

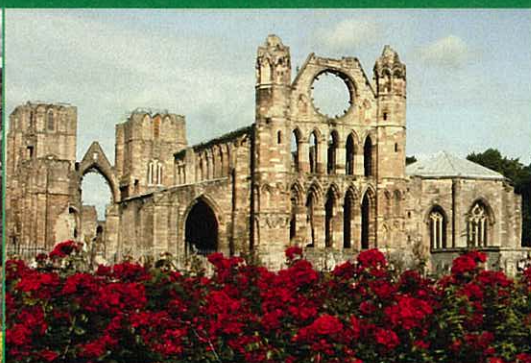


the **MORAY** council

The Moray Council

# Annual Report and Financial Statements

For the year ended 31st March 2012





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## Local Authority Functions

The Moray Council is directly responsible for the provision of the following services:

Social Work  
Housing

Strategic Planning and Development  
Local Planning and Development Control  
Industrial Development  
Roads, Highways and Bridges  
Harbours  
Car Parks  
Dredger  
Parks and Open Spaces  
Environmental Protection  
Trading Standards

Education  
Libraries & Museums  
Public Halls  
Recreational Activities

Community Councils  
Registrar  
Emergency Planning  
Licensing

Joint Boards serving the Grampian area provide the following services in Moray:

Fire  
Police  
Electoral Registration and the Valuation of Land and Property

In addition to the above the Council participates in the following partnerships:

Transport – The Highlands and Islands Transport Partnership

Criminal Justice – Northern Community Justice Authority

Procurement – Scotland Excel

Information Technology solutions for Educational Services – SEEMIS Group LLP

Health and Social Work – Moray Community Health and Social Care Partnership

Children and Young People – Children and Young People's Partnership



# Explanatory Foreword

## Introduction

These accounts set out the Council's financial position at the end of March 2012 and reflect the transactions which occurred in the past financial year. The explanatory foreword is intended to give the reader a guide to the accounts; to highlight the most significant information, and to put the accounts in the context of the Council's plans and external influencing circumstances.

The Financial Statements following this Foreword fully comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12. The Code of Practice requires that the council sets out a statement not only of its own financial position but also of the financial position of all the entities or activities for which the council is responsible or in which it has a significant financial interest. These are encompassed in the Group Accounts, which are included in the Annual Report. The Group Accounts for 2011/12 include Trust Funds and Common Good funds as entities or activities for which the Council is responsible and the Grampian Joint Fire and Rescue Board, Grampian Joint Police Board, Grampian Valuation Joint Board and Moray Leisure Limited as associate bodies.

## Financial Statements

There are four core Financial Statements – the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet and the Cash Flow Statement. Of these, the Statements most likely to be of interest to most users of the accounts are the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.

### Comprehensive Income and Expenditure Statement

This statement expresses the income and expenditure of the Council over the past financial year in a format which complies with International Financial Reporting Standards. This includes charges relating to revaluation of assets and other charges which by statute cannot be a charge to the Council Tax payer. The Statement clearly shows the balance of expenditure across service headings, with Education Services at 43% of net cost of services the single largest service, and Social Work the second at 25%. The Statement shows a deficit of £6.8 million, reflecting an actuarial loss on the pension fund. After adjustment for items not chargeable to taxation, this book deficit equates to a surplus of £3.6 million. This is reflected in the Movement in Reserves Statement.

### Movement in Reserves Statement

This statement shows the movements in the different reserves held by the Council, and shows the movements in usable reserves resultant on aligning the accounting basis with the basis on which the Council sets its budgets. It therefore shows the direct financial impact for the Council Tax payer and Council house dweller. The General Fund balance has increased by £3.6 million, and this can be analysed as follows:

	£M
General Fund surplus	3.1
Use of ear-marked reserves	(0.2)
Increase in Devolved School Management	<u>0.7</u>
	£3.6M
	=====



## Explanatory Foreword

### Balance Sheet

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2012. This includes pension liabilities falling due in future years, which will be financed by pension contributions through the Council's Revenue Expenditure. Assets of £626 million are offset by liabilities of £321 million, giving the Council a net worth of £305 million – the total value of the Council's usable and unusable reserves.

### Financial Overview and Performance 2011/12

The Council's overall position should be considered in two sections: General Fund and Housing Revenue Account. The Housing Revenue Account covers the management and maintenance of Council houses. This is funded by income from Council house rents and is ring-fenced: the income from Council house rents must be kept separate from all other income received by the Council and applied to the management and upkeep of the Council house stock. All other services – referred to as General Services – are accounted for on the General Fund. The Revenue position will be considered, then capital.

#### General Services - Revenue

The Council approved a budget of £196.3 million, net of charges for services, contributions from other organisations and specific grants, for General Services for 2012/13, to be funded from General Government Grant, Council tax and use of reserves. Actual net expenditure was £192.7 million, with General Government Grant of £158.4 million and Council Tax income of £37.9 million. The resultant surplus of £3.6 million is equivalent to 1.8% of the Council's General Services budget for 2011/12. This surplus includes £0.7 million transfer to the Devolved School Management reserve.

The main variations from budget are set out below:

Underspends:	£M
Staffing	1.2
Debt charges for loans to fund capital expenditure	0.7
Accommodation for homeless people	0.4
Recycling	0.4
Refunds from Police and Fire Boards	0.4
Income received	0.3
Various other budget variances (netted off)	<u>1.4</u>
	4.8
Offset by Overspends:	
Out of Area placements / care packages to avoid Out of Area placements	0.7
Additional pension costs for Voluntary Severance / Redundancy Payments	0.5
Designing Better Services project (approved to be funded from reserves)	<u>0.5</u>
	1.7
Surplus for the year (excluding DSM and other earmarked reserves)	£3.1M

## **Explanatory Foreword**

Staff savings arise from vacant posts, new appointments and people choosing not to join the pension scheme. They are largely fortuitous. In contrast, the saving on accommodation for homeless people resulted from supporting people to retain tenancies and so drive down the need for expensive bed and breakfast accommodation placements. The underspend on loans charges arises from slippage in the capital programme. Income received overall is above budget, but the position across the Council shows areas where income is above budget and areas where it is significantly below. Where savings are judged to be recurring they have been taken account of in setting the budget for 2012/13, and overspends monitored to judge if they are likely to be recurring.

Out of Area placements and other intensive support packages are made in response to the needs of a particular child. The other major overspends are spend-to-save investments in changing the Council's structure and ways of working.

### **Housing Revenue Account - Revenue**

The Council approved expenditure of £13.9 million in 2011/12, to be funded from rents, government grant and other income. As shown in the Movement on the Housing Revenue Account Statement, there was a deficit of £0.1 million, reducing the Housing Revenue Account balance to £1.1 million. The main variance was in capital expenditure funded from revenue – this is maximised to keep the cost of borrowing as low as possible and was partly offset by a decrease in the cost of borrowing. Supervision and Management costs were also below budget, as was the cost of repairs.

### **Capital Expenditure**

Total capital expenditure in 2011/12 was £85 million, including capital funded from reserves and assets acquired under a PPP contract. £31 million of that relates to the 2 schools built under a PPP contract. The opening of the schools was delayed against schedule but both were operational at 31 March 2012. Further significant additions are major flood schemes completed and under construction. The General Services Capital Programme for 2011/12, including balances carried forward from 2010/11, amounted to £53.6 million. Expenditure for the year was £32.4 million. £14 million is carried forward into 2012/13. The main underspend was against flood alleviation schemes (£8 million), which is by far the largest item in the capital programme. The programme was underspent in all areas, and over the years consistently underspends. The Housing Capital Programme amounted to £13.9 million and actual expenditure was £11.9 million. The underspend was due to slippage in the programme of building new Council houses.

Capital expenditure is supported by capital grant from the Scottish Government and £24.4 million grant was received in 2011/12. Capital receipts generated £2.5 million, and £3.8 million was funded from revenue. The balance (excluding PPP) is funded by borrowing. The level of capital expenditure by local authorities is governed by the provisions of the Prudential Code, which requires that any borrowing is required to be prudent, sustainable and affordable.

### **Council's Indebtedness**

Capital debt at 31 March 2012 amounted to £172.2 million, with £124 million attributable to General Services and £48.2 million attributable to the Housing Revenue Account. The Council has several sources of borrowing to fund capital expenditure, the most significant of which is the Public Works Loan Board (PWLb), a government-sponsored body with the primary aim of lending to UK local authorities. The Council's Treasury Management Strategy for 2011/12 anticipated increasing PWLB borrowing rates, and aimed to minimise cost by using cash balances to fund capital expenditure and thereafter to take out short term loans, which were anticipated to be at significantly lower rates than medium to long term loans. The Council borrowed £8 million from the PWLB in 2011/12.

## Explanatory Foreword

### Significant Trading Operations

The Local Government Scotland Act 2003 requires the maintenance of Trading Accounts for services meeting certain criteria, and the Council has four such services: Building Services, Roads Maintenance, Vehicle Maintenance and Grounds Maintenance. All achieved the statutory target of at least breakeven over a rolling three year period, but Vehicle Maintenance made a loss in 2011/12 and Building Services surplus was considerably below target, with Grounds Maintenance also below target but not to such an extent.

### Pension Assets and Liabilities

The calculation required by International Accounting Standard 19 – Employment Benefits, shown in Note 38 to the accounts, is based on a snapshot valuation of the North East of Scotland Local Government Pension Scheme administered by Aberdeen City Council as at 31 March 2012. The requirement to recognise the Council's share of net liabilities of the Aberdeen City Scheme in the balance sheet has resulted in a Pension Reserve debit balance of £108.8 million at 31 March 2012 (£89.1 million at 31 March 2011). However this negative reserve has no impact on the Council's available reserves as future actuarial valuations of the Pension Scheme will consider appropriate contributions to meet the commitments of the Scheme. Therefore the Financial Statements have been prepared on a going concern basis.

The Teachers' Pension Scheme is administered by the Scottish Government through the Scottish Public Pensions Agency. It is not possible to identify a share of the underlying liabilities in the scheme attributable to the Council's employees.

### Performance Indicators

The Chartered Institute of Public Finance and Accountancy have suggested the following Performance Indicators are included in the Foreword, as useful measures of financial performance.

Description of Indicator	Comment	2011/12 Result
Uncommitted General Fund Reserve as a proportion of annual budgeted net expenditure	This reflects the level of funding available to manage risk or unplanned expenditure.	9.52%
Movement in the uncommitted General Fund Reserve	This reflects the extent to which the council is adding to or using this reserve.	£2.5 million 15.16%
Council Tax in-year collection rate	This reflects the Council's effectiveness in collecting debt.	97.30%
Ratio of Council Tax Income to overall level of funding	This indicator reflects the local authority's capacity to vary expenditure by raising council tax income, the only principal source of finance within local authority control, but it should be noted that (subject to the funding arrangements made by the Scottish Government) the Council has frozen the level of council tax at the rate charged in 2007/08.	19.37%
Actual outturn net service expenditure compared to budgeted net service expenditure	This reflects the effectiveness of financial management across the Council.	99.32%

## Explanatory Foreword

Description of Indicator	Comment	2011/12 Result
Ratio of financing costs to net revenue stream	The proportion of revenue expenditure which supports borrowing to fund capital investment.	General Services 6.36% HRA 18.78%
Impact of capital investment on Council Tax and weekly rents	The incremental impact of the previous years' capital investment programme.	General Services £17.67 HRA £1.27

## Impact of the Current Economic Climate

Scottish Government non-specific grant funding is around 80% of the income funding the Council's General Services budget. The current restrictions on public sector funding consequently impact greatly on the Council's spending plans. With confirmed Government funding for Moray basically frozen at the same level for the next three years the Council will have to make significant savings to cover the impact of price increases, to meet known demands for services, and to achieve the Council's priorities. The Council has a programme of creating efficiencies in procurement, in use of office accommodation, in administrative procedures and in use of the Council's fleet – Designing Better Services. This programme has already achieved savings, most notably in procurement but also through service redesign, and these savings are projected to rise to over £4 million by the completion of the programme. However, savings totalling £15 million require to be found by 2014/15. Firm projections of future funding are not available, but all the current indications are that Government funding will decrease. The Council will continue to take a strategic, long term approach to financial planning, within the context of the council's overall planning framework, to ensure that limited funds are focussed on the Council's priorities as expressed in the Single Outcome Agreement and the Corporate Plan.

The Council's current ten year capital programme is an enhanced programme encompassing expenditure required to ensure the Council's current asset base is brought to a standard which members consider appropriate for service delivery. The additional loans charges arising from the enhanced programme are budgeted to be met from Council reserves. As at 31 March 2012, reserves which can be so used (non-earmarked portions of the General Reserve) stand at £19.3 million. By 2017 these reserves are projected to have been reduced to £5 million, which is the Council's agreed minimum level. Part of the strategic planning process will therefore require to be a review of the affordability of the Council's current asset base.

The economic climate also impacts on the Council in other ways. Most notably, some services which rely on a buoyant economy for their demand have seen a downturn in income from fees and charges. The Council will have to respond to the economic climate on a corporate basis, to meet the overall challenge of financial constraint, but will also have to respond at a micro level as demand for some services fall and others rise. The Council's evolving Economic Strategy envisages Community Planning Partners and the private sector working together to strengthen the local economy.

Non-economic factors which will strongly influence the future development of Council services are the projected demographic profile – an ageing population – and legislative requirements for a raft of environmental issues.

## **Explanatory Foreword**

### **Conclusion**

The Council's financial position as at 31 March 2012 is close to that forecast and therefore sees the Council beginning the new financial year on the basis planned for. The continuation of prudent financial management and sound budgetary control has allowed the council to again successfully manage its financial affairs. This is due to the vigilance of the Council's many budget managers, the effectiveness of the Council's financial management procedures and the support of the Financial Services teams. The Council has constructive plans for its uncommitted General Fund Reserve, and that balance will act as a buffer during the planning process to enable Council services to evolve to meet the challenges imposed by economic, demographic and environmental changes.

**Margaret Wilson**

**Head of Financial Services**

**26 September 2012**

## **Statement of Responsibilities for the Statement of Accounts**

### **The Authority's Responsibilities**

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Financial Services.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts

### **The Section 95 Officer's Responsibilities**

The Head of Financial Services is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code).

In preparing this Statement of Accounts, the Head of Financial Services has:

- selected suitable accounting policies and then applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the local authority Code.

The Head of Financial Services has also:

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

I confirm that the Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31 March 2012.

**Margaret Wilson**

**Head of Financial Services**

**26 September 2012**





## **The Moray Council**

### **Annual Governance Statement – 2011/2012**

#### **Scope of responsibility**

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

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

The Council has approved and adopted a local code of corporate governance. The code reflects the principles of the CIPFA/SOLACE framework '*Delivering Good Governance in Local Government*'. The code is available on our website at [www.moray.gov.uk](http://www.moray.gov.uk).

This statement explains how the Council complies with the Code.

#### **The purpose of the governance framework**

The governance framework comprises the systems and processes, and cultures and values, by which the Council is directed and controlled, and the activities used to engage with and lead the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level, and provide reasonable, but not absolute, assurance that policies, aims and objectives can be delivered. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of these risks being realised and the impact should these be realised, and to manage them efficiently, effectively and economically.

A governance framework has been in place for the year ended 31 March 2012 and up to the date of approval of the Annual Report and Accounts.

#### **The governance framework**

The key elements of the systems and processes that comprise the Council's governance arrangements are summarised as follows:

## **The Moray Council**

### **Annual Governance Statement – 2011/2012 (Continued)**

#### **Governance Principle 1 - focusing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area.**

This principle is about exercising strategic leadership by developing and clearly communicating the authority's purpose, vision and intended outcomes for citizens and service users; ensuring that high quality services are delivered and that the best use is made of Council resources.

This year has seen the Council continue to work closely with its community planning partners, including the police, fire service, NHS Grampian, HIE, Moray College and Voluntary Action Moray. Notable among its successes in securing outcomes for the community were the campaign to save the RAF base in Lossiemouth; enhancing child protection through the opening of a co-located unit with Grampian Police in Elgin, further development of local health and social care partnership arrangements, enhancing waste recycling services and signing a covenant with the Army unit soon to relocate to the base at Kinloss.

The opportunity has been taken to look forward and consider the needs of Moray citizens in the period following the 2012 local government elections. Work is well advanced on the preparation of the Single Outcome Agreement (SOA) for 2012-2013 identifying issues to be addressed over that period. The form and content of the draft document has been revised from previous versions to strengthen accountabilities for delivery of agreed outcomes. These outcomes have regard to both national and local priorities. Legislation is also pending which will place a duty on all community planning partners to participate in the delivery of SOA objectives, and this should further strengthen related governance arrangements.

The draft SOA recognises the financial pressures facing the public sector, and care has been taken to ensure that planned actions can be achieved over the lifetime of the agreement. The draft SOA was presented to and approved by the Community Planning Board on 28 June 2012.

In the context of its own plans to deliver agreed outcomes for the community, the Council has made further progress with the delivery of 'Moray Performs', a programme to support transformational change. This programme has the Single Outcome Agreement and governance as its overarching themes, underpinned by a 'Designing Better Services' project to support best use of financial resources, a strengthened performance management framework to ensure the reporting on performance is targeted and effective, and a workforce planning initiative. Performance management arrangements have been supplemented by the Public Sector Improvement Framework promoted nationally by the Improvement Service.

The Designing Better Services project represents an ambitious programme of service re-design to secure more efficient ways of working and an associated reduction in the costs of service delivery. A key aspect of this modernisation programme is the development of more efficient ways of staff deployment and rationalisation of office accommodation needs through the asset management programme. The works on the HQ Annexe were substantially completed in February 2012, at which point a series of office relocations commenced. Other notable DBS successes during the year were the 'roll out' of the pool car scheme to minimise costs of and emissions from use of vehicles for staff business travel, and in procurement, where a strengthened centralised procurement team has successfully secured quantifiable savings over the year of in excess of £1 million.

The Performance Management Framework is well established with agreed performance measures for all services now reported to Council service committees quarterly. The range of measures is extensive, covering information useful to both service users and management. Workforce planning remains a focus of regular reporting to Committee with particular emphasis being given to senior management development given the number of senior managers who have left or are soon to leave the council and the additional demands being placed on those remaining.

The Public Sector Improvement Framework (PSIF) self assessment model was formally adopted by the Council during 2009/10, and completed by most service areas. The Corporate Management Team has established PSIF (or equivalent service self assessment) as one of the tools to be used by managers in preparing annual service plans. The arrangements require the self assessment to be completed at least every 3 years.

## **The Moray Council**

### **Annual Governance Statement – 2011/2012 (Continued)**

The Council has developed a new Corporate Improvement Plan – Best Value for Moray 2011/12. This document sets out a vision and priorities for the Council and has been prepared by the Acting Chief Executive in consultation with Senior Managers and approved by elected members at meetings of the Council in September and November 2011. Alongside the draft Single Outcome Agreement, and the priorities of the Council Administration, this plan will inform the programme adopted by the Council following the local government elections.

#### **Governance Principle 2 - members and officers working together to achieve a common purpose with clearly defined functions and roles.**

This principle is about defining roles of elected members and officers, making sure responsibilities are clearly defined, that constructive working relationships are achieved, and ensuring relationships between the Council, its partners and the public are clear.

Standing Orders regulate the form and content of Council meetings. A Scheme of Administration is in place outlining the functions delegated to each Committee, and a Scheme of Delegation specifies the limits of powers vested in named senior officers. The Schemes of Administration and Delegation are scheduled for review to ensure they remain current and reflect any changes to Committee structures and in Personnel.

Elected members and senior officers have job descriptions and details of elected members and structure charts showing the management teams in each service and their areas of responsibility are easily accessible.

The Corporate Improvement Plan referred to above provides the common purpose referred to in this principle having been fully endorsed by elected members and senior managers. In governance terms the Corporate Management Team is aiming to further improve the working arrangements with elected members by various means. Two examples of this are: the introduction of briefing sessions for Members on current issues and a seminar for prospective elected members on the role of a councillor and the key issues facing the Council.

The Council has also commenced a programme of induction and other training for new and returning elected members to assist them to discharge their responsibilities effectively. The governance documents available to support this task covering roles, responsibilities and relationships have been reviewed and updated to ensure they reflect current expectations.

#### **Governance Principle 3 - promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.**

High standards of behaviour are essential to good governance and there is an expectation that elected members and senior officers will exercise leadership through exemplary standards of behaviour and ensure these values are replicated effectively throughout the organisation. This is achieved through member and officer training, promotion of Codes of Conduct, and Registers of Interests which highlight any potential areas where conflicts of interest might arise. Constitutional documents regulate the conduct of the Council.

Separate Codes of Conduct are in place for both elected members and officers and the roles and responsibilities of a number of senior officer posts are enshrined in statute. Conduct issues relating to elected members can be referred to the Standards Commission; issues relating to actions taken or not taken by officers can be addressed internally through an established complaints procedure and if unresolved be referred to the External Auditor or the Scottish Public Service Ombudsman.

The Council reviewed its Policy to Combat Fraud, Theft, Bribery and Corruption during the year to incorporate legislative changes relative to the Bribery Act 2010 and adopted an anti-money laundering policy to mitigate the risks in this area. Further work is required to promote the new policy to staff most likely to be affected by the policy changes.

## **The Moray Council**

### **Annual Governance Statement – 2011/2012 (Continued)**

#### **Governance Principle 4 - taking informed and transparent decisions which are subject to effective scrutiny and managing risk.**

The Council's decision-making processes are well established with major decisions being taken by the Council or one of a number of service committees. In the main, issues are discussed and debated in public (unless exempt under statutory provision). Rules and procedures govern how decisions are made and appropriate legal, financial and other professional advice is considered as part of the decision making process. Council meetings are available on the internet via webcasting.

Scrutiny is secured through an Audit and Performance Review Committee, which receives reports on selected council wide or service specific scrutiny topics, and on the work of the external and internal auditors. Work was undertaken during the year to strengthen the arrangements for selecting scrutiny topics and overall the work of the committee was assessed as complying with the expectations of such committees as set out by CIPFA in its guidance.

The reports placed before all committees increasingly make reference to risk and, where appropriate, consideration of risk issues feature extensively during debates in the Council chambers. This strengthens compliance with the governance principle which recognises that a well managed council is risk aware and makes informed decisions having regard to all risk factors that pertain in any particular set of circumstances.

The process of embedding risk management continues with the Corporate Risk Register reviewed and updated twice during the year. On each occasion, this followed an evaluation by the Corporate Management Team of the principal risks facing the Council and consideration of the means by which these risks can be controlled. Departmental and operational risk registers are in the process of being updated, a task which has been affected by changes in key personnel within services. It is anticipated that a full suite of registers will be available within the period covered by this governance statement with managers at all levels having been required to use the risk register review process as a precursor to updating service plans.

Risk management is now broadly recognised by senior managers not as a separate discipline but as an integral part of the day to day decision making processes of the Council. This has enabled central support for the discipline to be reduced to a nominal level. This approach will remain under review and will also be subject to scrutiny as part of best value audit work scheduled for completion during 2012/13. In common with self assessment the maintenance of risk registers is recognised as a key component to the preparation of an annual service plan for all services.

#### **Governance Principle 5 - developing the capacity and capability of members and officers to be effective.**

This element of governance is designed to ensure that both members and officers have the knowledge, skills and capacity to enable them to fulfil their respective roles effectively.

An elected members' training protocol describes the types of training available for councillors and includes a template 'Personal Training and Development Record Card' for use by elected members to record details training events attended. An annual training plan for members is currently being developed for distribution to Councillors following the elections. The training plan will provide new and refresher training opportunities, recognising that additional training needs may be identified on an ad-hoc basis, for example as a result of any relevant legislative changes.

For employees, access to training is available in various forms, through professional bodies to which employees belong, through specialist training providers located within services, and from the corporate employee development team.

In addition, the latest Workforce Plan considered by the Policy and Resources Committee in March 2012 reflects the challenges facing the Council in its delivery of the Corporate Improvement Plan. The Workforce Plan has a focus on employee engagement, transformational change and employee development, and developing leadership capacity. The Plan notes that 'Council services and employees will experience significant changes over the coming years..., the challenge being to actively engage employees so that a culture of improvement is created through an empowered workforce that actively contributes to better sustainable services for the future'.

## **The Moray Council**

### **Annual Governance Statement – 2011/2012 (Continued)**

#### **Governance Principle 6 - engaging with local people and other stakeholders to ensure robust public accountability.**

The Council achieves this through timely publication of its annual accounts, of statutory and local performance information and by publishing the reports of external inspections. An annual Public Performance Report and regular press releases are produced and a Citizen's Panel is consulted as a means of informing the development of Council services. Protocols are in place to meet requests made under the Freedom of Information Act and to publicise the nature of these requests on the website.

During the year the Council has taken steps to address how it engages with local people. A Community Engagement Scheme has been published in draft for the period 2012-2016, which seeks to formalise how the Council either on its own or in consultation with partner bodies will consult with citizens. The aims of the scheme are two-fold, to enhance the Council's capacity to engage with communities and to support communities to make the best contribution to the community engagement process.

Separately, the Council operates a number of service specific consultations, for example in relation to planning applications, flood alleviation schemes, through the work of a public involvement officer working with the council and NHS with community care service users and their carers, and in childcare with the adoption during the year of a service user engagement strategy for users of Children and Families services.

It remains a challenge for the Council to balance engagement with citizens alongside the practicalities of doing so in proportionate, manageable and meaningful ways; where consultation on significant issues is considered not appropriate as applied in relation to budget setting for 2012/13, the Council will make clear its reasons for not doing so.

#### **Review of effectiveness of governance arrangements**

The review of effectiveness of the governance framework including the system of internal control is carried out throughout the year by various means involving:

- **the Council and its committees**

In practice governance arrangements are monitored throughout the year in various ways; by the Council; through the service committee processes; by a service development group comprising members of the administration and senior officers; by the Moray Performs Board, and by the Audit and Performance Review Committee.

- **the Corporate Management Team**

The Corporate Management Team, which has overall responsibility for good governance arrangements, was restructured during the year such that it now comprises the Acting Chief Executive, and three Corporate Directors with portfolio responsibilities for Education and Social Care, Environmental Services and Corporate Services respectively. The restructuring has been designed to improve corporate and joint working approaches across the council and has reduced the costs of senior management.

- **the Head of Legal and Democratic Services**

A new post created during the year, the Head of Legal and Democratic Services performs the statutory role of monitoring officer. This officer was appointed with effect from 29 September 2011.



## **The Moray Council**

### **Annual Governance Statement – 2011/2012 (Continued)**

#### **• the Head of Financial Services**

As a consequence of the Chief Financial Officer moving into the post of Corporate Director, the Head of Financial Services assumed the role of statutory officer with responsibility for the Council's financial affairs, also on 29 September 2011. CIPFA guidance on the role of the statutory finance officer advocates that this officer 'should report directly to the Chief Executive and be a member of the leadership team with a status at least equivalent to other members'. Whilst this has not been achieved as a consequence of the downsizing of the Corporate Management Team, the Council meets the requirements of the CIPFA guidance in practical terms; specifically that the Head of Financial Services is able to 'bring influence to bear on all material business decisions; and has direct access to the Chief Executive, other Leadership Team members, the Audit Committee and external audit'.

The Head of Financial Services is responsible for ensuring that an effective system of internal financial control is maintained. The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties) management supervision and a system of delegation and accountability. Managers within the Council are responsible for development and maintenance of the system. In particular the system includes comprehensive budget setting and monitoring arrangements, setting targets to measure financial and other performance, the preparation of regular financial reports indicating actual expenditure against forecasts, clearly defined capital expenditure guidelines and formal project management arrangements.

The Council is in a group relationship with other entities to the extent that it administers a number of Trust Funds and Common Good Funds. The controls applying to the council functions also extend to these Group activities.

#### **• Internal Audit**

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on the control environment comprising risk management, internal control, and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit conducts its work in accordance with the *Code of Practice for Internal Audit in Local Government in the United Kingdom 2006*.

The Internal Audit Manager is accountable on a day-to-day basis to the Corporate Director (Corporate Services) and to the Audit and Performance Review Committee. The functions of the Committee are defined in the Council's Scheme of Administration. In relation to audit matters, the Committee:

- Contributes towards making the Council, its committees and services more responsive to the audit function and its purpose;
- Enhances good governance arrangements by promoting internal control and risk management, by supporting an anti-fraud culture, and by the review of revisions to financial procedures;
- Has responsibility for focusing audit resources through agreeing the annual programme of work;
- Monitors delivery of the audit service through receipt of quarterly reports on work carried out by Internal Audit;
- Considers the annual opinion provided by the Internal Audit Manager on the adequacy and effectiveness of the control environment.

The work of managers within the Council, of internal audit as described above, and by the external auditors in their annual audit letter and in other reports informs the effectiveness of the financial control environment as an element of the Council's governance arrangements. No fundamental control weaknesses were reported during the period covered by this statement. It is the opinion of the Internal Audit Manager that reasonable assurance can be placed on the Council's internal financial control systems in place for the year ended 31 March 2012.

## **The Moray Council**

### **Annual Governance Statement – 2011/2012 (Continued)**

- **The Chief Social Work Officer**

The Corporate Director of Education and Social Care in his statutory capacity as Chief Social Work Officer reports annually to the Council on the major policy and service initiatives within Social Work. The latest report describes the arrangements which support the delivery and development of these services, outlines progress achieved, and provides information on how services will develop and improve going forward. The report concludes by providing the Council with assurance that the governance arrangements established to deliver the functions of the Chief Social Work Officer are working effectively.

- **External Agencies**

In addition to the various internal review processes referred to above, aspects of the Council's governance arrangements are considered in various inspection reports produced by the external auditor and by service inspectorates. Supported self assessment also features annually in the form of a procurement capability assessment. The main local government audit and inspection agencies also come together as a Local Area Network and their consideration of governance practices as a contribution to securing best value informs an Assurance and Improvement Planning process. The Council responds positively to the recommendations arising from the inspection reports where these provide opportunities to strengthen governance arrangements.

### **Significant governance issues**

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

Mindful of this, and with local government elections taking place, there has been a dual focus on governance matters. This has involved ensuring that robust governance arrangements have been sustained in the current period as well as looking ahead and developing a number of plans for future implementation. These plans, referred to above, provide a blueprint for the delivery of services to the community in the form of a revised Single Outcome Agreement for delivery by all Community Planning Partners, and a new Corporate Improvement Plan detailing priority issues for the Council.

The key governance challenges going forward will involve

- Promoting the Single Outcome Agreement and Corporate Improvement Plan for Moray with the various Community Planning Partners to the wider Community.
- Ensuring an effective framework is in place to enable the plans to be progressed within agreed timeframes.
- Implementing the recently developed economic strategy for Moray.
- Keeping constitutional documents up to date to reflect changes arising from the process of change, particularly in relation to delegated accountabilities for aspects of service delivery.
- Provision of training for new and returning elected members to assist them discharge their functions and roles in an effective manner.
- Applying the community engagement strategy in a proportionate and purposeful way to secure meaningful dialogue and input from citizens and community organisations.
- Developing Service Plans to ensure that the Public Sector Improvement Framework is contributing to service development and also that service plans are aligned to the corporate priorities of the Council.

## **The Moray Council**

### **Annual Governance Statement – 2011/2012 (Continued)**

#### **Concluding Remarks**

Elected members and senior managers of the Council remain committed to good governance and recognise its fundamental role in securing the desired outcomes for the citizens of Moray. They also recognise the considerable challenges to be faced in a continuing period of economic uncertainty and, against that background, have developed plans that will set the direction for the council and its partners in the years ahead.

In our respective roles as Leader of the Council and Acting Chief Executive we formally endorse the importance of good governance and will work with elected members and senior officer colleagues to ensure compliance with the principles described within this Annual Governance Statement.

.....

Cllr Allan Wright  
Leader of the Council

26 September 2012

.....

Roderick D Burns  
Acting Chief Executive

## **REMUNERATION REPORT**

This report has been written to provide details of the Moray Council's remuneration arrangements for its senior councillors and senior employees. This is required under the Local Authority Accounts (Scotland) Amendment Regulations 2011.

All information disclosed in tables 1 to 7 in this Remuneration Report will be audited by PricewaterhouseCoopers LLP. The other sections of the Remuneration Report will be reviewed by PricewaterhouseCoopers LLP to ensure that they are consistent with the financial statements.

### **Remuneration of Councillors**

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No.2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements as either the Leader of the Council, the Civic Head, Senior Councillors or Councillors. In the Moray Council, at 31 March 2012, the Leader of the Council means the Convener and the Civic Head means the Depute Convener. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2011/12 the salary for the Leader of Moray Council is £27,058. The Regulations permit the Council to remunerate one Civic Head. The Regulations set out the maximum that may be paid to that Civic Head. Council policy is to pay at the national maximum which is 75 per cent of the remuneration paid to the Council Leader, namely £20,294.

The Regulations also set out the remuneration that may be paid to senior councillors and the total number of senior councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £164,376. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits. The Council policy is to remunerate the Opposition Group Leader and Committee Chair persons as Senior Councillors, each receiving the maximum permitted amount of £20,294.

In 2011/12, the Moray Council had eight senior councillors and the remuneration paid to these councillors totalled £162,352. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

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

The Convener of the Grampian Valuation Joint Board is a Moray Council councillor. The Council is reimbursed by the Grampian Valuation Joint Board for any additional remuneration paid to the member from being the Convener of that Board.

The latest amendments to the Members' Allowances, Expenses and Remuneration Scheme which encompasses the salaries of all elected members including the Leader, Civic Head and Senior Councillors was agreed at a meeting of the Policy and Resources Committee on 10 March 2009 and is available at <http://www.moray.gov.uk/>.

Remuneration paid to senior councillors, the depute convener and the convener of the Moray Council is detailed on Table 1 attached. Details of remuneration paid to all councillors, including senior councillors, are shown on Table 2.

## **REMUNERATION REPORT (continued)**

### **Remuneration of Senior Employees**

The Local Authority Accounts (Scotland) Amendment Regulations 2011 require remuneration information to be disclosed for senior employees. A senior employee is any employee who meets one or more of the following criteria:

- i) A person who has responsibility for the management of a local authority to the extent that the person has 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.
- iii) A person whose annual remuneration, including any annual remuneration from a local authority subsidiary body is £150,000 or more.

The Council agreed to a management restructure from 1 April 2011. The most significant change was the amalgamation of the former Community Services and Education departments into one service with the deletion of one director post. At 1 April 2011, the senior employees in the Moray Council were the Chief Executive, the Corporate Director (Corporate Services), the Corporate Director (Education and Social Care), the Corporate Director (Environmental Services) and the Corporate Director (Strategic Planning and Governance). During the year the Corporate Management Team was restructured and now comprises the Acting Chief Executive and three Corporate Directors with portfolio responsibilities for Corporate Services, Education and Social Care and Environmental Services. Remuneration details are shown on Table 3 attached.

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) sets the salaries for the Chief Executives of Scottish Local Authorities. Circular CO/144 sets the amount of salary for the Chief Executive for Moray Council for the period 2008 to 2011. The salaries of the Directors, the Chief Financial Officer and the Chief Legal Officer are based on 82 percent of the Chief Executive's salary.

This arrangement was agreed through approval of the Salary Grades report at a special meeting of the Full Council on 13 September 2000.

### **Pension Benefits**

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). Details of pension benefits paid are included on Table 4 and Table 5 attached.

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day in the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

The scheme's normal retirement age for both councillors and employees is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non manual employees.

The member contribution rates for 2011/12 are still the same as 2010/11, however the earning bands have changed for 2011/12 and are shown as follows (2010/11 figures are in brackets):

## **REMUNERATION REPORT (continued)**

### **Pension Benefits (continued)**

Whole time pay	Contribution rate 2011/12	Contribution rate 2010/11
On earnings up to and including £18,500 (£18,000)	5.5%	5.5%
On earnings above £18,500 and up to £22,600 (£18,000 - £22,000)	7.25%	7.25%
On earnings above £22,600 and up to £30,900 (£22,000 - £30,000)	8.5%	8.5%
On earnings above £30,900 and up to £41,200 (£30,000 - £40,000)	9.5%	9.5%
On earnings above £41,200 (£40,000)	12%	12%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60<sup>th</sup> of the final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> of the final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; 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 consequence of their local government service, and not just their current appointment.

### **General Disclosure by Pay Band**

The Regulations require information to be provided for the number of persons whose remuneration is £50,000 or more. This information is disclosed in bands of £5,000 and is shown on Table 6.

### **Exit Packages**

Exit packages are payable as a result of the employer's decision to terminate an employee's employment before their retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. Packages include redundancy payments, lump sums and amounts paid for enhancement of an employee's pension. Table 7 shows the number of employees who have accepted exit packages over the last two years and the total cost of these packages.. The table includes employees with leaving dates after 31 March 2012 where the Council took the decision to terminate their contracts prior to 31 March 2012.



**REMUNERATION REPORT (continued)**

The following tables provide details of the remuneration paid to the Council's senior councillors and senior employees.

**Remuneration of Senior Councillors and Conveners and Vice-Conveners of Joint Boards (Table 1)**

Councillor Name and Responsibility	Salary, fees and allowances	Taxable Expenses	Total Remuneration 2011/12	Total Remuneration 2010/11
	£	£	£	£
<b>Senior Councillors</b>				
George McIntyre: Convener	27,058	-	27,058	27,058
Allan Wright: Depute Convener	20,294	-	20,294	20,294
Lee Bell: Chair, Health & Social Care	20,294	-	20,294	20,294
Stewart Cree: Chair, Planning & Regulatory Services	20,294	-	20,294	20,294
Jeff Hamilton: Chair, Children & Young People	20,294	-	20,294	20,294
Gordon McDonald: Chair, Audit Performance & Review	20,294	-	20,294	20,294
Eric McGillivray: Chair: Communities	20,294	-	20,294	20,294
Pearl Paul: Opposition Group Leader	20,294	-	20,294	20,333
John Russell: Chair, Economic Development & Infrastructure	20,294	-	20,294	20,297
Ron Shepherd: Chair, Licensing	20,294	-	20,294	20,294
<b>Councillor</b>				
Irene Ogilvie: Convener, Grampian Valuation Joint Board (Note 1)	20,294	-	20,294	20,294
<b>Total</b>	<b>229,998</b>	<b>-</b>	<b>229,998</b>	<b>230,040</b>

Note 1. As Convener of the Grampian Valuation Joint Board, Councillor Ogilvie receives an additional allowance which, when added to her existing remuneration as a councillor, equals 75 per cent of the Leader of a "Band A" council i.e. £20,294 per annum. This allowance is £4,060. The Grampian Valuation Joint Board reimburses this amount to the Moray Council, together with the associated pension contribution costs.

**REMUNERATION REPORT (continued)****Remuneration of Senior Councillors and Conveners and Vice-Conveners of Joint Boards (continued)****Remuneration paid to Councillors (Table 2)**

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

Type of Remuneration	2011/12	2010/11
	£	£
Salaries	473,508	469,861
Allowances	-	-
Expenses	50,684	47,750
<b>TOTAL</b>	<b>524,192</b>	<b>517,611</b>

# REMUNERATION REPORT (continued)

## Remuneration of Senior Employees of the Council (Table 3)

Name and Post Title	Salary, fees and allowances	Taxable Expenses	Compensation for Loss of Employment	Total Remuneration 2011/12	Total Remuneration 2010/11
	£	£	£	£	£
Alastair Keddie - Chief Executive (Note 2)	89,601	522		90,123	103,392
Roddy Burns – Corporate Director (Strategic Planning and Governance) until 14 June 2011 and Acting Chief Executive from 15 June 2011 (Note 2)	100,437	964		101,401	86,694
Donald Duncan - Director of Educational Services until 31 May 2011 (Note 3)	14,329	147	54,940 Plus annual compensation of 3,215	69,416	86,698
Mark Palmer - Corporate Director (Corporate Services)	86,387	915		87,302	86,668
Sandy Riddell - Corporate Director (Education and Social Care)	86,337	912		87,249	87,017
Richard Hartland - Corporate Director (Environmental Services) from 15 August 2011 (Note 4)	53,794 (full year equivalent £85,741)	606		54,400	-
Stewart Halkett - Acting Corporate Director (Environmental Services) until 14 August 2011 (0.5 FTE) (Note 4)	16,550 (full year equivalent £42,870)	133		16,683	7,150
Sandy Ritchie - Acting Corporate Director (Environmental Services) until 14 August 2011 (0.5 FTE) (Note 4)	16,750 (full year equivalent £42,870)	175		16,925	7,212
<b>TOTAL</b>	<b>464,185</b>	<b>4,374</b>	<b>54,940</b>	<b>523,499</b>	<b>464,831</b>

## **REMUNERATION REPORT (continued)**

### **Remuneration of Senior Employees of the Council (Table 3 continued)**

1. Alistair Keddie, Chief Executive is currently on long-term sick leave. Roddy Burns was appointed Acting Chief Executive from 15 June 2011.
2. Donald Duncan retired on 31 May 2011. The post of Director of Education was amalgamated under the new structure to form the post of Corporate Director (Education and Social Care). The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 make provision for authorities to make discretionary payments to local government employees to pay compensation for premature retirement. Donald Duncan has been credited with a 3 year additional period of service (the credited period). A person who has been granted a credited period is entitled to receive compensation in the form of a lump sum and is also entitled to receive annual compensation. Both the lump sum and annual compensation are included within the Compensation for Loss of Employment column.
3. Richard Hartland was appointed Corporate Director (Environmental Services) on 15 August 2011. Sandy Ritchie and Stewart Halkett continued their acting up arrangement of interim Corporate Director (Environmental Services) on a job share basis until 14 August 2011. The remainder of their remuneration is not disclosed as this relates to non-director duties.

## REMUNERATION REPORT (continued)

### Pension Benefits

#### Senior Councillors (Table 4)

The pension entitlements for Senior Councillors for the year to 31 March 2012 are shown in the table below, together with the contribution made by the Council to each senior councillor's pension during the year.

	In-year pension contributions			Accrued pension benefits	
	For the year to 31 March 2012	For the year to 31 March 2011		As at 31 March 2012	Difference from March 2011
	£	£		£000	£000
<b>Senior Councillors</b>					
George McIntyre: Convener	5,222	5,195	Pension Lump Sum	2 2	-
Allan Wright: Depute Convener	3,917	3,896	Pension Lump Sum	1 -	-
Lee Bell: Chair, Health & Social Care	3,917	3,896	Pension Lump Sum	2 2	1 -
Stewart Cree: Chair, Planning & Regulatory Services	3,917	3,896	Pension Lump Sum	2 1	1 -
Gordon McDonald: Chair, Audit Performance & Review	3,917	3,896	Pension Lump Sum	2 2	1 -
Eric McGillivray: Chair: Communities	3,917	3,896	Pension Lump Sum	2 2	1 -
Pearl Paul: Opposition Group Leader	3,917	3,896	Pension Lump Sum	2 2	- -
John Russell: Chair, Economic Development & Infrastructure	3,917	3,896	Pension Lump Sum	2 2	1 -
<b>Councillor</b>					
Irene Ogilvie: Convener, Grampian Valuation Joint Board	3,917	3,896	Pension Lump Sum	1 1	- -
<b>TOTAL</b>	<b>36,558</b>	<b>36,363</b>		<b>30</b>	<b>5</b>

Senior Councillors Jeff Hamilton and Ron Shepherd are not members of the Local Government Pension Scheme.

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total local government service and not just their current appointment.

## REMUNERATION REPORT (continued)

### Senior Employees (Table 5)

The pension entitlements of Senior Employees for the year to 31 March 2012 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

	In-year pension contributions			Accrued pension benefits	
	For the year to 31 March 2012	For the year to 31 March 2011		As at 31 March 2012	Difference from March 2011
	£	£		£000	£000
Alastair Keddie - Chief Executive	17,293	19,670	Pension Lump Sum	41 107	3 2
Roddy Burns – Corporate Director (Strategic Planning and Governance) until 14 June 2011 and Acting Chief Executive from 15 June 2011	19,384	16,462	Pension Lump Sum	38 100	7 15
Donald Duncan - Director of Educational Services until 31 May 2011	2,766	16,462	Pension Lump Sum	38 105	- -
Mark Palmer – Corporate Director (Corporate Services)	16,673	16,462	Pension Lump Sum	24 60	2 1
Sandy Riddell – Corporate Director (Education and Social Care)	16,663	16,524	Pension Lump Sum	37 99	1 -
Richard Hartland – Corporate Director (Environmental Services) from 15 August 2011	10,382		Pension Lump Sum	39 105	
Stewart Halkett – Acting Corporate Director (Environmental Services) until 14 August 2011 (0.5 FTE)	3,194	1,358	Pension Lump Sum	36 97	3 5
Sandy Ritchie – Acting Corporate Director (Environmental Services) until 14 August 2011 (0.5 FTE)	3,233	1,370	Pension Lump Sum	37 100	3 5
<b>TOTAL</b>	<b>89,588</b>	<b>88,308</b>		<b>1,063</b>	<b>47</b>

All senior employees shown in the tables above are members of the Local Government Pension Scheme (LGPS). The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service and not just their current appointment.

## REMUNERATION REPORT (continued)

### **General Disclosure by Pay Band (Table 6)**

The following table provides details of the number of people paid by the local authority whose remuneration is £50,000 or more. The Table includes the remuneration of the senior employees detailed above.

Remuneration Band	Number of employees	
	2011/12	2010/11
£50,000 - £54,999	29	37
£55,000 - £59,999	24	14
£60,000 - £64,999	4	4
£65,000 - £69,999	1	1
£70,000 - £74,999	11	14
£85,000 - £89,999	2	4
£90,000 - £94,999	1	-
£100,000 - £104,999	1	2
Total	73	76

Included in the above table in the £100,000 to £104,999 banding for 2010/11 is a former employee working for the Scottish Government. The Scottish Government reimbursed the Council for the costs relating to this individual. The employee left the organisation in June 2011.

## REMUNERATION REPORT (continued)

### Exit Packages (Table 7)

The following table shows the number of employees who have been awarded exit packages over the last two years. The information is in rising bands of £20,000 up to £100,000 and bands of £50,000 thereafter. The costs include redundancy costs, payments to the pension fund for early retirement and the capitalised cost of compensatory added years payments.

Exit Packages						
	2011/12			2010/11		
Banding	Compulsory Redundancies	Other Departures	Total Cost	Compulsory Redundancies	Other Departures	Total Cost
	Number of Employees	Number of Employees	£	Number of Employees	Number of Employees	£
£0 - £20,000	5	1	8,741	19	23	166,249
£20,001 - £40,000					16	450,643
£40,001 - £60,000		2	103,654		9	430,826
£60,001 - £80,000		1	66,204		11	771,064
£80,001 - £100,000		1	80,342		3	280,122
£100,001 - £150,000					3	361,777
£150,001 - £200,000		1	160,176		3	516,431
£200,001 - £250,000					1	232,733
Total	5	6	419,117	19	69	3,209,845

### Termination Benefits

During 2011/12 the Council terminated the contracts of 8 employees and took the decision to terminate the contracts of a further 3 employees with leaving dates after 31 March 2012. The contracts were terminated as a result of either budget savings, the redesign of council services or council restructuring. The cost to the Council was £0.163M comprising £0.145M redundancy payments and £0.018M compensation for loss of employment in the form of added years service for the calculation of retirement lump sum payments.

Termination benefits in 2010/11 totalled £1.026M comprising £0.872M redundancy payments and £0.154M in the form of added years service for the calculation of retirement lump sum payments.

Payments to the pension fund for early retirement and the capitalised cost of ongoing annual payments in respect of compensatory added years are not included in the termination benefits figures above.

.....

Cllr Allan Wright

Leader of the Council

26 September 2012

.....

Roderick D Burns

Acting Chief Executive





## Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the council's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net increase /(Decrease) before transfers to other statutory funds' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from other statutory funds undertaken by the Council.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Capital Fund £000	Other Statutory Funds £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2010 (restated)</b>	<b>9,011</b>	<b>1,491</b>	<b>1,056</b>	<b>175</b>	<b>-</b>	<b>3,597</b>	<b>15,330</b>	<b>225,173</b>	<b>240,503</b>
<b>Movement in Reserves 2010/11 (restated)</b>									
Surplus or (deficit) on provision of services (accounting basis)	40,532	(4,286)	-	-	-	-	36,246	-	36,246
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	34,910	34,910
<b>Total Comprehensive Expenditure and Income</b>	<b>40,532</b>	<b>(4,286)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,246</b>	<b>34,910</b>	<b>71,156</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(32,007)	4,305	4	(94)	604	-	(27,188)	27,188	-
<b>Net Increase /(Decrease) before Transfers to Other Statutory Funds</b>	<b>8,525</b>	<b>19</b>	<b>4</b>	<b>(94)</b>	<b>604</b>	<b>-</b>	<b>9,058</b>	<b>62,098</b>	<b>71,156</b>
Transfers to / from Other Statutory Funds (Note 8)	(7)	(255)	-	-	-	262	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>8,518</b>	<b>(236)</b>	<b>4</b>	<b>(94)</b>	<b>604</b>	<b>262</b>	<b>9,058</b>	<b>62,098</b>	<b>71,156</b>
<b>Balance at 31 March 2011 (restated)</b>	<b>17,529</b>	<b>1,255</b>	<b>1,060</b>	<b>81</b>	<b>604</b>	<b>3,859</b>	<b>24,388</b>	<b>287,271</b>	<b>311,659</b>

## Movement in Reserves Statement (continued)

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Capital Fund £000	Other Statutory Funds £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2011 (restated)</b>	<b>17,529</b>	<b>1,255</b>	<b>1,060</b>	<b>81</b>	<b>604</b>	<b>3,859</b>	<b>24,388</b>	<b>287,271</b>	<b>311,659</b>
<b>Movement in Reserves 2011/12</b>									
Surplus or (deficit) on provision of services (accounting basis)	7,665	(1,074)	-	-	-	-	6,591	-	6,591
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	(12,832)	(12,832)
<b>Total Comprehensive Expenditure and Income</b>	<b>7,665</b>	<b>(1,074)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,591</b>	<b>(12,832)</b>	<b>(6,241)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(4,074)	1,202	(243)	(8)	(604)		(3,727)	3,727	-
<b>Net Increase / (Decrease) before Transfers to Other Statutory Funds</b>	<b>3,591</b>	<b>128</b>	<b>(243)</b>	<b>(8)</b>	<b>(604)</b>	<b>-</b>	<b>2,864</b>	<b>(9,105)</b>	<b>(6,241)</b>
Transfers to / from Other Statutory Funds (Note 8)	(8)	(256)	-	-		264	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>3,583</b>	<b>(128)</b>	<b>(243)</b>	<b>(8)</b>	<b>(604)</b>	<b>264</b>	<b>2,864</b>	<b>(9,105)</b>	<b>(6,241)</b>
<b>Balance at 31 March 2012</b>	<b>21,112</b>	<b>1,127</b>	<b>817</b>	<b>73</b>	<b>0</b>	<b>4,123</b>	<b>27,252</b>	<b>278,166</b>	<b>305,418</b>

## Comprehensive Income and Expenditure Statement for the Year Ended 31 March 2012

This Statement shows the accounting cost in the year 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.

2010/11			2011/12		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
88,517	(1,664)	86,853	86,198	(1,172)	85,026
31,996	(25,151)	6,845	33,130	(26,222)	6,908
17,277	(13,334)	3,943	15,594	(13,863)	1,731
10,686	(1,465)	9,221	10,111	(1,515)	8,596
18,592	(4,291)	14,301	18,231	(4,442)	13,789
16,434	(6,651)	9,783	17,668	(6,646)	11,022
1,488	(873)	615	940	(535)	405
6,002	(3,648)	2,354	6,227	(3,579)	2,648
54,846	(8,405)	46,441	58,364	(8,935)	49,429
4,559	-	4,559	4,077	-	4,077
16,432	(8,841)	7,591	15,374	(8,078)	7,296
632	-	632	609	-	609
2,590	-	2,590	2,729	-	2,729
-	(23,631)	(23,631)	2,329	(2)	2,327
3,382	(1,150)	2,232	3,058	(857)	2,201
273,433	(99,104)	174,329	274,639	(75,846)	198,793
<b>Cost Of Services</b>					
106					6,525
10,410					8,771
(221,091)					(220,680)
<b>(36,246) (Surplus) on Provision of Services</b>			<b>(6,591)</b>		
(39,739)					(3,779)
4,829					16,611
<b>(34,910) Other (Income)/Expenditure</b>			<b>12,832</b>		
<b>(71,156) Total Comprehensive Net (Income)/Expenditure</b>			<b>6,241</b>		



## Balance Sheet as at 31st March 2012

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

31 March 2011 £000 Restated		Notes	31 March 2012 £000
553,672	Property, Plant & Equipment	12	602,371
903	Heritage Assets	13	903
1,596	Investment Property	14	1,602
143	Intangible Assets	15	163
1,635	Long Term Investments	16	803
1,155	Long Term Debtors	16	1,022
<b>559,104</b>	<b>Long Term Assets</b>		<b>606,864</b>
-	Short Term Investments	16	403
825	Inventories	17	853
8,454	Short Term Debtors	18	8,955
-	Cash and Cash Equivalents	19	163
832	Assets held for sale	20	583
<b>10,111</b>	<b>Current Assets</b>		<b>10,957</b>
(5,704)	Cash and Cash Equivalents	19	-
(3,241)	Short Term Borrowing	16	(2,744)
(24,979)	Short Term Creditors	21	(30,162)
-	Provisions	22	-
<b>(33,924)</b>	<b>Current Liabilities</b>		<b>(32,906)</b>
(738)	Provisions	22	(624)
(131,532)	Long Term Borrowing	16	(137,028)
(2,221)	Other Long Term Liabilities	16	(33,070)
(89,141)	Pensions Liability	38	(108,775)
<b>(223,632)</b>	<b>Long Term Liabilities</b>		<b>(279,497)</b>
<b>311,659</b>	<b>Net Assets</b>		<b>305,418</b>

31 March 2011 £000		Notes	31 March 2012 £000
<b>Restated</b>			
17,529	General Fund Balance	23	21,112
1,255	Housing Revenue Account	23	1,127
1,060	Capital Receipts Reserve	23	817
81	Capital Grants Unapplied	23	73
604	Capital Fund	23	-
3,859	Other Statutory Funds	23	4,123
<u>24,388</u>	<b>Usable Reserves</b>		<u>27,252</u>
97,104	Revaluation Reserve	24	98,343
295,125	Capital Adjustment Account	24	302,824
(9,131)	Financial Instruments Adjustment Account	24	(8,822)
(326)	Icelandic Banks Statutory Adjustment Account	24	(256)
(6,360)	Employee Statutory Adjustment Account	24	(5,148)
(89,141)	Pensions Reserve	24	(108,775)
<u>287,271</u>	<b>Unusable Reserves</b>		<u>278,166</u>
<u><b>311,659</b></u>	<b>Total Reserves</b>		<u><b>305,418</b></u>

**Margaret Wilson**

**Head of Financial Services**

**26 September 2012**

The unaudited accounts were issued on 26 June 2012 and the audited accounts were authorised for issue on 26 September 2012.

## Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. 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.

<b>2010/11</b>		<b>2011/12</b>
<b>£000</b>		<b>£000</b>
36,246	Net surplus or (deficit) on the provision of services	6,591
2,926	Adjust net surplus or deficit on the provision of services for non cash movements	35,396
<u>(21,293)</u>	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>(26,685)</u>
17,879	Net cash flows from Operating Activities (Note 25)	15,302
(14,162)	Investing Activities (Note 26)	(16,503)
(9,478)	Financing Activities (Note 27)	7,068
<u>(5,761)</u>	Net (decrease) or increase in cash and cash equivalents	<u>5,867</u>
57	Cash and cash equivalents at the beginning of the reporting period	(5,704)
<u><u>(5,704)</u></u>	<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<u><u>163</u></u>





## **NOTES TO THE ACCOUNTS**

### **Note 1 Accounting Policies**

#### **General**

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year ending 31 March 2012. The Council is required to prepare an Annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985, and section 12 of the Local Government in Scotland Act 2003 requires these Financial Statements 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 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets. Accounting policies have been consistently applied except for the policy in relation to heritage assets.

#### **Accruals and Income and Expenditure**

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.

#### **Business Improvement District Schemes**

Business Improvement District (BID) schemes are for the benefit of a particular area that are financed in whole or in part by a BID levy paid by non-domestic rate payers in the BID area. The Council acts as agent for the BID Company and the following amounts only are recognised in the Comprehensive Income and Expenditure Statement:

- A contribution from the Council to the BID project together with BID levy collection costs which are shown as service expenditure within Planning and Development Services.
- Income from services supplied by the Council to the BID project on a paid basis, which are usually accounted for as a trading activity, unless the service is a function of the Council e.g. a planning application, in which case it is accounted for in the same way as other income for that function

#### **Cash and Cash Equivalents**

Cash is comprised of cash in hand, bank balances (credit or overdraft) and deposits held on call with banks and financial institutions. Cash equivalents are short-term, highly liquid investments, which mature within three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. The Council also provides banking facilities for the Council controlled Trust Funds and Common Good Funds and for the Grampian Valuation Joint Board. The balances with these bodies are invested in the Council's Loans Fund, are repayable on demand and are treated as cash equivalents.

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.

#### **Contingent Liabilities**

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

Contingent liabilities are not recognised in the Balance Sheet but are disclosed by way of a note.

## **Note 1 Accounting Policies (continued)**

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will be confirmed only by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefit or service potential.

### **Employee Benefits**

#### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and bonuses for current employees and are recognised as an expense for services in the year in which employees render service to the Council. As the leave year runs from 1 January to 31 December, an accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### **Post Employment Benefits**

There are two pension schemes relevant to the Council, both of which provide their members with defined benefits related to pay on retirement and length of service. The two schemes are as follows:

##### **Teachers' Scheme**

The Scottish Teachers' Superannuation Scheme is an unfunded scheme administered by the Scottish Government. It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For this reason, the scheme is accounted for on the same basis as a defined contribution scheme meaning that the pension cost charged to the accounts is the contributions payable for the year. No underlying pension liabilities are accrued.

## **Note 1 Accounting Policies (continued)**

### **Employee Benefits (continued)**

#### **Post Employment Benefits (continued)**

##### **Local Government Pension Scheme**

The North East of Scotland Local Government Pension Scheme is a funded, defined benefit scheme administered by Aberdeen City Council. Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The liabilities of the North East of Scotland Local Government pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc and projections of projected earnings for current employees.

Liabilities are discounted to their fair value at current prices using a discount rate of 4.9% (based on long-term redemption yields available on AA rated corporate bonds of appropriate duration).

In assessing liabilities for retirement benefits at 31 March 2011 for the 2010/11 Statement of Accounts, the actuary assumed a discount rate of 5.5% actual. For the 2011/12 Statement of Accounts the actuary has advised that a rate of 4.9% actual is appropriate. The assumed rate of annual increase in pensions has reduced from 2.9% to 2.5%. The reduction in the pensions rate of increase reduces the liabilities for retirement benefits, but the reduction in discount rate increases the liabilities. Application of these rates has resulted in an overall increase in liabilities. This is reflected by the increase in actuarial losses recognised for the year in the Movement in Reserves Statement.

The assets of the North East of Scotland Local Government pension scheme attributable to the Council are included in the Balance Sheet at their fair value.

##### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of such an award to any member of staff (including teachers) are accrued in the year of decision to make this award and accounted for using the same policies as are applied to the North East of Scotland Local Government Pension Scheme.

##### **Events after the Reporting Period**

Events after the reporting period are those events, both favourable and unfavourable that occur between the end of the reporting period (the balance sheet date) and the date when the financial statements are authorised for issue.

There are two types of events:

- a) those that provide evidence of conditions that existed at the balance sheet date - the Statement of Accounts is adjusted to reflect such events and
- b) those that provide evidence of conditions that arose after the balance sheet date - the Statement of Accounts is not adjusted to reflect such events, but where non-adjusting events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **Note 1 Accounting Policies (continued)**

### **Exceptional Items and Prior Period Adjustments**

Exceptional items are those which are separately identified by virtue of their size or incidence to allow a full understanding of the performance of the Council.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimate do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for prior periods as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **Financial Instruments**

#### **Financial Assets**

The Council's financial assets are loans and receivables which have fixed or determinable payments but are not quoted in an active market.

Most of the Council loans are charged what is deemed to be a market rate of interest and so receivables are initially measured at fair value and carried at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

Elements of financial assets that are receivable within 12 months of the Balance Sheet date are included in either short-term investments or cash and cash equivalents dependent upon whether or not the asset satisfies the conditions of a cash or cash equivalent asset.

#### **Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. Elements of financial liabilities that are repayable within 12 months of the Balance Sheet date are included in short term borrowing.

The Council incurs an early repayment premium or discount when it reschedules the repayment profile of its long term loans. The premiums and discounts are charged to revenue in accordance with the Code and Guidance under section 12(2)(b) of the Local Government in Scotland Act 2003.

## **Note 1 Accounting Policies (continued)**

### **Government and Non-Government Grants**

Grants and contributions relating to capital and revenue expenditure are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition(s) (as opposed to restrictions) that the Council has not satisfied.

Where a grant or contribution has been received and conditions remain outstanding at the Balance Sheet date, it is not credited to the Comprehensive Income and Expenditure Statement but is carried in the Balance Sheet as a creditor. Once the condition has been met, the grant or contribution is transferred from creditors and recognised as income in the Comprehensive Income and Expenditure Statement.

Where a capital grant or capital contribution has been recognised in the Comprehensive Income and Expenditure Statement, and the expenditure financed from that grant has been incurred at the Balance Sheet date, the grant or contribution is transferred from the General Fund (or Housing Revenue Account) to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Where a capital grant or capital contribution has been recognised in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant has not been incurred at the Balance Sheet date, the grant or contribution is transferred from the General Fund to the Capital Grants Unapplied Account within the Usable Reserves section of the Balance Sheet and reported in the Movement in Reserves Statement. When the expenditure to be financed by the grant or contribution is incurred, the grant or contribution is transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

### **Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefit. The assets are valued at amortised cost i.e. cost less accumulated amortisation and impairment.

Amortisation charged in the Comprehensive Income and Expenditure Statement is not a charge to the General Fund and is transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

## Note 1 Accounting Policies (continued)

### Non Current Assets

#### 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 authority 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:** New assets are measured at cost on an accruals basis. Cost comprises the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Borrowing costs incurred whilst the asset is under construction are not capitalised. Donated assets are measured at fair value and the difference between the fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Account. If the donation is conditional, until the condition is satisfied the gain is held in the Donated Assets Account. Where gains are recognised in the Comprehensive Income and Expenditure Statement, they are reversed out to the Capital Adjustment Account in the Movement in Reserves Statement.

A 5-year rolling programme of asset revaluations commenced in 2000/2001. 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 1 April each year.

Infrastructure assets, community assets and assets under construction are included in the balance sheet at historical cost, net of depreciation where appropriate. All other assets are measured at fair value. Where there is no market based evidence of fair value, fair value is estimated using a Depreciated Replacement Cost (DRC) approach. The fair value of council dwellings is measured using Existing Use Value – Social Housing (EUV-SH). Material changes to asset valuations are adjusted in the year that they occur.

Revaluation gains are recognised in the Revaluation Reserve, unless the increase is reversing either a previous impairment loss or a previous revaluation loss charged to the Comprehensive Income and Expenditure Statement in which case the revaluation amount is used first to reverse the previous loss and any excess is treated as a revaluation gain and credited to the Revaluation Reserve.

Revaluation losses are recognised in the Revaluation Reserve up to the credit balance existing in respect of that asset and thereafter in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Revaluation gains and losses charged to the Comprehensive Income and Expenditure Statement are not a charge to the General Fund and are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

**Derecognition:** The carrying amount of an item of property, plant and equipment is derecognised when an asset is disposed of or when no future economic benefits or service potential are expected from its use. The value of the asset in the Balance Sheet and any receipt are written to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

The gain or loss on disposal is not a charge against Council Tax, as the cost of property, plant and equipment is fully provided for under separate arrangements for Capital Financing. The carrying amount of the fixed asset disposal is transferred to the Capital Adjustment Account and the disposal proceeds transferred to the Capital Receipts Reserve and reported in the Movement in Reserves Statement. Any revaluation gains accumulated in the Revaluation Reserve are transferred to the Capital adjustment account.

**Depreciation:** Depreciation is provided for on all items of property, plant and equipment with a finite useful life. An exception is made for assets without a determinable finite useful life (e.g. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

## **Note 1 Accounting Policies (continued)**

### **Non Current Assets (continued)**

#### **Property Plant and Equipment (continued)**

##### **Depreciation: (continued)**

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.

Service Revenue accounts, Central Support Services and Significant Trading Operations and the Housing Revenue account are charged with the annual depreciation charge for assets used.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation charged in the Comprehensive Income and Expenditure Statement is not a charge to the General Fund and is transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

##### **Impairment**

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

##### **Investment Property**

**Recognition:** Investment property is property held solely to earn rentals or for capital appreciation or both rather than for the supply of goods and services or sale in the ordinary course of operations. Where properties are earning rentals as an outcome of a regeneration policy, they are accounted for as property, plant and equipment.

**Measurement:** Investment property is measured initially at cost and thereafter at fair value. Any gain or loss arising from a change in fair value is recognised in the Comprehensive Income and Expenditure Statement. Investment property is not depreciated.

Gains and losses on fair value reflected in the Comprehensive Income and Expenditure Statement are not charges to the General Fund and are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

**Derecognition:** Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits or service potential are expected from its use. The value of the asset in the Balance Sheet and any receipt are written to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

The gain or loss on disposal is not a charge against Council Tax. The carrying amount of the fixed asset disposal is transferred to the Capital Adjustment Account and the disposal proceeds transferred to the Capital Receipts Reserve and reported in the Movement in Reserves Statement.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Account.



## **Note 1 Accounting Policies (continued)**

### **Heritage Assets**

Heritage assets are assets preserved in trust for future generations because of their cultural, environmental or historical associations. They have historical, artistic, scientific, geophysical or environmental qualities and apply to assets held and maintained for their contribution to knowledge and culture. Heritage assets that are also used to provide services are accounted for as operational assets and included in property plant and equipment.

The heritage assets held by the Council, including its common good and trust funds, comprise the museum and art collections at the Falconer Museum, Tomintoul Museum and the Museum Store, Forres; archives held at the Archives Store, Forres and Aberdeen Archives premises; civic regalia in the care of the Museums Service and a number of monuments, memorials and fountains at various locations throughout Moray.

The following valuation basis shall be used, taking into account the practicalities of obtaining market valuations.

- Fair value: Museums collections and chains of office
- Not valued: Archive material, public space statues, monuments, memorials and fountains.

Heritage assets are deemed to have indeterminate lives and the Council does not consider it appropriate to charge depreciation on these assets.

The collections in the care of the Museums Service form the major part of the heritage assets held by the Council. A rolling programme of valuations of the collections will be instigated from 2012/13 to inform fair value and to ensure that the insurance provision is kept up to date.

The Council's policy 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.

[http://www.moray.gov.uk/moray\\_standard/page\\_857.html](http://www.moray.gov.uk/moray_standard/page_857.html)

[http://www.moray.gov.uk/moray\\_standard/page\\_41176.html](http://www.moray.gov.uk/moray_standard/page_41176.html)

### **Non-Current Assets Held for Sale**

Assets are classified as held for sale where it is expected that the carrying amount will be recovered through a sale rather than through continued use and the following criteria are also met:

- the asset is available for immediate sale in its present condition;
- the sale is highly probable;
- the asset is actively marketed for a sale price reasonable in relation to its market value and
- the sale is expected to complete within 12 months of the date of classification.

Non-current assets held for sale are measured at the lower of carrying value and fair value less costs to sell and are not depreciated.

### **Interests in Companies and Other Entities**

The Council has material interests in entities that have the nature of subsidiaries and associates and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in entities are recorded as financial assets at cost less any provision for losses.

### **Inventories**

Depending on the category of inventory, the values included in the Statement of Accounts are either on the basis of the average price or the costs 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.

## **Note 1 Accounting Policies (continued)**

### **Landfill Allowance Trading Scheme (LATS)**

Waste Disposal Authorities (WDA's) are required to meet annual target figures for the maximum amount of bio-degradable municipal waste sent to landfill. The Landfill Allowances Scheme (Scotland) Regulations 2005 came into force on 1 April 2008 and permitted allowances to be traded.

Allowances are issued by the Scottish Government or purchased from another WDA and therefore are recognised as current assets in the Council's balance sheet. As landfill is used a liability is recognised in respect of the landfill usage. The liability is equivalent to the number of allowances needed to cover the actual landfill usage for the year.

The Landfill Trading Scheme in Scotland is currently under review and the Scottish Government has suspended penalties and trading under the scheme since October 2008, pending the outcome of the review. Therefore the asset and liability have been measured as zero in the 2010/11 accounts.

### **Public Private Partnership (PPP) and Similar Contracts**

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 PPP contractor. As the Council is deemed to control the services that are provided under its PPP 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 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 PPP contractor each year are analysed into five elements:

- fair value of services received during the year – debited to the relevant service line 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
- 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 PPP 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 line in the Comprehensive Income and Expenditure Statement or recognised as additions to Property, Plant and Equipment when the relevant capital works are carried out.

## **Note 1 Accounting Policies (continued)**

### **Finance Leases**

Leases are classified as either finance leases or operating leases based on the extent to which the risks and rewards incidental to ownership of the asset lie with the lessor and lessee. Each lease which the Council has is examined to determine whether or not it is a finance lease or an operating lease. Indicators of a finance lease are:-

- ownership of the asset transfers to the Council at the end of the lease term;
- the Council has the option to purchase the asset at a price sufficiently below fair value that it is reasonable to assume that it will do;
- the lease term is for a major part of the economic life of the asset;
- the present value of the minimum lease payments amounts to substantially all of the fair value of the leased asset and
- the leased assets are of such a specialised nature that only the Council can use them without major modifications

The land and buildings elements of leases are considered separately.

### **Lessee**

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the asset, or, if lower, the present value of minimum lease payments. The lease payments are apportioned between finance charge (interest) and reduction of the outstanding liability. The finance charge is calculated so as to produce a constant periodic rate of interest on the remaining outstanding balance of the liability.

Assets recognised under a finance lease are subject to depreciation and revaluation like any other asset, subject to depreciation being charged over the lease term if this is shorter than the assets useful economic life (where ownership does not transfer to the council at the end of the lease period.)

Depreciation, impairment and gains and losses on revaluation charged to the Comprehensive Income and Expenditure Statement are not proper charges to the General Fund and are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The repayment of the liability is a proper charge to the General Fund but does not appear in the Comprehensive Income and Expenditure Statement. The amounts are transferred from the Capital Adjustment Account and reported in the Movement in Reserves Statement.

### **Lessor**

Assets are recognised as receivable at an amount equal to the net investment in the lease. The lease payments receivable are treated as repayment of interest and principal and finance income. Finance income is calculated to produce a constant periodic rate of return on the net investment

### **.Operating Leases**

All leases which are not finance leases are operating leases.

### **Lessee**

Lease payments under operating leases are recognised as an expense on a straight line basis over the lease term.

### **Lessor**

Assets subject to operating leases are included in the balance sheet according to the nature of the asset and are subject to depreciation, impairment and revaluation gains and losses in line with other the policy for other similar assets.

Income is recognised on a straight line basis over the lease term.

## **Note 1 Accounting Policies (continued)**

### **Loans Fund**

A Loans Fund is maintained under powers contained in the Local Government (Scotland) Act 1975. All loans raised by the Council are paid into the Fund and all advances to finance capital expenditure are made from the Fund except for capital projects financed directly from Revenue Accounts. The basis of recharging for loans is by half-yearly instalments on an annuity basis.

Loans Fund interest and expenses have been charged to the Comprehensive Income and Expenditure Account in accordance with the Code.

### **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2011/12* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early, past service gains/losses and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### **Provisions**

Provisions are made where an event has taken place that gives the council an obligation that probably requires a financial settlement but where the timing and the amount of the payment is uncertain.

### **Bad and Doubtful Debts**

Amounts owed to the Council have been reviewed and provision has been made for possible non-collection of bad or doubtful debts. All debts greater than 12 months old have been 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% has been made. No provision has been made on debt less than 12 months old relating to Council Tax arrears and Non Domestic Rates collected on behalf of the Scottish Government.

### **Reserves**

The Council sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

### **Usable Reserves**

These relate to funds available to the Council and represent specific amounts set aside for future policy purposes or earmarked purposes and include General Fund, Housing Revenue Account Balance, Insurance Fund, Repairs and Renewals Fund, Capital Grants Unapplied, Capital Reserve and Capital Receipts Reserve.

## **Note 1 Accounting Policies (continued)**

### **Reserves (continued)**

#### **Unusable Reserves**

These relate to accounting entries which the Council is required to disclose and do not represent funds available for use.

The **Capital Adjustment Account** was introduced on 1 April 2007 and reflects the difference between the cost of non current assets consumed and the capital financing set aside to pay for them.

The **Revaluation Reserve** was introduced on 1 April 2007 and reflects the difference between depreciated historical cost and carrying value of non current assets.

The **Pensions Reserve** was introduced on 1 April 2003 and reflects the future requirement to meet pension costs.

The **Financial Instruments Adjustment Account** was introduced on 1 April 2007 and reflects the difference between the statutory value and accounting value of an asset or liability.

The **Icelandic Banks Statutory Adjustment Account** reflects the difference between the annually calculated cumulative adjusted impairment loss and the anticipated cash loss.

The **Employee Statutory Adjustment Account** was introduced on 1 April 2009 to reflect the cost of holiday entitlements and other leave earned by employees but not taken before the year-end which employees can carry forward into the next financial year, as explained more fully in the Accounting Policy on Employee Benefits on page 44.

#### **Carbon Reduction Commitment Allowances**

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

#### **Value Added Tax (VAT)**

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

## **Note 2 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted.**

For 2011/12, the accounting policy change that needs to be reported relates to Financial Instruments. Amendments to IFRS 7 - Financial Instruments: Disclosures (transfer of financial assets) were issued in October 2010 with an effective date 1 July 2010 and are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on an entity's financial position.

The revisions to IFRS 7 will not affect the Council's reporting of assets

## **Note 3 Critical Judgments in Applying Accounting Policies**

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has £2M deposited with the Icelandic bank, Landsbanki Islands hf which is in administration. Landsbanki's affairs are currently being administered by a Resolution Committee under Icelandic law, and they have awarded the Council's deposits priority status. In February 2012 the Council received the first repayment, with other repayments agreed on a schedule, which will end in 2019. The Council has followed LAAP bulletin 82 and assumed that 100% of the original sum and accrued interest will be recovered.
- In June 2010 the UK Government announced that pension increases will be based on CPI (Consumer Price Index) rather than RPI (Retail Price Index). The Actuary has continued to make this assumption when estimating the Council's liabilities, although the change from RPI to CPI may still be appealed.

## **Note 4 Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty**

The Statement of 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 2012 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.6M for every year that useful lives had to be reduced.

## Note 4 Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty (continued)

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Provisions	The Council has a balance in provisions of £0.6M for the settlement of claims for back pay arising from Equal Pay Reviews, based on the number of claims received by the Council. It is not yet certain that precedents set by other Councils in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the total estimated average settlement would each have the effect of adding £0.04M to the provision needed.
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of approximately £6.6M.
Arrears	At 31 March 2012, the Council had a balance of sundry debtors for £15.0M. (before provision for impairment) A review of the most significant debts, Council tax, suggested that an impairment of 100% on debts greater than 12 months old was appropriate.	A deterioration in collection rates might require an impairment of Council tax debt which is less than 12 months old. An impairment of 1% of current year debt would amount to approximately £0.01M.

## Note 5 Material Items of Income and Expenditure

Where material items of Income and Expenditure are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the Code requires that the nature and amount of these items are disclosed in a note. During 2011/12 the following items are regarded as material:

Nature	Amount £M
Loss on disposal recognised in the Comprehensive Income and Expenditure Statement of the former Keith Primary and Elgin Academy schools on their replacement under the PPP contract	6.25
Ongoing construction of the flooding defences schemes across Moray.	
Elgin scheme	12.10
Burn of Mosset, Forres scheme	2.33
Phase 2 of the construction of new Council houses. Twenty two dwellings were completed in year and a further twenty one dwellings were under construction at 31 March 2012.	7.65
Completion of the conversion of the former Aldi supermarket to form the new Headquarters Annexe building	3.23

## Note 6 Events After The Balance Sheet Date

The unaudited Statement of Accounts was issued on 26 June 2012 and the audited Statement of Accounts was authorised for issue on 26 September 2012 by Margaret Wilson, Head of Financial Services. 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 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 7 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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010/2011

	Usable Reserves							Movement in Unusable Reserves
	General Fund	HRA	Repairs & Renewals Fund	Insurance Fund	Capital Grants Unapplied	Capital Reserve	Capital Receipts Reserve	
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>								
Charges for depreciation and impairment of non-current assets	14,065	7,754						(21,819)
Movements in the market value of Investment Properties	147							(147)
Amortisation of intangible assets	141							(141)
Capital grants and contributions applied	(18,231)	(1,284)						19,515
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	859	1,026						(1,885)
Donated Assets	(561)							561
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment	(5,982)	(94)						6,076
Capital expenditure charged against the General Fund and HRA balances		(1,650)						1,650
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1)				1			
Application of grants to capital financing transferred to the Capital Adjustment Account					(95)			95
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(291)	(1,488)					1,779	
IORB	(2)	(2)					4	



## Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2010/2011

	Usable Reserves							Movement in Unusable Reserves
	General Fund	HRA	Repairs & Renewals Fund	Insurance Fund	Capital Grants Unapplied	Capital Reserve	Capital Receipts Reserve	
	£000	£000	£000	£000	£000	£000	£000	£000
Use of the Capital Receipts Reserve to finance new capital expenditure						(1,779)		1,779
<b>Adjustment primarily involving the Financial Instruments Adjustment</b>								
<b>Account:</b>								
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	(180)	(78)						258
<b>Adjustment primarily involving the Icelandic Banks Statutory Adjustment</b>								
<b>Account:</b>								
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	(179)	-						179
<b>Adjustments primarily involving the Capital Reserves</b>								
Transfer of Discount on Second Homes to usable reserves	(604)					604		
<b>Adjustments primarily involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 38)	(10,616)	121						10,495
Employer's pensions contributions and direct payments to pensioners payable in the year	(11,739)							11,739
<b>Adjustment primarily involving the Employee Statutory Adjustment Account</b>								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,167							(1,167)
<b>Total Adjustments</b>	<b>(32,007)</b>	<b>4,305</b>	<b>-</b>	<b>-</b>	<b>(94)</b>	<b>604</b>	<b>4</b>	<b>27,188</b>

## Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2011/2012

	Usable Reserves							Movement in Unusable Reserves
	General Fund	HRA	Repairs & Renewals Fund	Insurance Fund	Capital Grants Unapplied	Capital Reserve	Capital Receipts Reserve	
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Charges for depreciation and impairment of non-current assets	14,667	6,096						(20,763)
Revaluation losses on Property, Plant & Equipment	2,027							(2,027)
Movements in the market value of Investment Properties	(6)							6
Amortisation of intangible assets	183							(183)
Capital grants and contributions applied	(21,884)	(2,552)						24,436
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	8,031	713						(8,744)
Donated Assets								-
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment	(6,064)	(113)						6,177
Capital expenditure charged against the General Fund and HRA balances	(719)	(3,054)						3,773
	(1,204)	1,204						-
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement								
Application of grants to capital financing transferred to the Capital Adjustment Account					(8)			8
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,131)	(1,097)					2,228	
IORB	(4)	(2)					6	-
Use of the Capital Receipts Reserve to finance new capital expenditure							(2,477)	2,477

## Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2011/2012

	Usable Reserves							
	General Fund	HRA	Repairs & Renewals Fund	Insurance Fund	Capital Grants Unapplied	Capital Reserve	Capital Receipts Reserve	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustment primarily involving the Financial Instruments Adjustment</b>								
<b>Account:</b>								
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	(225)	(84)						309
<b>Adjustment primarily involving the Icelandic Banks Statutory Adjustment</b>								
<b>Account:</b>								
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	(69)							69
<b>Adjustments primarily involving the Capital Reserves:</b>								
Transfer of Discount on Second Homes to usable reserves	1,204					(1,204)		
	(600)					600		
<b>Adjustments primarily involving the Pensions Reserve:</b>								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 38)	14,316	580						(14,896)
Employer's pensions contributions and direct payments to pensioners payable in the year	(11,392)	(481)						11,873
<b>Adjustment primarily involving the Employee Statutory Adjustment Account</b>								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,204)	(8)						1,212
								-
<b>Total Adjustments</b>	<b>(4,074)</b>	<b>1,202</b>	<b>-</b>	<b>-</b>	<b>(8)</b>	<b>(604)</b>	<b>(243)</b>	<b>3,727</b>

## Note 8 Transfers to/from 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 Statutory Funds to provide financing for future expenditure plans and the amounts posted back from Statutory Funds to meet General Fund and HRA expenditure in 2011/12.

### Statutory Funds

	Repairs & Renewals Fund £000	Insurance Fund £000	Total £000
Balance at 1st April 2010	2,249	1,348	3,597
Transfers Out 2010/11	-	-	-
Transfers In 2010/11	258	4	262
Balance at 31st March 2011	<u>2,507</u>	<u>1,352</u>	<u>3,859</u>
Transfers Out 2011/12	-	-	-
Transfers In 2011/12	259	5	264
Balance at 31st March 2012	<u>2,766</u>	<u>1,357</u>	<u>4,123</u>

### 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	Central Energy Efficiency Fund £000	Other Funds £000	Total £000
Balance at 1st April 2010	8,485	281	245	-	9,011
Transfers Out 2010/11	-	-	(130)	-	(130)
Transfers In 2010/11	7,736	697	-	215	8,648
Balance at 31st March 2011	<u>16,221</u>	<u>978</u>	<u>115</u>	<u>215</u>	<u>17,529</u>
Transfers Out 2011/12	-	-	-	(215)	(215)
Transfers In 2011/12	3,044	726	20	8	3,798
Balance at 31st March 2012	<u>19,265</u>	<u>1,704</u>	<u>135</u>	<u>8</u>	<u>21,112</u>

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

Central Energy Efficiency Fund. The purpose of this fund is to provide initial investment to finance Energy Efficient Measures which will generate long-term revenue savings. The initial investment from the fund will be repaid from revenue savings generated over an agreed period.

Other Funds. These are grants unspent at the reporting year end which have restrictions on their use.

## Note 9 Other Operating Expenditure

	2010/11 £000	2011/12 £000
Movement on revaluation of held for sale assets recognised in the	-	32
Provision of Services		
Gain on disposal of investments	-	(22)
(Gains)/losses on disposal of non-current assets	106	6,515
	<u>106</u>	<u>6,525</u>

## Note 10 Financing and Investment Income and Expenditure

	2010/11 £000	2011/12 £000
Interest payable and similar charges	7,699	8,056
Pensions interest cost and expected return on pensions assets	2,898	922
Interest receivable and similar income	(306)	(187)
Income & Expenditure in relation to investment properties	(28)	(14)
Movement on revaluation of Investment Property	147	(6)
	<u>10,410</u>	<u>8,771</u>

## Note 11 Taxation and Non-Specific Grant Income

	2010/11 £000	2011/12 £000
Council tax income	37,551	37,905
Non domestic rates	35,122	27,053
Non-ring fenced Government grants	128,342	131,285
Capital grants and contributions	19,515	24,437
Donated Asset Income	561	-
	<u>221,091</u>	<u>220,680</u>

There has been a change in the distribution basis for Non-Domestic Rates from 2011-12. The amount of Non-Domestic Rate income distributed to the Council by the Scottish Government is now aligned to the amount collected by the council. The Scottish Government provides a General Revenue Grant (a non-ringfenced Government Grant), which is distributed to Councils based on a methodology agreed between local government and the Scottish Government. This allocation takes into consideration the amount of Non-domestic rates distributed to each Council.

## Note 12 Property, Plant and Equipment

### Comparative Movements in 2010/11:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or valuation</b>								
At 1 April 2010	139,163	267,738	24,605	62,698	2,028	6,234	53,924	556,390
Additions	7,543	4,962	2,960	11,074	-	174	9,292	36,005
Donations	-	561	-	-	-	-	-	561
Revaluation increases/(decreases) recognised in the Revaluation Reserve	24,975	885	-	-	-	204	-	26,064
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,487)	(1,810)	-	-	-	(521)	-	(5,818)
Derecognition – disposals	-	(607)	(199)	-	-	(50)	-	(856)
Derecognition – other	-	(144)	-	-	-	(589)	-	(733)
Assets reclassified (to)/from Held for Sale	(885)	(115)	-	-	-	-	-	(1,000)
Other movements in cost or valuation	1,329	577	32	32,556	-	(510)	(33,984)	-
<b>At 31 March 2011</b>	<b>168,638</b>	<b>272,047</b>	<b>27,398</b>	<b>106,328</b>	<b>2,028</b>	<b>4,942</b>	<b>29,232</b>	<b>610,613</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2010	12,408	15,945	15,722	10,858	254	82	-	55,269
Depreciation charge	3,984	7,036	2,634	2,774	63	9	-	16,500
Depreciation written out to the Revaluation Reserve	(12,408)	(1,745)	-	-	-	(20)	-	(14,173)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(397)	-	-	-	(37)	-	(434)
Impairment losses/(reversals) recognised in the Surplus/ Deficit on the Provision of Services	-	(32)	-	-	-	-	-	(32)
Derecognition – disposals	-	(32)	(133)	-	-	-	-	(165)
Derecognition – other	-	(4)	-	-	-	(20)	-	(24)
Other movements in depreciation and impairment	-	-	7	(7)	-	-	-	-
<b>At 31 March 2011</b>	<b>3,984</b>	<b>20,771</b>	<b>18,230</b>	<b>13,625</b>	<b>317</b>	<b>14</b>	<b>-</b>	<b>56,941</b>

## Note 12 Property, Plant and Equipment (Continued)

### Movement in 2011/12:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or valuation</b>								
At 1 April 2011	168,638	272,047	27,398	106,328	2,028	4,942	29,232	610,613
Additions	4,231	36,819	6,086	8,654			20,415	76,205
Donations								-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(2,780)	4,954						2,174
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,652)	(3,760)			(103)	(34)		(5,549)
Derecognition – disposals		(7,236)	(904)					(8,140)
Derecognition – other								-
Assets reclassified (to)/from Held for Sale	(717)	(1,167)				153		(1,731)
Other movements in cost or valuation	2,764	4,903		51		(2,405)	(5,313)	-
<b>At 31 March 2012</b>	<b>170,484</b>	<b>306,560</b>	<b>32,580</b>	<b>115,033</b>	<b>1,925</b>	<b>2,656</b>	<b>44,334</b>	<b>673,572</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2011	3,984	20,771	18,230	13,625	317	14	-	56,941
Depreciation charge	4,082	7,632	2,812	3,038	56	17		17,637
Depreciation written out to the Revaluation Reserve	(3)	(1,602)						(1,605)
Depreciation written out to the Surplus/Deficit on the Provision of Services		(399)			(28)	(1)		(428)
Impairment losses/(reversals) recognised in the Revaluation Reserve								-
Derecognition – disposals		(547)	(720)					(1,267)
Derecognition – other	(16)	(64)						(80)
Other movements in depreciation and impairment						3		3
<b>At 31 March 2012</b>	<b>8,047</b>	<b>25,791</b>	<b>20,322</b>	<b>16,663</b>	<b>345</b>	<b>33</b>	<b>-</b>	<b>71,201</b>
<b>Net Book Value</b>								
at 31 March 2011	164,654	251,276	9,168	92,703	1,711	4,928	29,232	553,672
at 31 March 2012	162,437	280,769	12,258	98,370	1,580	2,623	44,334	602,371

## Note 12 Property, Plant and Equipment (Continued)

### Depreciation

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

Council Dwellings - up to 50 years  
 Other Land & Buildings - Buildings various, land is not depreciated  
 Vehicles, Plant, Furniture & Equipment - 3 to 12 years  
 Infrastructure - 40 years  
 Community Assets - 40 years  
 Surplus Assets - Buildings various, land is not depreciated

### Capital Commitments

At 31 March 2012, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £46.62M. Similar commitments at 31 March 2011 were £65.11M. The major commitments are:

	2012/13 £000
Schools Estate Projects	1,118
Flood Alleviation Schemes	36,207
HRA Capital Projects	2,318
HRA Council House New Build	6,972
	<u>46,615</u>

### Effect of Changes in Estimates

The Council made no material changes to its accounting for estimates for Property, Plant and Equipment.

### Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out by the Council's Head of Estates in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost as a proxy for current fair values.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	-	44,956	32,580	115,033	1,925	637	44,334	239,465
valued at fair value as at:								
01 April 2011	2,593	37,325	-	-	-	38	-	39,956
01 April 2010	167,891	32,708	-	-	-	997	-	201,596
01 April 2009	-	20,074	-	-	-	-	-	20,074
01 April 2008	-	146,926	-	-	-	384	-	147,310
01 April 2007	-	24,571	-	-	-	600	-	25,171
Total cost or valuation	<u>170,484</u>	<u>306,560</u>	<u>32,580</u>	<u>115,033</u>	<u>1,925</u>	<u>2,656</u>	<u>44,334</u>	<u>673,572</u>



## Note 13 Heritage Assets

This note details the movement in Heritage Assets during the three years 2009/10 to 2011/12.

	<b>Museums Collections</b>	<b>Chains of Office</b>	<b>Total Heritage Assets</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Valuation at 1 April 2009	903	-	903
Revaluations	-	-	-
<b>At 31 March 2010</b>	<b>903</b>	<b>-</b>	<b>903</b>
Valuation at 1 April 2010	903	-	903
Revaluations	-	-	-
<b>At 31 March 2011</b>	<b>903</b>	<b>-</b>	<b>903</b>
Valuation at 1 April 2011	903	-	903
Revaluations	-	-	-
<b>At 31 March 2012</b>	<b>903</b>	<b>-</b>	<b>903</b>

It is not practicable to value/revalue all Heritage Assets at once and a rolling programme of valuations will commence in 2012/13 to inform fair value and to ensure that insurance valuations are kept up to date.

The amount included above for the museums collections is based on insurance valuations.

2011/12 is the first time the Code requires disclosure of Heritage Assets, requiring the reclassification of assets previously included in Community Assets (at nominal or nil values) to Heritage Assets.

This represents a change in accounting policy and prior year figures have been restated as follows:-

	<b>2009/10 Original £000</b>	<b>FRS 30 Heritage Assets recognition £000</b>	<b>2009/10 Restated £000</b>
Property, Plant and Equipment	501,121	-	501,121
Heritage Assets	-	903	903
Revaluation Reserve	57,584	903	58,487
<b>Balance Sheet Heading</b>	<b>2010/11 Original £000</b>	<b>FRS 30 Heritage Assets recognition £000</b>	<b>2010/11 Restated £000</b>
Property, Plant and Equipment	553,672	-	553,672
Heritage Assets	-	903	903
Revaluation Reserve	96,201	903	97,104

## Note 13 Heritage Assets (continued)

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.

<b>Assets excluded from Heritage Assets</b>		<b>Estimated number of assets 31 March 2012</b>
Archive Material	circa	1,000,000
Monuments and Fountains		12
War Memorials		45

## Note 14 Investment Property

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-

	<b>2010/11 £000</b>	<b>2011/12 £000</b>
Rental income from investment property	28	14
Net gain/ (loss)	<u>28</u>	<u>14</u>

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 repairs, maintenance or enhancement.

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

	<b>2010/11 £000</b>	<b>2011/12 £000</b>
Balance at start of the year	1,743	1,596
Additions	-	-
Disposals	-	-
Net gains/losses from fair value adjustments	(147)	6
Balance at end of the year	<u>1,596</u>	<u>1,602</u>

## Note 15 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 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 useful 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
3 years	425
5 years	203

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.183M charged to revenue in 2011/12 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. (£0.141M 2010/11)

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

	2010/11 £000	2011/12 £000
Balance at start of year:		
Gross carrying amount	425	425
Accumulated amortisation	141	282
Net carrying amount at start of year	<u>284</u>	<u>143</u>
Additions:		
Purchases	-	203
Amortisation for the period	141	183
Net carrying amount at end of year	<u>143</u>	<u>163</u>
Comprising:		
Gross carrying amounts	425	628
Accumulated amortisation	<u>282</u>	<u>465</u>
	<u>143</u>	<u>163</u>

## Note 16 Financial Instruments

### Categories of Financial Instruments

Financial Instruments included in the Balance Sheet comprise borrowings and creditors, investments, debtors, bank deposits, cash and cash equivalents.

The Financial Instruments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long - Term		Current	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Investments				
Loans and receivables	1,635	803	-	403
Total Investments	1,635	803	-	403
Cash & Cash Equivalents				
Cash and bank			(139)	6,076
Cash equivalent carried at contract amounts			(5,565)	(5,913)
Total Cash & Cash equivalents	-	-	(5,704)	163
Debtors				
Loans and receivables	1,155	1,022		
Financial assets carried at contract amounts			8,454	8,955
Total Debtors	1,155	1,022	8,454	8,955
Borrowings				
Financial liabilities at amortised cost	131,532	137,028	3,241	2,744
Total Borrowings	131,532	137,028	3,241	2,744
Other Long Term Liabilities				
Financial liabilities at amortised cost	1,945	2,038		
Finance lease and PPP liabilities	276	31,032		
Total Other Long Term Liabilities	2,221	33,070	-	-
Creditors				
Financial liabilities carried at contract amount (including finance lease and PPP liabilities)			24,979	30,019
Total Creditors			24,979	30,019

## Note 16 Financial Instruments (continued)

### Income, Expense, Gains and Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses are made up as follows:

	2010/11			2011/12		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest Expense	7,658		7,658	8,190		8,190
Losses on derecognition	-		-	-		-
Impairment losses	-	257	257		147	147
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>7,658</b>	<b>257</b>	<b>7,915</b>	<b>8,190</b>	<b>147</b>	<b>8,337</b>
Interest income		(306)	(306)		(187)	(187)
Gains on derecognition						-
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(306)</b>	<b>(306)</b>	<b>-</b>	<b>(187)</b>	<b>(187)</b>
<b>Net loss/(gain) for the year</b>	<b>7,658</b>	<b>(49)</b>	<b>7,609</b>	<b>8,190</b>	<b>(40)</b>	<b>8,150</b>

### Fair Value of Assets and Liabilities carried at Amortised Cost

Financial assets represented by loans and receivables and financial liabilities are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- the discount rate used for PWLB debt is the premature repayment rate
- the discount rates for other market debt are the rates for the same instrument from a comparable lender
- no early repayment or impairment is recognised except for Landsbanki
- where an instrument will mature within the next 12 months, carrying amount is assumed to approximate approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	2010/11		2011/12	
	Restated			
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities	167,677	204,863	218,302	275,771

The fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the market rates available for similar loans at the Balance Sheet date.

Financial Assets	11,244	11,244	17,259	17,259
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At 31 March 2011 and 2012 the Council's financial assets show the carrying value equal to fair value. This is mainly due to a large proportion of the amount being short term financial assets (£8.4M and £15.4M respectively) and the remaining balance being long term loans which have market rates of return. The values for 2010/11 have been restated due to the omission of cash and cash equivalents from the Fair Value calculations.

## Note 17 Inventories

	Balance outstanding at 1st April	Purchases	Recognised as an expense in the year	Balance outstanding at 31st March
	£000	£000	£000	£000
2010/11				
Building Services	154	512	(481)	185
Fleet Services	303	2,534	(2,551)	286
Road Maintenance	70	593	(490)	173
Other	38	1,134	(1,015)	157
Client Services Work in Progress	32	-	(8)	24
<b>Total</b>	<b>597</b>	<b>4,773</b>	<b>(4,545)</b>	<b>825</b>

	Balance outstanding at 1st April	Purchases	Recognised as an expense in the year	Balance outstanding at 31st March
	£000	£000	£000	£000
2011/12				
Building Services	185	543	(574)	154
Fleet Services	286	2,841	(2,806)	321
Road Maintenance	173	447	(403)	217
Other	157	1,110	(1,135)	132
Client Services Work in Progress	24	-	5	29
<b>Total</b>	<b>825</b>	<b>4,941</b>	<b>(4,913)</b>	<b>853</b>

## Note 18 Short Term Debtors

	2010/11 £000	2011/12 £000
Central Government Bodies	3,694	2,077
Other Local Authorities	215	303
NHS Bodies	418	481
Public Corporations	4	422
Other entities and individuals	4,123	5,672
	<b>8,454</b>	<b>8,955</b>

## Note 19 Cash & Cash Equivalents

Cash equivalents will include short term deposits on deposit for less than 3 months.

Cash and Cash Equivalents as at 31 March

	2010/11 £000	2011/12 £000
Cash Held by the Authority	29	27
Bank Current/ Call Accounts	(668)	6,049
Cash Invested on Call with Building Societies	500	-
	<b>(139)</b>	<b>6,076</b>
Amounts Owed to Other Bodies	(5,565)	(5,913)
	<b>(5,565)</b>	<b>(5,913)</b>
<b>Total Cash &amp; Cash Equivalents</b>	<b>(5,704)</b>	<b>163</b>

## Note 20 Assets Held for Sale

	2010/11 £000	Current Assets 2011/12 £000
<b>Balance outstanding at 1 April</b>	784	832
Assets newly classified as held for sale:		
Property, Plant and Equipment	998	1,804
Intangible Assets		
Revaluation gains/(losses)	244	(32)
Assets declassified as held for sale:		
Property, Plant and Equipment	-	(150)
Assets sold	(1,194)	(1,871)
<b>Balance outstanding at 31 March</b>	<u>832</u>	<u>583</u>

## Note 21 Short Term Creditors

	2010/11 £000	2011/12 £000
Central government bodies	6,993	7,086
Other local authorities	846	1,574
NHS bodies	167	374
Public corporations and trading funds	70	56
Other entities and individuals	16,903	21,072
<b>Total</b>	<u>24,979</u>	<u>30,162</u>

## Note 22 Provisions

	Equal Pay £000
Balance as at 1 April 2011	738
Amounts used in 2011/12	114
Balance as at 31 March 2012	<u>624</u>

The Council has recognised a provision in respect of equal pay claims from employees. The remaining claims are being managed in accordance with the strategy agreed by the Corporate Management Team. The Council believes that the amount provided represents the best estimate of the total liability.

## Note 23 Usable Reserves

The movements on the Usable Reserves are detailed in the Movement in Reserves Statement on pages 35 and 36 and in Notes 7 and 8. A summary of the Reserves is also shown on the Balance Sheet.

## Note 24 Unusable Reserves

2010/11 £000 Restated		2011/12 £000
97,104	Revaluation Reserve	98,343
295,125	Capital Adjustment Account	302,824
(9,131)	Financial Instruments Adjustment Account	(8,822)
(326)	Icelandic Banks Statutory Adjustment Account	(256)
(6,360)	Employee Statutory Adjustment Account	(5,148)
(89,141)	Pensions Reserve	(108,775)
<b>287,271</b>	<b>Total Reserves</b>	<b>278,166</b>

### 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 balance is reduced when assets with accumulated gains are:-

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2010/11 £000 Restated		2011/12 £000	2011/12 £000
58,487	Balance at 1 April		97,104
42,780	Upward revaluation of assets	6,648	
(3,041)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,869)	
<b>39,739</b>	<b>Surplus or deficit on revaluation on non-current assets not posted to the Surplus of Deficit on the provision of Services</b>		<b>3,779</b>
(745)	Difference between fair value depreciation and historical cost depreciation	(1,850)	
(377)	Accumulated gains on assets sold or scrapped	(690)	
<b>(1,122)</b>	<b>Amount written off to the Capital Adjustment Account</b>		<b>(2,540)</b>
<b>97,104</b>	<b>Balance at 31 March</b>		<b>98,343</b>



## Note 24 Unusable Reserves (continued)

### Capital Adjustment Account

The Capital Adjustment Account absorbs the differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to an historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

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.

Note 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/11 £000		2011/12 £000
288,319	Balance at 1 April	295,125
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(21,819)	Charges for depreciation and impairment of non-current assets	(20,763)
-	Revaluation losses on Property, Plant and Equipment	(2,027)
(141)	Amortisation of Intangible Assets	(183)
(1,885)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(8,744)
<u>(23,845)</u>		<u>(31,717)</u>
1,122	Adjusting amounts written out of the Revaluation Reserve	2,540
<u>(22,723)</u>	Net written out amount of the cost of non-current assets consumed in the year	<u>(29,177)</u>
	Capital financing applied in the year:	
1,779	Use of the Capital Receipts Reserve to finance new capital expenditure	2,476
19,515	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	24,436
95	Application of grants to capital financing from the Capital Grants Unapplied Account	8
6,076	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	6,177
1,650	Capital expenditure charged against the General Fund and HRA balances	3,773
<u>29,115</u>		<u>36,870</u>
(147)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	6
561	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
<u>295,125</u>	Balance 31 March	<u>302,824</u>

## Note 24 Unusable Reserves (continued)

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with the statutory arrangements for spreading the burden on council tax. In the Council's case this period of the unexpired term that is outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2012 will be charged to the General Fund over the next 41 years.

2010/11 £000		2011/12 £000
(9,389)	Balance at 1 April	(9,131)
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
303	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	303
(45)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	6
<u>(9,131)</u>	Balance at 31 March	<u>(8,822)</u>

### Icelandic Banks Statutory Adjustment Account

The Icelandic Banks Statutory Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to Icelandic Banks. The amount charged to this account is the difference between the annually calculated cumulative adjusted impairment loss and the anticipated cash loss.

2010/11 £000		2011/12 £000
(505)	Balance at 1 April	(326)
114	Notional Interest Required by Statute	114
106	Actual Anticipated Cash Loss/ (Gain)	(172)
(41)	(Increase)/ Decrease in Impairment Loss	128
<u>(326)</u>	Balance at 31 March	<u>(256)</u>

## Note 24 Unusable Reserves (continued)

### Employee Statutory Adjustment Account

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

2010/11 £000			2011/12 £000
(5,193)	Balance at 1 April		(6,360)
5,193	Settlement or cancellation of accrual made at the end of the preceding year	6,360	
(6,360)	Amounts accrued at the end of the current year	(5,148)	
(1,167)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1,212
(6,360)	Balance at 31 March		(5,148)

### 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 employees 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.

2010/11 £000			2011/12 £000
(106,546)	Balance at 1 April		(89,141)
(4,829)	Actuarial gains or losses on pensions assets and liabilities		(16,611)
10,495	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		(14,896)
11,739	Employer's pensions contributions and direct payments to pensioners payable in the year		11,873
(89,141)	Balance at 31 March		(108,775)

## Note 25 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	<b>2010/11</b> <b>£000</b>	<b>2011/12</b> <b>£000</b>
Interest Received	(122)	(91)
Interest Paid	7,616	8,169

## Note 26 Cash Flow Statement - Investing Activities

	<b>2010/11</b> <b>£000</b>	<b>2011/12</b> <b>£000</b>
Purchase of property, plant and equipment, investments, property and intangible assets	35,753	42,079
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,819)	(2,095)
Proceeds from the sale of shares	-	(22)
Other receipts from investing activities	(19,772)	(23,459)
Net cash flows from investing activities	<u>14,162</u>	<u>16,503</u>

## Note 27 Cash Flow Statement - Financing Activities

	<b>2010/11</b> <b>£000</b>	<b>2011/12</b> <b>£000</b>
Cash receipts of short-term and long-term borrowing	(6,500)	(8,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	111	149
Repayment of short and long-term borrowing	10,491	2,995
Other payments/(receipts) for financing activities	5,376	(2,212)
Net cash flows from financing activities	<u>9,478</u>	<u>(7,068)</u>

## Note 28 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Members on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than the current service cost of benefits accrued in the year

### Directorate Income and Expenditure 2010/2011

	Educational Services £000	Children & Families & Criminal Justice £000	Health & Social Care £000	General Services Housing £000	Planning & Regulatory Services £000	Economic Development & Infrastructure £000	Policy & Resources £000	Housing Revenue Account £000	Total £000
Fees, charges & other service income	(2,164)	(73)	(7,968)	(9,613)	(2,047)	(11,222)	(1,649)	(12,853)	<b>(47,589)</b>
Government grants	(727)	(713)	(166)	(852)	(724)	(348)	(23,880)	(481)	<b>(27,891)</b>
<b>Total Income</b>	<b>(2,891)</b>	<b>(786)</b>	<b>(8,134)</b>	<b>(10,465)</b>	<b>(2,771)</b>	<b>(11,570)</b>	<b>(25,529)</b>	<b>(13,334)</b>	<b>(75,480)</b>
Employee expenses	63,445	4,998	15,007	4,882	4,126	13,637	4,592	2,761	<b>113,448</b>
Other service expenses	22,977	8,012	28,810	7,098	2,354	15,452	38,343	6,142	<b>129,188</b>
Support Service Recharges	3,536	861	921	442	486	1,192	1,695	566	<b>9,699</b>
<b>Total operating expenses</b>	<b>89,958</b>	<b>13,871</b>	<b>44,738</b>	<b>12,422</b>	<b>6,966</b>	<b>30,281</b>	<b>44,630</b>	<b>9,469</b>	<b>252,335</b>
<b>Cost of Services</b>	<b>87,067</b>	<b>13,085</b>	<b>36,604</b>	<b>1,957</b>	<b>4,195</b>	<b>18,711</b>	<b>19,101</b>	<b>(3,865)</b>	<b>176,855</b>

### Directorate Income and Expenditure 2011/2012

	Educational Services £000	Children & Families & Criminal Justice £000	Health & Social Care £000	General Services Housing £000	Planning & Regulatory Services £000	Economic Development & Infrastructure £000	Policy & Resources £000	Housing Revenue Account £000	Total £000
Fees, charges & other service income	(1,854)	(52)	(8,002)	(10,348)	(1,242)	(11,311)	(861)	(13,340)	<b>(47,010)</b>
Government grants	(633)	(851)	(975)	(636)	(1,015)	(91)	(24,098)	(523)	<b>(28,822)</b>
<b>Total Income</b>	<b>(2,487)</b>	<b>(903)</b>	<b>(8,977)</b>	<b>(10,984)</b>	<b>(2,257)</b>	<b>(11,402)</b>	<b>(24,959)</b>	<b>(13,863)</b>	<b>(75,832)</b>
Employee expenses	59,041	5,199	16,555	5,141	3,965	12,742	4,465	2,329	<b>109,437</b>
Other service expenses	24,266	8,433	29,669	6,988	2,880	14,629	36,717	6,067	<b>129,649</b>
Support Service Recharges	3,397	900	885	394	596	1,129	1,571	1,034	<b>9,906</b>
<b>Total operating expenses</b>	<b>86,704</b>	<b>14,532</b>	<b>47,109</b>	<b>12,523</b>	<b>7,441</b>	<b>28,500</b>	<b>42,753</b>	<b>9,430</b>	<b>248,992</b>
<b>Cost of Services</b>	<b>84,217</b>	<b>13,629</b>	<b>38,132</b>	<b>1,539</b>	<b>5,184</b>	<b>17,098</b>	<b>17,794</b>	<b>(4,433)</b>	<b>173,160</b>

## Note 28 Amounts Reported for Resource Allocation Decisions (continued)

### Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2010/11 £000	2011/12 £000
Cost of Services in Service Analysis	176,855	173,160
Add services not included in main analysis	-	-
Add amounts not reported to management	9,112	37,506
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(11,638)	(11,873)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>174,329</b>	<b>198,793</b>

### Reconciliation to Subjective Analysis 2010/11

	Service Analysis £000	Not reported to management £000	Not included in C I & E £000	Allocation of Recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(47,589)	-	-	(1,046)	(48,635)	-	<b>(48,635)</b>
Interest and investment income	-	-	-	-	-	(334)	<b>(334)</b>
Income from council tax	-	-	-	-	-	(37,551)	<b>(37,551)</b>
Government grants and contributions	(27,891)	-	-	-	(27,891)	(182,979)	<b>(210,870)</b>
Donated Asset Income	-	-	-	-	-	(561)	<b>(561)</b>
<b>Total Income</b>	<b>(75,480)</b>	<b>0</b>	<b>0</b>	<b>(1,046)</b>	<b>(76,526)</b>	<b>(221,425)</b>	<b>(297,951)</b>
Employee expenses	113,448	(13,494)	(11,638)	8,292	96,608	2,898	<b>99,506</b>
Other service expenses	129,188	-	-	2,453	131,641	-	<b>131,641</b>
Support Service recharges	9,699	-	-	(9,699)	-	-	<b>-</b>
Depreciation, amortisation and impairment	-	22,606	-	-	22,606	147	<b>22,753</b>
Interest Payments	-	-	-	-	-	7,699	<b>7,699</b>
Gain/Loss on Disposal of Property, Plant, Equipment and movement on Investment Property	-	-	-	-	-	106	<b>106</b>
<b>Total operating expenses</b>	<b>252,335</b>	<b>9,112</b>	<b>(11,638)</b>	<b>1,046</b>	<b>250,855</b>	<b>10,850</b>	<b>261,705</b>
<b>Net Cost of Services</b>	<b>176,855</b>	<b>9,112</b>	<b>(11,638)</b>	<b>-</b>	<b>174,329</b>		
<b>(Surplus) or deficit on provision of services</b>							<b>(36,246)</b>

## Note 28 Amounts Reported for Resource Allocation Decisions (continued)

### Reconciliation to Subjective Analysis 2011/12

	Service Analysis £000	Not reported to management £000	Not included in C I & E £000	Allocation of Recharges £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(47,010)	-	-	(524)	(47,534)	-	<b>(47,534)</b>
Interest and investment income	-	-	-	-	-	(201)	<b>(201)</b>
Income from council tax	-	-	-	-	-	(37,905)	<b>(37,905)</b>
Government grants and contributions	(28,822)	-	-	-	(28,822)	(182,775)	<b>(211,597)</b>
<b>Total Income</b>	<b>(75,832)</b>	<b>-</b>	<b>-</b>	<b>(524)</b>	<b>(76,356)</b>	<b>(220,881)</b>	<b>(297,237)</b>
Employee expenses	109,437	13,974	(11,873)	8,353	119,891	922	<b>120,813</b>
Other service expenses	129,649	-	-	2,077	131,726	-	<b>131,726</b>
Support Service recharges	9,906	-	-	(9,906)	-	-	<b>-</b>
Depreciation, amortisation and impairment	-	23,532	-	-	23,532	26	<b>23,558</b>
Interest Payments	-	-	-	-	-	8,056	<b>8,056</b>
Gain/Loss on Disposal of Property, Plant, Equipment and movement on Investment Property	-	-	-	-	-	6,493	<b>6,493</b>
<b>Total operating expenses</b>	<b>248,992</b>	<b>37,506</b>	<b>(11,873)</b>	<b>524</b>	<b>275,149</b>	<b>15,497</b>	<b>290,646</b>
<b>Net Cost of Services</b>	<b>173,160</b>	<b>37,506</b>	<b>(11,873)</b>	<b>-</b>	<b>198,793</b>		
<b>(Surplus) or deficit on the provision of services</b>							<b>(6,591)</b>

## Note 29 Significant Trading Operations

The Council is required under the Local Government in Scotland Act 2003 to maintain trading accounts for significant trading operations. Significant trading operations must achieve breakeven in financial terms over a three year rolling period. Following the removal of capital interest charges, breakeven is calculated after applying a share of loan interest based on assets used

### Summary Revenue Accounts for Significant Trading Operations

2009/10 Actual	2010/11 Actual			2011/12 Actual	Three Years Ended 31-Mar-12
£000	£000			£000	£000
7,424	7,248	Building Services	Turnover	7,973	22,645
7,118	7,182		Expenditure	7,943	22,243
306	66		Trading Surplus	30	402
10	12		Notional Loan Interest	11	33
296	54		Financial Reporting Surplus	19	369
8,505	9,099	Roads	Turnover	8,299	25,903
7,752	8,181		Expenditure	8,156	24,089
753	918		Trading Surplus	143	1,814
20	24		Notional Loan Interest	36	80
733	894		Financial Reporting Surplus	107	1,734
2,330	2,227	Vehicle Maintenance	Turnover	2,111	6,668
2,242	2,219		Expenditure	2,135	6,596
88	8		Trading Surplus / (Deficit)	(24)	72
8	7		Notional Loan Interest	6	21
80	1		Financial Reporting Surplus / (Deficit)	(30)	51
3,347	3,065	Ground Maintenance	Turnover	2,854	9,266
3,015	2,995		Expenditure	2,786	8,796
332	70		Trading Surplus	68	470
9	9		Notional Loan Interest	16	34
323	61		Financial Reporting Surplus	52	436
1,479	1,062	Total Trading Surplus for the Year		217	
288	-	Surplus Returned to Services		-	
1,191	1,062	Net Surplus on Trading Operations		217	

All Significant Trading Operations (STOs) achieved the statutory breakeven over the three year period.

The table above is presented exclusively to show whether each STO met its statutory financial target. The figures for 2009/10 are based on UK Generally Accepted Accounting Practices in line with the legislative requirement for that year. The 2010/11 and 2011/12 figures are based on International Financial Reporting Standards as specified in the Code of Practice on Local Authority Accounting. For this reason the figures quoted are not regarded as suitable for trend analysis.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The majority of services are provided as part of the Council's services to the public and the surplus or deficit for these services is recharged to headings within the Cost of Services. Trading operations also provide some additional services to external clients but the surplus for these services is not material and therefore has not been disclosed separately in the Financing and Investment Income and Expenditure line.



## **Note 29 Significant Trading Operations (continued)**

### **Building Services**

The main operation of Building Services is the maintenance of the Council's housing stock of 5,819 houses together with maintenance of other council owned properties. Some work is also undertaken for external agencies.

The trading surplus for the year was £0.030M against a financial target of £0.445M. (£0.066M and £0.269M in 2010/11.)

### **Roads**

The Roads Maintenance Service carries out cyclical, planned and reactive maintenance including the provision of a winter service and street lighting on roads and footways in Moray. Work is commissioned on the basis of actual cost, benchmarked against other authorities or the private sector and in competition. Some specialist work is undertaken for private sector clients.

The trading surplus for the year was £0.143M against a financial target of £0.141M. (£0.918M and £0.198M in 2010/11.)

### **Vehicle Maintenance**

The vehicle maintenance trading operation is responsible for the maintenance and repair of the Council's vehicles and items of plant, including MOT testing for all council vehicles under 3.5 tonne. It also inspects Moray's taxi fleet of vehicles biannually and provides a limited MOT service for private vehicles.

The trading deficit for the year was (£0.024M) against a budgeted deficit of (£0.037M). (£0.008M and £0.005M in 2010/11.)

### **Grounds Maintenance**

The Grounds Maintenance service carries out the maintenance of all the Council's parks and open spaces, including interments. It also supplies bedding plants used in the floral displays throughout Moray. The unit also undertakes work in the private sector.

The trading surplus for the year was £0.068M against a financial target of £0.179M. (£0.070M and £0.077M in 2010/11.)

### Note 30 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and contribution towards the cost of national performance studies and statutory reports:-

	2010/11 £000	2011/12 £000
Fees payable in respect of external audit services:		
audit fee	254	267
audit of other claims	-	-
<b>Total</b>	<b>254</b>	<b>267</b>

### Note 31 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12

	2010/11 £000	2011/12 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	128,342	131,285
National non domestic rates	35,122	27,053
Capital Grant and Contributions	19,515	24,437
<b>Total</b>	<b>182,979</b>	<b>182,775</b>
<b>Credited to services</b>		
Housing Benefits	15,025	15,638
Joint Boards	7,923	7,799
Private Sector Housing Grant	840	583
Other Grants	4,960	4,977
<b>Contributions</b>		
NHS Grampian - Resource Transfer	4,808	5,082
Other Contribution	504	393
<b>Donations</b>	23	4
<b>Total</b>	<b>34,083</b>	<b>34,476</b>

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 will require the monies or property to be returned to the giver.

The balances at the year end are as follows:

	2010/11 £000	2011/12 £000
<b>Grants received in Advance</b>		
Capital Grants	1,707	1,795
Revenue Support Grant	2,019	1,434
Other Grants	524	2,481
<b>Total</b>	<b>4,250</b>	<b>5,710</b>

## Note 32 Related Parties

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

Central Government has effective control over the Council. It is responsible for providing the statutory framework within which the Council operates, and provides the majority of its funding.

Central Government funding in 2011/12 was as follows:

	2010/11	2011/12
	£000	£000
Revenue Support Grant and Non Domestic Rate income	163,464	158,338
Scottish Government Grants	28,988	27,940

Government grants and contributions are included in the subjective analysis in note 28. The amounts outstanding at the year-end are included in creditors and are shown in Note 31.

Members of the Council have direct control over the Council's financial and operating policies. During 2011/12 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.

NHS Grampian, mainly through Resource Transfer, funds various projects in partnership with the Council.

	£000	£000
Funding received amounted to	4,808	5,082

The amount receivable and included in debtors at 31 March 2012 was £0.436M. (£0.370M at 31 March 2011.)

	£000	£000
European Union Funding received	634	884

The Council co-funds certain services delivered by Joint Boards consisting of representatives from Aberdeen City Council, Aberdeenshire Council and the Moray Council.

	£000	£000
Grampian Valuation Joint Board	632	609
Grampian Joint Fire & Rescue Board	4,559	4,077
Grampian Joint Police Board	7,591	7,296

The Council provided material financial assistance to the following body:

	£000	£000
Moray Leisure Limited	580	667

The Council participates in the following partnerships:

The Highlands and Islands Transport Partnership - contribution	46	46
Scotland Excel - contribution	68	66
SEEMIS Group LLP - contribution	68	67
Northern Community Justice Authority - receipt	708	848

### Note 33 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), 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 in an Council, the expenditure results increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	<b>2010/11 £000</b>	<b>2011/12 £000</b>
Opening Capital Financing Requirement	158,027	164,917
Capital Investment:		
Property, Plant and Equipment	36,005	76,205
Intangible Assets	-	203
Sources of finance:		
Capital receipts	(1,779)	(2,476)
Government grants and other contributions	(19,610)	(24,444)
Sum set aside from revenue:		
Direct revenue contributions	(1,650)	(3,773)
Loans fund principal	(6,076)	(6,177)
Closing Capital Financing Requirement	<u>164,917</u>	<u>204,455</u>
	<b>2010/11 £000</b>	<b>2011/12 £000</b>
Explanations of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	6,890	8,155
Assets acquired under PFI/PPP contracts	-	31,383
Increase/(decrease) in Capital Financing Requirement	<u>6,890</u>	<u>39,538</u>

## Note 34 Leases

### Council as Lessee

#### Finance Leases

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

	2010/11 £000	2011/12 £000
Machinery, Plant, Vehicles & Equipment	340	226

Outstanding obligations under finance leases at 31st March 2011 :

	Minimum Lease Payments £000	less Future Interest Charges £000	Present Value of Minimum Lease Payments £000
within one year	131	(14)	117
in the second to fifth years inclusive	289	(13)	276
over five years	-	-	-
Total	<u>420</u>	<u>(27)</u>	<u>393</u>

Outstanding obligations under finance leases at 31st March 2012 :

	Minimum Lease Payments £000	less Future Interest Charges £000	Present Value of Minimum Lease Payments £000
within one year	105	(7)	98
in the second to fifth years inclusive	184	(7)	177
over five years	-	-	-
Total	<u>289</u>	<u>(14)</u>	<u>275</u>

#### Operating Leases

The Council rents land and buildings and uses vehicles within Environmental Health and Ground Maintenance trading operation under the terms of operating leases. The future minimum lease payments due under non-cancellable leases in future years are :-

	2010/11 £000	2011/12 £000
Not later than one year	200	133
Later than one year and not later than five years	471	369
Later than five years	1,272	1,375
	<u>1,943</u>	<u>1,877</u>

The future minimum sublease payments expected to be received by the Council are £0.068M. (£0.093 in 2010/11.)

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to minimum lease payments was £0.187M. (£0.213M in 2010/11.)

## Note 34 Leases (continued)

### Council as Lessor

#### Finance Leases

The Council also operates a small number of finance leases under the Government Cycle to Work Scheme. The leases are all short term over a period of 12 months.

The Investment in leases at 31st March were as follows:

	2010/11 £000	2011/12 £000
Minimum Lease Payments	-	8
less Future Interest Charges	-	(1)
Present Value of Minimum Lease Payments	-	7

#### Operating Leases

The Council leases out various properties, predominately industrial units.

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

	2010/11 £000	2011/12 £000
Not later than one year	995	790
Later than one year and not later than five years	2,406	1,976
Later than five years	23,476	23,918
	<u>26,877</u>	<u>26,684</u>

## Note 35 Impairment Losses

During 2011/12, the Council has recognised an impairment loss of £3.18M (2010/11 5.35M) in relation to its Property, Plant and Equipment. £3.09M of this loss has been recognised in the Comprehensive Income and Expenditure Statement and £0.09M has been recognised in the Revaluation Reserve. The reason for the impairment is due to a variety of factors including revaluation of new build assets and also the decline in market value of certain assets.

## Note 36 Public Private Partnership

### Education Services PPP Scheme

2011/12 was the first year of a 30 year PPP contract for the construction, maintenance and operation of two schools in Keith and Elgin. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if the facilities are unavailable or performance is below minimum standards. The contractor took on the obligation to construct the schools and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the schools. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council has rights to terminate the contract only if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.

#### Property, Plant and Equipment

The assets used to provide services at the two Schools are recognised on the Council's Balance Sheet and are included in the Property, Plant and Equipment assets detailed in Note 12. Details are shown below:

	2010/11 £000	2011/12 £000
<b>Cost or valuation</b>		
At 1 April	-	-
Additions	-	31,383
At 31 March	-	31,383
<b>Accumulated Depreciation</b>		
At 1 April	-	-
Depreciation charge	-	1,326
At 31 March	-	1,326
<b>Net Book Value</b>	-	30,057

#### Payments

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PPP contract at 31 March 2012 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Reimbursement of Capital Services	Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2012/13	924	497	2,939	4,360
Payable within 2 to 5 years	3,696	2,306	11,317	17,319
Payable within 6 to 10 years	4,620	3,383	12,971	20,974
Payable within 11 to 15 years	4,620	3,224	11,554	19,398
Payable within 16 to 20 years	4,620	5,344	9,928	19,892
Payable within 21 to 25 years	4,620	7,904	7,254	19,778
Payable within 26 to 30 years	4,610	12,393	3,336	20,339
<b>Total</b>	<b>27,710</b>	<b>35,051</b>	<b>59,299</b>	<b>122,060</b>

## Note 36 Public Private Partnership (continued)

Although the payments made to the contractor 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 contractor for capital expenditure incurred is as follows:

	2010/11	2011/12
	£000	£000
Balance outstanding at start of year	-	-
Payments during the year	-	(32)
Capital expenditure incurred in the year	-	31,383
Balance outstanding at year-end	-	31,351

Capital costs of £3.7M are payable in 2012/13.

## Note 37 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Scottish Teachers' Superannuation Scheme administered by the Scottish Government. It provides teachers with defined benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Teachers' Pensions Scheme is technically a defined benefit scheme and is administered by the Scottish Government through the Scottish Public Pensions Agency (SPPA). As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the scheme Actuary 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 this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/12 the amount payable to the Scottish Government in respect of teachers' retirement benefits was £5.131M of which £0.425M was outstanding at 31 March 2012. The amount payable represents 14.9% of pensionable pay. The figures for 2010/11 were £5.298M, £0.432M and 14.9%.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the Teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 38.

## Note 38 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 that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two schemes, the North East of Scotland Local Government Pension Scheme which is administered by Aberdeen City Council and the Teachers' Scheme which is administered by the Scottish Government. Both Schemes are defined benefit schemes based on final pensionable salary.

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 pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.

### 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, 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 retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.



## Note 38 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		Teachers Pension Scheme	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services:</b>				
Current Service Cost	10,727	12,309	-	-
Past Service Cost	(25,736)	29	(245)	-
Settlements and Curtailment Cost	1,211	1,636	650	-
	(13,798)	13,974	405	-
<b>Financing and Investment Income and Expenditure</b>				
Interest Cost	20,760	21,519	201	219
Expected Return on scheme assets	(18,063)	(20,816)	-	-
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	(11,101)	14,677	606	219
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>				
Actuarial gains and losses	4,711	16,439	118	172
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	(6,390)	31,116	724	391
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post post employment benefits in accordance with the Code	17,765	(19,536)	(360)	(98)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	10,667	10,797		
Retirement benefits payable to pensioners	708	783	364	293

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £77.2M. (2010/11 a loss of £60.6M.) The figure for 2010/11 has been restated. The prior year cumulative amount calculation contained an arithmetical error.

Contributions payable to the local government pension fund of £0.880M were charged to the Comprehensive Income and Expenditure Statement but were unpaid at 31 March 2012. (2010/11 £0.870M)

## Note 38 Defined Benefit Pension Schemes (continued)

### Assets and Liabilities in relation to Post-employment Benefits

The change in the net pensions liability is analysed into seven components:

**Current Service Cost:** The increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

**Past Service Cost:** The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

**Interest Cost:** The expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**Expected Return on Assets:** The annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**Actuarial Gains and Losses:** Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve.

**Contribution Paid to the Pension Fund:** Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

**Curtailment:** Events that change the liabilities relating to a defined benefit scheme and that are not covered by normal actuarial assumptions. Gains or losses on the curtailment are recognised in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Unfunded liabilities: Discretionary Benefits		Funded liabilities: Local Government Pension Scheme	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
<b>1 April</b>	(15,594)	(16,104)	(352,230)	(376,362)
Current Service Cost	-	-	(10,727)	(12,309)
Interest Cost	(839)	(852)	(20,122)	(20,886)
Contributions by scheme participants	-	-	(3,446)	(3,451)
Actuarial (Gains)/Losses	(404)	(1,447)	(14,296)	39,072
Benefits Paid	1,072	1,076	-	8,998
Curtailments	(1,268)	-	(593)	(1,636)
Past Service Costs/(Gains)	929	-	25,052	(29)
<b>31 March</b>	<u>(16,104)</u>	<u>(17,327)</u>	<u>(376,362)</u>	<u>(366,603)</u>

The unfunded Discretionary Benefits figures above include values from the Teacher Pension Scheme and the Local Government Pension Scheme.

## Note 38 Defined Benefit Pension Schemes (continued)

Reconciliation of fair value of scheme assets:

	2010/11 £000	2011/12 £000
<b>1 April</b>	261,278	303,325
Expected return on scheme assets	18,063	20,816
Actuarial Gains/(Losses)	9,871	(54,236)
Employer Contributions	11,375	11,580
Contributions by scheme participants	3,446	3,451
Benefits Paid	(708)	(9,781)
<b>31 March</b>	<u>303,325</u>	<u>275,155</u>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term long-term real rates of return experienced in the respective markets.

The actual return on plan assets in the year was £3.981M and a return of £27.934M in 2010/11.

In the UK budget statement on 22 June 2010, the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Price Index (CPI) rather than the Retail Price index (RPI) .

The first increase was applied in 2011. Historically, CPI increases have on average been lower than RPI increases and, due to the nature of the two calculations, they are expected to remain so over the long term. The change is expected, therefore, to lead to lower increases to pensions, both in deferment and once in payment. This change has been taken into account in determining the financial assumptions adopted at this valuation.

<b>Scheme History</b>	<b>2007/08 £000</b>	<b>2008/09 £000</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>	<b>2011/12 £000</b>
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(290,258)	(239,388)	(352,230)	(376,362)	(366,603)
Discretionary Benefits	(3,493)	(12,870)	(15,594)	(16,104)	(17,327)
<b>Fair value of Assets in the Local Government Pension Scheme</b>	<b>230,165</b>	<b>177,127</b>	<b>261,278</b>	<b>303,325</b>	<b>275,155</b>
<b>Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme	(60,093)	(62,261)	(90,952)	(73,037)	(91,448)
Discretionary Benefits	(3,493)	(12,870)	(15,594)	(16,104)	(17,327)
<b>Total</b>	<u><b>(63,586)</b></u>	<u><b>(75,131)</b></u>	<u><b>(106,546)</b></u>	<u><b>(89,141)</b></u>	<u><b>(108,775)</b></u>

The Discretionary Benefits figures above include values from the Teacher Pension Scheme and the Local Government Pension Scheme for 2008/09 onwards. For the year 2007/08, the Local Government Discretionary Benefits have been included in the totals for the Local Government Pension Scheme as no separate figures are available.

## Note 38 Defined Benefit Pension Schemes (continued)

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £108.8M has a substantial impact on the net worth of the council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions in future years over the remaining working life of employees, as assessed by the scheme's actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The projected employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2013 is £11.0M. Expected contributions for the Discretionary Benefits in the year to 31 March 2013 is £1.0M

### Basis for Estimating Assets and Liabilities

The most recent actuarial valuation was carried out as at 31 March 2011 and has been updated by Mercer Limited, independent actuaries to the North East of Scotland Pension Fund, to take account of the requirements of IAS 19 in order to assess the liabilities of the Pension Funds as at 31 March 2012.

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 principal assumptions used by the actuary have been:

	31 March 2011	31 March 2012
Discount rate	5.50%	4.90%
Rate of increase in salaries	5.15%	4.25%
Rate of increase in pensions in payment	2.90%	2.50%
Rate of inflation - CPI	2.90%	2.50%
Commutation of pension for lump sum at retirement	50% take maximum cash, 50% take 3/80 ths of cash.	
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	22.2	22.3
Women	24.2	25.3
Longevity at 65 for future pensioners:		
Men	23.2	24.6
Women	25.1	27.7
Long-term expected rates of return on:		
Equities	7.50%	7.00%
Government Bonds	4.40%	3.10%
Other Bonds	5.10%	4.10%
Property	6.50%	6.00%
Cash/Current Assets	0.50%	0.50%
Other	7.50%	7.00%

## Note 38 Defined Benefit Pension Schemes (continued)

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held.

	<b>31 March 2011 £000</b>	<b>%</b>	<b>31 March 2012 £000</b>	<b>%</b>
Equities	241,446	79.6	224,252	81.5
Government Bonds	14,560	4.8	19,261	7.0
Other Bonds	9,100	3.0	7,979	2.9
Property	16,986	5.6	17,610	6.4
Cash/Liquidity	8,190	2.7	6,053	2.2
Other	13,043	4.3	-	0.0
	<b>303,325</b>	<b>100.0</b>	<b>275,155</b>	<b>100.0</b>

## History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities.

	<b>2007/08 %</b>	<b>2008/9 %</b>	<b>2009/10 %</b>	<b>2010/11 %</b>	<b>2011/12 %</b>
Experience gains & (losses) on assets	9.6	(46.0)	22.4	3.3	(19.7)
Experience gains & losses on liabilities	9.8	3.6	-	-	12.0

## Note 39 Contingent Liabilities

The Council has a pay and grading structure based on a single set of criteria which has been designed to reduce the risk of equal pay claims from employees. The Council has quantified its potential liability as far as possible and this sum is included as a provision in the accounts as detailed in note 22.

Having said this, it is difficult to ascertain the Council's exposure to financial risk from potential equal pay claims with any degree of certainty in a changing and developing legal environment.

Successful claims would have a material impact on the Council's financial position and it is committed to the ongoing assessment and management of its equal pay risk by continually monitoring its position against the latest legal decisions.

## Note 40 Nature and Extent of Risk 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. 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 and building societies 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 2012 are detailed below.

Financial asset category	Criteria
Banks	Short term - F1 Individual / Financial Strength - C Support - 1
Nationalised Banks	E/F
Building Societies	Short term - F1 Individual / Financial Strength - C Support - 1

The maximum investment with the Council's own bankers (Bank of Scotland) is £20M and other organisations meeting the above criteria is £10M.

In addition to the above, the Council can also invest in the Debt Management Office and Local Authorities. A limit of £10M 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 AAA rating.

## Note 40 Nature and Extent of Risk Arising From Financial Instruments (continued)

### Icelandic Banks

Early in October 2008, the Icelandic bank Landsbanki collapsed and went into administration. At that date, the Council had £2M deposited with Landsbanki with maturity dates and interest rates as follows:

Amount	Maturity Date	Interest Rate
£1M	10 October 2008	5.44%
£1M	24 October 2008	5.95%

Landsbanki's affairs are currently being administered by a Resolution Committee under Icelandic law. All monies are subject to administration and receivership processes which will determine the amounts and timing of payments to depositors including the Moray Council.

The Landsbanki Resolution Committee awarded the Council's deposits priority creditor status in October 2011. The Winding Up Board made a first distribution to these creditors, in a basket of currencies in February 2012.

An element of the distribution was made in Icelandic Kroner which has been placed in an escrow account in Iceland and is earning interest of 3.35%. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.

The distribution percentages quoted by the Landsbanki Winding Up Board are based on the Board's understanding of Icelandic law, which may be subject to future legal challenge. The future pattern of distributions by the Landsbanki Winding Up Board is not known, although the Board has published on its website an estimated schedule of recoveries by year, based on the position as at 31 December 2011.

The current position on estimated future payouts is as shown in the table below and the Council has used estimates to calculate the impairment based on recovering 100p in the £, subject to potential future exchange rate fluctuations.

Date	Repayment
Received to date	29.90%
May 2012	12.30%
December 2012	7.00%
December 2013	7.00%
December 2014	7.00%
December 2015	7.00%
December 2016	7.00%
December 2017	7.00%
December 2018	7.00%
December 2019	8.80%

The latest information available and CIPFA guidance, has recommended that the Council should treat its claim as having priority creditor status and that 100% will be recoverable over a period from 2011 to 2019. The accounting requirements directed the Council to calculate notional interest at the contractual rate to be earned until all monies have been recovered in 2019 even though the Council's claim limits interest payable until 22 April 2009.

The Council recognised an impairment gain of £0.128M in the Comprehensive Income and Expenditure Statement in 2011/12 (impairment loss of £0.041M in 2010/11), resulting in a total impairment of £0.595M, which reflects the most up to date creditor information. The impairment has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Council until monies are recovered.

Total notional interest recognised in the Comprehensive Income and Expenditure Statement is £0.404M

The Council has taken advantage of the Finance Circular 5/2011 Regulations issued by the Scottish Government in March 2011, to limit the impairment charge on the General Fund to the anticipated cash loss for the relevant investment which was £0.106M in 2010/11. Due to the payment received in February 2012 and to reflect the percentage recoverable, a cash gain of £0.172M is recognised in 2011/12.

It should be noted that the recovery is subject to the following uncertainties and risks:

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the Council's claim, which may be denominated wholly or partly in currencies other than sterling.

## Note 40 Nature and Extent of Risk Arising From Financial Instruments (continued)

### Icelandic Banks (continued)

Recoveries are expressed as a percentage of the Council's claim in the administration, which is expected may validly include interest accrued up to 22 April 2009.

Under Scottish Government statutory guidance the impairment losses charged in 2011/12 represent the anticipated actual cash loss, rather than the present value of cash recovery anticipated under the Code of Practice on Local Authority Accounting in the UK. The Council has applied this adjustment and the difference between the accounting and guidance approaches is held within the Icelandic Banks Statutory Adjustment Account. This account will clear as the anticipated repayments are made.

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 2011 £000	Amounts at 31 March 2012 £000	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2012 %	Estimated maximum exposure to default and uncollectability 2012 £000
Deposits with Icelandic Banks	103	2,000	-	-	-
Deposits with other banks and financial institutions	-	-	-	-	-
Customers	936	2,375	23.21	23.22	551
<b>Total</b>	<b>1,039</b>	<b>4,375</b>			<b>551</b>

### Debtors

The Council does not generally allow credit for customers. As a result, £2.353M of the £2.375M balance is past its due date for payment (2010/11 £2.515M). The past due, but not impaired amount can be analysed by age as follows:

	2010/11 £000	2011/12 £000
Less than six months	1,388	1,004
Six months to one year	261	312
More than one year	866	1,037
<b>Total</b>	<b>2,515</b>	<b>2,353</b>

The impairments made analysed by age as follows:

	2010/11 £000	2011/12 £000
Less than six months	-	-
Six months to one year	131	156
More than one year	866	1,037
<b>Total</b>	<b>997</b>	<b>1,193</b>



## Note 40 Nature and Extent of Risk Arising From Financial Instruments (continued)

### Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans 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 29.19% of its current debt maturing within the period 2047/48 to 2056/57, 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 a combination of prudent planning of new loans taken out and where economic to do so, making early repayments.

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

	<b>2010/11</b>		<b>2011/12</b>	
	<b>Restated</b>			
	<b>£000</b>		<b>£000</b>	
		Average		Average
		Rate		Rate
Repayment less than 1 year	3,000	1.010%	2,500	1.312%
Repayment between 1 and 2 years	2,500	1.312%	500	3.040%
Repayment between 2 and 5 years	3,500	2.337%	3,500	2.337%
Repayment between 5 and 10 years	4,446	6.314%	5,946	6.033%
Repayment between 10 and 15 years	5,000	7.150%	5,000	7.150%
Repayment in more than 15 years	115,571	4.588%	121,571	9.092%
	<u>134,017</u>		<u>139,017</u>	

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

The 2010/11 figures have been restated to include temporary borrowing.

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

### Market Risk

#### Interest Rate Risk

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

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

Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Comprehensive Income and Expenditure Statement.

The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value

The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

## Note 40 Nature and Extent of Risk Arising From Financial Instruments (continued)

### Market Risk (continued)

#### Interest Rate Risk (continued)

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 2011/12, the Council did have variable rate temporary investments and no temporary borrowing.

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	27
Increase in interest payable on variable rate borrowing	-
<b>Impact on Comprehensive Income and Expenditure Account</b>	<b>27</b>

The impact of a 1% fall in interest rate would be as above but with the movements being reversed.

#### Price Risk

The Council does not invest in quoted equity shares and is not exposed to losses arising from movements in the prices of shares.

#### Foreign Exchange Risk

The Council has limited foreign exchange exposure resulting from an element of the settlement received from Landsbanki. This is being held in Icelandic Kroner in an escrow account due to the current imposition of currency controls. The Sterling equivalent of the amounts held in foreign currency at 31 March is £0.014M (£nil 2010/11).

## Note 41 Trust Funds and Common Good Funds

The Council acts as sole trustee for 121 trust funds and as one of several trustees for a further 3 funds. The Council also administers several Common Good funds.

These funds do not represent assets of the Council and they have not been included in the Council Balance Sheet.

Further details of the Trust Funds and Common Good funds are shown on pages 135 to 148.



## Housing Revenue Account Income & Expenditure Statement for the Year ended 31 March 2012

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. Authorities 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.

2010/11 £000		2011/12 £000
	<b>Income</b>	
(12,525)	Dwelling Rents	(13,041)
(73)	Hostel Rents	(71)
(433)	Housing Support Grant	(523)
(146)	Non Dwelling Rents	(147)
(157)	Other Income	(81)
<b>(13,334)</b>	<b>Total Income</b>	<b>(13,863)</b>
	<b>Expenditure</b>	
3,981	Supervision and Management	4,050
5,400	Repairs & Maintenance	5,295
119	Bad & Doubtful Debts	133
7,754	Depreciation and Impairment of Non-Current Assets	6,096
23	Other Expenditure	20
<b>17,277</b>	<b>Total Expenditure</b>	<b>15,594</b>
	<b>Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Account</b>	
3,943		1,731
46	HRA share of Corporate and Democratic Core costs	44
<b>3,989</b>	<b>Net Cost of HRA Services</b>	<b>1,775</b>
(462)	(Gain) / Loss on sale of HRA Non-Current Assets	(384)
1,944	Interest Payable and Similar Charges	2,225
(20)	Interest and Investment Income	(21)
119	Pensions interest cost and expected return on pensions assets	31
(1,284)	Non-specific Grant Income	(2,552)
<b>4,286</b>	<b>Deficit for the Year on HRA Services</b>	<b>1,074</b>



## Movement on the Housing Revenue Account Statement

2010/11		2011/12
£000		£000
4,286	<b>Deficit for the Year on the HRA Income and Expenditure Account</b>	1,074
	<b>Adjustments between accounting basis and funding basis under regulations</b>	
78	Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with statute	84
462	Net gain or loss on sale of HRA non-current assets	384
1,650	Capital expenditure funded by the Housing Revenue Account	3,054
	Transfers to/from the Capital Adjustment Account:	
(7,754)	Depreciation and impairment of non-current assets	(6,096)
94	Loans fund principal repayments	113
1,284	Capital Grants applied	2,552
<u>100</u>	<b>Net (increase) or decrease before transfers to/(from) reserves</b>	<u>1,165</u>
	<b>Transfers to/(from) reserves</b>	
250	Repairs and Renewals Fund	250
7	IORB and Statutory Funds	8
-	Transfers from the General Fund as directed by the Minister	(1,204)
(121)	HRA share of contributions to/(from) the Pensions Reserve	(99)
-	Employee Statutory Adjustment Account	8
<u>136</u>		<u>(1,037)</u>
236	<b>(Increase) or decrease in the year on the HRA</b>	128
(1,491)	<b>Housing Revenue Account Balance Brought Forward</b>	(1,255)
<u><b>(1,255)</b></u>	<b>Housing Revenue Account Balance Carried Forward</b>	<u><b>(1,127)</b></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:-

		2010/11	2011/12
		Number of dwellings	Number of dwellings
Bedsit	Houses & bungalows	16	17
	Flats & Maisonettes	24	25
1 bedroom	Houses & bungalows	1,090	1,088
	Flats & Maisonettes	513	516
2 bedroom	Houses & bungalows	2,147	2,140
	Flats & Maisonettes	699	699
3 bedroom	Houses & bungalows	1,146	1,139
	Flats & Maisonettes	100	99
4 or more bedroomed	Houses & bungalows	87	96
	Total	<u>5,822</u>	<u>5,819</u>

### 2. Rent Arrears

The total rent arrears, including rents outstanding from former tenants, as at 31st March 2012 was £0.430M which is 3.30% of gross rental income. This is equivalent to £73.88 per house. (2010/11 £0.423M, 3.38%, £72.71)

### 3. Bad Debt Provision

The provision for uncollectable debts has been increased by £0.006M (Reduction in 2010/11 £0.116M). The total provision for uncollectable debts including hostels is £0.465M (2010/11 £0.459M).

### 4. Voids

The loss of rental on void properties for the year was £0.114M. (2010/11 £0.085M)





## Council Tax/Community Charge 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 persons resident.

2010/11 £000			2011/12 £000
44,020	<b>Council Tax Levied and Contributions in Lieu</b>		44,509
8	Deduct:	Council Tax Benefit (net of Government Grant)	1
(6,078)		Other discounts and reductions	(6,191)
(336)		Write offs of uncollectable debts & allowance for impairment	(382)
<u>37,614</u>	<b>Total for Year</b>		<u>37,937</u>
(64)		Council Tax adjustment in respect of prior years	(32)
1		Community Charge	1
<u>37,551</u>	<b>Transfers to General Fund</b>		<u>37,906</u>

### Calculation of Council Tax Base Number of Dwellings

	Number of Dwellings	Number of Exemptions/ Reliefs	Discounts 25%	Other	Total Equivalent Dwellings	Ratio to Band D	Band D Equivalent
Band A	12,006	688	1,467	189	9,662	6/9	6,447
Band B	10,279	406	902	276	8,695	7/9	6,763
Band C	6,229	359	441	115	5,314	8/9	4,724
Band D	6,004	463	347	80	5,114	9/9	5,114
Band E	5,219	222	233	103	4,661	11/9	5,697
Band F	1,825	49	63	36	1,677	13/9	2,422
Band G	573	28	18	14	513	15/9	855
Band H	106	55	1	5	45	18/9	90
	<u>42,241</u>	<u>2,270</u>	<u>3,472</u>	<u>818</u>	<u>35,681</u>		<u>32,112</u>
Add: Contributions in Lieu							946
Less: Provision for non-collection							496
<b>Council Tax Base 2011/12</b>							<b>32,562</b>

Other Discount rates are 10% or 50%.

For a small number of Band A houses the ratio to Band D is 5/9. This relates to disabled banding relief.

## Council Tax/Community Charge Income Account (continued)

### Calculation of Council Tax

In 2011/12, the charges for each band were as follows:

Band	£ Property Value	Number of Properties	£ Council Tax Charge
A	Up to 27,000	9,662	756.67
B	27,000 - 35,000	8,695	882.78
C	35,001 - 45,000	5,314	1,008.89
D	45,001 - 58,000	5,114	1,135.00
E	58,001 - 80,000	4,661	1,387.22
F	80,001 - 106,000	1,677	1,639.44
G	106,001 - 212,000	513	1,891.67
H	Above 212,000	45	2,270.00

## Non-Domestic Rate Income Account

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

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

In 2011/12 the rate poundage was 42.6p, (40.7p in 2010/11) with properties with a rateable value of more than £35,000 attracting a supplemental charge of 0.7p. Properties with a rateable value of up to £18,000 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 are 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 Revenue Support Grant paid by the Scottish Government to the Council.

2010/11 £000		2011/12 £000
33,886	<b>Gross Rates Levied</b>	35,862
	Deduct:	
(5,744)	Reliefs and other deductions	(5,886)
(73)	Payment of Interest	(1)
<u>28,069</u>	<b>Net Non-Domestic Rate Income</b>	<u>29,975</u>
	Adjustments to previous years' National Non Domestic Rates	
(2,140)		(792)
<u>25,929</u>		<u>29,183</u>
9,193	Contribution from National Pooling	-
-	Contribution to National Pooling (Note 1)	(2,130)
<u><b>35,122</b></u>	<b>Guaranteed Rate Income</b>	<u><b>27,053</b></u>

### Note 1 Distribution From Non Domestic Rate Pool

There has been a change in the distribution basis for Non-Domestic Rates from 2011-12. The amount of Non-Domestic Rate income distributed to the Council by the Scottish Government is now aligned to the amount collected by the Council. The distribution basis in 2010-11 was based on population.

## Non-Domestic Rate Income Account (continued)

### Note 2 Rateable Values & Numbers of Premises at 1 April 2011

	Number of Subjects	2011-12 Rateable Value £000
Shops	918	18,403
Public Houses	67	1,107
Offices (including Banks)	458	4,869
Hotels, Boarding Houses, etc.	104	1,690
Industrial & Freight Transport Subjects	3,107	28,265
Leisure, Entertainment Caravans and Holiday Sites	1,318	2,613
Garages and Petrol Stations	125	1,152
Cultural	24	182
Sporting Subjects	149	98
Education & Training	75	6,067
Public Service Subjects	484	10,069
Communications (Non-Formula)	172	2,035
Quarries, Mines etc.	33	336
Petrochemical	4	531
Religious	157	953
Health Medical	53	2,289
Other	397	353
Care Facilities	53	1,634
Advertising	18	15
Undertaking	11	179
	<u>7,727</u>	<u>82,840</u>

A revaluation of the rateable values of all non-domestic properties was implemented on 1st April 2010.

## **Group Accounts**

The Council has an interest in a number of Subsidiary and Associate entities, as set out in Note 1 to the Group Accounts, which have been combined and incorporated into the following Group Accounts.



## Group Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Group, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the Group's services, more details of which are shown in the Group's Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net increase /Decrease before transfers to other statutory funds' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from other statutory funds undertaken by the Group.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Capital Fund	Other Statutory Funds	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	£000
<b>Balance at 31 March 2010 (restated)</b>	<b>9,011</b>	<b>1,491</b>	<b>1,056</b>	<b>175</b>	<b>-</b>	<b>3,597</b>	<b>15,330</b>	<b>225,173</b>	<b>240,503</b>	<b>16,177</b>	<b>(132,735)</b>	<b>123,945</b>
<b>Movement in 2010/11 (restated)</b>												
Surplus or (deficit) on provision of services (accounting basis)	40,532	(4,286)	-	-	-	-	36,246	-	36,246	463	4,552	41,261
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	34,910	34,910	118	2,095	37,123
<b>Total Comprehensive Expenditure and Income</b>	<b>40,532</b>	<b>(4,286)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,246</b>	<b>34,910</b>	<b>71,156</b>	<b>581</b>	<b>6,647</b>	<b>78,384</b>
Adjustments between accounting basis & funding basis under regulations	(32,007)	4,305	4	(94)	604	-	(27,188)	27,188	-	-	-	-
<b>Net Increase / (Decrease) before Transfers to Other Statutory Funds</b>	<b>8,525</b>	<b>19</b>	<b>4</b>	<b>(94)</b>	<b>604</b>	<b>-</b>	<b>9,058</b>	<b>62,098</b>	<b>71,156</b>	<b>581</b>	<b>6,647</b>	<b>78,384</b>
Transfers to / from Other Statutory Funds	(7)	(255)	-	-	-	262	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>8,518</b>	<b>(236)</b>	<b>4</b>	<b>(94)</b>	<b>604</b>	<b>262</b>	<b>9,058</b>	<b>62,098</b>	<b>71,156</b>	<b>581</b>	<b>6,647</b>	<b>78,384</b>
<b>Balance at 31 March 2011 (restated)</b>	<b>17,529</b>	<b>1,255</b>	<b>1,060</b>	<b>81</b>	<b>604</b>	<b>3,859</b>	<b>24,388</b>	<b>287,271</b>	<b>311,659</b>	<b>16,758</b>	<b>(126,088)</b>	<b>202,329</b>

### Note

Minority Interest

**Total Reserves as per Balance Sheet**

368	368
<b>17,126</b>	<b>202,697</b>



## Group Movement in Reserves Statement (Continued)

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	Capital Fund	Other Statutory Funds	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	£000
<b>Movement in 2011/12</b>												
Balance at 31 March 2011 (restated)	17,529	1,255	1,060	81	604	3,859	24,388	287,271	311,659	16,758	(126,088)	202,329
<b>Movement in 2011/12</b>												
Surplus or (deficit) on provision of services (accounting basis)	7,665	(1,074)	-	-	-	-	6,591	-	6,591	(12)	(7,736)	(1,157)
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	(12,832)	(12,832)	323	366	(12,143)
<b>Total Comprehensive Expenditure and Income</b>	<b>7,665</b>	<b>(1,074)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,591</b>	<b>(12,832)</b>	<b>(6,241)</b>	<b>311</b>	<b>(7,370)</b>	<b>(13,300)</b>
Adjustments between accounting basis & funding basis under regulations	(4,074)	1,202	(243)	(8)	(604)	-	(3,727)	3,727	-	-	-	-
<b>Net Increase / (Decrease) before Transfers to Other Statutory Funds</b>	<b>3,591</b>	<b>128</b>	<b>(243)</b>	<b>(8)</b>	<b>(604)</b>	<b>-</b>	<b>2,864</b>	<b>(9,105)</b>	<b>(6,241)</b>	<b>311</b>	<b>(7,370)</b>	<b>(13,300)</b>
Transfers to / from Other Statutory Funds	(8)	(256)	-	-	-	264	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>3,583</b>	<b>(128)</b>	<b>(243)</b>	<b>(8)</b>	<b>(604)</b>	<b>264</b>	<b>2,864</b>	<b>(9,105)</b>	<b>(6,241)</b>	<b>311</b>	<b>(7,370)</b>	<b>(13,300)</b>
<b>Balance at 31 March 2012</b>	<b>21,112</b>	<b>1,127</b>	<b>817</b>	<b>73</b>	<b>-</b>	<b>4,123</b>	<b>27,252</b>	<b>278,166</b>	<b>305,418</b>	<b>17,069</b>	<b>(133,458)</b>	<b>189,029</b>
<b>Note</b>												
Minority Interest										367		367
<b>Total Reserves as per Balance Sheet</b>										<b>17,436</b>		<b>189,396</b>

## Group Comprehensive Income and Expenditure Statement

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The group raise 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.

31 March 2011			31 March 2012		
£000	£000	£000	£000	£000	£000
Expenditure	Income	Net	Expenditure	Income	Net
88,534	(1,664)	86,870	86,234	(1,172)	85,062
31,996	(25,151)	6,845	33,130	(26,222)	6,908
17,277	(13,334)	3,943	15,594	(13,863)	1,731
10,686	(1,465)	9,221	10,111	(1,515)	8,596
18,592	(4,291)	14,301	18,231	(4,442)	13,789
16,434	(6,651)	9,783	17,668	(6,646)	11,022
1,488	(873)	615	940	(535)	405
6,002	(3,648)	2,354	6,227	(3,579)	2,648
54,869	(8,405)	46,464	58,371	(8,935)	49,436
4,559	-	4,559	4,077	-	4,077
16,432	(8,841)	7,591	15,374	(8,078)	7,296
632	-	632	609	-	609
2,590	-	2,590	2,729	-	2,729
-	(23,631)	(23,631)	2,329	(2)	2,327
3,652	(1,193)	2,459	3,349	(871)	2,478
<b>273,743</b>	<b>(99,147)</b>	<b>174,596</b>	<b>274,973</b>	<b>(75,860)</b>	<b>199,113</b>
		<b>Cost Of Services</b>			
		125 Other Operating Expenditure (Note 7)			6,500
		9,661 Financing and Investment Income and Expenditure (Note 8)			8,488
		<u>(221,091)</u> Taxation and Non-Specific Grant Income			<u>(220,680)</u>
		<b>(36,709) (Surplus) or Deficit on Provision of Services</b>			<b>(6,579)</b>
		<u>(4,552)</u> Associates accounted for on an equity basis			<u>7,736</u>
		<b>(41,261) Group (Surplus) or Deficit cfwd</b>			<b>1,157</b>
		(39,739) Surplus or deficit on revaluation of fixed assets			(4,140)
		(118) Surplus or deficit on revaluation of available for sale financial assets			38
		4,829 Actuarial gains / losses on pension assets / liabilities			16,611
		(2,095) Share of other Comprehensive Income and Expenditure of Associates			(366)
		<b>(37,123) Other Comprehensive Income and Expenditure</b>			<b>12,143</b>
		<b>(78,384) Total Comprehensive Income and Expenditure</b>			<b>13,300</b>



## Group Balance Sheet 31st March 2012

The Group Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Group 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 that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Group are 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 the regulations".

<b>Group 31 March 2011 £000</b>		<b>Notes</b>	<b>Group 31 March 2012 £000</b>
<b>Restated</b>			
562,074	Property, Plant & Equipment	9	610,683
1,028	Heritage Assets		1,028
3,130	Investment Property	10	3,343
143	Intangible Assets		163
1,635	Long Term Investments		803
147	Investments in Associates	14	144
1,155	Long Term Debtors		1,022
<b>569,312</b>	<b>Long Term Assets</b>		<b>617,186</b>
1,939	Short Term Investments		2,305
826	Inventories		854
8,475	Short Term Debtors	11	8,977
-	Cash and Cash Equivalents	12	5,500
832	Assets held for sale		583
<b>12,072</b>	<b>Current Assets</b>		<b>18,219</b>
(589)	Cash and Cash Equivalents	12	-
(3,241)	Short Term Borrowing		(2,744)
<b>(24,990)</b>	Short Term Creditors	13	<b>(30,166)</b>
<b>(28,820)</b>	<b>Current Liabilities</b>		<b>(32,910)</b>
(738)	Provisions		(624)
(131,532)	Long Term Borrowing		(137,028)
(2,221)	Other Long Term Liabilities		(33,070)
(89,141)	Pension Liability		(108,775)
<b>(126,235)</b>	Liabilities in Associates	14	<b>(133,602)</b>
<b>(349,867)</b>	<b>Long Term Liabilities</b>		<b>(413,099)</b>
<b>202,697</b>	<b>Net Assets</b>		<b>189,396</b>

# **Group Balance Sheet 31st March 2012 (continued)**

<b>Group</b> <b>31 March 2011</b> <b>£000</b> <b>Restated</b>		<b>Notes</b>	<b>Group</b> <b>31 March 2012</b> <b>£000</b>
25,039	General Fund Balance	15	29,027
1,255	HRA	15	1,127
1,060	Capital Receipts Reserve	15	817
81	Capital Grants Unapplied	15	73
604	Capital Fund	15	-
3,859	Other Statutory Funds	15	4,123
<b>31,898</b>	<b>Usable Reserves</b>		<b>35,167</b>
105,598	Revaluation Reserve	16	106,746
295,183	Capital Adjustment Account	16	302,917
(9,131)	Financial Instruments Adjustment Account	16	(8,822)
(326)	Icelandic Banks Stat Adjustment Account	16	(256)
(6,360)	Employee Statutory Adjustment Account	16	(5,148)
696	Available for Sale Fin Instruments Reserve	16	658
(89,141)	Pensions Reserve	16	(108,775)
<b>296,519</b>	<b>Unusable Reserves</b>		<b>287,320</b>
(126,088)	Share of Associates Reserves	17	(133,458)
368	Minority Interest		367
<b>202,697</b>	<b>Total Reserves</b>		<b>189,396</b>

**Margaret Wilson**

**Head of Financial Services**

**26 September 2012**

The unaudited accounts were issued on 26 June 2012 and the audited accounts were authorised for issue on 26 September 2012.

## Group Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group 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 Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on the future cash flows by providers of capital (ie borrowing) to the Group.

31 March 2011		31 March 2012
£000		£000
36,709	Net surplus or (deficit) on the provision of services	6,579
	Adjust net surplus or deficit on the provision of services for non cash	
2,551	movements	35,627
	Adjust for items included in the net surplus or deficit on the provision of	
<u>(21,293)</u>	services that are investing and financing activities	<u>(26,820)</u>
17,967	Net cash flows from Operating Activities (Note 18)	15,386
(14,158)	Investing Activities (Note 19)	(16,365)
<u>(9,478)</u>	Financing Activities (Note 20)	<u>7,068</u>
<u>(5,669)</u>	Net (decrease) or increase in cash and cash equivalents	<u>6,089</u>
5,080	Cash and cash equivalents at the beginning of the reporting period	(589)
(589)	Cash and cash equivalents at the end of the reporting period	5,500
<u>(5,669)</u>		<u>6,089</u>



## NOTES TO THE GROUP ACCOUNTS

### Note 1 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 interest in five subsidiary entities and four associate entities.

#### Subsidiaries

The Entities which have been combined as subsidiaries are:

Subsidiary	Group Interest Percentage
Donald Manson Edinkillie Trust Fund	67%
Donald Manson Forbes Trust Fund	67%
Banffshire Educational Trust	50%
Other Trust Funds	100%
Common Good Funds	100%

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

The Council acts as joint trustee with other parties for three trust funds which have a combined net asset balance of £0.838M. The Council acts as sole trustees for various other trust funds which have a net asset balance of £5.863M.

The Council is responsible for the administration of Common Goods Funds which were bequests made to former Town Councils within the Moray area. Council Members have responsibility for decisions on the distribution of these funds. The Common Good Funds have a net asset balance of £10.735M.

The individual accounts for these entities are shown separately on pages 137 to 145 of these accounts.

#### Associates

The Entities that have been combined as Associates on an equity basis are:

Name of Associate	Moray Council's Share of Voting Control	Moray Council's Share of Requisition
Grampian Joint Fire and Rescue Board	20%	17%
Grampian Joint Police Board	20%	16%
Grampian Valuation Joint Board	20%	17%
Moray Leisure Limited	43%	n/a

Inclusion of Associate entities has reduced reserves and net assets by £133M due mainly to the liability of the Police and Fire Pension Schemes.

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

Name of Associate	Address where Accounts are Available
Grampian Joint Fire and Rescue Board	North Anderson Drive , Aberdeen AB15 6TP
Grampian Joint Police Board	Queen Street , Aberdeen AB21 9AS
Grampian Valuation Joint Board	Council Building, High Street, Elgin IV30 1BX
Moray Leisure Limited	Borough Briggs Road, Elgin IV30 1AP



## **Note 1 Nature of the Group and Group Members (continued)**

### **Other Entities in which the Council has an Interest**

During the year the council had an interest in The Grampian Venture Capital Fund Limited. The company has been excluded from the Group Accounts on the basis that the Council does not depend on the company for the provision of its statutory services. The Council has no exposure to commercial risk from the company and the Council has not passed on control of any of its assets to the company. The financial transactions of the company would also have no material effect on the Council's accounts.

The Council's share holding in the company is as follows:

	<b>31/03/11</b>	<b>31/03/12</b>
The Grampian Venture Capital Fund Limited	20%	20%

## **Note 2 Accounting Policies**

The accounts of The Moray Council and of its Subsidiary and Associate entities combined in the Group Accounts have all been drawn up for the accounting period to 31 March 2012.

The accounting policies of the Subsidiary and Associate entities have been aligned with the accounting policies of The Moray Council.

These uniform accounting policies have been applied with the Group with the following exceptions:

The Council and the Joint Board Associate entities are required to make statutory adjustments between the accounting and funding bases as shown in the Group Movement in Reserves Statement. This is not the case for the other entities.

The Trust Funds hold available for sale financial assets in the form of Government Securities and quoted investments. Income is credited to the Income and Expenditure Accounts when it becomes receivable. The assets are recorded in the Trust Funds Balance Sheet at market values. Changes in fair value are balanced by an entry in the Available-for-Sale Financial Instruments Reserve. Impairments losses are debited to the Income and Expenditure Account, along with any net gain or loss accumulated in the Available-for-Sale Financial Instruments Reserve. Gains or losses that arise on derecognition are credited or debited to the Income and Expenditure Account, along with any net gain or loss accumulated in the Available-for-Sale Financial Instruments Reserve. This treatment is in accordance with the Code.

The accounting period for the Charitable Trust Funds is the same as the Moray Council but the policies differ as the financial statements have been prepared in accordance with the Charities Accounts (Scotland) regulations 2006 and the principles of Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005) (SORP).

The accounting policies for the Common Good subsidiary differ to The Moray Council relating to 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.

Moray Leisure Limited provides leisure activities for the whole of the Moray area. The Council's interest in Moray Leisure Limited bestows no obligation to contribute to any deficit incurred by the company.

The only material difference in the accounting policies of the Council and Moray Leisure Limited is that buildings in the Council's accounts are valued at market value and buildings belonging to Moray Leisure have been valued at historic cost. The net book value of buildings is shown as £0.321M in the company's balance sheet.

Application of these different reporting standards does not produce inconsistent results.

### **Note 3 Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in Note 2, in addition to the critical judgements made by The Moray Council, the Associates have made certain judgments about complex transactions or those involving uncertainty about future events.

The Scottish Government announced in September 2011 its plans for legislation to create a single Police and a single Fire Service in Scotland from 1 April 2013. This will bring about considerable changes in the way the Services are governed and delivered in the future. Grampian Joint Fire and Rescue Board and Grampian Joint Police Board will cease to exist from 1 April 2013.

There is a high degree of uncertainty about future levels of funding for Local Government and Joint Boards. However, the Joint Boards have determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Joint Boards may be impaired as a result of a need to close facilities or reduce levels of service provision.

The Joint Boards also have a significant net liability associated with the future pension and injury award costs. However, statutory arrangements for the funding of the deficit means that the financial positions of the Boards remain assured and the Joint Boards have been consolidated on a going concern basis.

### **Note 4 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Moray Council and Associates about the future. 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 following items should be considered for the Associates, in addition to those at note 4 in the Moray Councils Accounts.

#### **Property, Plant and Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of maintenance. If the Joint Boards are unable to sustain the current level of spend on the assets, then there is a risk that the lives of the assets would be shortened.

The resultant changes would be that the level of depreciation charged would increase and the carrying values fall.

#### **Pension and Injury Award Liabilities**

The liability associated with the future payments of pensions and injury awards is calculated by an actuary applying a range of complex and varied assumptions.

Any changes to the assumptions could have a significant impact upon the net balance sheet liability and charges to the Comprehensive Income and Expenditure Statement given the relative values involved.

### **Note 5 Prior Year Adjustment and Other Amendments**

The Grampian Joint Police Board has a prior year adjustment in respect of 2010/11. In 2010/11 the Force created a provision in the accounts for future costs of compensatory added years within the voluntary redundancy scheme. However, the compensatory added year's element, i.e. unfunded benefits, is included in the Actuary's calculation of the Force's overall pension liability as at 31 March 2011 and therefore no provision was required. The accrual and provision have been reversed by way of a prior year adjustment.

## Note 5 Prior Year Adjustment and Other Amendments (continued)

This has affected the Grampian Joint Police Board's Comprehensive Income and Expenditure Account by reducing the Police Staff Pension Costs. The Balance Sheet is also changed by reducing Short-term Creditors and increasing the General Fund (Usable Reserve).

The Grampian Joint Fire and Rescue Board also have a prior year adjustment relating to the Revaluation Reserve in 2007/08. Due to the changes introduced by International Financial Reporting Standards (IFRS) the netting off of downward revaluation in buildings against upward revaluation in land need to be adjusted. The adjustment involved restatement of the Revaluation Reserve and the Capital Adjustment Account.

The Moray Council accounts and the Common Good Funds accounts have been restated for 2010/11 due to the introduction of Heritage Assets. These changes have increased both the Long Term Assets and Revaluation Reserve in the Balance Sheet.

Moray Leisure accounts for 2010/11 have also been restated due to changes on the accounts following audit. These changes increased income and reduced expenditure.

## Note 6 Operating Expenditure and Income of the Subsidiaries

The operating expenditure and income of the subsidiaries have been included within Education, Social Work and Central Services to the Public.

## Note 7 Other Operating Expenditure

2010/11 £000		2011/12 £000
106	(Gain)/ Loss on disposal of non-current assets	6,491
-	Movement on revaluation of held for sale assets	32
-	(Gain)/ Loss on disposal of investments	(22)
19	Minority Interest - share of profit of Trusts	(1)
<u>125</u>		<u>6,500</u>

## Note 8 Financing and Investment Income and Expenditure

2010/11 £000		2011/12 £000
7,699	Interest payable and similar charges	8,056
2,898	Pensions interest cost and expected return on pensions assets	922
(414)	Interest receivable and similar income	(364)
(468)	Income and expenditure in relation to investment properties and their changes in fair value.	(77)
(54)	Other investment income	(49)
<u>9,661</u>		<u>8,488</u>

## Note 9 Property, Plant and Equipment

### Comparative Movements in 2010/11:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or valuation</b>								
At 1 April 2010	139,163	274,533	24,605	62,698	3,256	7,028	53,924	565,207
additions	7,543	4,962	2,960	11,074	-	174	9,292	36,005
donations	-	561	-	-	-	-	-	561
revaluation increases/ (decreases) recognised in the Revaluation Reserve	24,975	885	-	-	-	204	-	26,064
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,487)	(1,810)	-	-	-	(521)	-	(5,818)
derecognition – disposals	-	(607)	(199)	-	-	(50)	-	(856)
derecognition – other	-	(144)	-	-	-	(589)	-	(733)
assets reclassified (to)/from Held for Sale	(885)	(115)	-	-	-	-	-	(1,000)
other movements in cost or valuation	1,329	577	32	32,556	-	(510)	(33,984)	-
<b>At 31 March 2011</b>	<b>168,638</b>	<b>278,842</b>	<b>27,398</b>	<b>106,328</b>	<b>3,256</b>	<b>5,736</b>	<b>29,232</b>	<b>619,430</b>
<b>Accumulated Depreciation and Impairment</b>								
at 1 April 2010	12,408	16,142	15,722	10,858	315	83	-	55,528
depreciation charge	3,984	7,171	2,634	2,774	83	10	-	16,656
depreciation written out to the Revaluation Reserve	(12,408)	(1,745)	-	-	-	(20)	-	(14,173)
depreciation written out to the Surplus/Deficit on the Provision of Services	-	(397)	-	-	-	(37)	-	(434)
impairment losses/(reversals) recognised in the Revaluation Reserve	-	(32)	-	-	-	-	-	(32)
losses/(reversals) recognised in the Surplus/ Deficit on the Provision of	-	-	-	-	-	-	-	-
derecognition – disposals	-	(32)	(133)	-	-	-	-	(165)
derecognition – other	-	(4)	-	-	-	(20)	-	(24)
other movements in depreciation and impairment	-	-	7	(7)	-	-	-	-
<b>At 31 March 2011</b>	<b>3,984</b>	<b>21,103</b>	<b>18,230</b>	<b>13,625</b>	<b>398</b>	<b>16</b>	<b>-</b>	<b>57,356</b>

## Note 9 Property, Plant and Equipment (continued)

### Movement in 2011/12:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000
<b>Cost or valuation</b>								
At 1 April 2011	168,638	278,842	27,398	106,328	3,256	5,736	29,232	619,430
additions	4,231	36,819	6,086	8,654	-	-	20,415	76,205
donations	-	-	-	-	-	-	-	-
revaluation increases/ (decreases) recognised in the Revaluation Reserve	(2,780)	4,989	-	-	-	-	-	2,209
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,652)	(3,746)	-	-	(103)	(34)	-	(5,535)
derecognition – disposals	-	(7,356)	(904)	-	-	-	-	(8,260)
derecognition – other	-	-	-	-	-	-	-	-
assets reclassified (to)/from Held for Sale	(717)	(1,167)	-	-	-	153	-	(1,731)
other movements in cost or valuation	2,764	6,374	-	51	(1,204)	(2,584)	(5,313)	88
<b>At 31 March 2012</b>	<b>170,484</b>	<b>314,755</b>	<b>32,580</b>	<b>115,033</b>	<b>1,949</b>	<b>3,271</b>	<b>44,334</b>	<b>682,406</b>
<b>Accumulated Depreciation and Impairment</b>								
at 1 April 2011	3,984	21,103	18,230	13,625	398	16	-	57,356
depreciation charge	4,082	7,795	2,812	3,038	56	17	-	17,800
depreciation written out to the Revaluation Reserve	(3)	(1,602)	-	-	-	-	-	(1,605)
depreciation written out to the Surplus/Deficit on the Provision of Services	-	(470)	-	-	(28)	(1)	-	(499)
impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-
losses/(reversals) recognised in the Surplus/ Deficit on the Provision of	-	-	-	-	-	-	-	-
derecognition – disposals	-	(556)	(720)	-	-	-	-	(1,276)
derecognition – other	(16)	(64)	-	-	-	-	-	(80)
other movements in depreciation and impairment	-	107	-	-	(81)	1	-	27
<b>At 31 March 2012</b>	<b>8,047</b>	<b>26,313</b>	<b>20,322</b>	<b>16,663</b>	<b>345</b>	<b>33</b>	<b>-</b>	<b>71,723</b>

## Note 9 Property, Plant and Equipment (continued)

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
<b>Net Book Value</b>								
at 31 March 2011	164,654	257,739	9,168	92,703	2,858	5,720	29,232	562,074
at 31 March 2012	162,437	288,442	12,258	98,370	1,604	3,238	44,334	610,683

### Depreciation

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

Council Dwellings - 50 years

Other Land & Buildings - Buildings various, land is not depreciated

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

Infrastructure - 40 years

Community Assets - 40 years

Surplus Assets - Buildings various, land is not depreciated

## Note 10 Investment Properties

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:-

	2010/11 £000	2011/12 £000
Rental income from investment property	51	41
Direct operating expense arising from investment property	-	-
Net gain/ (loss)	<u>51</u>	<u>41</u>

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

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

	2010/11 £000	2011/12 £000
Balance at start of the year	2,713	3,130
Disposals	-	-
Net gains/losses from fair value adjustments	417	36
Other changes	-	177
Balance at end of the year	<u>3,130</u>	<u>3,343</u>

## Note 11 Short Term Debtors

2010/11 £000		2011/12 £000
3,303	Central Government Bodies	2,077
215	Other Local Authorities	303
418	NHS Bodies	481
4	Public Corporations	422
4,535	Other entities and individuals	5,694
<u>8,475</u>		<u>8,977</u>

## Note 12 Cash & Cash Equivalents

2010/11 £000		2011/12 £000
29	Cash Held by the Authority	27
(668)	Bank Current/ Call Accounts	6,049
500	Cash Invested on Call with Building Societies	-
(139)		6,076
(450)	Amounts Owed to Other Bodies	(576)
(450)		(576)
<u>(589)</u>	Total Cash & Cash Equivalents	<u>5,500</u>

## Note 13 Short Term Creditors

2010/11 £000		2011/12 £000
6,993	Central government bodies	7,086
846	Other local authorities	1,574
167	NHS bodies	374
70	Public corporations and trading funds	56
16,914	Other entities and individuals	21,076
<u>24,990</u>	Total	<u>30,166</u>

## Note 14 Investments in Associates and Joint Ventures

The share of investments in associates is analysed below.

2010/11	Liabilities			Asset	
	Fire Board	Valuation Board	Police Board	Total Liability	Moray Leisure
	£000	£000	Restated £000	£000	Restated £000
Non Current Assets and Long Term Assets	10,210	128	6,534	16,872	162
Current Assets	1,247	88	3,559	4,894	82
Liabilities due within one year	(774)	(67)	(2,172)	(3,013)	(97)
Liabilities due after more than one year	(29,616)	(698)	(114,674)	(144,988)	-
	(18,933)	(549)	(106,753)	(126,235)	147
Turnover	4,697	665	15,738	21,100	851
Share of surplus or (deficit)	750	271	3,571	4,592	(40)
Share of Other Comprehensive Income & Expenditure	673	(43)	1,465	2,095	-

2011/12	Liabilities			Asset	
	Fire Board	Valuation Board	Police Board	Total Liability	Moray Leisure
	£000	£000	£000	£000	£000
Non Current Assets and Long Term Assets	9,996	122	6,027	16,145	138
Current Assets	1,214	102	3,803	5,119	77
Liabilities due within one year	(859)	(69)	(1,720)	(2,648)	(71)
Liabilities due after more than one year	(30,887)	(873)	(120,458)	(152,218)	-
	(20,536)	(718)	(112,348)	(133,602)	144
Turnover	4,437	(636)	15,130	18,931	908
Share of (deficit) or surplus	(1,801)	8	(5,940)	(7,733)	(3)
Share of Other Comprehensive Income & Expenditure	198	(177)	345	366	-

## Note 15 Usable Reserves

Movements in the Group's useable reserves are detailed in the Movement in Reserves Statement and note 7 of the Moray Council's Accounts.

Usable Reserves for the Subsidiaries are consolidated net of minority interests and relate to the Revenue Reserve for the Trust and Common Good Funds.

2010/11		2011/12
£000		£000
7,510	Revenue Reserve	7,915



## Note 16 Unusable Reserves

2010/11 Restated £000		2011/12 £000
105,598	Revaluation Reserve	106,746
295,183	Capital Adjustment Account	302,917
(9,131)	Financial Instruments Adjustment Account	(8,822)
(326)	Icelandic Banks Statutory Adjustment Account	(256)
696	Available for Sale Financial Instruments Reserve	658
(89,141)	Pensions Reserve	(108,775)
(6,360)	Employee Statutory Adjustment Account	(5,148)
<b>296,519</b>		<b>287,320</b>

### Revaluation Reserve

2010/11 Restated £000		2011/12 £000
67,065	Balance at 1 April	105,598
38,533	Unrealised Gains & Losses	1,148
<b>105,598</b>	Balance at 31 March	<b>106,746</b>

### Capital Adjustment Account

2010/11 £000		2011/12 £000
288,319	Balance at 1 April	295,183
6,864	Surplus/Deficit	7,734
<b>295,183</b>	Balance at 31 March	<b>302,917</b>

### Available for Sale Financial Instruments Reserve

2010/11 £000		2011/12 £000
578	Balance at 1 April	696
118	Surplus/Deficit	(38)
<b>696</b>	Balance at 31 March	<b>658</b>

## Note 17 Share of Associates Reserves

2010/11 Restated	Usable £000	Unusable £000	Total £000
Balance at 1 April	1,601	(134,336)	(132,735)
Movement	352	6,295	6,647
Balance at 31 March	<b>1,953</b>	<b>(128,041)</b>	<b>(126,088)</b>
2011/12	Usable £000	Unusable £000	Total £000
Balance at 1 April	1,953	(128,041)	(126,088)
Movement	424	(7,794)	(7,370)
Balance at 31 March	<b>2,377</b>	<b>(135,835)</b>	<b>(133,458)</b>

## Note 18 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2010/11		2011/12
£000		£000
(230)	Interest Received	(268)
7,616	Interest Paid	8,169

## Note 19 Cash Flow Statement - Investing Activities

2010/11		2011/12
£000		£000
35,753	Purchase of property, plant and equipment, investments, property and intangible assets	42,079
(1,819)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,230)
-	Proceeds from sale of shares	(22)
(19,776)	Other receipts from investing activities	(23,462)
<u>14,158</u>	Net cash flows from investing activities	<u>16,365</u>

## Note 20 Cash Flow Statement - Financing Activities

2010/11		2011/12
£000		£000
(6,500)	Cash receipts of short-term and long-term borrowing,	(8,000)
111	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PPP contracts.	149
10,491	Repayment of short and long-term borrowing	2,995
5,376	Other payments (receipts) for financing activities	(2,212)
<u>9,478</u>	Net cash flows from financing activities	<u>(7,068)</u>

## Note 21 Members' Allowances

	2010/11 Restated £000	2011/12 £000
Members Allowances for Group	518	524
Members Allowances for Associates	9	7
Total	<u>527</u>	<u>531</u>

The Members Allowances for the Group were restated for 2010/11 to show figures consistent with the Remuneration Report

## Note 22: Senior Employee's Remuneration

Remuneration Band	2010/11 Number of Employees		
	Group	Associates	Total
£50,000 - £54,999	37	89	126
£55,000 - £59,999	14	96	110
£60,000 - £64,999	4	14	18
£65,000 - £69,999	1	3	4
£70,000 - £74,999	14	8	22
£75,000 - £79,999	-	7	7
£80,000 - £84,999	-	8	8
£85,000 - £89,999	4	4	8
£90,000 - £94,999	-	2	2
£95,000 - £99,999	-	1	1
£100,000 - £104,999	2	1	3
£115,000 - £119,999	-	2	2
£135,000 - £139,999	-	1	1
£160,000 - £164,999	-	1	1
	<u>76</u>	<u>237</u>	<u>313</u>

Remuneration Band	2011/12 Number of Employees		
	Group	Associates	Total
£50,000 - £54,999	29	85	114
£55,000 - £59,999	24	89	113
£60,000 - £64,999	4	16	20
£65,000 - £69,999	1	2	3
£70,000 - £74,999	11	4	15
£75,000 - £79,999	-	11	11
£80,000 - £84,999	-	6	6
£85,000 - £89,999	2	3	5
£90,000 - £94,999	1	1	2
£95,000 - £99,999	-	1	1
£100,000 - £104,999	1	3	4
£110,000 - £114,999	-	1	1
£140,000 - £144,999	-	1	1
	<u>73</u>	<u>223</u>	<u>296</u>

## Note 23 External Audit Costs

	2010/11 £000	2011/12 £000
Fees payable in respect of external audit services:		
Group	254	267
Associates	17	16
Total	<u>271</u>	<u>283</u>

## Note 24 Pension Costs

The Council participates in two schemes, the North East of Scotland Local Government Pension Scheme which is administered by Aberdeen City Council and the Teachers' Scheme which is administered by the Scottish Government. Both Schemes are defined benefit schemes based on final pensionable salary.

The Teachers' Pensions Scheme is technically a defined benefit scheme and is administered by the Scottish Government through the Scottish Public Pensions Agency (SPPA). As the scheme is unfunded, there can be no surplus or shortfall. Pension contribution rates will be set by the scheme Actuary 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 this statement of accounts it is therefore accounted for on the same basis as a defined contribution scheme.

Contributions to defined contribution schemes are charged to the Revenue account as they are paid. In 2011/12 the Council paid £5.131M to the Scottish Government in respect of teachers' retirement benefits, of which £0.425M was outstanding at 31 March 2012. The amount payable represents 14.9% of pensionable pay. The figures for 2010/11 were £5.324M, £0.432M and 14.9%.

In relation to the defined benefit schemes the cost of retirement benefits must be charged to the Net Cost of Services when they are earned, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

### Associates

Grampian Joint Police Board participates in two schemes, the North East Of Scotland Local Government Pension Scheme for Police Staff and the Police Pension Scheme for Police Officers; both are administered by Aberdeen City Council. The Police Pension Scheme for Police Officers is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Grampian Joint Fire and Rescue Board participates in three schemes: the North East of Scotland Local Government Pension Scheme administered by Aberdeen City Council and two Firefighters' Pension Schemes. The two Firefighters' Pension Schemes are defined benefit schemes. The schemes are unfunded, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Grampian Valuation Joint Board participates in the North East of Scotland Local Government Pension Scheme administered by Aberdeen City Council.

Moray Leisure Limited operates a defined contribution pension scheme. Contributions are charged in the Profit & Loss account as they become payable.

## Note 25 Injury Awards

There are former Police Officers and Fire Fighters who have been injured through the course of their employment and subsequently retired. Where this occurs, the Force may agree to make a termination benefit payable to the retired officer on a monthly basis. This is not considered to be a pension benefit and therefore is accounted for separately from the pension costs and liabilities.

## Note 26 Charitable Trusts

The charitable trusts included within the Group consist of 42 charitable trusts for which the Council acts as sole trustee and also for Moray Leisure Limited in which The Moray Council has a 43% share of voting control. The assets noted below are not the property of the Council, however the Council does have a controlling interest in their administration.

The 2010/11 figures have been restated due to changes in the accounts of Moray Leisure Ltd. following audit.

		<b>2010/11 Restated £000</b>	<b>2011/12 £000</b>
Non Current Assets	Group	858	2,702
	Associate	162	138
		<u>1,020</u>	<u>2,840</u>
Current Assets	Group	3,962	4,002
	Associate	82	77
		<u>4,044</u>	<u>4,079</u>
Less: Current Liabilities	Group	(4)	(3)
	Associate	(97)	(71)
		<u>(101)</u>	<u>(74)</u>
<b>Total Net Assets</b>		<u><b>4,963</b></u>	<u><b>6,845</b></u>
		<b>2010/11 Restated £000</b>	<b>2011/12 £000</b>
Income	Group	153	191
	Associate	851	908
		<u>1,004</u>	<u>1,099</u>
Expenditure	Group	96	131
	Associate	891	911
		<u>987</u>	<u>1,042</u>
<b>Surplus (Deficit) for Year</b>		<u><b>17</b></u>	<u><b>57</b></u>

The assets of the Group trusts consist mainly of investments in endowments and loans fund balances.

The assets of the associate include land and buildings, fixtures and fittings, equipment and cash in hand.

## Note 27 Events After The Balance Sheet Date

The unaudited Statement of Accounts was issued on 26 June 2012 and the Audited Statement of Accounts was authorised for issue on 26 September 2012 by Margaret Wilson, Head of Financial Services. 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 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## **Trust Funds**

The Council acts as sole trustee for 121 trust funds and as one of several trustees for a further 3 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 2012.

## **Accountings Policies**

### **Basis of Preparation**

The financial statements for the charitable trusts have been prepared under the historical cost convention as modified by the inclusion of investments at market value, in accordance with the Charities Accounts (Scotland) Regulations 2006 and the principles of Accounting and reporting by Charities: Statement of Recommended Practice (revised 2005) commonly referred to as the SORP.

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 the individual charities have been prepared on a collective basis. These financial statements contain all the relevant information that the individual charity accounts would have contained if they had been prepared on an individual basis.

The finalised statements for the remaining non-charitable trusts have been prepared in accordance with the code of practice on Local Authority Accounting in the United Kingdom 2011/12.

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 market value at the balance sheet date in accordance with the principles of the SORP.

## Trust Funds Income and Expenditure Account

2010/11 Restated			2011/12	
Charitable	Other		Charitable	Other
£000	£000		£000	£000
<b>Expenditure</b>				
9	34	Beneficiaries	8	24
3	10	Administration	6	12
-	-	Other Costs	-	27
-	21	Depreciation	-	55
(22)	(96)	(Surplus)/Deficit on revaluation on Available for Sale Financial Assets	7	31
<b>(10)</b>	<b>(31)</b>	<b>Total Expenditure</b>	<b>21</b>	<b>149</b>
<b>Income</b>				
(20)	(74)	Investment Income	(22)	(85)
-	-	Property Rental Income	-	(49)
-	(58)	Movement in Fair Value of Investment Property	-	(35)
-	-	Gain on revaluation of Property	-	(106)
-	(1)	Other Income	-	-
<b>(20)</b>	<b>(133)</b>	<b>Total Income</b>	<b>(22)</b>	<b>(275)</b>
<b>(30)</b>	<b>(164)</b>	<b>Surplus for year</b>	<b>(1)</b>	<b>(126)</b>
22	133	Items not Chargeable to Revenue Reserves	(7)	55
<b>(8)</b>	<b>(31)</b>	<b>Increase in Revenue Reserves</b>	<b>(8)</b>	<b>(71)</b>

The Income and Expenditure Account 2010/11 has been restated to provide additional information on the movement on the Available for Sale Financial Instruments Reserve and of the surplus attributable to revenue reserves.

## Trust Funds Balance Sheet

2010/11			2011/12	
Charitable	Other		Charitable	Other
£000	£000		£000	£000
-	800	Property Plant & Equipment	Note 1 -	2,609
-	58	Investment Properties	Note 2 -	93
<u>-</u>	<u>858</u>	<b>Long Term Assets</b>	<u>-</u>	<u>2,702</u>
-	4	Government Securities	-	3
359	1,580	Endowments Investment Fund	352	1,550
1	6	Debtors	3	9
509	1,503	Loans Fund Balance	516	1,569
<u>869</u>	<u>3,093</u>	<b>Current Assets</b>	<u>871</u>	<u>3,131</u>
(1)	(3)	Creditors	(2)	(1)
<u>(1)</u>	<u>(3)</u>	<b>Current Liabilities</b>	<u>(2)</u>	<u>(1)</u>
<u>868</u>	<u>3,948</u>	<b>Net Assets</b>	<u>869</u>	<u>5,832</u>
-	58	Capital Adjustment Account	-	93
-	776	Revaluation Reserve	-	2,585
129	567	Available for Sale Financial Instruments Reserve	122	536
739	2,547	Revenue Balance	747	2,618
<u>868</u>	<u>3,948</u>	<b>Total Reserves</b>	<u>869</u>	<u>5,832</u>



## Notes to the Trust Fund Accounts

### Note 1 Property Plant & 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 5 year rolling programme and have been prepared in accordance with the provisions of the Royal Institution of Chartered Surveyors Valuations Standards 6th Edition.

Property, plant & equipment is classified into groupings required by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Assets have been valued on the following basis:-

Other Land & Buildings

- Existing Use Value (EUV) or Depreciated Replacement Cost (DRC)

Community Assets

- Historic Cost where available.

Gross Book Value at 1 April 2010

Gross Book Value at 31 March 2011

Accumulated Depreciation at 1 April 2010

Charge for the Year

Accumulated Depreciation at 31 March 2011

Net Book Value at 31 March 2011

Net Book Value at 31 March 2010

Other Land & Buildings	Community Assets	Total
£000	£000	£000
818	24	842
818	24	842
21		21
21	-	21
42	-	42
776	24	800
797	24	821

Gross Book Value at 1 April 2011

Revaluations

Restatements

Gross Book Value at 31 March 2012

Accumulated Depreciation at 1 April 2011

Revaluations

Restatements

Charge for the Year

Accumulated Depreciation at 31 March 2012

Net Book Value at 31 March 2012

Net Book Value at 31 March 2011

Other Land & Buildings	Community Assets	Total
£000	£000	£000
818	24	842
35	-	35
1,887		1,887
2,740	24	2,764
42		42
(71)	-	(71)
129		129
55	-	55
155	-	155
2,585	24	2,609
776	24	800

Restatements relate to assets transferred from General Services and from Trust Funds.

### Note 2 Investment Properties

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

	2010/11 £000	2011/12 £000
Balance at start of the year	-	58
Net gains/(losses) from fair value adjustments	58	35
Balance at end of the year	58	93

## Note 3 Trust Details

### Funds for which The Moray Council act as Sole Trustee

<b>Fund</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Assets £000</b>	<b>Liabilities £000</b>
<b>Registered Charitable Trusts</b>				
38 Registered Charitable Trusts, each with Assets less than £50,000	(4)	1	204	(1)
Cathedral Amenity <i>Established for the benefit of Elgin Cathedral.</i>	(2)	1	77	-
Cumine of Auchray <i>Established to provide for decayed merchants of the Burgh of Elgin.</i>	(3)	1	121	-
Moray & Nairn Educational <i>Grants payable to persons resident in the former combined County of Moray &amp; Nairn, including University &amp; Central Institution Bursaries; Adult Education; School Equipment; Sports facilities; Travel Grants and School Excursions.</i>	(13)	18	469	(1)
	(22)	21	871	(2)
<b>Other Trusts</b>				
70 Non Registered Trusts, each with Assets less than £50,000	(10)	14	306	(1)
Longmore Hall <i>Village Hall for the use of the community.</i>	-	21	755	-
A S Murdoch Fishing <i>River Findhorn Fishing Trust established for the purchase of fishing rights.</i>	(1)	-	82	-
Glenisla Comforts Fund <i>For the benefit of the residents of Glenisla Care Home.</i>	(3)	3	96	-
The Pringle Trust <i>Established to make payments annually to Ministers, serving and emeriti of the Church of Scotland, Baptist and Free Church of Scotland</i>	(2)	2	101	-
William Lawtie <i>For the Poor of Cullen</i>	(2)	1	167	-
The MacDonald Benevolent Fund <i>Established in 1989 for persons in need of financial assistance particularly in Dufftown as decided by the Social Work Dept.</i>	(6)	1	249	-

### Note 3 Trust Details (continued)

#### Funds for which The Moray Council act as Sole Trustee (continued)

<u>Fund</u>	<u>Income £000</u>	<u>Expenditure £000</u>	<u>Assets £000</u>	<u>Liabilities £000</u>
<b>Other Trusts (continued)</b>				
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>	(6)	7	200	-
Laing Mortification <i>For the benefit of a decayed merchant resident in Elgin.</i>	(6)	1	272	-
Craigmoray Bequest (Bishopmill) <i>For the benefit of the residents of Craigmoray Care Home.</i>	(8)	4	295	-
Auchernack Comforts Fund <i>For the benefit of the residents of Auchernack Care Home.</i>	(16)	11	587	-
Ladyhill Public Trust <i>Provides homes for two veterans from the Elgin area</i>	(2)	-	67	-
Jubilee Cottages Public Trust <i>Trust established by monies raised during Queen Victorias Diamond Jubilee for the purposes of providing low cost housing.</i>	(83)	14	597	-
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>	(41)	11	551	-
River Lossie Public Trust <i>Established mid 1800's to provide ground for recreation for the people of Elgin</i>	(65)	25	446	-
Miltonduff Hall <i>Established to provide space for local groups for education, recreation etc.</i>	-	7	224	-
	(251)	122	4,995	(1)

### Note 3 Trust Details (continued)

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

<b>Fund</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Assets £000</b>	<b>Liabilities £000</b>
<b>Other Trusts</b>				
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>	(7)	9	248	-
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>	(2)	2	59	-
Banffshire Educational Trust <i>Grants payable to persons resident in the former County of Banffshire, including University, Post Graduate, Apprentices &amp; Trainees; School Equipment; Sports Facilities; Support of Clubs; Promoting Education in Drama, Music &amp; Visual Arts; Travel Grants and School Excursions.</i>	(15)	16	531	-
	<u>(24)</u>	<u>27</u>	<u>838</u>	<u>-</u>
<b>Summary</b>				
Registered Charitable Trusts	(22)	21	871	(2)
Other Trusts	(275)	149	5,833	(1)
Total	<u>(297)</u>	<u>170</u>	<u>6,704</u>	<u>(3)</u>



## Common Good Funds

The Council administers the Common Good Funds which consist of bequests made to the former Town Councils for the good of the residents. These funds were transferred to Moray District Council in 1975 and then to The Moray Council in 1996 as the successor authority 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 2011/12.

## 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. IAS40 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

1 March 2011		31 March 2012
£000	Expenditure	£000
35	Property Costs	38
14	Administrative Costs	15
30	Donations, Grants etc	34
18	Other Costs	7
136	Depreciation	108
<b>233</b>	<b>Total Expenditure</b>	<b>202</b>
	<b>Income</b>	
(22)	Property	(14)
(91)	Investment Income	(97)
(506)	Movement in Fair Value of Investment Property	5
-	Gain on disposal of asset	(24)
(20)	Other Income	-
<b>(639)</b>	<b>Total Income</b>	<b>(130)</b>
<b>(406)</b>	<b>(Surplus)/Deficit for the Year</b>	<b>72</b>

## Common Good Funds Balance Sheet

**31 March 2011**  
**£000**  
**Restated**

**31 March 2012**  
**£000**

7,602	Property, Plant & Equipment	<b>Note 1</b>	5,703
125	Heritage Assets	<b>Note 2</b>	125
1,476	Investment Property	<b>Note 3</b>	1,648
<b>9,203</b>	<b>Long Term Assets</b>		<b>7,476</b>
1	Inventories		1
9	Feu duties		7
1	Loans		-
3,103	Loans Fund Balance		3,252
<b>3,114</b>	<b>Current Assets</b>		<b>3,260</b>
(7)	Creditors		(1)
<b>(7)</b>	<b>Current Liabilities</b>		<b>(1)</b>
<b>12,310</b>	<b>Net Assets</b>		<b>10,735</b>
7,718	Revaluation Reserve		5,818
4,592	Revenue Reserve		4,917
<b>12,310</b>	<b>Total Reserves</b>		<b>10,735</b>

### Summary of Funds

<b>Total Funds</b>		<b>Invested In</b>	<b>Total Funds</b>
<b>£000</b>		<b>Loans Fund</b>	<b>£000</b>
4	Aberlour	4	4
2,270	Buckie	1,445	2,242
83	Cullen	30	95
7	Dufftown	7	21
7,008	Elgin	1,557	5,454
2,936	Forres	207	2,917
2	Keith	2	2
<b>12,310</b>	<b>TOTAL</b>	<b>3,252</b>	<b>10,735</b>

## 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 Valuations Standards

Property, plant and equipment is classified into groupings required by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Assets have been valued on the following basis:-

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

Movements of Fixed Assets were as follows:

#### 2010/11

	Other Land & Buildings	Community Assets	Surplus Assets	Total
	£000	£000	£000	£000
Gross Book Value at 1 April 2010	5,977	1,204	794	7,975
Gross Book Value at 31 March 2011	5,977	1,204	794	7,975
Depreciation at 1 April 2010	176	61	1	238
Charge for the Year	114	20	1	135
Depreciation at 31 March 2011	290	81	2	373
Net Book Value at 31 March 2011	5,687	1,123	792	7,602
Net Book Value at 31 March 2010	5,801	1,143	793	7,737



## Note 1 Property, Plant and Equipment (continued)

2011/12

	Other Land & Buildings	Community Assets	Surplus Assets	Total
	£000	£000	£000	£000
Gross Book Value at 1 April 2011	5,977	1,204	794	7,975
Revaluations	14	-	-	14
Reclassifications	1,204	(1,204)	(179)	(179)
Restatements	(1,620)	-	-	(1,620)
Disposals	(120)	-	-	(120)
Gross Book Value at 31 March 2012	5,455	-	615	6,070
Depreciation at 1 April 2011	290	81	2	373
Revaluations	-	-	-	-
Reclassifications	81	(81)	(2)	(2)
Restatements	(103)	-	-	(103)
Relating to Disposals	(9)	-	-	(9)
Charge for the Year	108	-	-	108
Depreciation at 31 March 2012	367	-	-	367
Net Book Value at 31 March 2012	5,088	-	615	5,703
Net Book Value at 31 March 2011	5,687	1,123	792	7,602

The reclassification of assets includes reclassification from community assets to other land and buildings and from surplus assets to investment properties (Note 3).

Restatements relate to assets transferred from General Services and to Trust Funds.

## Note 2 Heritage Assets

This note details the movement in Heritage Assets during the three years 2009/10 to 2011/12.

	Fine Art £000	Chains of Office £000	Total Heritage Assets £000
Valuation at 1 April 2009	125	-	125
Revaluations	-	-	-
<b>At 31 March 2010</b>	<b>125</b>	<b>-</b>	<b>125</b>
Valuation at 1 April 2010	125	-	125
Revaluations	-	-	-
<b>At 31 March 2011</b>	<b>125</b>	<b>-</b>	<b>125</b>
Valuation at 1 April 2011	125	-	125
Revaluations	-	-	-
<b>At 31 March 2012</b>	<b>125</b>	<b>-</b>	<b>125</b>

Chains of Office are to be valued in 2012/13.

## Note 2 Heritage Assets (continued)

2011/12 is the first time the Code requires disclosure of Heritage Assets, requiring the reclassification of assets previously included in Community Assets (at nominal or nil values) to Heritage Assets.

This represents a change in accounting policy and prior year figures have been restated as follows:-

Balance Sheet Heading	FRS 30 Heritage Assets		
	2009/10 Original £000	2009/10 Assets recognition £000	2009/10 Restated £000
Property, Plant and Equipment	7,737	-	7,737
Heritage Assets	-	125	125
Revaluation Reserve	7,730	125	7,855

Balance Sheet Heading	FRS 30 Heritage Assets		
	2010/11 Original £000	2010/11 Assets recognition £000	2010/11 Restated £000
Property, Plant and Equipment	7,602	-	7,602
Heritage Assets	-	125	125
Revaluation Reserve	7,593	125	7,718

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 2012
Monuments and Fountains	3
Nelsons Tower	1

### Note 3 Investment Properties

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

	<b>2010/11 £000</b>	<b>2011/12 £000</b>
Rental income from investment property	23	27
Net gain/ (loss)	<u>23</u>	<u>27</u>

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 repairs, maintenance or enhancement.

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

	<b>2010/11 £000</b>	<b>2011/12 £000</b>
Balance at start of the year	970	1,476
Net gains/(losses) from fair value adjustments	506	30
Transfers from Property, Plant and Equipment	-	177
Other Changes	-	(35)
Balance at end of the year	<u>1,476</u>	<u>1,648</u>

## **INDEPENDENT AUDITORS' REPORT**

### **Independent Auditors' Report to the Members of Moray Council**

We have audited the financial statements of Moray Council and its group for the year ended 31 March 2012 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the authority-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Accounts, and the Non-domestic Rate Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011/12 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the Responsible Financial Officer and auditor**

As explained more fully in the Statement of Responsibilities set out on page 13, the Responsible Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Responsible Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2011/12 Code of the state of the affairs of the group and of the body as at 31 March 2012 and of the income and expenditure of the group and the body for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2011/12 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

#### **Opinion on other prescribed matters**

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985 (as amended); and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Annual Governance Statement does not comply with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

The maintenance and integrity of the Moray Council website is the responsibility of Council management; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PricewaterhouseCoopers LLP  
141 Bothwell Street, Glasgow  
28 September 2012

## **Glossary of Terms**

### **Revenue Expenditure:**

This is expenditure incurred in providing services in the current year and which benefits that year only.

### **Capital Expenditure:**

This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing over a period of years, or utilising the income from the sale of existing assets.

### **Public Works Loans Board (PWLb):**

A Government Agency which provides loans to the Council.

### **CIPFA**

Chartered Institute of Public Finance and Accountancy

### **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee

### **IFRS**

International Financial Reporting Standard

### **The Code**

The Code of Practice on Local Authority Accounting in the United Kingdom

### **SeRCOP**

Service Reporting Code of Practice

### **FAIR VALUE**

Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

For land and buildings, fair 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.

## **Sources of Additional Information**

The Annual Report and Financial Statements is one of several documents published by The Moray Council and CIPFA giving financial information on the services provided in the Moray Area. Other annual publications are: -

- 1 The Capital and Revenue Budget: giving detailed expenditure plans for the following financial year.
- 2 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.
- 3 Rating Review: published by the Scottish Branch of CIPFA, gives comparative statistics for all Scottish Local Authorities on local authority expenditure and service provision.