13,077) |
| | (261,652) | (266,966) |

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 2022/23

| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 |
|--|---------------------------|-------------------------------------|---|--------------------------|------------------------|--------------------------------------|--|
| Cost or valuation | | | | | | | |
| At 1 April 2022 | 391,441 | 510,583 | 54,935 | 874 | 3,045 | 27,297 | 988,175 |
| Additions | 8,497 | 4,464 | 4,945 | 184 | - | 14,199 | 32,289 |
| Revaluation increases/ (decreases) recognised in the Revaluation (decreases) recognised in the Surplus on the | 12,197 (4,730) | 6,501 - | - - | - - | (323) - | - - | 18,375 (4,730) |
| Derecognition – disposals | - | (433) | (1,790) | - | - | - | (2,223) |
| Derecognition – other Assets reclassified (to)/ from Held for Sale | - - | - (397) | - - | - - | - (101) | (266) - | (266) (498) |
| Other movements in cost or valuation | 5,669 | 177 | - | - | (308) | (6,125) | (587) |
| At 31 March 2023 | 413,074 | 520,895 | 58,090 | 1,058 | 2,313 | 35,105 | 1,030,535 |
| Accumulated Depreciation and Impairment | | | | | | | |
| At 1 April 2022 | 735 | 12,873 | 36,587 | 358 | 80 | - | 50,633 |
| Depreciation charge | 8,857 | 16,144 | 3,087 | 17 | 41 | - | 28,146 |
| Depreciation written out to the Revaluation Reserve | - | (28,257) | - | - | - | - | (28,257) |
| Depreciation written out to the Surplus on the Provision of | (8,592) | - | - | - | - | - | (8,592) |
| Derecognition – disposals | - | - | (1,629) | - | - | - | (1,629) |
| Derecognition – other Assets reclassified (to)/ from Held for Sale | - - | - - | - - | - - | - - | - - | - - |
| Other movements in depreciation and impairment | - | - | - | - | - | - | - |
| At 31 March 2023 | 1,000 | 760 | 38,045 | 375 | 121 | - | 40,301 |

Note 15 Property, Plant and Equipment (continued)

Movement in 2023/24

| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 |
|---|---------------------------|-------------------------------------|---|--------------------------|------------------------|--------------------------------------|--|
| Cost or valuation | 413,074 | 520,895 | 58,090 | 1,058 | 2,313 | 35,105 | 1,030,535 |
| At 1 April 2023 | | | | | | | - |
| Additions | 3,978 | 4,919 | 6,817 | 379 | - | 5,359 | 21,452 |
| Revaluation increases/ (decreases) recognised in the Revaluation Reserve | 31,698 | (28,201) | - | 1 | (21) | - | 3,477 |
| Revaluation (decreases) recognised in the Surplus on the Provision of | (4,480) | (6,285) | - | - | - | - | (10,765) |
| Derecognition – disposals | (152) | - | (1,722) | - | - | - | (1,874) |
| Derecognition – other | - | - | (678) | - | - | - | (678) |
| Assets reclassified (to)/ from Held for Sale | - | (154) | - | - | (489) | - | (643) |
| Assets Reclassified - Other | 8,814 | 27,762 | - | - | - | (36,576) | - |
| Other movements in cost or valuation | - | - | - | - | - | - | - |
| At 31 March 2024 | 452,932 | 518,936 | 62,507 | 1,438 | 1,803 | 3,888 | 1,041,504 |
| Accumulated Depreciation and Impairment | | | | | | | |
| At 1 April 2023 | 1,000 | 760 | 38,045 | 375 | 121 | - | 40,301 |
| Depreciation charge | 10,472 | 17,487 | 3,863 | 18 | 26 | - | 31,866 |
| Depreciation written out to the Revaluation Reserve | - | (17,709) | - | (29) | (17) | - | (17,755) |
| Depreciation written out to the Surplus on the Provision of Services | (8,542) | - | - | - | - | - | (8,542) |
| Derecognition – disposals | - | - | (1,422) | - | - | - | (1,422) |
| Derecognition – other | - | - | (678) | - | - | - | (678) |
| Assets reclassified (to)/ from Held for Sale | - | - | - | - | (4) | - | (4) |
| Other movements in depreciation and impairment | - | - | - | - | - | - | - |
| At 31 March 2024 | 2,930 | 538 | 39,808 | 364 | 126 | - | 43,766 |
| Net Book Value | | | | | | | |
| at 31 March 2023 | 412,074 | 520,135 | 20,045 | 683 | 2,192 | 35,105 | 990,234 |
| at 31 March 2024 | 450,002 | 518,398 | 22,699 | 1,074 | 1,677 | 3,888 | 997,738 |

Note 15 Property, Plant and Equipment (continued)

In accordance with the temporary relief offered by Local Government Circular 09/2022 Statutory Override Accounting for Infrastructure Assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

| | 2023/24 | 2023/24 |
|------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Net Book Value at 1 April | 238,050 | 243,201 |
| Additions | 12,263 | 12,752 |
| Depreciation | (7,112) | (7,287) |
| At 31st March | <u>243,201</u> | <u>248,666</u> |

| | 31/03/2023 | 31/03/2024 |
|-------------------------|-------------------------|-------------------------|
| Infrastructure Assets | 243,201 | 248,666 |
| Other PPE Assets | 990,234 | 997,738 |
| Total PPE Assets | <u>1,233,435</u> | <u>1,246,404</u> |

The authority has determined in accordance with Local Government Circular 09/2022 Statutory Override Accounting for Infrastructure Assets for Scottish Local Authorities that the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken and accounted for as a nil amount. In accordance with the circular the authority is not required to make subsequent adjustments to the carrying amount of the asset with respect to that part.

Capital Commitments

At 31 March 2024, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2023/24 and future years budgeted to cost £6.158m (2022/23 £5.304m). The major contracts are:

| | |
|-------------------------|---------------------|
| NESS Energy from Waste | 2,428 |
| HRA - Banff Road, Keith | <u>3,730</u> |
| | <u>6,158</u> |

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current or fair value is revalued at least every five years, with an indexation exercise carried out in the intervening years. All valuations are carried out internally by the Council's Asset Manager (Commercial Property) in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS). A proportion of assets are subject to a desktop valuation on the basis of local market related indices at 31 March 2024. Such valuations were applied following consultation with the Council's Asset Manager (Commercial Property).

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

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

Note 15 Property, Plant and Equipment (continued)

| | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment |
|--------------------------------|-------------------|--------------------------|--|------------------|----------------|---------------------------|-------------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Carried at historical cost | - | - | 58,090 | 1,058 | - | 35,105 | 94,253 |
| Valued at current value as at: | | | | | | | |
| 31 March 2024 | 39,858 | (1,959) | 4,417 | 380 | (510) | (31,217) | 10,969 |
| 31 March 2023 | 19,749 | 50,109 | - | - | (476) | - | 69,382 |
| 31 March 2022 | 47,728 | 123,808 | - | - | 41 | - | 171,577 |
| 01 April 2020 | 333,520 | 42,120 | - | - | (194) | - | 375,446 |
| 01 April 2019 | 8,116 | 36,378 | - | - | 1,282 | - | 45,776 |
| 01 April 2018 | 3,961 | 268,480 | - | - | 1,660 | - | 274,101 |
| Total cost or valuation | 452,932 | 518,936 | 62,507 | 1,438 | 1,803 | 3,888 | 1,041,504 |

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 2023/24 is as follows:

| | Cultural £000 | Modern Statues £000 | Museums Collections £000 | Total Heritage Assets £000 |
|-----------------------------|------------------|---------------------------|--------------------------------|----------------------------------|
| Valuation at 1 April 2022 | 126 | 105 | 920 | 1,151 |
| Additions | - | - | - | - |
| Transfers/Reclassifications | - | - | - | - |
| At 31 March 2023 | 126 | 105 | 920 | 1,151 |
| Valuation at 1 April 2023 | 126 | 105 | 920 | 1,151 |
| Additions | - | - | - | - |
| Transfers/Reclassifications | - | - | - | - |
| At 31 March 2024 | 126 | 105 | 920 | 1,151 |

The amount included above for the museum's collections is based on insurance valuations. Other Heritage Assets are valued at historic cost.

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

Note 16 Heritage Assets (continued)

| Assets excluded from Heritage Assets | | Estimated number of assets 31 March 2024 |
|---|-------|---|
| Archive Material | circa | 1,000,000 |
| Monuments and Fountains | | 11 |
| War Memorials | | 46 |

Note 17 Investment Property

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

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

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

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.

| | 2022/23 | 2023/24 |
|--|----------------|----------------|
| | £000 | £000 |
| Rental Income from investment property | 4 | 4 |
| Net gain | 4 | 4 |

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

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

| | 2022/23 | 2023/24 |
|---|----------------|----------------|
| | £000 | £000 |
| Balance at start of the year | 222 | 395 |
| Transfers (to)/from Property, Plant and Equipment | 173 | - |
| Balance at end of the year | 395 | 395 |

Note 18 Intangible Assets

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

| Expected Useful Life | Licences |
|-----------------------------|-----------------|
| | £000 |
| 5 - 6 years | 252 |

The carrying amount of licences is amortised on a straight line basis. The amortisation of £0.007m charged to revenue in 2023/24 (2022/23 £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:-

| | 2022/23 | 2023/24 |
|---|----------------|----------------|
| | £000 | £000 |
| Balance at start of the year: | | |
| Gross carrying amount | 252 | 252 |
| Accumulated amortisation | (216) | (223) |
| Net carrying amount at start of year | 36 | 29 |
| Amortisation for the period | (7) | (7) |
| Net carrying amount at end of year | 29 | 22 |
| Comprising: | | |
| Gross carrying amount | 252 | 252 |
| Accumulated amortisation | (223) | (230) |
| | 29 | 22 |

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 40;
- Public Private Partnership contracts detailed in note 41;
- Trade payables for goods and services received.

Financial Assets

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

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

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

| | 2022/23 | | 2023/24 | |
|------------------------|-------------------|--------------------|-------------------|--------------------|
| | Long Term £000 | Short Term £000 | Long Term £000 | Short Term £000 |
| Amortised Cost: | | | | |
| Borrowing | 152,897 | 88,123 | 154,495 | 105,146 |
| Creditors | 54,346 | 48,254 | 48,775 | 52,939 |
| Total | 207,243 | 136,377 | 203,270 | 158,085 |

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:

| | 2022/23 | | | 2023/24 | | |
|---|--|---|----------------|--|---|----------------|
| | Liabilities measured at amortised cost £000 | Assets measured at amortised cost £000 | Total £000 | Liabilities measured at amortised cost £000 | Assets measured at amortised cost £000 | Total £000 |
| Interest Expense | 12,377 | - | 12,377 | 14,726 | - | 14,726 |
| Impairment Losses | - | 444 | 444 | - | 249 | 249 |
| Total expense in Surplus or Deficit on the Provision of Services | 12,377 | 444 | 12,821 | 14,726 | 249 | 14,975 |
| Interest income | - | (1,119) | (1,119) | - | (3,280) | (3,280) |
| Total income in Surplus or Deficit on the Provision of Services | - | (1,119) | (1,119) | - | (3,280) | (3,280) |
| Net (gain)/loss for the year | 12,377 | (675) | 11,702 | 14,726 | (3,031) | 11,695 |

Financial Instruments – Fair Value

Financial instruments 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 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.

Financial Assets

| | Fair Value Level | 2022/23 | | 2023/24 | |
|-------------------------|---------------------|----------------------------|--------------------|----------------------------|--------------------|
| | | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Short term debtors | 2 | 15,020 | 15,020 | 16,963 | 16,963 |
| Long term debtors | 2 | 439 | 439 | 406 | 406 |
| Cash & Cash Equivalents | 2 | 11,034 | 11,034 | 9,944 | 9,944 |
| Total | | 26,493 | 26,493 | 27,313 | 27,313 |

Note 19 Financial Instruments (continued)

At 31 March 2024 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 (£17.369 million).

| Financial liabilities | Fair Value Level | 2022/23 | | 2023/24 | |
|--|------------------|-------------------------|--------------------|-------------------------|--------------------|
| | | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Financial Liabilities held at amortised cost:- | | | | | |
| Short Term Creditors | 2 | 37,785 | 37,785 | 43,654 | 43,654 |
| Short Term Borrowing | 2 | 88,123 | 88,123 | 105,146 | 105,146 |
| Other Long Term liabilities | 2 | 271 | 4,337 | 276 | 4,511 |
| Long Term Borrowing - LOBOs | 2 | 34,109 | 34,109 | 34,103 | 34,103 |
| Long Term Borrowing | 2 | 118,788 | 142,732 | 120,392 | 179,884 |
| PPP and Finance Lease liabilities | 2 | 50,009 | 59,725 | 48,499 | 61,084 |
| Total | | 329,085 | 366,811 | 352,070 | 428,382 |

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 £179.884m 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 £154.495m of total long term borrowing would be valued at £213.987m. However, if the Council sought to repay the loans to the PWLB, the exit price for the PWLB loans would be £235.160m

Note 20 Inventories

2022/23

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

2023/24

| | Balance at 1 April £000 | Purchases £000 | Recognised as an expense in the year £000 | Balance at 31 March £000 |
|-------------------|-------------------------------|-------------------|--|--------------------------------|
| Building Services | 374 | 887 | (992) | 269 |
| Fleet Services | 287 | 2,954 | (2,914) | 327 |
| Roads Maintenance | 199 | 818 | (808) | 209 |
| Donated PPE | 649 | - | (649) | - |
| Other | 305 | 1,888 | (1,890) | 303 |
| Total | 1,814 | 6,547 | (7,253) | 1,108 |

Note 21 Short Term Debtors

| | 2022/23 £000 | 2023/24 £000 |
|---|-----------------|-----------------|
| Trade Receivables | 1,858 | 3,392 |
| Prepayments | 1,222 | 1,046 |
| Other Receivable Amounts | 11,113 | 10,886 |
| Debtors from local taxation | 2,050 | 2,685 |
| | 16,243 | 18,009 |
| Prepayments included in debtors | (1,222) | (1,046) |
| Total Financial Assets Current Debtors | 15,020 | 16,963 |

Note 22 Debtors from Local Taxation

| | 2022/23 | 2023/24 |
|----------------------------------|---------------|---------------|
| | Council Tax | Council Tax |
| | £000 | £000 |
| Less than 1 year | 1,754 | 2,347 |
| One to two years | 2,994 | 2,776 |
| Three to five years | 2,726 | 3,171 |
| More than 5 years | 10,520 | 11,171 |
| | 17,994 | 19,465 |
| Impairment Allowance | (15,944) | (16,780) |
| Total (net of impairment) | 2,050 | 2,685 |

Note 23 Assets Held-for-Sale

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

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

| | Current Assets | Current Assets |
|--|----------------|----------------|
| | 2022/23 | 2023/24 |
| | £000 | £000 |
| Balance at 1 April | 877 | 463 |
| Assets reclassified from Property, Plant and Equipment | 498 | 639 |
| Disposals | (912) | (617) |
| Balance at 31 March | 463 | 485 |

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.

| | 2022/23 | 2023/24 |
|----------------------------|---------------|--------------|
| | £000 | £000 |
| Cash Held by the Council | 18 | 17 |
| Bank Current/Call Accounts | 11,016 | 9,927 |
| Total | 11,034 | 9,944 |

Note 25 Short Term Creditors

| | 2022/23 | 2023/24 |
|--|---------------|---------------|
| | £000 | £000 |
| Trade Payables | 27,209 | 29,380 |
| Other Payables | 26,737 | 28,523 |
| Total | 53,946 | 57,903 |
| Tax Creditors included above | (5,036) | (3,749) |
| Receipts in advance included above | (2,007) | (1,215) |
| Total Financial Liabilities Current Creditors | 46,903 | 52,939 |
| | | |
| Annual Leave Accrual included in above | (8,462) | (9,285) |
| | 38,441 | 43,654 |

Note 26 Provisions

| | Equal Pay | Total |
|--|------------|------------|
| | £000 | £000 |
| Balance as at 1 April 2023 | 149 | 149 |
| Settlements made/provision released in 2023/24 | - | - |
| Increase in provision in 2023/24 | - | - |
| Balance as at 31 March 2024 | 149 | 149 |

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

Note 27 Usable Reserves

The Council has several reserve funds within this category:

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

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

Note 28 Unusable Reserves

| 2022/23 | 2022/23 | | 2023/24 |
|----------------|----------------|--|----------------|
| £000 | Restated | | £000 |
| £000 | £000 | | £000 |
| 414,984 | 414,984 | Capital Adjustment Account | 403,617 |
| 452,576 | 452,576 | Revaluation Reserve | 467,464 |
| (5,404) | (5,404) | Financial Instruments Adjustment Account | (5,080) |
| (8,462) | (8,462) | Employee Statutory Adjustment Account | (9,285) |
| (2,773) | (10,257) | Pensions Reserve | 2,988 |
| 850,921 | 843,437 | | 859,704 |

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.

| 2022/23 | | 2023/24 | |
|-----------------|---|----------|----------------|
| £000 | | £000 | £000 |
| 408,211 | Balance at 1 April | | 414,984 |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| (26,666) | Charges for depreciation and impairment of non-current assets | (39,153) | |
| (4,731) | Revaluation losses on Property, Plant and Equipment | (10,765) | |
| (7) | Amortisation of Intangible Assets | (7) | |
| (1,506) | Amounts of non-current assets written off on disposal or sale as part of the loss on disposal to the Comprehensive Income and Expenditure | (1,069) | |
| (32,910) | | | (50,994) |
| 11,333 | Adjusting amount written out of the Revaluation Reserve | | 14,886 |
| (21,577) | Net written out amount of the cost of non-current assets consumed in the year | | (36,108) |
| | Capital financing applied in the year: | | |
| | Use of the Capital Receipts Reserve to finance new capital expenditure | | 5,015 |
| 21,857 | Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | | 13,077 |
| 298 | Application of grants to capital financing from the Capital Grants Unapplied Account | | - |
| 4,110 | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | | 5,910 |
| 2,085 | Capital expenditure charged against the General Fund and HRA balances | | 739 |
| 28,350 | | | 24,741 |
| - | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | | - |
| 414,984 | Balance at 31 March | | 403,617 |

Note 28 Unusable Reserves (continued)

Revaluation Reserve

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

| 2022/23 | | 2023/24 |
|----------------|--|----------------|
| £000 | | £000 |
| 417,278 | Balance at 1 April | 452,576 |
| 46,631 | Upward Revaluation of assets | 29,774 |
| | Downward revaluation of assets and impairment losses not charged to the Surplus | |
| - | on the Provision of Services | - |
| | Surplus /(deficit) on revaluation of non-current assets not posted to the Surplus on the | |
| 46,631 | Provision of Services | 29,774 |
| | (10,478) Difference between fair value depreciation and historical cost depreciation | (14,658) |
| | (854) Accumulated gains on assets sold or scrapped | (228) |
| | (11,333) Amount written off to the Capital Adjustment Account | (14,886) |
| 452,576 | Balance at 31 March | 467,464 |

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 2024 will be charged to the General Fund over the next 35 years

| 2022/23 | | 2023/24 |
|----------------|---|----------------|
| £000 | | £000 |
| (5,716) | Balance at 1 April | (5,405) |
| | Proportion of premiums incurred in previous financial years to be charged against the | |
| 311 | General Fund balance in accordance with statutory requirements | 325 |
| | Amount by which finance costs charged to the Comprehensive Income and Expenditure | |
| | Statement are different from finance costs chargeable in the year in accordance with | |
| - | statutory requirements | - |
| (5,405) | Balance at 31 March | (5,080) |

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.

| 2022/23 | | 2023/24 |
|----------------|---|----------------|
| £000 | | £000 |
| (7,825) | Balance at 1 April | (8,462) |
| 7,825 | Settlement or cancellation of accrual made at the end of the preceding year | 8,462 |
| (8,462) | Amounts accrued at the end of the current year | (9,285) |
| | Amount by which officer remuneration charged to the Comprehensive Income and | |
| | Expenditure Statement on an accruals basis is different from remuneration chargeable in | |
| (637) | the year in accordance with statutory requirements | (823) |
| (8,462) | Balance at 31 March | (9,285) |

Note 28 Unusable Reserves (continued)

Pensions Reserve

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

| | 2022/23 | | | 2023/24 |
|--|----------------|-----------------|--|----------------|
| | 2022/23 | Restated | | 2023/24 |
| | £000 | £000 | | £000 |
| | (54,558) | (54,558) | Balance at 1 April | (10,257) |
| | 68,117 | 60,633 | Remeasurements (assets and liabilities) | 11,250 |
| | | | 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 | (16,895) |
| | (33,608) | (33,608) | | |
| | 17,276 | 17,276 | Employer's pensions contributions and direct payments to pensioners payable | 18,890 |
| | (2,773) | (10,257) | Balance at 31 March | 2,988 |

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.

| | 2022/23 | 2023/24 |
|--|----------------|----------------|
| | £000 | £000 |
| Capital Grants | | |
| Opening Balance | 2,299 | 2,128 |
| Additions | - | - |
| Applied | (298) | - |
| Closing Balance | 2,001 | 2,128 |
| Capital Receipts | | |
| Opening Balance | 3,730 | 17 |
| Additions | 1,014 | - |
| Applied | (4,727) | - |
| Closing Balance | 17 | 17 |
| Interest on Revenue Balances | 127 | 106 |
| Total opening balance at 1 April | 6,029 | 2,145 |
| Total closing balance at 31 March | 2,145 | 2,251 |

Note 30 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

| | 2022/23 | 2023/24 |
|-------------------|----------|----------|
| | £000 | £000 |
| Interest Received | 1,121 | 3,280 |
| Interest Paid | (11,875) | (13,333) |

Note 31 Cash Flow Statement - Investing Activities

| | 2022/23 | 2023/24 |
|--|-----------------|-----------------|
| | £000 | £000 |
| Purchase of property, plant and equipment, investment property and intangible assets | (44,617) | (35,322) |
| Other payments for investing activities | - | (151) |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | - | 1,067 |
| Other receipts from investing activities | 23,520 | 13,505 |
| Net cash flows from investing activities | (21,097) | (20,901) |

Note 32 Cash Flow Statement - Financing Activities

| | 2022/23 | 2023/24 |
|---|--------------|---------------|
| | £000 | £000 |
| Cash receipts of short-term and long-term borrowing | 56,500 | 109,000 |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases | (1,499) | (1,324) |
| Repayment of short and long-term borrowing | (52,736) | (91,767) |
| Other payments/(receipts) for financing activities | 3,663 | 1,171 |
| Net cash flows from financing activities | 5,928 | 17,080 |

Note 33 Reconciliation of Liabilities Arising from Financing Activities

| | 2023/24 | | | | Balance at 31 March |
|--|--------------------|----------------------|---------------------------------|--------------|---------------------|
| | Balance at 1 April | Financing Cash Flows | Changes which are not Financing | Acquisition | |
| | £000 | £000 | £000 | £000 | £000 |
| Long Term Borrowing | 152,897 | 1,613 | - | (15) | 154,495 |
| Short Term Borrowing | 88,123 | 14,833 | - | 2,190 | 105,146 |
| On balance sheet PFI liabilities | 51,331 | (1,323) | - | - | 50,008 |
| Other deferred liabilities | 271 | 5 | - | - | 276 |
| Total Liabilities from Financing Activities | 292,622 | 15,128 | - | 2,175 | 309,925 |

Note 34 External Audit Costs

The agreed external audit fee for 2023/24 was £0.306m for work undertaken in accordance with the Code of Audit Practice (2022/23 £0.270m). In 2023/24 there are also fees of £0.007m for work on Connected Charity Trust Funds.

Note 35 Councillors Remuneration

Details of Councillors Remuneration can be found in the Remuneration Report.

Note 36 Grant Income and Contributions

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24.

| | 2022/23 | 2023/24 |
|---|----------------|----------------|
| | £000 | £000 |
| Credited to Taxation and Non-Specific Grant Income | | |
| General Revenue Grant | 136,845 | 147,037 |
| National Non Domestic Rate Income | 54,575 | 55,314 |
| Capital Grants and Contributions | 21,856 | 13,077 |
| Total | 213,276 | 215,428 |
| Credited to Services | | |
| Housing Benefits | 11,976 | 11,979 |
| Private Sector Housing Grant | 463 | - |
| Home Energy Efficiency Programme Scotland | 564 | 4,980 |
| Covid Education Grants | - | - |
| Criminal Justice | 1,456 | 1,627 |
| Pupil Equity Funding (PEF) | 1,484 | 1,484 |
| ELC Expansion | 9,359 | 9,167 |
| PPP Funding | 2,219 | 2,219 |
| Ukrainian Resettlement Scheme | 1,039 | - |
| Moray Growth Deal | 1,444 | 2,102 |
| Employability Moray | 652 | 44 |
| Other Grants | 4,839 | 8,643 |
| Contributions | | |
| Integration Joint Board | 73,765 | 95,800 |
| Other Contributions | 268 | 52 |
| NHS Grampian | 271 | 238 |
| Donations | 2 | 6 |
| Total | 109,801 | 138,343 |

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:

| | 2022/23 | 2023/24 |
|-----------------------------------|----------------|----------------|
| | £000 | £000 |
| Grants received in advance | | |
| Capital Grants | 4,066 | 4,235 |
| Other Grants | 1,351 | 1,215 |
| Total | 5,417 | 5,450 |

Note 37 Related Parties

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

The Scottish Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax Bills). Government grants and contributions are included in note 36. The amounts outstanding at the year-end are included in creditors in note 26.

Members of the Council have direct control over the Council's financial and operating policies. During 2023/24 no works or services were commissioned from companies in which any member had a noted interest. Details of members' expenses are included in the Remuneration Report.

Moray Integration Joint Board

The Moray Integration Joint Board was established on 1 April 2016 as a partnership between Moray Council and NHS Grampian and is responsible for planning and overseeing the delivery of a full range of community health and social work services including those for older people. In the year 2023/24 the following financial transactions were made with Moray Council relating to the integrated and social care functions:

Transactions with other bodies are as follows:

| | | | Debtors/(Creditors) | |
|---------------------------------------|----------------|----------------|----------------------------|----------------|
| | 2022/23 | 2023/24 | 2022/23 | 2023/24 |
| | £000 | £000 | £000 | £000 |
| NHS Grampian | | | | |
| Funding received | 271 | 238 | 93 | 117 |
| Moray Integration Joint Board | | | | |
| Funding received from MIJB | 73,765 | 95,800 | (1,836) | (263) |
| Contribution to MIJB | 55,936 | 59,576 | - | - |
| European Union | | | | |
| Funding received | 1,143 | 550 | 1,027 | 8 |
| Grampian Valuation Joint Board | | | | |
| Contribution to GVJB | 776 | 827 | - | - |

During the year there were the following transactions between the Council and its subsidiaries:

| | 2022/23 | 2023/24 |
|-------------|----------------|----------------|
| | £000 | £000 |
| Trust Funds | 110 | (85) |
| Common Good | 24 | 26 |

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:

| | 2022/23 | 2023/24 |
|--------------------------------|----------------|----------------|
| | £000 | £000 |
| Grampian Valuation Joint Board | 1,205 | 1,463 |
| Trust Funds | 2,196 | 2,252 |
| Common Good | 3,982 | 3,993 |

The Council provided material financial assistance to Moray Leisure Limited of £0.508m in 2023/24 (2022/23 £0.664m).

Note 37 Related Parties (continued)

The Council participates in the following partnerships:

| | 2022/23 | 2023/24 |
|--|----------------|----------------|
| | £000 | £000 |
| The Highlands and Islands Transport Partnership - contribution | 47 | 47 |
| Scotland Excel - contribution | 79 | 81 |
| SEEMIS Group LLP - contribution | 103 | 103 |

Note 38 Capital Expenditure and Capital Financing

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

| | 2022/23 | 2023/24 |
|---|----------------|----------------|
| | £000 | £000 |
| Opening Capital Financing Requirement | 351,981 | 368,481 |
| Capital Investment: | | |
| Property, Plant and Equipemnt (incl Held for Sale) | 44,552 | 34,204 |
| Intangible Assets | | |
| Heritage Assets | | |
| Sources of Finance: | | |
| Government grants and other contributions | (21,857) | (18,556) |
| Sum set Aside from Revenue: | | |
| Direct revenue contributions | (2,085) | (739) |
| Loans fund principal | (4,110) | (12,630) |
| Closing Capital Financing Requirement | 368,481 | 370,760 |
| Explantions of movements in year: | | |
| Increase/(decrease) in underlying need to borrow (supported by government financial assistance) | 16,500 | 2,279 |
| Increase/(decrease) in Capital Financing Requirement | 16,500 | 2,279 |

During 2023/24 the Council has recognised £19.368m of loans fund advances (2022/23 £20.600m).

Note 39 Capitalisation of Borrowing Costs

Borrowing costs of £0.661m have been capitalised during 2023/24 (2022/23 £1.737m), using a capitalisation rate of 3.77%.

Note 40 Leases

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

Council as Lessee

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.

Operating Lease

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

| | 2022/23 | 2023/24 |
|---|----------------|----------------|
| | £000 | £000 |
| Not later than one year | 37 | 41 |
| Later than one year and not later than five years | 139 | 150 |
| Later than five years | 1,390 | 1,365 |
| Total | 1,566 | 1,556 |

The future minimum sublease payments expected to be received by the Council are £0.013m (2022/23 £0.003m).

The expenditure charged to the CIES during the year in relation to minimum lease payments was £0.047m (2022/23 £0.037m).

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:-

Operating Leases

| | 2022/23 | 2023/24 |
|---|----------------|----------------|
| | £000 | £000 |
| Not later than one year | 717 | 799 |
| Later than one year and not later than five years | 2,722 | 2,761 |
| Later than five years | 32,109 | 33,439 |
| Total | 35,548 | 36,999 |

Note 41 Public Private Partnership and Similar Contracts

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

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

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

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

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

Educational Services PPP Scheme

In 2011/12, the Council entered into a 30 year PPP contract for the construction, maintenance and operation of two schools in Keith and Elgin. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition. The annual unitary charge in 2023/24 was £5.705m (2022/23 £5.367m).

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 2023/24 was £2.674m (2022/23 £2.590m).

In 2023/24 the Council has taken the option to apply additional flexibility to the accounting treatment of its service concession arrangements. The accounting treatment of the debt profile has been amended to spread the principal repayments over the useful life of the assets instead of the contract life. The cumulative principal liability charged to the General Fund at 31st March 2023 was £10.870m. By applying the additional flexibility for service concession arrangements this generated a saving of £8.332m to the General Fund in 2023/24. This comprised of £7.526m from prior years which has been transferred to a service concession earmarked reserve and a saving of £0.806m in 2023/24. The earmarked reserve is to be used to fund capital expenditure on the learning estate.

Note 41 Public Private Partnership and Similar Contracts (continued)

Property, Plant and Equipment

| | 2022/23 £000 | 2023/24 £000 |
|---------------------------------|-----------------|-----------------|
| Cost or valuation | | |
| at 1 April | 82,653 | 89,667 |
| Additions | - | 4 |
| Revaluations | 7,014 | (2,285) |
| | 89,667 | 87,386 |
| Accumulated Depreciation | | |
| At 1 April | - | - |
| Revaluations | - | - |
| Depreciation charge | 3,230 | 3,449 |
| Depreciation write back | (3,230) | (3,449) |
| | - | - |
| Net Book Value | 89,667 | 87,386 |

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 2024 (excluding any estimation of inflation and availability/performance deductions) are as follows:

| | Payment for Services £000 | Reimbursement of Capital Expenditure £000 | Interest £000 | Total £000 |
|-------------------------------|---------------------------------|---|------------------|----------------|
| Payable in 2024/25 | 1,184 | 1,510 | 3,584 | 6,278 |
| Payable within 2 to 5 years | 4,735 | 6,500 | 13,289 | 24,524 |
| Payable within 6 to 10 years | 5,918 | 11,096 | 13,640 | 30,654 |
| Payable within 11 to 15 years | 5,919 | 16,366 | 8,938 | 31,223 |
| Payable within 16 to 20 years | 3,674 | 14,536 | 2,290 | 20,500 |
| Payable after 20 years | - | - | - | - |
| Total | 21,430 | 50,008 | 41,741 | 113,179 |

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:

| | 2022/23 £000 | 2023/24 £000 |
|--|-----------------|-----------------|
| Balance outstanding at start of year | 52,831 | 51,331 |
| Payments during the year | (1,500) | (1,323) |
| Capital expenditure incurred in the year | - | - |
| Other Movements | - | - |
| Balance outstanding at year-end | 51,331 | 50,008 |

Note 42 Pension Schemes Accounted for as Defined Contribution Schemes

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

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

As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the scheme at a level to meet the cost of pensions as they accrue. It is not possible, however, for the Council to identify a share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purpose of the annual accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2023/24 the Council paid £11.543m in respect of teachers' retirement benefits, of which £0.981m was outstanding at 31 March 2024. The amount payable represents 23% of pensionable pay. In 2022/23 the amounts paid were £10.925m of which £1.493m was outstanding at 31 March 2023, and 23% of pensionable pay.

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

Note 43 Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in one scheme:

- The North East Scotland Local Government Pension Scheme which is administered by Aberdeen City Council. This is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets over a period of time.

There are also arrangements in place for the award of discretionary post-retirement benefits upon early retirement. This is an unfunded defined benefit arrangement under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities and cash has to be generated to meet actual pension payments as they eventually fall due.

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

Transactions Relating to Post-employment Benefits

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

Note 43 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:

| | Local Government Pension Scheme | | | Discretionary Benefits | |
|--|---------------------------------|-----------------------------|-----------------|------------------------|-----------------|
| | 2022/23 £000 | 2022/23 RESTATED £000 | 2023/24 £000 | 2022/23 £000 | 2023/24 £000 |
| Comprehensive Income and Expenditure Statement Cost of Services: | | | | | |
| Current Service Cost | 31,986 | 31,986 | 16,340 | - | - |
| Past Service Cost | - | - | 33 | - | - |
| Curtailment Cost | - | - | 113 | - | - |
| Settlement Cost | - | - | - | - | - |
| Administration Expenses | 337 | 337 | 367 | - | - |
| | 32,323 | 32,323 | 16,853 | - | - |
| Financing and Investment Income and Expenditure: | | | | | |
| Net Interest Expense | 922 | 922 | (8,633) | 364 | 471 |
| Interest on asset ceiling | - | - | 8,204 | - | - |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 33,245 | 33,245 | 16,424 | 364 | 471 |
| Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | | | | | |
| Remeasurement of the net defined benefit liability comprising: | | | | | |
| Return on plan assets | 55,143 | 55,143 | (25,996) | - | - |
| Actuarial gains/(losses) arising from changes | (321,924) | (321,924) | (9,185) | (3,149) | (80) |
| Actuarial gains/(losses) arising from demographic | (17,301) | (17,301) | (6,851) | (309) | (165) |
| Change in effect of the asset ceiling | - | - | - | - | - |
| Other | 55,111 | 55,111 | 28,673 | 873 | 2,354 |
| Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement | (195,726) | (195,726) | 3,065 | (2,221) | 2,580 |
| Movement in Reserves Statement | | | | | |
| Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code | (33,245) | (33,245) | (16,424) | (364) | (471) |
| Actual amount charged against the General Fund Balance for pensions in the year: | | | | | |
| Employers' contributions payable to scheme | 16,286 | 16,286 | 17,872 | 990 | 1,018 |
| Retirement benefits payable to pensioners | - | 17,509 | 21,033 | 990 | 1,018 |

Note 43 Defined Benefit Pension Schemes (continued)

Assets and Liabilities Recognised in the Balance Sheet

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

| | Local Government Pension Scheme | | | Discretionary Benefits | |
|---|---------------------------------|-----------|---------------|------------------------|-----------------|
| | 2022/23 | | | 2022/23 | 2023/24 |
| | 2022/23 | RESTATED | 2023/24 | 2022/23 | 2023/24 |
| | £000 | £000 | £000 | £000 | £000 |
| Present Value of the defined benefit obligation | (551,193) | (551,193) | (590,811) | (10,257) | (11,819) |
| Fair value of plan assets | 722,115 | 722,115 | 784,744 | - | - |
| Sub Total | 170,922 | 170,922 | 193,933 | (10,257) | (11,819) |
| IFRIC 14 Adjustment: | | | | | |
| - Effect of asset ceiling | (163,438) | (170,922) | (179,126) | - | - |
| Net asset/(liability) arising from defined ben | 7,484 | - | 14,807 | (10,257) | (11,819) |

IAS19 limits the measurement of a net defined benefit asset to the lower of the surplus in the defined benefit plan and the asset ceiling. The Council has applied the asset ceiling test as prescribed by IFRIC 14 which limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.' The pension asset can be recognised as the lower of the net pension asset or the present value of any economic benefits available. The Council's actuaries undertook this assessment and the asset value in the accounts has reduced as the present value of the benefits available were lower than the pension asset.

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

| | Local Government Pension Scheme | | | Discretionary Benefits | |
|--|---------------------------------|----------------|----------------|------------------------|---------------|
| | 2022/23 | 2022/23 | 2023/24 | 2022/23 | 2023/24 |
| | £000 | RESTATED £000 | £000 | £000 | £000 |
| Opening Balance at 1 April | 793,832 | 793,742 | 551,193 | 13,468 | 10,257 |
| Current Service Cost | 31,986 | 31,986 | 16,340 | - | - |
| Interest Cost | 22,050 | 22,050 | 26,083 | 364 | 471 |
| Contributions from scheme participants | 5,038 | 5,038 | 5,445 | - | - |
| Remeasurement (gains)/losses: | | | | | |
| Actuarial (gains)/losses arising from changes in financial assumptions | (321,924) | (321,924) | - | (3,149) | - |
| Actuarial (gains)/losses arising from demographic changes | (17,301) | (17,301) | 2023/24 | (309) | 2023/24 |
| Other | 55,111 | 55,111 | - | 873 | - |
| Past Service Cost | - | - | 33 | - | - |
| (Gains)/Losses on curtailment/settlements | - | - | 113 | - | - |
| Benefits paid | (17,509) | (17,509) | (21,033) | (990) | - |
| Closing Balance at 31 March | 551,283 | 551,193 | 578,174 | 10,257 | 10,728 |

Note 43 Defined Benefit Pension Schemes (continued)

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

| | Local Government Pension Scheme | | | Discretionary Benefits | |
|---|---------------------------------|---------------------|-----------------|------------------------|-----------------|
| | 2022/23 £000 | 2022/23 RESTATED | 2023/24 £000 | 2022/23 £000 | 2023/24 £000 |
| Opening fair value of scheme assets | 752,652 | 752,652 | 722,115 | - | - |
| Interest Income | 21,128 | 21,128 | 34,716 | - | - |
| Remeasurement Gains: | | | | | |
| The return on plan assets, excluding the amount in the net interest expense | (55,143) | (55,143) | 25,996 | - | - |
| Contributions from employer | 16,286 | 16,286 | 17,872 | 990 | 1,018 |
| Contributions from employees into the scheme | 5,038 | 5,038 | 5,445 | - | - |
| Benefits paid | (17,509) | (17,509) | (21,033) | (990) | (1,018) |
| Other - administration expenses | (337) | (337) | (367) | - | - |
| Closing fair value of scheme assets | 722,115 | 722,115 | 784,744 | - | - |

Local Government Pension Scheme assets comprised:

Fair value of scheme assets

| | Quoted Prices in Active Markets £000 | Prices not Quoted in Active Markets £000 | Total £000 |
|------------------------|---|---|----------------|
| 31 March 2023 | | | |
| UK Equities | 177,208 | - | 177,208 |
| Overseas Equities | 225,227 | - | 225,227 |
| UK Government Bonds | 46,360 | - | 46,360 |
| Other Government Bonds | - | - | - |
| Other UK Bonds | - | - | - |
| Other non UK Bonds | - | - | - |
| Property | - | 47,226 | 47,226 |
| Private Equity | - | 182,623 | 182,623 |
| Global Infrastructure | 15,381 | - | 15,381 |
| Cash Instruments | - | 28,090 | 28,090 |
| Total Assets | 464,176 | 257,939 | 722,115 |

Note 43 Defined Benefit Pension Schemes (continued)

| 31 March 2024 | Quoted | Prices not | Total |
|------------------------|----------------|----------------|----------------|
| | Prices in | Quoted in | |
| | Active | Active | |
| | Markets | Markets | |
| | £000 | £000 | £000 |
| UK Equities | 115,665 | - | 115,665 |
| Overseas Equities | 338,342 | - | 338,342 |
| UK Government Bonds | 43,787 | - | 43,787 |
| Other Government Bonds | - | - | - |
| Other UK Bonds | - | - | - |
| Other non UK Bonds | - | - | - |
| Property | - | 48,616 | 48,616 |
| Private Equity | - | 204,930 | 204,930 |
| Global Infrastructure | 12,154 | - | 12,154 |
| Cash Instruments | - | 21,250 | 21,250 |
| Total Assets | 509,948 | 274,796 | 784,744 |

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 2024 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 2024. The significant assumptions used by the actuary have been:

| | Local Government | | Unfunded Liabilities | |
|---|------------------|---------|----------------------|---------|
| | Pension Scheme | | Discretionary | |
| | 2022/23 | 2023/24 | 2022/23 | 2023/24 |
| Mortality Assumptions: | | | | |
| Longevity at 65 for current pensioners | | | | |
| Men | 21.0 | 20.7 | 21.0 | 20.7 |
| Women | 23.4 | 23.0 | 23.4 | 23.0 |
| Longevity at 65 for future pensioners | | | | |
| Men | 22.4 | 22.0 | - | - |
| Women | 25.4 | 24.8 | - | - |
| Rate of Inflation | 2.70% | 2.70% | 2.70% | 2.70% |
| Rate of increase in salaries | 4.20% | 4.20% | - | - |
| Rate of increase in pensions | 2.80% | 2.80% | 2.80% | 2.80% |
| Rate for discounting scheme liabilities | 4.80% | 4.90% | 4.90% | 4.90% |

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

Note 43 Defined Benefit Pension Schemes (continued)

| | Increase in Assumption | Decrease in Assumption |
|---|---------------------------|---------------------------|
| | £000 | £000 |
| Impact on the Defined Benefit Obligation in the Scheme | | |
| Longevity (increase of 1 year in life expectancy) | 13,948 | (13,948) |
| Rate of inflation (increase or decrease by 0.25%) | 22,779 | (22,779) |
| Rate of increase in salaries (increase or decrease by 0.25%) | 3,195 | (3,195) |
| Rate of increase in pensions (increase or decrease by 0.25%) | (43,088) | 43,088 |

Funding Strategy Statement

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

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

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

The asset proportions of the Fund at 31 March 2024, with March 2023 in brackets were: equities, including alternatives 85.52% (83.15%), bonds 5.58% (6.42%), property 6.19% (6.54%) and cash 2.71% (3.89%).

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 2023 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 13 years and have approved an employer contribution rate requirement of 14.3% for local authorities across the scheme from 1 April 2024. During the valuation process employer rates are set for a period of three years. The latest triennial valuation was as at 31 March 2023 to determine a funding level and set the rates for 2024/25 onwards.

The employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2024 is £13.137m. Expected contributions for Discretionary Benefits in the year to 31 March 2025 are £1.018m.

Note 44 Contingent Liabilities

Bilbohall South Land

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

Both the Council and GHA agreed to alter the missives to extend the buy-back period until 31 March 2024. In agreeing to the extension to the buy-back period both parties sought consent of the Scottish Government. A masterplan for development of a wider area at Bilbohall has been finalised and a planning application was approved on 23 March 2021. After a prolonged tender period, a single bid was received with clarifications. HUB North were appointed as Employers Agent, however were unsuccessful in their discussions with the contractor to resolve the clarifications and arrive at a fixed price Design and Build contract that is acceptable to all parties.

More Homes Board considered procurement options on 11 May 2023 and approved re-engagement with the previous design team to develop a denser, more commercial layout using the consented road structure, and bring the design to RIBA4 to minimise inclusion of amounts to cover risk in a future tender. The development continues to feature prominently in the Strategic Housing Investment Plan approved in November 2023, with high priority for allocation of Scottish Government More Homes Division Funding. A planning application for 106 units was submitted on 30 April 2024 and following another tender exercise, it is anticipated that a site start can be achieved during winter 2024/25.

Energy from Waste Project

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

Building Dilapidations

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

Scottish Child Abuse Enquiry

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

Asbestos Related Illness

The Council is aware of three 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.

Note 45 Nature and Extent of Risks Arising From Financial Instruments

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

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

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

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

Credit Risk

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

The credit criteria in respect of financial assets held by the Council at 31 March 2024 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 2023 | Amounts at 31 March 2024 | Historical experience of default | Historical experience adjusted for market conditions as at 31 March 24 | Estimated maximum exposure to default and uncollectability |
|--------------|---|--------------------------|----------------------------------|--|--|
| | £000 | £000 | % | % | £000 |
| Customers | 3,063 | 3,666 | 28.44 | 28.44 | 1,043 |
| Total | 3,063 | 3,666 | | | 1,043 |

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

Debtors

The Council does not generally allow credit for customers. As a result, £3.290m of the £3.666m balance is past its due date for payment (2022/23 £3.544m). The past due but not impaired amount can be analysed by age as follows:

| | 2022/23 | 2023/24 |
|------------------------|----------------|----------------|
| | £000 | £000 |
| Less than six months | 1,962 | 1,857 |
| Six months to one year | 681 | 461 |
| More than one year | 901 | 972 |
| Total | 3,544 | 3,290 |

The impairments made, analysed by age are as follows:

| | 2022/23 | 2023/24 |
|------------------------|----------------|----------------|
| | £000 | £000 |
| Less than six months | - | - |
| Six months to one year | 341 | 231 |
| More than one year | 901 | 972 |
| Total | 1,242 | 1,203 |

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 36.44% 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):

| | 2022/23 | | 2023/24 | |
|-----------------------------------|----------------|--------------|----------------|--------------|
| | £000 | | £000 | |
| | | Average Rate | | Average Rate |
| Repayment less than 1 year | 88,123 | 2.16% | 105,146 | 2.16% |
| Repayment between 1 and 2 years | 7,250 | 3.06% | 7,282 | 3.06% |
| Repayment between 2 and 5 years | 15,740 | 2.94% | 14,138 | 2.94% |
| Repayment between 5 and 10 years | 20,116 | 4.93% | 22,328 | 4.93% |
| Repayment between 10 and 15 years | 14,716 | 6.35% | 16,187 | 6.35% |
| Repayment in more than 15 years | 95,075 | 5.40% | 94,560 | 5.40% |
| | 241,020 | | 259,641 | |

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

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

Market Risk

Interest Rate Risk

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

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

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

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

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

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

According to this assessment strategy, at 31 March 2024, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | 2022/23 | 2023/24 |
|---|----------------|----------------|
| | £000 | £000 |
| Increase in interest payable on variable rate borrowing | 244 | 621 |
| Impact on Comprehensive Income and Expenditure Statement | 244 | 621 |

Housing Revenue Account Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost for the year ended 31 March 2024 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.

| 2022/23 | | 2023/24 |
|-----------------|---|-----------------|
| £000 | | £000 |
| | Income | |
| (20,975) | Dwelling Rents | (22,082) |
| (193) | Non Dwelling Rents | (187) |
| (602) | Other Income | (668) |
| (21,770) | Total Income | (22,937) |
| | Expenditure | |
| 5,170 | Supervision and Management | 5,169 |
| 8,482 | Repairs and Maintenance | 10,983 |
| 204 | Bad and Doubtful Debts | 129 |
| 9,090 | Depreciation and Impairment of Non-Current Assets | 10,709 |
| (4,877) | Revaluation losses on Non-Current Assets | 4,480 |
| 60 | HRA Share of Corporate and Democratic Core Costs | 79 |
| 475 | Other Expenditure | 488 |
| 18,604 | Total Expenditure | 32,037 |
| (3,166) | Net Cost of HRA Services | 9,100 |
| | - (Gain)/loss on sale of HRA non-current assets | 33 |
| 2,749 | Interest Payable and Similar Charges | 3,139 |
| (173) | Interest and Investment Income | (517) |
| 30 | Net Interest on the Defined Benefit Liability | (2) |
| (8,747) | Capital Grants and Contributions Receivable | (3,142) |
| (9,307) | (Surplus)/Deficit for the Year on HRA Services | 8,611 |

Movement on the Housing Revenue Account Statement

| 2022/23 £000 | 2023/24 £000 |
|--|-----------------------|
| (9,307) (Surplus)/Deficit for the Year on the HRA Income and Expenditure Account | 8,611 |
| (2,264) Adjustments to Usable Reserves permitted by Accounting Standards | (5,768) |
| Adjustments between accounting basis and funding basis under regulations | |
| Difference between interest payable and similar charges determined in accordance | |
| 96 with the Code and those determined in accordance with statute | 96 |
| - Gain or loss on sale of HRA non-current assets | (33) |
| 2,085 Capital expenditure funded by the Housing Revenue Account | 739 |
| (438) HRA share of contributions to/(from) the Pensions Reserve | 34 |
| (15) Employee Statutory Adjustment Account | 8 |
| Transfers to/from the Capital Adjustment Account: | |
| (6,826) Depreciation and Impairment of Non-Current Assets | (4,941) |
| 4,877 Revaluation losses on Property, Plant and Equipment | (4,480) |
| 1,708 Loans fund principal repayments | 2,020 |
| 8,747 Capital Grants applied | 3,142 |
| <u>(1,337)</u> Net Decrease Before Transfers to Reserves | <u>(572)</u> |
| Transfers to/(from) Reserves | |
| 43 IORB and Statutory Funds | 102 |
| 1,341 Transfers to / (from) Reserves | 1,301 |
| <u>1,384</u> | <u>1,403</u> |
| 47 (Increase)/decrease in the year on the HRA | 831 |
| (2,465) Housing Revenue Account Balance Brought Forward | (2,418) |
| <u>(2,418)</u> Housing Revenue Account Balance Carried Forward | <u>(1,587)</u> |

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:-

| | | 2022/23 | 2023/24 |
|---------------------|-----------------------|------------------|------------------|
| | | Number of | Number of |
| | | Dwellings | Dwellings |
| Bedsit | Houses and Bungalows | 20 | 20 |
| | Flats and Maisonettes | 24 | 24 |
| 1 bedroom | Houses and Bungalows | 1,079 | 1,079 |
| | Flats and Maisonettes | 719 | 732 |
| 2 bedroom | Houses and Bungalows | 2,222 | 2,238 |
| | Flats and Maisonettes | 691 | 691 |
| 3 bedroom | Houses and Bungalows | 1,299 | 1,305 |
| | Flats and Maisonettes | 99 | 99 |
| 4 or more bedroomed | Houses and Bungalows | 179 | 182 |
| | Total | 6,332 | 6,370 |

2. Rent Arrears

The total rent arrears, including rents outstanding from former tenants, as at 31 March 2024 was £0.926m which is 4.15% of gross rental income. This is equivalent to £145.36 per house (2022/23 £0.998m, 4.76%, £157.54).

3. Impairment of Debtors

The provision for uncollectable debts has increased by £0.006m (increase in 2022/23 £0.101m). The total provision for uncollectable debts including rechargeable repairs is £0.381m (2022/23 £0.375m).

4. Voids

The loss of rental on void properties for the year was £0.175m (2022/23 £0.220m).

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.

| 2022/23 | 2023/24 |
|--|----------------|
| £000 | £000 |
| 62,656 Council Tax Levied and Contributions in Lieu | 66,575 |
| Deduct: | |
| (4,059) Local Council Tax Reduction Scheme | (4,317) |
| (9,378) Other discounts and reductions | (9,889) |
| 49,219 Total for Year | 52,369 |
| | |
| 142 Council Tax adjustment in respect of prior years | 5 |
| (986) Allowance for impairment of uncollectable debts | (836) |
| 48,375 Transfers to General Fund | 51,538 |

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 2023/24 Moray Council collected £0.521m (2022/23 £0.500m) from the implementation of this policy. This amount is included in the figures above.

Council Tax Income Account (continued)

Calculation of Council Tax Base Number of Dwellings

| | Number of Dwellings | Number of Exemptions/Reliefs | Discounts | | Total Equivalent Dwellings | Ratio to Band D | Band D Equivalent |
|--------|---------------------------|---------------------------------|--------------|------------|----------------------------------|------------------------------------|----------------------|
| | | | 25% | Other | | | |
| Band A | 11,969 | 798 | 1,595 | 214 | 9,362 | 6/9 | 6,239 |
| Band B | 10,587 | 498 | 1,094 | 199 | 8,796 | 7/9 | 6,841 |
| Band C | 7,270 | 437 | 606 | 146 | 6,081 | 8/9 | 5,405 |
| Band D | 6,824 | 519 | 448 | 98 | 5,759 | 9/9 | 5,759 |
| Band E | 6,582 | 243 | 329 | 98 | 5,912 | 473/360 | 7,768 |
| Band F | 2,521 | 59 | 87 | 42 | 2,333 | 585/360 | 3,791 |
| Band G | 725 | 24 | 23 | 20 | 658 | 705/360 | 1,288 |
| Band H | 107 | 54 | 1 | 6 | 46 | 882/360 | 113 |
| | 46,585 | 2,632 | 4,183 | 823 | 38,947 | | 37,204 |
| | | | | | | Add: Contributions in Lieu | 974 |
| | | | | | | Less: Provision for non-collection | (573) |
| | | | | | | Council Tax Base 2023/24 | 37,605 |

Calculation of Council Tax

In 2023/24, the charges for each band were as follows:

| Band | Property Value £ | Number of Properties | Council Tax Charge £ |
|------|---------------------|----------------------|-------------------------|
| A | Up to 27,000 | 9,362 | £953.79 |
| B | 27,000 - 35,000 | 8,796 | £1,112.76 |
| C | 35,001 - 45,000 | 6,081 | £1,271.72 |
| D | 45,001 - 58,000 | 5,759 | £1,430.69 |
| E | 58,001 - 80,000 | 5,912 | £1,879.77 |
| F | 80,001 - 106,000 | 2,333 | £2,324.87 |
| G | 106,001 - 212,000 | 658 | £2,801.76 |
| H | Above 212,000 | 46 | £3,505.19 |

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 2023/24 the rate poundage was 49.8p (49.8p in 2022/23). 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 £0.100m, an Intermediate Property Supplement of 1.3p was introduced; properties with rateable values in excess of £0.100m incurred a Large Property Supplement of 2.6p (these supplements are unchanged from 2021/22).

Properties with a rateable value of up to £0.012m 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.

| 2022/23 | 2023/24 |
|---|----------------|
| £000 | £000 |
| 63,931 Gross Rates Levied | 75,031 |
| Deduct: | |
| (10,201) Reliefs and Other Deductions | (9,556) |
| - Payment of interest | - |
| - Write-offs of uncollectable debts and allowance for impairment | (12) |
| 53,730 Net Non-Domestic Rate Income | 65,463 |
| (985) Adjustments to previous years' National Non-Domestic Rates | (1,030) |
| 52,745 | 64,433 |
| - Business Rates Incentivisation Scheme (BRIS) retention | - |
| 1,830 Contribution (to)/from National Pooling | (9,119) |
| 54,575 Guaranteed Rate Income | 55,314 |
| - BRIS retention | - |
| 54,575 Amount credited to the Comprehensive Income and Expenditure Statement | 55,314 |

Non-Domestic Rate Income Account (continued)

Analysis of Rateable Values and Numbers of Entries at 1 April 2023

| | Number of Entries | 2023/24 Rateable Value £000 |
|---|----------------------|--------------------------------------|
| Shops | 917 | 18,517 |
| Public Houses | 59 | 1,062 |
| Offices (including Banks) | 495 | 5,963 |
| Hotels, Boarding Houses, etc. | 111 | 3,184 |
| Industrial and Freight Transport Subjects | 1,369 | 63,484 |
| Leisure, Entertainment Caravans and Holiday Sites | 961 | 5,069 |
| Garages and Petrol Stations | 121 | 1,605 |
| Cultural | 20 | 222 |
| Sporting Subjects | 570 | 1,273 |
| Education and Training | 83 | 8,554 |
| Public Service Subjects | 274 | 21,785 |
| Communications (Non-Formula) | 18 | 1,688 |
| Quarries, Mines, etc. | 34 | 481 |
| Petrochemical | 5 | 755 |
| Religious | 156 | 1,415 |
| Health Medical | 50 | 2,294 |
| Other | 426 | 734 |
| Care Facilities | 48 | 1,982 |
| Advertising | 18 | 34 |
| Undertaking | 23 | 5,581 |
| | 5,758 | 145,682 |

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 2024.

Trust Reorganisation

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

Accounting Policies

Basis of Preparation

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

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

The financial statements for the non-charitable trusts have been prepared in accordance with the code of practice on Local Authority Accounting in the United Kingdom 2023/24.

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

| 2022/23 | | | 2023/24 | |
|---------------------------------|----------------|---|---------------------------------|---------------|
| Connected Charitable £000 | Other £000 | | Connected Charitable £000 | Other £000 |
| | | Income | | |
| (28) | (116) | Investment Income | (28) | (115) |
| - | (57) | Property Rental Income | - | (76) |
| - | (1,337) | Gain on Revaluation of Fixed Assets (Surplus)/Deficit on revaluation of Available for Sale | - | (206) |
| 15 | 66 | Financial Assets | (31) | (130) |
| - | (2) | Other Income | - | (236) |
| (13) | (1,446) | Total Income | (59) | (763) |
| | | Expenditure | | |
| 15 | 70 | Beneficiaries | 20 | 68 |
| 8 | 10 | Administration | 8 | 11 |
| - | 165 | Other Costs | - | 298 |
| - | 130 | Depreciation | - | 151 |
| 23 | 375 | Total Expenditure | 28 | 528 |
| 10 | (1,071) | (Surplus)/Deficit for the year | (31) | (235) |
| (15) | 1,141 | Items not Chargeable to Revenue Reserves | 31 | 185 |
| (5) | 70 | (Increase)/Decrease in Revenue Reserves | - | (50) |

Trust Funds Balance Sheet

| 2022/23 | | 2023/24 | |
|----------------------|---------------|----------------------|---------------|
| Connected Charitable | Other | Connected Charitable | Other |
| £000 | £000 | £000 | £000 |
| - | 6,317 | - | 6,372 |
| - | 100 | - | 100 |
| 584 | 2,414 | 615 | 2,544 |
| 584 | 8,831 | 615 | 9,016 |
| | | | |
| 2 | 7 | 1 | 8 |
| 437 | 1,759 | 438 | 1,814 |
| 439 | 1,766 | 439 | 1,822 |
| | | | |
| (7) | (13) | (7) | (19) |
| (7) | (13) | (7) | (19) |
| | | | |
| 1,016 | 10,584 | 1,047 | 10,819 |
| | | | |
| - | 3,242 | - | 3,242 |
| - | 3,151 | - | 3,206 |
| 339 | 1,400 | 370 | 1,530 |
| 677 | 2,791 | 677 | 2,841 |
| 1,016 | 10,584 | 1,047 | 10,819 |

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 2023/24.

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:

2022/23

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

2023/24

| | Other Land and Buildings £000 | Community Assets £000 | Total £000 |
|--|-------------------------------------|-----------------------------|---------------|
| Gross Book Value at 1 April 2023 | 6,302 | 15 | 6,317 |
| Revaluations | (97) | | (97) |
| Additions | 152 | | 152 |
| Disposals | | | - |
| Gross Book Value at 31 March 2024 | 6,357 | 15 | 6,372 |
| Accumulated Depreciation at 1 April 2023 | - | - | - |
| Revaluations | (151) | | (151) |
| Disposals | | | - |
| Charge for the Year | 151 | | 151 |
| Depreciation at 31 March 2024 | - | - | - |
| Net Book Value at 31 March 2024 | 6,357 | 15 | 6,372 |

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 2024 |
|---|---|
| Monuments and Fountains | 2 |

Note 3 Investment Properties

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

| | 2022/23 £000 | 2023/24 £000 |
|--|-------------------------|-------------------------|
| Balance at start of the year | 100 | 100 |
| Net gains/(losses) from fair value adjustments | - | - |
| Balance at end of the year | 100 | 100 |

Note 4 Trust Details

Funds for which The Moray Council act as Sole Trustee

| <u>Fund</u> | <u>Income</u> <u>£000</u> | <u>Expenditure</u> <u>£000</u> | <u>Assets</u> <u>£000</u> | <u>Liabilities</u> <u>£000</u> |
|--|------------------------------|-----------------------------------|------------------------------|-----------------------------------|
| Registered Charitable Trusts | | | | |
| 6 Registered Charitable Trusts, each with Assets less than £50,000 | (1) | 1 | 57 | (1) |
| The Moray Council Charitable Trust <i>Established to reorganise trusts with out of date purposes. 23 trusts were approved for reorganisation in 2021/22. Split into sub categories by location and purpose.</i> | (6) | 6 | 258 | (1) |
| Moray & Nairn Educational <i>Grants payable to persons resident in the former combined County of Moray & Nairn, including University & Central Institution Bursaries; Adult Education; School Equipment; Sports facilities; Travel Grants and School Excursions</i> | (52) | 21 | 739 | (5) |
| | (59) | 28 | 1,054 | (7) |
| Other Trusts | | | | |
| 6 Non Registered Trusts, each with Assets less than £50,000 | (3) | 1 | 87 | - |
| Longmore Hall <i>Village Hall for the use of the community</i> | (79) | 38 | 1,469 | - |
| Glenisla Comforts Fund <i>For the benefit of the residents of Glenisla Care Home</i> | (10) | - | 181 | - |
| John Pringle Bequest <i>For the benefit of students at Aberdeen University who have previously attended Elgin Academy</i> | (3) | - | 57 | - |
| Speyside Comforts Fund <i>For the benefit of the residents of Speyside Nursing Home</i> | (5) | - | 81 | - |
| The Pringle Trust <i>Established to make payments annually to Ministers, serving and emeriti of the Church of Scotland, Baptist and Free Church of Scotland</i> | (3) | 3 | 104 | - |

Note 4 Trust Details (continued)

| <u>Fund</u> | <u>Income £000</u> | <u>Expenditure £000</u> | <u>Assets £000</u> | <u>Liabilities £000</u> |
|---|------------------------|-----------------------------|------------------------|-----------------------------|
| William Lawtie <i>For the Poor of Cullen</i> | (4) | 2 | 227 | - |
| The MacDonald Benevolent Fund <i>Established in 1989 for persons in need of financial assistance particularly in Dufftown as decided by the Social Work Department</i> | (11) | 2 | 305 | - |
| Milne's Institution Trust <i>The free annual income to be applied as The Moray Council thinks fit for the purposes of the educational enrichment of pupils attending Milne's High School and Milne's Primary School. The income shall be apportioned to the schools on a pro rata basis by reference to attendance rolls of the respective schools</i> | (23) | 9 | 323 | - |
| Laing Mortification <i>For the benefit of a decayed merchant resident in Elgin.</i> | (7) | - | 329 | - |
| Craigmoray Bequest (Bishopmill) <i>For the benefit of the residents of Craigmoray Care Home</i> | (27) | - | 511 | - |
| Ladyhill Public Trust <i>Provides homes for two veterans from the Elgin area</i> | (180) | 163 | 134 | (2) |
| Jubilee Cottages Public Trust <i>Trust established by monies raised during Queen Victoria's Diamond Jubilee for the purposes of providing low cost housing</i> | (47) | 17 | 742 | - |
| Cooper Park Public Trust <i>Trust established at turn of last century to provide Elgin library and reading rooms and parkland for recreation – all for the inhabitants of Elgin</i> | (150) | 129 | 527 | (3) |
| River Lossie Public Trust <i>Established mid 1800's to provide ground for recreation for the people of Elgin</i> | (84) | 49 | 1,038 | - |
| Grant Park Public Trust <i>Trust incorporating the public convenience, tea room/shop and the cricket and bowling pavilions, to be used for the benefit of the community of Forres</i> | 84 | 30 | 1,142 | - |
| Miltonduff Hall <i>Established to provide space for local groups for education, recreation etc</i> | (25) | 11 | 502 | - |

Note 4 Trust Details (continued)

| <u>Fund</u> | <u>Income £000</u> | <u>Expenditure £000</u> | <u>Assets £000</u> | <u>Liabilities £000</u> |
|--|------------------------|-----------------------------|------------------------|-----------------------------|
| Logie Cottage <i>Proceeds from the sale of Logie cottage which was previously established to provide a free home or house of rest to a respectable retired couple or single woman in Forres</i> | (2) | 4 | 85 | - |
| Fife Park, Keith Public Trust <i>Trust incorporating the playing field, pavilion and public convenience</i> | - | - | - | - |
| Flemming Hall Aberlour | (38) | 16 | 786 | - |
| | <u>(465)</u> | <u>474</u> | <u>8,630</u> | <u>(5)</u> |

Funds for which The Moray Council acts as one of several trustees

Registered Charitable Trusts

| | | | | |
|--|-------------|-----------|------------|------------|
| Auchernack Trust <i>For the benefit of the elderly community of the Forres Area who are in need of relief by reason of advanced age</i> | (56) | 18 | 884 | (1) |
| | <u>(56)</u> | <u>18</u> | <u>884</u> | <u>(1)</u> |

Other Trusts

| | | | | |
|---|-------------|-----------|--------------|-------------|
| Donald Manson (Edinkillie) Fund <i>3 Bursaries for children living in the Parish of Edinkillie in S1 as well as one Further Education Bursary for a student aged under 18. The annual balance of the fund is payable to Forres Academy</i> | (28) | 12 | 401 | (11) |
| Donald Manson (Forres) Fund <i>One bursary for a child living in the Burgh of Forres in S1. The annual balance of the fund is payable to Forres Academy</i> | (7) | 3 | 109 | (2) |
| Banffshire Educational Trust <i>Grants payable to persons resident in the former County of Banffshire, including University, Post Graduate, Apprentices & Trainees; School Equipment; Sports Facilities; Support of Clubs; Promoting Education in Drama, Music & Visual Arts; Travel Grants and School Excursions.</i> | (56) | 21 | 814 | |
| | <u>(91)</u> | <u>36</u> | <u>1,324</u> | <u>(13)</u> |

| <u>Fund</u> | <u>Income £000</u> | <u>Expenditure £000</u> | <u>Assets £000</u> | <u>Liabilities £000</u> |
|-----------------------------|------------------------|-----------------------------|------------------------|-----------------------------|
| Summary | | | | |
| Connected Charitable Trusts | (59) | 28 | 1,054 | (7) |
| Other Trusts | <u>(764)</u> | <u>528</u> | <u>10,838</u> | <u>(19)</u> |
| Total | <u>(823)</u> | <u>556</u> | <u>11,892</u> | <u>(26)</u> |

Common Good Funds

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

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

The Accounts for Common Good have been prepared according to the LAASAC Guidance *Accounting for Common Good (December 2007)* which is consistent with proper accounting required by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Accounting Policies

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

Common Good Funds Income and Expenditure Account

| 31 March 2023 | 31 March 2024 |
|--|---------------|
| £000 | £000 |
| Income | |
| (6) Property | (6) |
| (143) Investment Income | (143) |
| (1) Other Income | (10) |
| - Net Movement in Fair Value of Investment Property | (50) |
| - Gain on Disposal of Asset | |
| (150) Total Income | (209) |
| Expenditure | |
| 4 Property Costs | 7 |
| 8 Administrative Costs | 9 |
| 92 Donations, Grants etc | 98 |
| 20 Other Costs | 39 |
| 650 Depreciation | 631 |
| 646 Loss on Disposal of Asset | 1,006 |
| 34 Net Movement in Fair Value of Investment Property | |
| 1,454 Total Expenditure | 1,790 |
| 1,304 (Surplus)/Deficit for the Year | 1,581 |
| (670) Deficit/(Surplus) on revaluation of Non-current Assets | (1,059) |
| 634 Total Comprehensive Net Expenditure | 522 |

Common Good Funds Balance Sheet

31 March 2023

31 March 2024

| £000 | | £000 |
|---------------|-----------------------------|----------------------|
| 16,519 | Property, Plant & Equipment | Note 1 15,941 |
| 204 | Heritage Assets | Note 2 204 |
| 2,571 | Investment Property | Note 3 2,621 |
| 19,294 | Long Term Assets | 18,766 |
| 1 | Inventories | 1 |
| 8 | Debtors | 18 |
| 3,982 | Loans Fund Balance | 3,993 |
| 3,991 | Current Assets | 4,012 |
| (6) | Creditors | (21) |
| (6) | Current Liabilities | (21) |
| 23,279 | Net Assets | 22,757 |
| 16,713 | Revaluation Reserve | 16,135 |
| 6,566 | Revenue Reserve | 6,622 |
| 23,279 | Total Reserves | 22,757 |

31 March 2023

31 March 2024

| Total Funds £000 | | Invested in Loans Fund £000 | Total Funds £000 |
|---------------------|--------------|--------------------------------------|---------------------|
| - | Millbuies | (6) | - |
| 5,069 | Buckie | 1,640 | 4,128 |
| 197 | Cullen | 184 | 201 |
| 15 | Dufftown | 16 | 16 |
| 13,251 | Elgin | 1,604 | 13,527 |
| 2,450 | Forres | 483 | 2,531 |
| 53 | Portknockie | 54 | 54 |
| 358 | Keith | 12 | 360 |
| 1,882 | Lossiemouth | - | 1,935 |
| 4 | Findochty | 6 | 5 |
| 23,279 | TOTAL | 3,993 | 22,757 |

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 2023/24.

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

Assets have been valued on the following basis:-

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

Depreciation

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

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

Movements of Property Plant and Equipment were as follows:

Note 1 Property, Plant and Equipment (continued)

2022/23

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

2023/24

| | Other Land & Buildings £000 | Surplus Assets £000 | Assets Held For Sale £000 | Total £000 |
|--|-----------------------------------|---------------------------|---------------------------------|---------------|
| Gross Book Value at 1 April 2023 | 16,519 | - | - | 16,519 |
| Revaluations | - | - | - | - |
| Indexation | 442 | 3 | - | 445 |
| Reclassifications | (101) | 101 | - | - |
| Disposals | (1,006) | - | - | (1,006) |
| Gross Book Value at 31 March 2024 | 15,854 | 104 | - | 15,958 |
| Accumulated Depreciation at 1 April 2023 | - | - | - | - |
| Revaluations | - | - | - | - |
| Indexation | (613) | (1) | - | (614) |
| Reclassifications | - | - | - | - |
| Disposals | - | - | - | - |
| Charge for the Year | 630 | 1 | - | 631 |
| Depreciation at 31 March 2024 | 17 | - | - | 17 |
| Net Book Value at 31 March 2024 | 15,837 | 104 | - | 15,941 |

Note 2 Heritage Assets

| | Fine Art £000 | Chains of Office £000 | Total Heritage Assets £000 |
|---------------------------|-------------------------|---------------------------------|-------------------------------------|
| Valuation at 1 April 2022 | 125 | 79 | 204 |
| Revaluations | - | - | - |
| At 31 March 2023 | 125 | 79 | 204 |
| Valuation at 1 April 2023 | 125 | 79 | 204 |
| Revaluations | - | - | - |
| At 31 March 2024 | 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 2024 |
|-------------------------|---|
| 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:-

| | 2022/23 | 2023/24 |
|--|-----------|-----------|
| | £000 | £000 |
| Rental income from investment property | 52 | 50 |
| Net gain | 52 | 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.

Note 3 Investment Property (continued)

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

| | 2022/23 | 2023/24 |
|---|----------------|----------------|
| | £000 | £000 |
| Balance at start of the year | 2,605 | 2,571 |
| Net gains /(loss) from fair value adjustments | (34) | 50 |
| Balance at end of the year | 2,571 | 2,621 |

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.

