



the **moray** council

The Moray Council

# Statement of Accounts

For the year ended 31st March 2013



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

如果閣下需要摩里議會用你認識的語言向你提供議會資訊的話，請要求一位會說英語的朋友或親人與議會聯繫

Jeżeli chcieliby Państwo otrzymać informacje od samorządu regionu Moray w swoim języku ojczystym, Państwa przyjaciel lub znajomy, który mówi dobrze po angielsku, może do nas

Se necessita de informação, do Concelho de Moray, traduzida para a sua língua, peça o favor a um amigo ou parente que fale Inglês para contactar através do:

Jeigu Jums reikalinga informacija iš Moray regiono Savivaldybės [*Moray Council*], kurią norėtumėte gauti savo gimtąja kalba, paprašykite angliškai kalbančių draugų arba giminaičių susisiekti su mumis

Чтобы получить информацию из Совета Морэй на Вашем языке, попросите, пожалуйста, Вашего друга или родственника, говорящих по английски, запросить ее

Si necesitas recibir información del Ayuntamiento de Moray en tu idioma. Por favor pide a un amigo o familiar que hable inglés que:



Don Toonen, Equal Opportunities Officer,  
Chief Executive's Office, High Street  
Elgin, IV30 1BX



01343 563321



[don.toonen@moray.gov.uk](mailto:don.toonen@moray.gov.uk)



18002 01343563319



## Contents

	<b>Page</b>
Council Members and Wards.....	1-3
Local Authority Functions.....	5
Explanatory Foreword .....	7-12
Statement of Responsibilities for the Statement of Accounts.....	13
Annual Governance Statement – 2012/13.....	15-21
Remuneration Report.....	23-32
Movement in Reserves Statement.....	33-34
Comprehensive Income & Expenditure Statement.....	35
Balance Sheet as at 31 March 2013.....	37-38
Cash Flow Statement.....	39
Notes to the Accounts:.....	
Note 1    Accounting Policies	41-52
Note 2    Accounting Standards that have been Issued but have not yet been adopted	53
Note 3    Critical judgements in applying Accounting Policies	53
Note 4    Assumptions made about the future and other major sources of estimation uncertainty	54
Note 5    Material Items of Income and Expenditure	54
Note 6    Events after the Balance Sheet date	54
Note 7    Adjustments between accounting basis and funding basis under regulations	55-58
Note 8    Transfers to/from statutory funds and earmarked portions of the General Fund	59
Note 9    Other operating expenditure	60
Note 10   Financing and investment income and expenditure	60
Note 11   Taxation and non-specific grant income	60
Note 12   Property, Plant and Equipment	61-63
Note 13   Heritage Assets	64
Note 14   Investment Property	64-65
Note 15   Intangible Assets	65
Note 16   Financial Instruments	66-67
Note 17   Inventories	68
Note 18   Short Term Debtors	68
Note 19   Cash and Cash Equivalents	68
Note 20   Assets held for sale	69
Note 21   Short Term Creditors	69
Note 22   Provisions	69
Note 23   Usable Reserves	70
Note 24   Unusable Reserves	70-73
Note 25   Cash Flow Statement - Operating Activities	74
Note 26   Cash Flow Statement - Investing Activities	74
Note 27   Cash Flow Statement - Financing Activities	74

## Contents

	<b>Page</b>
Note 28 Amounts reported for Resource Allocation Decisions	75-77
Note 29 Significant Trading Operations	78-79
Note 30 External Audit Costs	80
Note 31 Grant Income	80
Note 32 Related Parties	81
Note 33 Capital Expenditure and Capital Financing	82
Note 34 Leases	83-84
Note 35 Impairment Losses	84
Note 36 Public Private Partnership	85-86
Note 37 Pension Schemes accounted for as defined contribution schemes	86
Note 38 Defined Benefit Pensions Schemes	86-91
Note 39 Contingent Liabilities	91
Note 40 Nature and extent of risks arising from financial instruments	92-96
Note 41 Trust Funds and Common Good Funds	96
Housing Revenue Account Income & Expenditure Statement.....	97
Movement on the Housing Revenue Account Statement.....	99
Notes to the Housing Revenue Account.....	101
Council Tax/Community Charge Income Account.....	103-104
Non-Domestic Rate Income Account.....	105-106
Group Accounts.....	107
Group Movement in Reserves Statement.....	109-110
Group Comprehensive Income & Expenditure Statement.....	111
Group Balance Sheet as at 31 March 2013.....	113-114
Group Cash Flow Statement.....	115
Notes to the Group Accounts: .....	
Note 1 Nature of the Group and Group Members	117-118
Note 2 Accounting Policies	118
Note 3 Critical judgements in applying Accounting Policies	118-119
Note 4 Assumptions made about the future and other major sources of estimation uncertainty	119
Note 5 Operating expenditure and income of the subsidiaries	120
Note 6 Other operating expenditure	120
Note 7 Financing and investment income and expenditure	120
Note 8 Property, Plant and Equipment	121-123
Note 9 Investment Properties	123
Note 10 Short Term Debtors	124
Note 11 Cash and Cash Equivalents	124
Note 12 Short Term Creditors	124
Note 13 Investments in Associates and Joint Ventures	125
Note 14 Usable Reserves	125

## Contents

	<b>Page</b>
Note 15 Unusable Reserves	126
Note 16 Share of Associates Reserves	126
Note 17 Cash Flow Statement – Operating Activities	127
Note 18 Cash Flow Statement – Investing Activities	127
Note 19 Cash Flow Statement – Financing Activities	127
Note 20 Members' Allowances	128
Note 21 Senior Employees' Remuneration	128
Note 22 External Audit Costs	129
Note 23 Pension Costs	129
Note 24 Injury Awards	130
Note 25 Charitable Trusts	130
Note 26 Events after the Balance Sheet date	130
Trust Funds.....	131-137
Common Good Funds.....	139-143
Independent Auditors' Report.....	145-146
Glossary of Terms.....	147
Sources of Additional Information.....	147



## Council Members and Wards

Ward	Name	Councillor/Address	Contact Details
1	Speyside Glenlivet	<b>Michael J McConachie</b> 11 MacLennan Place Dufftown AB55 4EF	Tel. (01340) 821214 Email <a href="mailto:michael.mcconachie@moray.gov.uk">michael.mcconachie@moray.gov.uk</a>
		<b>Fiona J Murdoch</b> 23 Balvenie Street Dufftown AB55 4AS	Tel. (01340) 821219 Email <a href="mailto:fiona.murdoch@moray.gov.uk">fiona.murdoch@moray.gov.uk</a>
		<b>Pearl B Paul</b> 56 Land Street Rothes Aberlour AB38 7BB	Tel. (01340) 831761 Email <a href="mailto:pearl.paul@moray.gov.uk">pearl.paul@moray.gov.uk</a>
2	Keith & Cullen	<b>Gary S Coull</b> 144b Mid Street Keith AB55 5BJ	Tel. (01542) 888471 Email <a href="mailto:gary.coull@moray.gov.uk">gary.coull@moray.gov.uk</a>
		<b>Stewart Cree</b> 9a Station Road Keith AB55 5BU	Tel. (01542) 887894 Email <a href="mailto:stewart.cree@moray.gov.uk">stewart.cree@moray.gov.uk</a>
		<b>Ronald H Shepherd, JP</b> 22 Reidhaven Street Cullen AB56 4SY	Tel. (01542) 840536 Email <a href="mailto:ronald.shepherd@moray.gov.uk">ronald.shepherd@moray.gov.uk</a>
3	Buckie	<b>Joe Mackay</b> 18 Redburn Drive Buckie AB56 1EW	Tel. (01542) 831278 Email <a href="mailto:joe.mackay@moray.gov.uk">joe.mackay@moray.gov.uk</a>
		<b>Gordon McDonald</b> 1 Howe of Enzie Buckie AB56 5BF	Tel. (01542) 850486 Email <a href="mailto:gordon.mcdonald@moray.gov.uk">gordon.mcdonald@moray.gov.uk</a>
		<b>Anne C McKay</b> Ardelle, Main Road Rathven Buckie AB56 4DD	Tel. (01542) 839247 Email <a href="mailto:anne.mckay@moray.gov.uk">anne.mckay@moray.gov.uk</a>
4	Fochabers/ Lhanbryde	<b>Margo Howe</b> Heelster Gowdie 30 Spey Road Nether Dallachy Spey Bay IV32 7PY	Tel. (01343) 821183 Email <a href="mailto:margo.howe@moray.gov.uk">margo.howe@moray.gov.uk</a>
		<b>Sean Morton</b> 13a Institution Road Fochabers IV32 7DZ	Tel. 07875 034219 Email <a href="mailto:sean.morton@moray.gov.uk">sean.morton@moray.gov.uk</a>



## Council Members and Wards (continued)

Ward	Name	Councillor/Address	Contact Details
5	Heldon & Laich	<b>Douglas G Ross</b> 2 Upper Spynie Steading Pitgaveny Elgin IV30 5PG	Tel. (01343) 556677 Email <a href="mailto:douglas.ross@moray.gov.uk">douglas.ross@moray.gov.uk</a>
		<b>Eric M McGillivray, JP</b> Parkvale 7 Cooper Street Hopeman IV30 5SD	Tel. (01343) 835003 Email <a href="mailto:eric.mcgillivray@moray.gov.uk">eric.mcgillivray@moray.gov.uk</a>
		<b>John Cowe</b> Spinningdale Beachbrae Stotfield Lossiemouth IV31 6QS	Tel. (01343) 814989 Email <a href="mailto:John.cowe@moray.gov.uk">John.cowe@moray.gov.uk</a>
		<b>Chris Tuke</b> 2 Pinewood Road Burghead IV30 5XN	Tel. (01343) 835537 Email <a href="mailto:chris.tuke@moray.gov.uk">chris.tuke@moray.gov.uk</a>
6	Elgin City North	<b>Allan G Wright</b> 7 St Peter's Road Duffus IV30 5QL	Home (01343) 835005 Office (01343) 563489 Email <a href="mailto:allan.wright@moray.gov.uk">allan.wright@moray.gov.uk</a>
		<b>Patsy Gowans</b> 133 Morriston Road Elgin IV30 4NB	Tel. (01343) 550429 Email <a href="mailto:patsy.gowans@moray.gov.uk">patsy.gowans@moray.gov.uk</a>
		<b>Barry Jarvis</b> 41a South Street Elgin IV30 1JZ	Tel. 07779 999279 Email <a href="mailto:barry.jarvis@moray.gov.uk">barry.jarvis@moray.gov.uk</a>
		<b>Mike Shand</b> West View 18 Braemorrison Road Elgin IV30 4DT	Tel. (01343) 548693 Email <a href="mailto:mike.shand@moray.gov.uk">mike.shand@moray.gov.uk</a>
7	Elgin City South	<b>James Allan</b> 26 Springfield Gardens Elgin IV30 6XX	Tel. (01343) 552701 Email <a href="mailto:james.allan@moray.gov.uk">james.allan@moray.gov.uk</a>
		<b>John A Divers</b> 3 Birkenhill Place New Elgin Elgin IV30 6EX	Tel. (01343) 546926 Email <a href="mailto:john.divers@moray.gov.uk">john.divers@moray.gov.uk</a>
		<b>Graham Leadbitter</b> 13 South Park Court Elgin IV30 1NJ	Tel. (01343) 547834 Email <a href="mailto:graham.leadbitter@moray.gov.uk">graham.leadbitter@moray.gov.uk</a>

## Council Members and Wards (continued)

Ward	Name	Councillor/Address	Contact Details
8	Forres	<b>George Alexander</b> Waterford Farm Forres IV36 3TN	Tel. (01309) 672381 Email <a href="mailto:george.alexander@moray.gov.uk">george.alexander@moray.gov.uk</a>
		<b>Lorna Creswell</b> 27d High Street Forres IV36 1BU	Home (01309) 696390 Email <a href="mailto:lorna.creswell@moray.gov.uk">lorna.creswell@moray.gov.uk</a>
		<b>Aaron McLean</b> 20 Stuart Street Forres IV36 1HQ	Tel. (01309) 672196 Email <a href="mailto:aaron.mclean@moray.gov.uk">aaron.mclean@moray.gov.uk</a>
		<b>Anne Skene</b> Windyhills Milton Brodie Forres IV36 2UA	Tel. (01343) 850058 Email <a href="mailto:anne.skene@moray.gov.uk">anne.skene@moray.gov.uk</a>



## 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
- 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

The Moray Community Planning Partnership and sub groups:

- Community Engagement Group
- Communities and Sustainability Partnership
- Children and Young People's Partnership
- Moray Economic Partnership
- Health and Social Care Partnership
- Public Protection Partnership



## Explanatory Foreword

### Introduction

These accounts set out the Council's financial position at 31 March 2013 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 2012/13. 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 2012/13 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. 2012/13 is the last year that Police and Fire services will form part of our group accounts as from 1 April 2013, the new bodies for Police Scotland and Fire Scotland have been formed and will be funded directly from central government.

### 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 shows the balance of expenditure across service headings, with Education Services at 41% ( 43% in 2011/12) of net cost of services the single largest service, and Social Work the second at 26% ( 25% in 2011/12). The Statement shows a deficit of £1.0 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 £1.9 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. A further ring fencing of reserves have been made to take account of the balances due to central government on the winding up of the old Police and Fire services in Grampian. These amounts are to be deducted from our Revenue Support Grant during 2013/14 and so the earmarked portion will be required to fund the gap. The General Fund balance has increased by £1.9 million, and this can be analysed as follows:

	£M
General Fund surplus	0.3
Earmarked Reserves received from Police and Fire services	1.6
	<hr/>
	£1.9M
	<hr/>

#### Balance Sheet

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2013. This includes pension liabilities falling due in future years, which will be financed by pension contributions through the Council's

## Explanatory Foreword Continued

Revenue Expenditure. Assets of £646 million are offset by liabilities of £341 million, giving the Council a net worth of £304 million – the total value of the Council's usable and unusable reserves.

### Financial Overview and Performance 2012/13

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 £201.3 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 £197.7 million, with General Government Grants of £161.3 million and Council Tax income of £38.3 million. The resultant surplus of £1.9 million is equivalent to 0.9% of the Council's General Services budget for 2012/13. This surplus includes £1.6 million from Grampian Police and Fire services representing central government's share of reserves at 31 March 2013 and will be deducted from our Revenue support grant in 2013/14. Excluding the earmarked amounts from Police and Fire, the Council's surplus for 2012/13 is £0.3 million which represents 0.1% of General Services Budget.

The main variations from budget are set out below:

Underspends:	£M
Refunds from Police and Fire Boards:	
ear-marked	1.6
for retention by the Council	0.3
Debt charges for loans to fund capital expenditure	1.6
Staffing	0.9
Income received	0.1
Various other budget variances	<u>2.9</u>
	7.4
Offset by Overspends:	
Out of Area placements / care packages to avoid Out of Area placements	1.5
Designing Better Services project (approved to be funded from reserves)	0.6
Purchase and provision of social care	0.7
Various other budget variances	<u>2.7</u>
	5.5
Surplus for the year	£1.9M

## **Explanatory Foreword Continued**

As mentioned above, the largest portion of the refund from Police and Fire boards will be offset by a reduction in Government Grant to the Council in 2013/14. The underspend on loans charges arises from slippage in the capital programme and from reductions in the loans pool interest rate. Staff savings arise from vacant posts, new appointments and people choosing not to join the pension scheme. They are largely fortuitous. Income received overall is above budget, but the position across the Council shows area where income is above budget and areas where it is significantly below. Some income received was government grant for services which will be delivered in 2013/14. This together with the Police and Fire Board ear-marked refunds total the surplus for the year, which would have been negligible had it not been for these timing differences in Government Grant funding.

Out of Area placements and other intensive support packages are made in response to the needs of a particular child. The Designing Better Services project is a spend-to-save investment in changing the Council's structure and ways of working. Purchase and provision of social care largely relates to care for older people, and reflects an ageing population locally. This is also a national trend.

Where savings are judged to be recurring they have been taken account of in setting the budget for 2013/14, and overspends monitored to judge if they are likely to be recurring.

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

The Council approved expenditure of £14.6 million in 2012/13, 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 £0.01 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 and Repairs and maintenance expenditure being below budget.

### **Capital Expenditure**

Total capital expenditure in 2012/13 was £53.8 million, including capital funded from reserves and assets acquired under a PPP contract. £3.7 million of that relates to the final works for schools built under a PPP contract although both schools were operational at 1 April 2012. Further significant additions are major flood schemes completed and under construction (£20.8 million). The General Services Capital Programme for 2012/13, including balances carried forward from 2011/12, amounted to £52.1 million. Expenditure for the year was £39.1 million. £10.8 million is carried forward into 2013/14. The main underspend was against flood alleviation schemes (£2.9 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 £11.6 million and actual expenditure was £10.8 million. The underspend was due to slippage in the Planned Works programme for replacement kitchens, bathrooms and central heating.

Capital expenditure is supported by capital grant from the Scottish Government and £31.5 million grant was received in 2012/13. Capital receipts generated £0.8 million, and £2.1 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 2013 amounted to £181.6 million, with £127.3 million attributable to General Services and £54.3 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 2012/13 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 £2 million in March 2013, from the PWLB. The loan was an Equal Instalment of Principal over a period of 11 years and the interest rate was 1.86%.



## Explanatory Foreword Continued

### 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 of £0.03 million in 2011/12 although over the three years has made a surplus of £0.11million.

### 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 2013. 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 £125.8 million at 31 March 2013 (£108.8 million at 31 March 2012). 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	2012/13 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%	9.83%
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%	£0.3 million 1.45%
Council Tax in-year collection rate	This reflects the Council's effectiveness in collecting Council Tax debt.	97.30%	95.60%
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%	19.19%
Actual outturn net service expenditure compared to budgeted net service expenditure	This reflects the effectiveness of financial management across the Council.	99.32%	99.25%

## Explanatory Foreword Continued

Description of Indicator	Comment	2011/12 Result	2012/13 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%	General Services 7.76%
		HRA 18.78%	HRA 19.24%
Impact of capital investment on Council Tax and weekly rents	The incremental impact of the previous years' capital investment programme (excluding PPP).	General Services £11.83	General Services (£5.42)
		HRA £1.27	HRA £0.64

## 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 impact significantly on the Council's spending plans. With confirmed Government funding for Moray basically frozen at the same level for the next two 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. Firm projections of future funding are not available beyond March 2015, but all the current indications are that Government funding will decrease significantly. Based on current projections, the Council needs to find £31 million savings over the next 4 years.

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.

£7m of savings have been identified for 2013/14 and a one year budget including these plans was approved by the Council at a special meeting on 13 February 2013. Fundamental reviews of services have identified £12 million of potential savings including £3 million from DBS projects which leaves a funding gap of £12 million.

The latest position on the medium term financial plan is that the Area Based Review Working Party has been established. This cross party group has started to look at the challenges of delivering a medium term plan for the council that aligns council priorities to the community planning partnership single outcome agreement and also addresses the financial shortfall from 2014/15 onwards

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.

## **Explanatory Foreword Continued**

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. At its meeting in February 2013 the Council agreed to defer £9 million of capital projects until future years. It is projected that the General Reserve will be reduced to £5 million, which is the Council's agreed minimum level by 2017/18. Part of the strategic planning process will therefore require a review of the affordability of the Council's current asset base and the 10 year capital plan.

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.

## **Conclusion**

The restrictions on public sector funding will continue in the medium term and will impact significantly on the Moray Council. 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.

I would also like to take this opportunity of thanking the staff in Financial Services for their hard work in producing these accounts for 2012/13 and meeting the tight deadlines.

**Margaret Wilson**

**Head of Financial Services**

**25 September 2013**

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

### **The Council's Responsibilities**

The Council 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 Head of Financial Services' Responsibilities**

The Head of Financial Services is responsible for the preparation of the council'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 2012/13 (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 council at the balance sheet date and its income and expenditure for the year ended 31 March 2013.

**Margaret Wilson**

**Head of Financial Services**

**25 September 2013**



## **Annual Governance Statement - 2012/13**

### **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 2013 and up to the date of approval of the Annual Report and Statement of Accounts.

### **The governance framework**

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

#### **Governance Principle 1 - focusing on the purpose of the Council 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 Council'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 a period of consolidation for the Council following the local government elections in May and the appointment of a new Chief Executive in October. A new Single Outcome Agreement (SOA) has been developed covering the period 2012-2015 and submitted to Scottish Government for approval. The SOA develops a vision for Moray and explains how community planning partners will work together to secure a range of key outcomes for the community. These outcomes have regard to both national priorities and those determined by the Administration Group of the Council.

## **Annual Governance Statement - 2012/2013 (continued)**

A 'Best Value for Moray – Corporate Improvement Plan' has also been developed which builds on the prior corporate plan, defines the outcomes the Council intends to achieve, and describes the corporate programme of leadership and governance linked to service improvements. Outcomes where appropriate reflect SOA objectives. These complementary documents set ambitious targets for the Council and its partners, and against a background of continuing financial pressures facing the public sector, care has been taken to ensure that planned actions can be achieved over the next three year period.

'Moray Performs' is about planning, managing and delivering services in Moray. It impacts on every aspect of management and performance. As well as encompassing Community Planning and the Single Outcome Agreement, it provides a framework for supporting organisational change within the Council. The focus of Moray Performs in the current period has been on progression of the 'Designing Better Services' project, consolidating performance management arrangements and developing workforce planning requirements as a consequence of budget considerations.

The Designing Better Services project is a multi year programme designed to secure more efficient ways of working and an associated reduction in the costs of service delivery. Now in its implementation stage, and with the transport, vehicles and plant project completed, work is continuing on three large, complex, and challenging topics encompassing the core project – more efficient ways of working, a property project looking at accommodation, and community care re-design. A Programme Board oversees governance arrangements of the programme.

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. During the year a working group led by the Monitoring Officer has conducted a review of the performance management arrangements to ensure they continue to meet the current needs of the council and its service users, and that the measures in use are informed by outcomes identified in both strategic and operational plans.

Workforce Planning remains a particular focus given the effects on staff of the need to make substantial financial savings. A workforce transformation strategy has been developed with the intention of creating an internal jobs market designed as far as possible to protect the employment of the workforce and mitigate the need for compulsory redundancies.

### **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. An Administrative Scheme 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 Standing Orders and Administrative Scheme were updated during the year to reflect changes to Committee structures and a review of the Scheme of Delegation is on-going. Work is also being undertaken to revise the protocol on Questions on Council Minutes and Other Questions, and to develop a new protocol on Notices of Motion.

Governance arrangements in relation to roles and responsibilities of elected members and officers were strengthened during the period with the preparation and circulation of a suite of documents covering matters including the roles and responsibilities of a councillor, protocols for committee chairpersons, elected members' training, and guidance on dealing with multi member ward issues.

To complement these documents, a comprehensive training programme was provided for new and returning elected members to assist them to discharge their responsibilities effectively. A recent best value inspection noted that elected member and officer relationships are maturing, with elected members demonstrating more effective challenge and scrutiny, an increased willingness to hold each other to account, and more evidence of officers being held to account for their performance. This is reported as being a positive change in the culture at the Council.

**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. 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 record any potential areas where conflicts of interest might arise. Constitutional documents, together with detailed guidance on the operation of Committees, 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 investigated in terms of the recently approved in-house complaints process 'How to Complain about a Moray Councillor', or referred to the Standards Commission; issues relating to actions taken or not taken by senior officers can be addressed internally through established complaints procedures and, if unresolved, be referred to the External Auditor or the Scottish Public Service Ombudsman. One complaint against an elected member has been raised with the Standards Commission. There were no recorded breaches of the Code of Conduct for Employees by senior officers in the period covered by this statement.

The Council maintained its commitment to combating fraud and similar behaviours during the year by participating in the National Fraud Initiative, a data matching exercise involving a large number of public sector bodies and overseen by Audit Scotland. Extensive testing of matches has identified few issues, affirming the robustness of anti-fraud measures the council has in place.

**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. Certain 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 develop a programme of topics to be scrutinised over the next four years, augmented as appropriate by items 'called in' by the Committee. The activities of the Committee comply 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. The Corporate Risk Register is reviewed and updated every six months, following 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 updated annually, with the results used to inform service planning. A recent best value inspection concluded that the council has sound arrangements for risk management and reporting in place.



## **Annual Governance Statement - 2012/2013 (continued)**

### **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 elected members and officers have the knowledge, skills and capacity to enable them to fulfil their respective roles effectively.

A programme of induction training was provided for new and returning members following the elections. This has been supplemented by ongoing training and development opportunities in the form of briefing sessions and workshops covering new and emerging issues, a recent example relating to legislative changes on welfare reform.

For employees, access to training is available in various forms, through professional bodies to which employees belong, through specialist training providers located within services. The corporate Employee Development Team also provides a programme of training opportunities, which this year included sessions on change management for Chief Officers and Heads of Service.

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

The Council achieves this through timely publication of its statement of 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. Consultations on proposals for changes to services provided by the Council either on its own or in partnership are promoted on the website.

A Community Engagement Scheme was approved during the year 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 capacity to engage with communities and to support communities to make the best contribution to the community engagement process. Accredited training on effective consultation practice has been secured for senior officers of the council and partner bodies, and a working group has been formed to develop good practice guidance for facilitating effective engagement with stakeholders.

A particular focus of community engagement in this period was an extensive public consultation to inform the Council's budget proposals for 2013/14 and beyond. Faced with the prospect of both funding and service reductions, a programme of presentations and workshops was delivered in all main communities within the council area. These generated widespread debate and provided extensive feedback for consideration during budget deliberations.

Separately, the Council continues to operate a number of service specific consultations, for example in relation to planning applications, flood alleviation schemes, planned changes to Health and Social Care, and on proposals affecting the roads network in Elgin.

### **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 Community Planning Board, and by the Audit and Performance Review Committee.

## **Annual Governance Statement - 2012/2013 (continued)**

- **The Corporate Management Team**

The Corporate Management Team, (CMT), which has overall responsibility for good governance arrangements, comprises the Chief Executive, and three Corporate Directors with portfolio responsibilities for Education and Social Care, Environmental Services and Corporate Services respectively. The CMT meets regularly to consider corporate issues and has a detailed work programme which gives structure and focus to their meetings. A particular feature in the current year has been increased employee engagement, involving learning visits to selected services and promotion of an employee charter.

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

The Head of Legal and Democratic Services performs the statutory role of Monitoring Officer under the Local Government and Housing Act 1989, which covers the duty to ensure that no enactments, rules of law, or codes of practice are breached, and that the council is not involved in maladministration or injustice as defined in the Local Government (Scotland) Act 1975. This officer also provides relevant legal advice and support to senior managers and elected members at meetings of the Council or its committees and otherwise as required. The Monitoring Officer reports to Policy and Resources Committee annually on activity in this role.

- **The Head of Financial Services**

The Head of Financial Services has statutory responsibility for the Council's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973. This officer provides relevant financial advice and support to senior managers and elected members at meetings of the Council or its committees and otherwise as required. Whilst neither the Head of Legal and Democratic Services nor the Head of Financial Services are formal members of the Corporate Management Team both are actively involved in, and are able to influence, decision making processes.

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.

- **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 that the Social Work Service is continuing to improve the quality of its services and that the council should be assured that the governance arrangements established to deliver the functions of the Chief Social Work Officer are working effectively.

## Annual Governance Statement - 2012/2013 (continued)

### • 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*, due to be superseded by new *Public Sector Internal Audit Standards* taking effect from 1 April 2013.

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 2013.

### • External Agencies

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

## Annual Governance Statement - 2012/2013 (continued)

### Significant governance issues

Securing good governance has been and remains of prime 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.

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 Community Planning arrangements are robust, that an effective framework is in place to enable the plans to be progressed within agreed timeframes, and that performance reporting against outcomes is developed.
- Continuation of financial planning and consultation processes necessary to secure further savings of £24 million by 2016/17, whilst maintaining suitable systems of probity, assurance and control.
- Ensuring service plans are aligned to the corporate priorities of the Council and to the priorities of partner bodies.

### Concluding Remarks

Elected members and senior officers 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 Chief Executive we formally acknowledge the importance of good governance both within the council and when working in partnership, and we will work closely with our partners, other elected members and senior officer colleagues to ensure sound governance principles are evident in the management arrangements which support delivery of public services in Moray.

.....

Councillor Allan Wright  
Leader of the Council

.....

Roderick Burns  
Chief Executive

25 September 2013



## **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 the Council's external auditors, 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 2013, the Council has a Leader who is the Political Head of the Council and a Convener who is the Civic Head of the Council. Both were appointed by the Council on 9 May 2012. 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 was 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 Committee stood down in February 2013.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2012/13 the salary for the Leader of Moray Council is £27,058. The Regulations permit the Council to remunerate one Civic Head and set out the maximum that may be paid to that Civic Head (the Convener). 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 Moray 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 leader of the largest Opposition Group and Committee Chair persons as Senior Councillors, each receiving the maximum permitted amount of £20,294.

In 2012/13, following the election on 3 May 2012, the Council had no senior councillors for a period of 5 days from 3 May until 9 May 2012 when the Council's management structure was agreed. All councillors were paid the basic councillor salary of £16,234 (pro-rata) for this 5 day period. The Moray Council had eight senior councillors both before the election on 3 May and then again after the management structure was agreed on 9 May 2012. The remuneration paid to these councillors totalled £160,184. 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/minutes/data/PR20090310/Item%208.pdf>. Remuneration paid to senior councillors, the convener and the leader of the Moray Council are 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.

At 1 April 2012, the senior employees in the Moray Council were the Chief Executive, the Acting Chief Executive and three Corporate Directors with portfolio responsibilities for Corporate Services, Education and Social Care and Environmental Services. In July 2012, the Chief Executive retired following a period of ill health. The Acting Chief Executive continued in this role until 1 October 2012 when he was formally appointed as the new Chief Executive of the Moray Council. 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 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 2012/13 are still the same as 2011/12, however the earning bands have changed for 2012/13 and are shown as follows (2011/12 figures are in brackets):

## **Remuneration Report (continued)**

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

Whole time pay	Contribution rate 2012/13	Contribution rate 2011/12
On earnings up to and including £19,400 (£18,500)	5.5%	5.5%
On earnings above £19,400 and up to £23,700 (£18,500 - £22,600)	7.25%	7.25%
On earnings above £23,700 and up to £32,500 (£22,600 - £30,900)	8.5%	8.5%
On earnings above £32,500 and up to £43,300 (£30,900 - £41,200)	9.5%	9.5%
On earnings above £43,300 (£41,200)	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 2013 where the Council took the decision to terminate their contracts prior to 31 March 2013.



# **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)**

<b>Councillor Name and Responsibility</b>	<b>Salary, fees and allowances</b>	<b>Taxable Expenses</b>	<b>Total Remuneration 2012/13</b>	<b>Total Remuneration 2011/12</b>
	£	£	£	£
<b>Senior Councillors</b>				
George McIntyre: Convener (Leader of the Council) until 3 May 2012	2,446	-	2,446	27,058
Allan Wright: Depute Convener (Civic Head) until 3 May 2012 and Leader of the Council from 9 May 2012	26,076	-	26,076	20,294
Lee Bell: Chair, Health & Social Care until 3 May 2012	1,835	-	1,835	20,294
Anne McKay: Chair, Health & Social Care from 9 May 2012	18,181	-	18,181	-
Stewart Cree: Chair, Planning & Regulatory Services until 3 May 2012 and Convener of the Council from 9 May 2012	20,016	-	20,016	20,294
Douglas Ross: Chair, Planning & Regulatory Services from 9 May 2012	18,181	-	18,181	-
Jeff Hamilton: Chair, Children & Young People until 3 May 2012	1,835	-	1,835	20,294
Anne Skene: Chair, Children & Young People from 9 May 2012	18,181	-	18,181	-
Gordon McDonald: Chair, Audit Performance & Review until 3 May 2012 and from 9 May 2012	20,016	-	20,016	20,294
Eric McGillivray: Chair: Communities until 3 May 2012 and from 9 May 2012	20,016	-	20,016	20,294
Pearl Paul: Opposition Group Leader until 3 May 2012 and from 9 May 2012	20,016	-	20,016	20,294
John Russell: Chair, Economic Development & Infrastructure until 3 May 2012	1,835	-	1,835	20,294
Fiona Murdoch: Chair, Economic Development & Infrastructure from 9 May 2012 until 27 March 2013 (Note 1)	17,959	-	17,959	-

## Remuneration Report (continued)

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

Councillor Name and Responsibility	Salary, fees and allowances	Taxable Expenses	Total Remuneration 2012/13	Total Remuneration 2011/12
	£	£	£	£
John Cowe: Chair, Economic Development & Infrastructure from 27 March 2013 (Note 1)	278	-	278	-
Ron Shepherd: Chair, Licensing until 3 May 2012 and from 9 May 2012. Convener of Grampian Valuation Joint Board from 22 June 2012 (Note 2)	20,016	-	20,016	20,294
<b>Councillor</b>				
Irene Ogilvie: Convener, Grampian Valuation Joint Board until 3 May 2012 (Note 2)	1,835	-	1,835	20,294
<b>Total</b>	<b>208,722</b>	<b>-</b>	<b>208,722</b>	<b>229,998</b>

Note 1. Councillor Murdoch was Chair of the Economic Development & Infrastructure Committee from 9 May 2012 until 27 March 2013. Councillor Cowe took over this role on 27 March 2013. Both received the senior councillor salary for this day.

Note 2. Councillor Ogilvie was Convener of Grampian Valuation Joint Board until the election on 3 May 2012. She received an additional allowance which was reimbursed by the Grampian Valuation Joint Board for the period to 3 May 2012. Councillor Shepherd was appointed as Convener of the Grampian Valuation Joint Board at their meeting on 22 June 2012. He does not receive an additional allowance as he is already paid a senior councillor salary by the Moray Council for his role as Chair of the Licensing Committee.

### 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	2012/13	2011/12
	£	£
Salaries	464,318	473,508
Allowances	-	-
Expenses	46,035	50,684
<b>TOTAL</b>	<b>510,353</b>	<b>524,192</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 2012/13	Total Remuneration 2011/12
	£	£	£	£	£
Alastair Keddle - Chief Executive until 20 July 2012 (Note 1)	16,615	-	7,842  Plus annual compensation of 2,614	24,457	90,123
Roderick Burns – Acting Chief Executive until 30 September 2012 and Chief Executive from 1 October 2012 (Note 2)	104,562	620	-	105,182	101,401
Mark Palmer - Corporate Director (Corporate Services)	88,155	909	-	89,064	87,302
Sandy Riddell - Corporate Director (Education and Social Care)	87,993	943	-	88,936	87,249
Richard Hartland - Corporate Director (Environmental Services)	88,098	877	-	88,975	54,400
<b>TOTAL</b>	<b>385,423</b>	<b>3,349</b>	<b>7,842</b>	<b>396,614</b>	<b>420,475</b>

Note 1. Alastair Keddle retired from his post as Chief Executive of the Council on 20 July 2012 following a period of ill health. The Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 make provision for Councils to make discretionary payments to local government employees to pay compensation for premature retirement. Alastair Keddle has been credited with a 2 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.

Note 2. Roderick Burns continued in his role as Acting Chief Executive until 1 October 2012 when he was formally appointed as Chief Executive of the Council.

## Remuneration Report (continued)

### Pension Benefits

#### Senior Councillors (Table 4)

The pension entitlements for Senior Councillors for the year to 31 March 2013 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 2013	For the year to 31 March 2012		As at 31 March 2013	Difference from March 2012
	£	£		£000	£000
<b>Senior Councillors</b>					
George McIntyre: Convener until 3 May 2012	472	5,222	Pension Lump Sum	2 2	- -
Allan Wright: Depute Convener until 3 May 2012 and Leader of the Council from 9 May 2012	5,033	3,917	Pension Lump Sum	2 -	1 -
Lee Bell: Chair, Health & Social Care until 3 May 2012	354	3,917	Pension Lump Sum	2 2	- -
Anne McKay: Chair, Health & Social Care from 9 May 2012	3,509	-	Pension Lump Sum	2 1	1 -
Stewart Cree: Chair, Planning & Regulatory Services until 3 May 2012 and Convener of the Council from 9 May 2012	3,863	3,917	Pension Lump Sum	2 2	- 1
Anne Skene: Chair, Children & Young People from 9 May 2012	3,509	-	Pension Lump Sum	- -	- -
Gordon McDonald: Chair, Audit Performance & Review until 3 May 2012 and from 9 May 2012	3,863	3,917	Pension Lump Sum	2 2	- -
Eric McGillivray: Chair: Communities until 3 May 2012 and from 9 May 2012	3,863	3,917	Pension Lump Sum	2 2	- -
Pearl Paul: Opposition Group Leader until 3 May 2012 and from 9 May 2012	3,863	3,917	Pension Lump Sum	3 2	1 -
John Russell: Chair, Economic Development & Infrastructure until 3 May 2012	354	3,917	Pension Lump Sum	2 2	- -
Fiona Murdoch: Chair, Economic Development & Infrastructure from 9 May 2012 to 27 March 2013	3,466	-	Pension Lump Sum	2 1	1 -
John Cowe: Chair of Economic Development & Infrastructure from 27 March 2013	54	-	Pension Lump Sum	- -	- -
<b>Councillor</b>					
Irene Ogilvie: Convener, Grampian Valuation Joint Board until 3 May 2012	354	3,917	Pension Lump Sum	1 1	- -
<b>TOTAL</b>	<b>32,557</b>	<b>36,558</b>		<b>39</b>	<b>5</b>

## Remuneration Report (continued)

### Senior Councillors (Table 4)

Senior Councillors Jeff Hamilton, Ron Shepherd and Douglas Ross 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.

### Senior Employees (Table 5)

The pension entitlements of Senior Employees for the year to 31 March 2013 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 2013	For the year to 31 March 2012		As at 31 March 2013	Difference from March 2012
	£	£		£000	£000
Alastair Keddie - Chief Executive until 20 July 2012	3,207	17,293	Pension Lump Sum	41 107	- -
Roderick Burns – Acting Chief Executive until 30 September 2012 and Chief Executive from 1 October 2012	20,181	19,384	Pension Lump Sum	42 104	4 4
Mark Palmer – Corporate Director (Corporate Services)	17,014	16,673	Pension Lump Sum	26 61	2 1
Sandy Riddell – Corporate Director (Education and Social Care)	16,983	16,663	Pension Lump Sum	40 101	3 2
Richard Hartland – Corporate Director (Environmental Services)	17,003	10,382	Pension Lump Sum	42 108	3 3
<b>TOTAL</b>	<b>74,388</b>	<b>80,395</b>		<b>672</b>	<b>22</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 Council whose remuneration is £50,000 or more. The Table includes the remuneration of the senior employees detailed above.

Remuneration Band	Number of employees	
	2012/13	2011/12
£50,000 - £54,999	27	29
£55,000 - £59,999	22	24
£60,000 - £64,999	3	4
£65,000 - £69,999	2	1
£70,000 - £74,999	10	11
£85,000 - £89,999	3	2
£90,000 - £94,999	-	1
£100,000 - £104,999	-	1
£105,000 - £109,999	1	-
Total	68	73

### 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						
Banding	2012/13			2011/12		
	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	13	8	96,735	5	1	8,741
£20,001 - £40,000	-	3	85,997	-	-	-
£40,001 - £60,000	-	2	108,660	-	2	103,654
£60,001 - £80,000	-	1	77,031	-	1	66,204
£80,001 - £100,000	-	-	-	-	1	80,342
£100,001 - £150,000	-	1	126,100	-	-	-
£150,001 - £200,000	-	-	-	-	1	160,176
Total	13	15	494,523	5	6	419,117

## REMUNERATION REPORT (continued)

### Termination Benefits

During 2012/13 the Council terminated the contracts of 20 employees and took the decision to terminate the contracts of a further 8 employees with leaving dates after 31 March 2013. 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 £0.193M comprising £0.177M redundancy payments and £0.016M compensation for loss of employment in the form of added years service for the calculation of retirement lump sum payments.

Termination benefits in 2011/12 totalled £0.163M comprising £0.145M redundancy payments and £0.018M 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.

.....

Councillor Allan Wright

Leader of the Council

25 September 2013

.....

Roderick Burns

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 2011</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>-</b>	<b>4,123</b>	<b>27,252</b>	<b>278,166</b>	<b>305,418</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 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>Movement in Reserves 2012/13</b>									
Surplus or (deficit) on provision of services (accounting basis)	23,528	(9,066)	-	-	-	-	14,462	-	14,462
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	(15,472)	(15,472)
<b>Total Comprehensive Expenditure and Income</b>	<b>23,528</b>	<b>(9,066)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,462</b>	<b>(15,472)</b>	<b>(1,010)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(21,787)	9,061	(21)	(4)	98	-	(12,653)	12,653	-
<b>Net Increase / (Decrease) before Transfers to Other Statutory Funds</b>	<b>1,741</b>	<b>(5)</b>	<b>(21)</b>	<b>(4)</b>	<b>98</b>	<b>-</b>	<b>1,809</b>	<b>(2,819)</b>	<b>(1,010)</b>
Transfers to / from Other Statutory Funds (Note 8)	127	(7)	-	-	-	(120)	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>1,868</b>	<b>(12)</b>	<b>(21)</b>	<b>(4)</b>	<b>98</b>	<b>(120)</b>	<b>1,809</b>	<b>(2,819)</b>	<b>(1,010)</b>
<b>Balance at 31 March 2013</b>	<b>22,980</b>	<b>1,115</b>	<b>796</b>	<b>69</b>	<b>98</b>	<b>4,003</b>	<b>29,061</b>	<b>275,347</b>	<b>304,408</b>

## Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost for the year ended 31 March 2013, 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.

2011/12			2012/13		
Expenditure	Income	Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
86,198	(1,172)	85,026	84,932	(1,004)	83,928
33,130	(26,222)	6,908	34,625	(27,505)	7,120
15,594	(13,863)	1,731	23,233	(14,497)	8,736
10,111	(1,515)	8,596	10,656	(1,788)	8,868
18,231	(4,442)	13,789	18,390	(3,753)	14,637
17,668	(6,646)	11,022	17,196	(7,377)	9,819
940	(535)	405	867	(422)	445
6,227	(3,579)	2,648	5,999	(3,703)	2,296
58,364	(8,935)	49,429	63,080	(10,385)	52,695
4,077	-	4,077	3,890	-	3,890
15,374	(8,078)	7,296	14,268	(8,365)	5,903
609	-	609	593	-	593
2,729	-	2,729	2,645	-	2,645
2,329	(2)	2,327	811	5	816
3,058	(857)	2,201	3,221	(938)	2,283
274,639	(75,846)	198,793	284,406	(79,732)	204,674
<b>Cost Of Services</b>					
		6,525			813
		8,771			11,221
		(220,680)			(231,170)
		<b>(6,591) (Surplus) on Provision of Services</b>			<b>(14,462)</b>
		(3,779)			(23)
		16,611			15,495
		<b>12,832</b>			<b>15,472</b>
		<b>Other (Income)/Expenditure</b>			
		<b>6,241</b>			<b>1,010</b>
		<b>Total Comprehensive Net (Income)/Expenditure</b>			



## Balance Sheet as at 31 March 2013

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 2012 £000		Notes	31 March 2013 £000
602,371	Property, Plant & Equipment	12	625,891
903	Heritage Assets	13	903
1,602	Investment Property	14	3,762
163	Intangible Assets	15	123
803	Long Term Investments	16	697
1,022	Long Term Debtors	16	970
<u>606,864</u>	<b>Long Term Assets</b>		<u>632,346</u>
403	Short Term Investments	16	164
853	Inventories	17	610
8,955	Short Term Debtors	18	11,705
163	Cash and Cash Equivalents	19	-
583	Assets held for sale	20	849
<u>10,957</u>	<b>Current Assets</b>		<u>13,328</u>
-	Cash and Cash Equivalents	19	(1,316)
(2,744)	Short Term Borrowing	16	(7,921)
<u>(30,162)</u>	Short Term Creditors	21	<u>(31,757)</u>
<u>(32,906)</u>	<b>Current Liabilities</b>		<u>(40,994)</u>
(624)	Provisions	22	(170)
(137,028)	Long Term Borrowing	16	(138,255)
(33,070)	Other Long Term Liabilities	16	(36,061)
<u>(108,775)</u>	Pensions Liability	38	<u>(125,786)</u>
<u>(279,497)</u>	<b>Long Term Liabilities</b>		<u>(300,272)</u>
<u><b>305,418</b></u>	<b>Net Assets</b>		<u><b>304,408</b></u>

## Balance Sheet as at 31 March 2013 (continued)

31 March 2012 £000		Notes	31 March 2013 £000
21,112	General Fund Balance	23	22,980
1,127	Housing Revenue Account	23	1,115
817	Capital Receipts Reserve	23	796
73	Capital Grants Unapplied	23	69
-	Capital Fund	23	98
4,123	Other Statutory Funds	23	4,003
<u>27,252</u>	<b>Usable Reserves</b>		<u>29,061</u>
98,343	Revaluation Reserve	24	95,931
302,824	Capital Adjustment Account	24	318,667
(8,822)	Financial Instruments Adjustment Account	24	(8,506)
(256)	Icelandic Banks Statutory Adjustment Account	24	(193)
(5,148)	Employee Statutory Adjustment Account	24	(4,766)
(108,775)	Pensions Reserve	24	(125,786)
<u>278,166</u>	<b>Unusable Reserves</b>		<u>275,347</u>
<u><b>305,418</b></u>	<b>Total Reserves</b>		<u><b>304,408</b></u>

Margaret Wilson

Head of Financial Services

25 September 2013

The financial statements on pages 33 to 96 were authorised for issue on 25 September by Margaret Wilson, Head of Financial Services. The unaudited accounts were issued on 26 June 2013.

## 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>2011/12</b>		<b>2012/13</b>
<b>£000</b>		<b>£000</b>
6,591	Net surplus or (deficit) on the provision of services	14,462
35,396	Adjust net surplus or deficit on the provision of services for non cash movements	25,136
<u>(26,685)</u>	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>(32,381)</u>
15,302	Net cash flows from Operating Activities (Note 25)	7,217
(16,503)	Investing Activities (Note 26)	(13,911)
7,068	Financing Activities (Note 27)	5,215
<u>5,867</u>	Net increase or (decrease) in cash and cash equivalents	<u>(1,479)</u>
(5,704)	Cash and cash equivalents at the beginning of the reporting period	163
<u>163</u>	<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<u>(1,316)</u>



## **Notes to the Accounts**

### **Note 1 Accounting Policies**

#### **General**

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year ending 31 March 2013. 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 2012/13 and the Service Reporting Code of Practice 2012/13, 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 to the accounts.



## **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 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 4.2% (based on long-term redemption yields available on AA rated corporate bonds of appropriate duration).

In assessing liabilities for retirement benefits at 31 March 2012 for the 2011/12 Statement of Accounts, the actuary assumed a discount rate of 4.9% actual. For the 2012/13 Statement of Accounts the actuary has advised that a rate of 4.2% actual is appropriate. The assumed rate of annual increase in pensions has reduced from 2.5% to 2.4%. 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 Balance Sheet date 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 was instigated in 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 2012/13 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 (based on cost to purchase property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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

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

- fair value of services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost - an interest charge of 8.39% 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 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.

### **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 Statement in accordance with the Code.

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

### **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 2012/13* (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 a legal or constructive obligation that probably requires a financial settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance the Council may be involved in a court case that could eventually result in the payment of compensation.

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

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

### **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.

The **General Fund Balance** is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise.

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

### **Usable Reserves (continued)**

The **Housing Revenue Account Balance** reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989.

The **Insurance Fund** is to meet any future uninsured losses in the event of damage by fire to school buildings.

The **Repairs and Renewals Fund** is to meet any future uninsured expenditure in the event of a flood.

The **Capital Grants Unapplied Reserve** holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

The **Capital Reserve** is used to directly finance future capital expenditure.

The **Capital Receipts Reserve** holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure.

### **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 42.

### **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 i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. 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.**

The Code requires the Council to identify any accounting standards that have been issued but have yet to be adopted and could have a material impact on the accounts.

For 2012/13, the only accounting policy change that requires to be reported relates to the June 2011 amendments to the accounting standard IAS19 Employee Benefits. The change of accounting policy is effective from 1 April 2013 and there is no impact of this change on the accounts covering the 2012/13 financial year.

The key changes relates to the expected return on scheme assets. The expected return on assets is currently credited to the Surplus or Deficit on the Provision of Services; however from 2013 this is effectively replaced with an equivalent figure using the discount rate.

While the overall impact is expected to be cost neutral there will be a redistribution of costs within the Comprehensive Income and Expenditure Statement. By way of illustrating the impact of the accounting change upon the current year, there would be an increase in pensions interest cost and expected return on assets of £3.0m (as assessed by the actuaries of the North East Scotland Pension Fund ) chargeable to the Surplus or Deficit on the Provision of Services, with a compensating reduction of £3.0M in actuarial (gains) or losses on pension assets and liabilities chargeable to Other Comprehensive Income and Expenditure.

## **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. The Council has followed LAAP bulletin 82 and assumed that 100% of the original sum and accrued interest will be recovered.
- The Business Rates Incentivisation Scheme (BRIS) was introduced by the Scottish Government from April 2012. This scheme allows any council that exceeds its annual business rate target to equally share the additional income with the Scottish Government. During 2012/13, the Scottish Government has revised the original targets which had significant impact on the figures. As the targets may be changed again and the audited figures are not available until February 2014, it is not thought prudent to include any monies that might be retained under this scheme in the 2012/13 accounts.
- The Council has entered into a Public Private Partnership (PPP) for the provision of educational buildings, their maintenance and related facilities. The Council has considered the tests under IFRIC 12 and concluded this is a service concession.

## 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 2013 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.
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 £7.710M.
Arrears	At 31 March 2013, the Council had a balance of sundry debtors for £19.0M. (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 to the accounts. During 2012/13 the following items are regarded as material:

Nature	£M
Ongoing construction of the flooding defences schemes across Moray.	
Elgin scheme	15.50
Forres scheme - Findhorn, Pilmuir	5.19
Phase 2-4 of the construction of new Council houses. One hundred and thirty two dwellings were completed in year and a further forty four dwellings were under construction at 31 March 2013	7.03

## Note 6 Events After The Balance Sheet Date

The unaudited Statement of Accounts was issued on 26 June 2013 and the audited Statement of Accounts was authorised for issue on 25 September 2013 by Margaret Wilson, Head of Financial Services. Events taking place after this date are not reflected in the Statement of Accounts or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the Statement of Accounts 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 Council 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.

2011/12

	Usable Reserves							Movement in Unusable Reserves
	General Fund	HRA	Capital Receipts Reserve	Capital Grants Unapplied	Capital Reserve	Repairs & Renewals Fund	Insurance Fund	
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>								
<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)
<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)

2011/12

	Usable Reserves							
	General Fund	HRA	Capital Receipts Reserve	Capital Grants Unapplied	Capital Reserve	Repairs & Renewals Fund	Insurance Fund	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>(243)</b>	<b>(8)</b>	<b>(604)</b>	<b>-</b>	<b>-</b>	<b>3,727</b>

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

2012/13

	Usable Reserves							
	General Fund	HRA	Capital Receipts Reserve	Capital Grants Unapplied	Capital Reserve	Repairs & Renewals Fund	Insurance Fund	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>								
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Charges for depreciation and impairment of non-current assets	14,035	4,566						(18,601)
Revaluation losses on Property, Plant & Equipment	960	8,386						(9,346)
Movements in the market value of Investment Properties	(1,758)							1,758
Amortisation of intangible assets	152							(152)
Capital grants and contributions applied	(29,504)	(2,068)						31,572
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	1,244	378						(1,622)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment	(6,649)	(199)						6,848
Capital expenditure charged against the General Fund and HRA balances	(140)	(2,000)						2,140
	(500)	500						-
<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				(4)				4
<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	(282)	(501)	783					
IORB	(1)	(2)	3					
Use of the Capital Receipts Reserve to finance new capital expenditure			(807)					807



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

2012/13

	Usable Reserves							
	General Fund	HRA	Capital Receipts Reserve	Capital Grants Unapplied	Capital Reserve	Repairs & Renewals Fund	Insurance Fund	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	(226)	(90)						316
<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	(63)							63
<b>Adjustments primarily involving the Capital Reserves:</b>								
Transfer of Discount on Second Homes to usable reserves	(98)				98			
<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)	13,133	576						(13,709)
Employer's pensions contributions and direct payments to pensioners payable in the year	(11,704)	(489)						12,193
<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	(386)	4						382
<b>Total Adjustments</b>	<b>(21,787)</b>	<b>9,061</b>	<b>(21)</b>	<b>(4)</b>	<b>98</b>	<b>-</b>	<b>-</b>	<b>12,653</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 2012/13.

### Statutory Funds

	Repairs & Renewals Fund £000	Insurance Fund £000	Total £000
Balance at 1st April 2011	2,507	1,352	3,859
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>
Transfers Out 2012/13	(135)	-	(135)
Transfers In 2012/13	10	5	15
Balance at 31st March 2013	<u>2,641</u>	<u>1,362</u>	<u>4,003</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 2011	16,221	978	115	215	17,529
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>
Transfers Out 2012/13	-	-	-	(8)	(8)
Transfers In 2012/13	279	25	19	1,553	1,876
Balance at 31st March 2013	<u>19,544</u>	<u>1,729</u>	<u>154</u>	<u>1,553</u>	<u>22,980</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: The majority of this balance (£1.546m) relates to the estimated balances on Police and Fire Board Reserves at 31 March 2013 which are held by the Council on behalf of the Scottish Government. The Council has followed the guidance issued by the Scottish Government on accounting for these reserves. The remaining balance of these funds are grants unspent at the reporting year end which have restrictions on their use.

## Note 9 Other Operating Expenditure

	2011/12 £000	2012/13 £000
Movement on revaluation of held for sale assets recognised in the	32	-
Provision of Services		
Gain on disposal of investments	(22)	(26)
(Gains)/losses on disposal of non-current assets	6,515	839
	<u>6,525</u>	<u>813</u>

## Note 10 Financing and Investment Income and Expenditure

	2011/12 £000	2012/13 £000
Interest payable and similar charges	8,056	11,293
Pensions interest cost and expected return on pensions assets	922	1,992
Interest receivable and similar income	(187)	(300)
Income & Expenditure in relation to investment properties	(14)	(6)
Movement on revaluation of Investment Property	(6)	(1,758)
	<u>8,771</u>	<u>11,221</u>

## Note 11 Taxation and Non-Specific Grant Income

	2011/12 £000	2012/13 £000
Council tax income	37,905	38,310
Non domestic rates	27,053	28,502
Non-ring fenced Government grants	131,285	132,786
Capital grants and contributions	24,437	31,572
	<u>220,680</u>	<u>231,170</u>

## Note 12 Property, Plant and Equipment

### Comparative Movements 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
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)
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)
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>

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

### Movement in 2012/13:

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant and Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>								
At 1 April 2012	170,484	306,560	32,580	115,033	1,925	2,656	44,334	673,572
Additions	3,805	7,396	5,979	7,178	10		29,366	53,734
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(2,473)	510	-	-	34	(150)	-	(2,079)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,376)	(1,005)	-	-	-	12	-	(9,369)
Derecognition – disposals	-	(1,202)	(1,366)	-	-	-	-	(2,568)
Assets reclassified (to)/from Held for Sale	(373)	(502)	-	-	-	198	(24)	(701)
Other movements in cost or valuation	15,753	192	-	(81)	-	(60)	(16,206)	(402)
<b>At 31 March 2013</b>	<b>178,820</b>	<b>311,949</b>	<b>37,193</b>	<b>122,130</b>	<b>1,969</b>	<b>2,656</b>	<b>57,470</b>	<b>712,187</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2012	8,047	25,791	20,322	16,663	345	33	-	71,201
Depreciation charge	4,326	7,914	3,002	3,281	60	18	-	18,601
Depreciation written out to the Revaluation Reserve	-	(2,026)	-	-	(76)	-	-	(2,102)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(23)	-	-	-	-	-	(23)
Derecognition – disposals	-	(110)	(1,254)	-	-	-	-	(1,364)
Assets reclassified (to)/from Held for Sale	(17)	-	-	-	-	-	-	(17)
Other movements in depreciation and impairment	-	21	-	(21)	-	-	-	-
<b>At 31 March 2013</b>	<b>12,356</b>	<b>31,567</b>	<b>22,070</b>	<b>19,923</b>	<b>329</b>	<b>51</b>	<b>-</b>	<b>86,296</b>
<b>Net Book Value</b>								
at 31 March 2012	162,437	280,769	12,258	98,370	1,580	2,623	44,334	602,371
at 31 March 2013	166,464	280,382	15,123	102,207	1,640	2,605	57,470	625,891

## 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 up to 65 years, land is not depreciated

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

Infrastructure - 40 years

Community Assets - 40 years

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

### Capital Commitments

At 31 March 2013, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £69.517M. Similar commitments at 31 March 2012 were £46.615M. The major commitments are:

	2013/14 £000
Schools Estate Projects	1,084
Flood Alleviation Schemes	54,270
HRA Capital Projects	1,222
HRA Council House New Build	12,941
	<u>69,517</u>

### 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	-	49,357	37,193	122,130	1,378	728	57,470	268,256
valued at fair value as at:								
01 April 2012	8,709	24,818	-	-	591	612	-	34,730
01 April 2011	2,593	37,607	-	-	-	38	-	40,238
01 April 2010	167,518	32,444	-	-	-	936	-	200,898
01 April 2009	-	19,041	-	-	-	-	-	19,041
01 April 2008	-	148,682	-	-	-	342	-	149,024
Total cost or valuation	<u>178,820</u>	<u>311,949</u>	<u>37,193</u>	<u>122,130</u>	<u>1,969</u>	<u>2,656</u>	<u>57,470</u>	<u>712,187</u>

## Note 13 Heritage Assets

This note details the movement in Heritage Assets during 2012/13.

	<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 2011	903	-	903
Revaluations	-	-	-
<b>At 31 March 2012</b>	<b>903</b>	<b>-</b>	<b>903</b>
Valuation at 1 April 2012	903	-	903
Revaluations	-	-	-
<b>At 31 March 2013</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 commenced at the end of 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.

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 2013</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>2011/12 £000</b>	<b>2012/13 £000</b>
Rental income from investment property	14	6
Net gain/ (loss)	<b>14</b>	<b>6</b>

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.

## Note 14 Investment Property (continued)

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

	2011/12 £000	2012/13 £000
Balance at start of the year	1,596	1,602
Newly classified as investment property	-	888
Declassified as investment property	-	(486)
Net gains/losses from fair value adjustments	6	1,758
Balance at end of the year	<u>1,602</u>	<u>3,762</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:

	Licences £000
Expected Useful Life	
4 years	537
5 years	203

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.152M charged to revenue in 2012/13 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. (£0.183M 2011/12)

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

	2011/12 £000	2012/13 £000
Balance at start of year:		
Gross carrying amount	425	628
Accumulated amortisation	282	465
Net carrying amount at start of year	<u>143</u>	<u>163</u>
Additions:		
Purchases	203	112
Amortisation for the period	183	152
Net carrying amount at end of year	<u>163</u>	<u>123</u>
Comprising:		
Gross carrying amounts	628	740
Accumulated amortisation	465	617
	<u>163</u>	<u>123</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	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Investments				
Loans and receivables	803	697	403	164
Total Investments	803	697	403	164
Cash & Cash Equivalents				
Cash and bank	-	-	6,076	4,514
Cash equivalent carried at contract amounts	-	-	(5,913)	(5,830)
Total Cash & Cash equivalents			163	(1,316)
Debtors				
Loans and receivables	1,022	970	-	-
Financial assets carried at contract amounts	-	-	8,955	11,705
Total Debtors	1,022	970	8,955	11,705
Borrowings				
Financial liabilities at amortised cost	137,028	138,255	2,744	7,921
Total Borrowings	137,028	138,255	2,744	7,921
Other Long Term Liabilities				
Financial liabilities at amortised cost	2,038	1,956	-	-
Finance lease and PPP liabilities	31,032	34,105	-	-
Total Other Long Term Liabilities	33,070	36,061	-	-
Creditors				
Financial liabilities carried at contract amount (including finance lease and PPP liabilities)	-	-	30,019	31,757
Total Creditors	-	-	30,019	31,757

## Note 16 Financial Instruments (continued)

### Income, Expense, Gains and Losses

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

	2011/12			2012/13		
	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	8,190	-	8,190	11,397	-	11,397
Impairment losses	-	147	147	-	44	44
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>8,190</b>	<b>147</b>	<b>8,337</b>	<b>11,397</b>	<b>44</b>	<b>11,441</b>
Interest income	-	(187)	(187)	-	(173)	(173)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(187)</b>	<b>(187)</b>	<b>-</b>	<b>(173)</b>	<b>(173)</b>
<b>Net loss/(gain) for the year</b>	<b>8,190</b>	<b>(40)</b>	<b>8,150</b>	<b>11,397</b>	<b>(129)</b>	<b>11,268</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 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:

	2011/12		2012/13	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities	218,302	275,771	219,824	289,131

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	17,259	17,259	18,050	18,129
------------------	--------	--------	--------	--------

At 31 March 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 the remaining balance being long term loans which have market rates of return. At 31 March 2013 the Council's financial assets have a slightly higher fair value than the carrying amount. This is due to the Icelandic bank deposits having a higher fair value than carrying value reflecting the fall in interest rates since the deposits were first made.

## Note 17 Inventories

<b>2011/12</b>	<b>Balance outstanding at 1st April</b>	<b>Purchases</b>	<b>Recognised as an expense in the year</b>	<b>Balance outstanding at 31st March</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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>

<b>2012/13</b>	<b>Balance outstanding at 1st April</b>	<b>Purchases</b>	<b>Recognised as an expense in the year</b>	<b>Balance outstanding at 31st March</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Building Services	154	705	(690)	169
Fleet Services	321	2,864	(2,988)	197
Road Maintenance	217	518	(652)	83
Other	132	1,228	(1,213)	147
Client Services Work in Progress	29	-	(15)	14
<b>Total</b>	<b>853</b>	<b>5,315</b>	<b>(5,558)</b>	<b>610</b>

## Note 18 Short Term Debtors

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Central Government Bodies	2,077	4,068
Other Local Authorities	303	2,320
NHS Bodies	481	263
Public Corporations	422	502
Other entities and individuals	5,672	4,552
	<b>8,955</b>	<b>11,705</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

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Cash Held by the Council	27	23
Bank Current/ Call Accounts	6,049	4,491
	<b>6,076</b>	<b>4,514</b>
Amounts Owed to Other Bodies	(5,913)	(5,830)
	<b>(5,913)</b>	<b>(5,830)</b>
<b>Total Cash &amp; Cash Equivalents</b>	<b>163</b>	<b>(1,316)</b>

## Note 20 Assets Held for Sale

	2011/12 £000	Current Assets 2012/13 £000
<b>Balance outstanding at 1 April</b>	832	583
Assets newly classified as held for sale:		
Property, Plant and Equipment	1,804	858
Intangible Assets		
Revaluation gains/(losses)	(32)	-
Assets declassified as held for sale:		
Property, Plant and Equipment	(150)	(198)
Assets sold	(1,871)	(394)
<b>Balance outstanding at 31 March</b>	<u>583</u>	<u>849</u>

## Note 21 Short Term Creditors

	2011/12 £000	2012/13 £000
Central government bodies	7,086	9,845
Other local authorities	1,574	2,000
NHS bodies	374	309
Public corporations and trading funds	56	193
Other entities and individuals	21,072	19,410
<b>Total</b>	<u>30,162</u>	<u>31,757</u>

## Note 22 Provisions

	Equal Pay £000
Balance as at 1 April 2012	624
Settlements made in 2012/13	(169)
Amounts released to the Comprehensive Income and Expenditure Statement	(285)
<b>Balance as at 31 March 2013</b>	<u>170</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 and in Notes 7 and 8. A summary of the Reserves is also shown on the Balance Sheet.

## Note 24 Unusable Reserves

2011/12 £000		2012/13 £000
98,343	Revaluation Reserve	95,931
302,824	Capital Adjustment Account	318,667
(8,822)	Financial Instruments Adjustment Account	(8,506)
(256)	Icelandic Banks Statutory Adjustment Account	(193)
(5,148)	Employee Statutory Adjustment Account	(4,766)
(108,775)	Pensions Reserve	(125,786)
<b>278,166</b>	<b>Total Reserves</b>	<b>275,347</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.

2011/12 £000		2012/13 £000	2012/13 £000
97,104	Balance at 1 April		98,343
6,648	Upward revaluation of assets	3,776	
(2,869)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,753)	
<u>3,779</u>	Surplus or deficit on revaluation on non-current assets not posted to the Surplus of Deficit on the provision of Services		<u>23</u>
(1,850)	Difference between fair value depreciation and historical cost depreciation	(1,852)	
(690)	Accumulated gains on assets sold or scrapped	(583)	
<u>(2,540)</u>	Amount written off to the Capital Adjustment Account		<u>(2,435)</u>
<u>98,343</u>	Balance at 31 March		<u>95,931</u>

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

2011/12 £000		2012/13 £000
295,125	Balance at 1 April	302,824
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(20,763)	Charges for depreciation and impairment of non-current assets	(18,601)
(2,027)	Revaluation losses on Property, Plant and Equipment	(9,346)
(183)	Amortisation of Intangible Assets	(152)
(8,744)	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	(1,622)
<u>(31,717)</u>		<u>(29,721)</u>
2,540	Adjusting amounts written out of the Revaluation Reserve	2,435
<u>(29,177)</u>	Net written out amount of the cost of non-current assets consumed in the year	<u>(27,286)</u>
	Capital financing applied in the year:	
2,476	Use of the Capital Receipts Reserve to finance new capital expenditure	807
24,436	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	31,572
8	Application of grants to capital financing from the Capital Grants Unapplied Account	4
6,177	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	6,848
3,773	Capital expenditure charged against the General Fund and HRA balances	2,140
<u>36,870</u>		<u>41,371</u>
6	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,758
<u>302,824</u>	Balance 31 March	<u>318,667</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 2013 will be charged to the General Fund over the next 41 years.

2011/12 £000		2012/13 £000
(9,131)	Balance at 1 April	(8,822)
-	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
6	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	13
<u>(8,822)</u>	Balance at 31 March	<u>(8,506)</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.

2011/12 £000		2012/13 £000
(326)	Balance at 1 April	(256)
114	Notional Interest Required by Statute	114
(172)	Actual Anticipated Cash (Gain)/Loss	-
128	(Increase)/ Decrease in Impairment Loss	(51)
<u>(256)</u>	Balance at 31 March	<u>(193)</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.

2011/12 £000			2012/13 £000
(6,360)	Balance at 1 April		(5,148)
6,360	Settlement or cancellation of accrual made at the end of the preceding year	5,148	
<u>(5,148)</u>	Amounts accrued at the end of the current year	<u>(4,766)</u>	
1,212	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		382
<u>(5,148)</u>	Balance at 31 March		<u>(4,766)</u>

### 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.

2011/12 £000			2012/13 £000
(89,141)	Balance at 1 April		(108,775)
(16,611)	Actuarial gains or losses on pensions assets and liabilities		(15,495)
(14,896)	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		(13,709)
11,873	Employer's pensions contributions and direct payments to pensioners payable in the year		12,193
<u>(108,775)</u>	Balance at 31 March		<u>(125,786)</u>



## Note 25 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2011/12 £000	2012/13 £000
Interest Received	(91)	(185)
Interest Paid	8,169	11,247

## Note 26 Cash Flow Statement - Investing Activities

	2011/12 £000	2012/13 £000
Purchase of property, plant and equipment, investments, property and intangible assets	42,079	47,694
Other payments for investing activities	-	151
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,095)	(915)
Proceeds from the sale of shares	(22)	(26)
Other receipts from investing activities	(23,459)	(32,993)
Net cash flows from investing activities	<u>16,503</u>	<u>13,911</u>

## Note 27 Cash Flow Statement - Financing Activities

	2011/12 £000	2012/13 £000
Cash receipts of short-term and long-term borrowing	(8,000)	(7,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	149	596
Repayment of short and long-term borrowing	2,995	591
Other payments/(receipts) for financing activities	(2,212)	598
Net cash flows from financing activities	<u>(7,068)</u>	<u>(5,215)</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 Service Reporting 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

After a restructure of services in 2012/13 the former Educational Services and Children and Families and Criminal Justice budgets are reported together to Members at the Childrens and Young People's Committee.

### 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)	(47,010)
Government grants	(633)	(851)	(975)	(636)	(1,015)	(91)	(24,098)	(523)	(28,822)
<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	109,437
Other service expenses	24,266	8,433	29,669	6,988	2,880	14,629	36,717	6,067	129,649
Support Service Recharges	3,397	900	885	394	596	1,129	1,571	1,034	9,906
<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>

### Directorate Income and Expenditure 2012/2013

	Children & Young People's Services £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	(2,007)	(10,015)	(10,733)	(1,366)	(11,420)	(1,134)	(14,047)	(50,722)
Government grants	(1,630)	(328)	(887)	(1,065)	(11)	(24,639)	(450)	(29,010)
<b>Total Income</b>	<b>(3,637)</b>	<b>(10,343)</b>	<b>(11,620)</b>	<b>(2,431)</b>	<b>(11,431)</b>	<b>(25,773)</b>	<b>(14,497)</b>	<b>(79,732)</b>
Employee expenses	64,758	17,841	5,178	4,193	12,960	4,281	2,399	111,610
Other service expenses	31,737	30,689	7,036	2,622	19,004	36,335	6,833	134,256
Support Service Recharges	4,440	943	585	522	1,150	1,681	1,041	10,362
<b>Total operating expenses</b>	<b>100,935</b>	<b>49,473</b>	<b>12,799</b>	<b>7,337</b>	<b>33,114</b>	<b>42,297</b>	<b>10,273</b>	<b>256,228</b>
<b>Cost of Services</b>	<b>97,298</b>	<b>39,130</b>	<b>1,179</b>	<b>4,906</b>	<b>21,683</b>	<b>16,524</b>	<b>(4,224)</b>	<b>176,496</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.

	2011/12 £000	2012/13 £000
Cost of Services in Service Analysis	173,160	176,496
Add services not included in main analysis	-	-
Add amounts not reported to management	37,506	40,371
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(11,873)	(12,193)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>198,793</b>	<b>204,674</b>

### 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)	-	(47,534)
Interest and investment income	-	-	-	-	-	(201)	(201)
Income from council tax	-	-	-	-	-	(37,905)	(37,905)
Government grants and contributions	(28,822)	-	-	-	(28,822)	(182,775)	(211,597)
<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	120,813
Other service expenses	129,649	-	-	2,077	131,726	-	131,726
Support Service recharges	9,906	-	-	(9,906)	-	-	-
Depreciation, amortisation and impairment	-	23,532	-	-	23,532	26	23,558
Interest Payments	-	-	-	-	-	8,056	8,056
Gain/Loss on Disposal of Property, Plant, Equipment and movement on Investment Property	-	-	-	-	-	6,493	6,493
<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>-</b>	<b>-</b>
<b>(Surplus) or deficit on provision of services</b>							<b>(6,591)</b>

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

### Reconciliation to Subjective Analysis 2012/13

	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	(50,722)	-	-	(556)	(51,278)	-	<b>(51,278)</b>
Interest and investment income	-	-	-	-	-	(306)	<b>(306)</b>
Income from council tax	-	-	-	-	-	(38,310)	<b>(38,310)</b>
Government grants and contributions	(29,010)	-	-	-	(29,010)	(192,860)	<b>(221,870)</b>
<b>Total Income</b>	<b>(79,732)</b>	<b>-</b>	<b>-</b>	<b>(556)</b>	<b>(80,288)</b>	<b>(231,476)</b>	<b>(311,764)</b>
Employee expenses	111,610	11,717	(12,193)	8,406	119,540	1,992	<b>121,532</b>
Other service expenses	134,256	-	-	2,512	136,768	-	<b>136,768</b>
Support Service recharges	10,362	-	-	(10,362)	-	-	<b>-</b>
Depreciation, amortisation and impairment	-	28,654	-	-	28,654	(1,758)	<b>26,896</b>
Interest Payments	-	-	-	-	-	11,293	<b>11,293</b>
Gain/Loss on Disposal of Property, Plant, Equipment and movement on Investment Property	-	-	-	-	-	813	<b>813</b>
<b>Total operating expenses</b>	<b>256,228</b>	<b>40,371</b>	<b>(12,193)</b>	<b>556</b>	<b>284,962</b>	<b>12,340</b>	<b>297,302</b>
<b>Net Cost of Services</b>	<b>176,496</b>	<b>40,371</b>	<b>(12,193)</b>	<b>-</b>	<b>204,674</b>	<b>-</b>	<b>-</b>
<b>(Surplus) or deficit on the provision of services</b>							<b>(14,462)</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

2010/11 Actual	2011/12 Actual			2012/13 Actual	Three Years Ended 31-Mar-13
£000	£000			£000	£000
7,248	7,973	Building Services	Turnover	8,476	23,697
7,182	7,943		Expenditure	8,122	23,247
66	30		Trading Surplus	354	450
12	11		Notional Loan Interest	12	35
54	19		Financial Reporting Surplus	342	415
9,099	8,299	Roads	Turnover	9,501	26,899
8,181	8,156		Expenditure	8,865	25,202
918	143		Trading Surplus	636	1,697
24	36		Notional Loan Interest	30	90
894	107		Financial Reporting Surplus	606	1,607
2,227	2,111	Vehicle Maintenance	Turnover	2,304	6,642
2,219	2,135		Expenditure	2,157	6,511
8	(24)		Trading Surplus / (Deficit)	147	131
7	6		Notional Loan Interest	6	19
1	(30)		Financial Reporting Surplus / (Deficit)	141	112
3,065	2,854	Ground Maintenance	Turnover	3,028	8,947
2,995	2,786		Expenditure	2,790	8,571
70	68		Trading Surplus	238	376
9	16		Notional Loan Interest	11	36
61	52		Financial Reporting Surplus	227	340
1,062	217	Total Trading Surplus for the Year		1,375	
-	-	Surplus Returned to Services		-	
1,062	217	Net Surplus on Trading Operations		1,375	

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 2010/11 to 2012/13 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 5,937 houses together with maintenance of other council owned properties. Some work is also undertaken for external agencies.

The trading surplus for the year was £0.354M against a financial target of £0.532M (£0.030M and £0.445M in 2011/12).

### **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 Councils or the private sector and in competition. Some specialist work is undertaken for private sector clients.

The trading surplus for the year was £0.636M against a financial target of £0.230M (£0.143M and £0.141M in 2011/12).

### **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 surplus for the year was £0.147M against a budgeted deficit of £(0.085)M (£(0.024)M and £(0.037)M in 2011/12).

### **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 £0.238M against a financial target of £0.239M (£0.068M and £0.179M in 2011/12).

### 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:-

	2011/12 £000	2012/13 £000
Fees payable in respect of external audit services: carried out by the appointed auditor for the year.		
audit fee	267	252
<b>Total</b>	<b>267</b>	<b>252</b>

### Note 31 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13

	2011/12 £000	2012/13 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	131,285	132,786
National non domestic rates	27,053	28,502
Capital Grant and Contributions	24,437	31,572
<b>Total</b>	<b>182,775</b>	<b>192,860</b>
<b>Credited to services</b>		
Housing Benefits	15,638	16,151
Joint Boards	7,799	7,799
Private Sector Housing Grant	583	465
Other Grants	4,977	4,739
<b>Contributions</b>		
NHS Grampian - Resource Transfer	5,082	5,430
Other Contribution	393	518
<b>Donations</b>	<b>4</b>	<b>4</b>
<b>Total</b>	<b>34,476</b>	<b>35,106</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:

	2011/12 £000	2012/13 £000
<b>Grants received in Advance</b>		
Capital Grants	1,795	2,976
Revenue Support Grant	1,434	717
Other Grants	2,481	543
<b>Total</b>	<b>5,710</b>	<b>4,236</b>

## Note 32 Related Parties

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

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

Central Government funding in 2012/13 was as follows:

	<b>2011/12</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Revenue Support Grant and Non Domestic Rate income	158,338	161,288
Scottish Government Grants	27,940	28,040

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 2012/13 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.

	<b>£000</b>	<b>£000</b>
Funding received amounted to	5,082	5,430

The amount receivable and included in debtors at 31 March 2013 was £0.325M (£0.436M at 31 March 2012).

	<b>£000</b>	<b>£000</b>
European Union Funding received	884	970

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

	<b>£000</b>	<b>£000</b>
Grampian Valuation Joint Board	609	594
Grampian Joint Fire & Rescue Board	4,077	3,890
Grampian Joint Police Board	7,296	5,903

The amount receivable and included in debtors at 31 March 2013 is £2.237M (£Nil at 31 March 2012).

The Council provided material financial assistance to the following body:

	<b>£000</b>	<b>£000</b>
Moray Leisure Limited	667	678

The Council participates in the following partnerships:

The Highlands and Islands Transport Partnership - contribution	46	46
Scotland Excel - contribution	66	65
SEEMIS Group LLP - contribution	67	77
Northern Community Justice Authority - receipt	848	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 and PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the in an Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Opening Capital Financing Requirement	164,917	204,455
Capital Investment:		
Property, Plant and Equipment	76,205	53,734
Intangible Assets	203	112
Sources of finance:		
Capital receipts	(2,476)	(807)
Government grants and other contributions	(24,444)	(31,576)
Sum set aside from revenue:		
Direct revenue contributions	(3,773)	(2,140)
Loans fund principal	(6,177)	(6,848)
Closing Capital Financing Requirement	<u>204,455</u>	<u>216,930</u>
	<b>2011/12 £000</b>	<b>2012/13 £000</b>
Explanations of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	8,155	8,775
Assets acquired under PFI/PPP contracts	31,383	3,700
Increase/(decrease) in Capital Financing Requirement	<u>39,538</u>	<u>12,475</u>

## Note 34 Leases

### Council as Lessee

#### Finance Leases

The council leases photocopiers 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:-

	2011/12 £000	2012/13 £000
Machinery, Plant, Vehicles & Equipment	226	103

Outstanding obligations under finance leases at 31 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>

Outstanding obligations under finance leases at 31 March 2013 :

	Minimum Lease Payments £000	less Future Interest Charges £000	Present Value of Minimum Lease Payments £000
within one year	105	(5)	100
in the second to fifth years inclusive	79	(2)	77
over five years	-	-	-
Total	<u>184</u>	<u>(7)</u>	<u>177</u>

#### Operating Leases

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

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

	2011/12 £000	2012/13 £000
Not later than one year	133	102
Later than one year and not later than five years	369	341
Later than five years	1,375	1,324
	<u>1,877</u>	<u>1,767</u>

The future minimum sublease payments expected to be received by the Council are £0.239M (£0.068M in 2011/12).

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to minimum lease payments was £0.134M (£0.187M in 2011/12).

## 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 31 March were as follows:

	2011/12 £000	2012/13 £000
Minimum Lease Payments	8	9
less Future Interest Charges	(1)	(1)
Present Value of Minimum Lease Payments	7	8

#### 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:-

	2011/12 £000	2012/13 £000
Not later than one year	790	815
Later than one year and not later than five years	1,976	2,438
Later than five years	23,918	25,539
	<u>26,684</u>	<u>28,792</u>

## Note 35 Impairment Losses

During 2012/13, the Council has no impairment losses (2011/12 £3.180M) in relation to its Property, Plant and Equipment.

## 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:

	2011/12 £000	2012/13 £000
<b>Cost or valuation</b>		
At 1 April	-	31,383
Additions	31,383	3,700
At 31 March	31,383	35,083
<b>Accumulated Depreciation</b>		
At 1 April	-	1,326
Depreciation charge	1,326	893
At 31 March	1,326	2,219
<b>Net Book Value</b>	30,057	32,864

#### 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 2013 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2013/14	924	526	2,898	4,348
Payable within 2 to 5 years	3,696	2,431	11,123	17,250
Payable within 6 to 10 years	4,620	3,401	12,687	20,708
Payable within 11 to 15 years	4,620	3,373	11,284	19,277
Payable within 16 to 20 years	4,620	5,948	9,480	20,048
Payable within 21 to 25 years	4,620	8,509	6,591	19,720
Payable within 26 to 30 years	3,686	10,366	2,297	16,349
Total	26,786	34,554	56,360	117,700

## 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:

	2011/12	2012/13
	£000	£000
Balance outstanding at start of year	-	31,351
Payments during the year	(32)	(497)
Capital expenditure incurred in the year	31,383	3,700
Balance outstanding at year-end	31,351	34,554

## 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 2012/13 the amount payable to the Scottish Government in respect of teachers' retirement benefits was £5.036M of which £0.632M was outstanding at 31 March 2013. The amount payable represents 14.9% of pensionable pay. The figures for 2011/12 were £5.131M, £0.425M 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	
	2011/12	2012/13	2011/12	2012/13
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services:</b>				
Current Service Cost	12,309	11,399	-	-
Past Service Cost	29	-	-	-
Settlements and Curtailment Cost	1,636	318	-	-
	<u>13,974</u>	<u>11,717</u>	<u>-</u>	<u>-</u>
<b>Financing and Investment Income and Expenditure</b>				
Interest Cost	21,519	18,649	219	192
Expected Return on scheme assets	(20,816)	(16,849)	-	-
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<u>14,677</u>	<u>13,517</u>	<u>219</u>	<u>192</u>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>				
Actuarial gains and losses	16,439	14,986	172	509
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<u>31,116</u>	<u>28,503</u>	<u>391</u>	<u>701</u>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(19,536)	(16,564)	(98)	(447)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	10,797	11,222	-	-
Retirement benefits payable to pensioners	<u>783</u>	<u>717</u>	<u>293</u>	<u>254</u>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £92.768M. (2011/12 a loss of £77.273M).

Contributions payable to the local government pension fund of £0.956M were charged to the Comprehensive Income and Expenditure Statement but were unpaid at 31 March 2013 (2011/12 £0.880M).

## 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	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
<b>1 April</b>	(16,104)	(17,327)	(376,362)	(366,603)
Current Service Cost	-	-	(12,309)	(11,399)
Interest Cost	(852)	(813)	(20,886)	(18,028)
Contributions by scheme participants	-	-	(3,451)	(3,500)
Actuarial Gains/(Losses)	(1,447)	(1,419)	39,072	(43,257)
Benefits Paid	1,076	971	8,998	12,295
Curtailments	-	-	(1,636)	(318)
Past Service (Costs)/Gains	-	-	(29)	-
<b>31 March</b>	<b>(17,327)</b>	<b>(18,588)</b>	<b>(366,603)</b>	<b>(430,810)</b>

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:

	2011/12 £000	2012/13 £000
<b>1 April</b>	303,325	275,155
Expected return on scheme assets	20,816	16,849
Actuarial Gains/(Losses)	(54,236)	29,181
Employer Contributions	11,580	11,939
Contributions by scheme participants	3,451	3,500
Benefits Paid	(9,781)	(13,012)
<b>31 March</b>	<u>275,155</u>	<u>323,612</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 £46.029M and a return of £3.981M in 2011/12.

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>2008/09 £000</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>	<b>2011/12 £000</b>	<b>2012/13 £000</b>
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(239,388)	(352,230)	(376,362)	(366,603)	(430,810)
Discretionary Benefits	(12,870)	(15,594)	(16,104)	(17,327)	(18,588)
<b>Fair value of Assets in the Local Government Pension Scheme</b>	<b>177,127</b>	<b>261,278</b>	<b>303,325</b>	<b>275,155</b>	<b>323,612</b>
<b>Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme	(62,261)	(90,952)	(73,037)	(91,448)	(107,198)
Discretionary Benefits	(12,870)	(15,594)	(16,104)	(17,327)	(18,588)
<b>Total</b>	<u><b>(75,131)</b></u>	<u><b>(106,546)</b></u>	<u><b>(89,141)</b></u>	<u><b>(108,775)</b></u>	<u><b>(125,786)</b></u>

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



## 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 £125.786M 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 2014 is £11.829M. Expected contributions for the Discretionary Benefits in the year to 31 March 2014 is £1.000M

### 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 2013.

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 2012	31 March 2013
Discount rate	4.90%	4.20%
Rate of increase in salaries	4.25%	4.15%
Rate of increase in pensions in payment	2.50%	2.40%
Rate of inflation - CPI	2.50%	2.40%
Commutation of pension for lump sum at retirement	50% take maximum cash, 50% take 3/80 ths cash.	
Mortality Assumptions:		
Longevity at 65 for current pensioners:		
Men	22.3	22.4
Women	25.3	25.4
Longevity at 65 for future pensioners:		
Men	24.6	24.7
Women	27.7	27.8
Long-term expected rates of return on:		
Equities	7.00%	7.00%
Government Bonds	3.10%	2.80%
Other Bonds	4.10%	3.90%
Property	6.00%	5.70%
Cash/Current Assets	0.50%	0.50%
Other	7.00%	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 2012 £000</b>	<b>%</b>	<b>31 March 2013 £000</b>	<b>%</b>
Equities	224,252	81.5	257,595	79.6
Government Bonds	19,261	7.0	22,329	6.9
Other Bonds	7,979	2.9	7,767	2.4
Property	17,610	6.4	16,828	5.2
Cash/Liquidity	6,053	2.2	4,207	1.3
Other	-	-	14,886	4.6
	<b>275,155</b>	<b>100.0</b>	<b>323,612</b>	<b>100.0</b>

## History of Experience Gains and Losses

The actuarial gains and losses identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities.

	<b>2008/9 %</b>	<b>2009/10 %</b>	<b>2010/11 %</b>	<b>2011/12 %</b>	<b>2012/13 %</b>
Experience gains & (losses) on assets	(46.0)	22.4	3.3	(19.7)	9.0
Experience gains & (losses) on liabilities	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, which were both revised in November 2011. 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 2013 are detailed below.

Financial asset category	Criteria
Banks	Long-Term A-
Building Societies	Long-Term A-

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

In addition to the above, the Council can also invest in the Debt Management Office and Local Authorities. A limit of £5M is set for any Local Authority and there is no limit for the Debt Management Office as it is part of HM Treasury which has the UK Government's 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 4.17%, at 31 March 13. 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 2012.

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	49.65%
December 2013	7.50%
December 2014	7.50%
December 2015	7.50%
December 2016	7.50%
December 2017	7.50%
December 2018	7.50%
December 2019	5.35%

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 latest information available and CIPFA guidance, has recommended that the Council should also accrue interest for the deposit placed in the Escrow account and account for the exchange rate difference as at 31 March 2013. This has resulted in a notional interest of £0.001M and exchange rate gain of £0.001M being recognised in the Comprehensive Income and Expenditure Statement.

The Council recognised an impairment loss of £0.051M in the Comprehensive Income and Expenditure Statement in 2012/13 (impairment gain of £0.128M in 2011/12), resulting in a total impairment of £0.646M, 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 £0.518M

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 2012 £000	Amounts at 31 March 2013 £000	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2013 %	Estimated maximum exposure to default and uncollectability 2013 £000
Deposits with Icelandic Banks	-	2,000	-	-	-
Customers	551	2,598	22.47	22.47	584
<b>Total</b>	<u>551</u>	<u>4,598</u>			<u>584</u>

### Debtors

The Council does not generally allow credit for customers. As a result, £2.526M of the £2.598M balance is past its due date for payment (2011/12 £2.353M). The past due, but not impaired amount can be analysed by age as follows:

	2011/12 £000	2012/13 £000
Less than six months	1,004	1,368
Six months to one year	312	262
More than one year	1,037	896
<b>Total</b>	<u>2,353</u>	<u>2,526</u>

The impairments made analysed by age are as follows:

	2011/12 £000	2012/13 £000
Less than six months	-	-
Six months to one year	156	131
More than one year	1,037	896
<b>Total</b>	<u>1,193</u>	<u>1,027</u>

## 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 23.12% of its current debt maturing within the period 2048/49 to 2052/53, 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):

	2011/12		2012/13	
	£000	Average Rate	£000	Average Rate
Repayment less than 1 year	2,500	1.312%	682	2.725%
Repayment between 1 and 2 years	500	3.040%	682	2.725%
Repayment between 2 and 5 years	3,500	2.337%	4,045	2.273%
Repayment between 5 and 10 years	5,946	6.033%	7,355	5.920%
Repayment between 10 and 15 years	5,000	7.150%	5,621	7.165%
Repayment in more than 15 years	121,571	9.092%	120,041	5.708%
	<u>139,017</u>		<u>138,426</u>	

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

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 2012/13, the Council did have variable rate temporary investments and temporary borrowing.

According to this assessment strategy, at 31 March 2013, 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	16
Increase in interest payable on variable rate borrowing	9
<b>Impact on Comprehensive Income and Expenditure Account</b>	<b>25</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 £0.016M (£0.014M in 2011/12)

## Note 41 Trust Funds and Common Good Funds

The Council acts as sole trustee for 127 trust funds and as one of several trustees for a further 4 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 131 to 143.

## Housing Revenue Account Income & Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost for the year ended 31 March 2013 of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2011/12 £000		2012/13 £000
	<b>Income</b>	
(13,041)	Dwelling Rents	(13,741)
(71)	Hostel Rents	(69)
(523)	Housing Support Grant	(450)
(147)	Non Dwelling Rents	(154)
(81)	Other Income	(83)
<b>(13,863)</b>	<b>Total Income</b>	<b>(14,497)</b>
	<b>Expenditure</b>	
4,050	Supervision and Management	4,195
5,295	Repairs & Maintenance	5,948
133	Bad & Doubtful Debts	121
6,096	Depreciation and Impairment of Non-Current Assets	4,566
-	Revaluation losses on Non-Current Assets	8,386
20	Other Expenditure	17
<b>15,594</b>	<b>Total Expenditure</b>	<b>23,233</b>
	<b>Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Account</b>	
1,731		8,736
44	HRA share of Corporate and Democratic Core costs	58
<b>1,775</b>	<b>Net Cost of HRA Services</b>	<b>8,794</b>
(384)	(Gain) / Loss on sale of HRA Non-Current Assets	(123)
2,225	Interest Payable and Similar Charges	2,413
(21)	Interest and Investment Income	(29)
31	Pensions interest cost and expected return on pensions assets	79
(2,552)	Non-specific Grant Income	(2,068)
<b>1,074</b>	<b>Deficit for the Year on HRA Services</b>	<b>9,066</b>





## Movement on the Housing Revenue Account Statement

2011/12		2012/13
£000		£000
1,074	<b>Deficit for the Year on the HRA Income and Expenditure Account</b>	9,066
	<b>Adjustments between accounting basis and funding basis under regulations</b>	
84	Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with statute	90
384	Net gain or loss on sale of HRA non-current assets	123
3,054	Capital expenditure funded by the Housing Revenue Account	2,000
	Transfers to/from the Capital Adjustment Account:	
(6,096)	Depreciation and Impairment of Non-Current Assets	(4,566)
	Revaluation losses on Non-Current Assets	(8,386)
113	Loans fund principal repayments	199
2,552	Capital Grants applied	2,068
<u>1,165</u>	<b>Net (increase) or decrease before transfers to/(from) reserves</b>	<u>594</u>
	<b>Transfers to/(from) reserves</b>	
250	Repairs and Renewals Fund	-
8	IORB and Statutory Funds	9
(1,204)	Transfers from the General Fund as directed by the Minister	(500)
(99)	HRA share of contributions to/(from) the Pensions Reserve	(87)
<u>8</u>	Employee Statutory Adjustment Account	<u>(4)</u>
(1,037)		(582)
128	<b>(Increase) or decrease in the year on the HRA</b>	12
(1,255)	<b>Housing Revenue Account Balance Brought Forward</b>	(1,127)
<u><u>(1,127)</u></u>	<b>Housing Revenue Account Balance Carried Forward</b>	<u><u>(1,115)</u></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:-

		2011/12	2012/13
		Number of dwellings	Number of dwellings
Bedsit	Houses & bungalows	17	16
	Flats & Maisonettes	25	24
1 bedroom	Houses & bungalows	1,088	1,088
	Flats & Maisonettes	516	574
2 bedroom	Houses & bungalows	2,140	2,140
	Flats & Maisonettes	699	698
3 bedroom	Houses & bungalows	1,139	1192
	Flats & Maisonettes	99	100
4 or more bedroomed	Houses & bungalows	96	105
	Total	<u>5,819</u>	<u>5,937</u>

### 2. Rent Arrears

The total rent arrears, including rents outstanding from former tenants, as at 31 March 2013 was £0.365M which is 2.66% of gross rental income. This is equivalent to £61.47 per house (2011/12 £0.430M, 3.30%, £73.88).

### 3. Bad Debt Provision

The provision for uncollectable debts has decreased by £0.108M (Increase in 2011/12 £0.006M). The total provision for uncollectable debts including hostels and rechargeable repairs is £0.357M (2011/12 £0.465M).

### 4. Voids

The loss of rental on void properties for the year was £0.105M (2011/12 £0.114M).



## 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.

2011/12 £000			2012/13 £000
44,509	<b>Council Tax Levied and Contributions in Lieu</b>		44,942
1	Deduct:	Council Tax Benefit (net of Government Grant)	3
(6,191)		Other discounts and reductions	(6,189)
(382)		Write offs of uncollectable debts & allowance for impairment	(477)
<u>37,937</u>	<b>Total for Year</b>		<u>38,279</u>
(32)		Council Tax adjustment in respect of prior years	29
1		Community Charge	2
<u>37,906</u>	<b>Transfers to General Fund</b>		<u>38,310</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	11,994	672	1,474	207	9,641	6/9	6,424
Band B	10,406	420	926	286	8,774	7/9	6,824
Band C	6,350	371	456	121	5,402	8/9	4,802
Band D	6,065	478	354	98	5,135	9/9	5,135
Band E	5,317	224	240	106	4,747	11/9	5,802
Band F	1,877	56	63	43	1,715	13/9	2,477
Band G	584	25	20	14	525	15/9	875
Band H	106	56	1	5	44	18/9	88
	<u>42,699</u>	<u>2,302</u>	<u>3,534</u>	<u>880</u>	<u>35,983</u>		<u>32,427</u>

Add: Contributions in Lieu 934

Less: Provision for non-collection 500

**Council Tax Base 2012/13 32,861**

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 2012/13, the charges for each band were as follows:

Band	£ Property Value	Number of Properties	£ Council Tax Charge
A	Up to 27,000	9,641	756.67
B	27,000 - 35,000	8,774	882.78
C	35,001 - 45,000	5,402	1,008.89
D	45,001 - 58,000	5,135	1,135.00
E	58,001 - 80,000	4,747	1,387.22
F	80,001 - 106,000	1,715	1,639.44
G	106,001 - 212,000	525	1,891.67
H	Above 212,000	44	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 2012/13 the rate poundage was 45.0p, (42.6p in 2011/12). Properties with a rateable value of more than £0.035M attract a Large Business Supplemental of 0.8p, and retail properties with a rateable value of £0.300M or more which sold alcohol and tobacco also attract a Public Health Multiplier of 9.30p. Properties with a rateable value of up to £0.018M qualified for a reduction on a sliding scale of between 25% and 100% of their rates bill under the Small Business Bonus Scheme.

The rates 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.

<b>2011/12</b>		<b>2012/13</b>
<b>£000</b>		<b>£000</b>
35,862	<b>Gross Rates Levied</b>	39,062
	Deduct:	
(5,886)	Reliefs and other deductions	(6,458)
(1)	Payment of Interest	-
<u>29,975</u>	<b>Net Non-Domestic Rate Income</b>	<u>32,604</u>
	Adjustments to previous years' National Non Domestic Rates	
(792)		(844)
<u>29,183</u>		<u>31,760</u>
(2,130)	Contribution to National Pooling	(3,258)
<u><b>27,053</b></u>	<b>Guaranteed Rate Income</b>	<u><b>28,502</b></u>



## Non-Domestic Rate Income Account (continued)

### Analysis of Rateable Values & Numbers of Subjects at 1 April 2012

	Number of Subjects	2012-13 Rateable Value £000
Shops	908	18,268
Public Houses	66	891
Offices (including Banks)	462	5,046
Hotels, Boarding Houses, etc.	106	1,864
Industrial & Freight Transport Subjects	3,473	30,020
Leisure, Entertainment Caravans and Holiday Sites	1,339	2,619
Garages and Petrol Stations	123	1,108
Cultural	23	177
Sporting Subjects	149	98
Education & Training	75	6,257
Public Service Subjects	483	10,069
Communications (Non-Formula)	168	1,594
Quarries, Mines etc.	33	336
Petrochemical	4	531
Religious	158	974
Health Medical	53	2,288
Other	396	356
Care Facilities	51	1,646
Advertising	18	15
Undertaking	12	182
	<hr/> 8,100 <hr/>	<hr/> 84,339 <hr/>

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.

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

Details can be found in the following Group Accounts and Notes to the 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 £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	Authority's Share of Subsidiaries Reserves £000	Authority's Share of Associates Reserves £000	Total Group Reserves £000
<b>Balance at 31 March 2011</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>
<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 2011 (restated)</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>

### Note

Minority Interest

**Total Reserves as per Balance Sheet**

367	367
<b>17,436</b>	<b>189,396</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 2012/13</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>Movement in 2012/13</b>												
Surplus or (deficit) on provision of services (accounting basis)	23,528	(9,066)	-	-	-	-	14,462	-	14,462	(250)	(8,625)	5,587
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	(15,472)	(15,472)	1,029	(19,043)	(33,486)
<b>Total Comprehensive Expenditure and Income</b>	<b>23,528</b>	<b>(9,066)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,462</b>	<b>(15,472)</b>	<b>(1,010)</b>	<b>779</b>	<b>(27,668)</b>	<b>(27,899)</b>
Adjustments between accounting basis & funding basis under regulations	(21,787)	9,061	(21)	(4)	98	-	(12,653)	12,653	-	-	-	-
<b>Net Increase / (Decrease) before Transfers to Other Statutory Funds</b>	<b>1,741</b>	<b>(5)</b>	<b>(21)</b>	<b>(4)</b>	<b>98</b>	<b>-</b>	<b>1,809</b>	<b>(2,819)</b>	<b>(1,010)</b>	<b>779</b>	<b>(27,668)</b>	<b>(27,899)</b>
Transfers to / from Other Statutory Funds	127	(7)	-	-	-	(120)	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>1,868</b>	<b>(12)</b>	<b>(21)</b>	<b>(4)</b>	<b>98</b>	<b>(120)</b>	<b>1,809</b>	<b>(2,819)</b>	<b>(1,010)</b>	<b>779</b>	<b>(27,668)</b>	<b>(27,899)</b>
<b>Balance at 31 March 2013</b>	<b>22,980</b>	<b>1,115</b>	<b>796</b>	<b>69</b>	<b>98</b>	<b>4,003</b>	<b>29,061</b>	<b>275,347</b>	<b>304,408</b>	<b>17,848</b>	<b>(161,126)</b>	<b>161,130</b>
<b>Note</b>												
Minority Interest										405		405
<b>Total Reserves as per Balance Sheet</b>									<b>18,253</b>			<b>161,535</b>

## Group Comprehensive Income and Expenditure Statement

This Statement shows the economic cost for the year ended 31 March 2013 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 2012			31 March 2013		
£000	£000	£000	£000	£000	£000
Expenditure	Income	Net	Expenditure	Income	Net
86,234	(1,172)	85,062	85,102	(1,004)	84,098
33,130	(26,222)	6,908	34,625	(27,505)	7,120
15,594	(13,863)	1,731	23,233	(14,497)	8,736
10,111	(1,515)	8,596	10,656	(1,788)	8,868
18,231	(4,442)	13,789	18,390	(3,753)	14,637
17,668	(6,646)	11,022	17,196	(7,377)	9,819
940	(535)	405	867	(422)	445
6,227	(3,579)	2,648	5,999	(3,703)	2,296
58,371	(8,935)	49,436	63,108	(10,385)	52,723
4,077	-	4,077	3,890	-	3,890
15,374	(8,078)	7,296	14,268	(8,365)	5,903
609	-	609	593	-	593
2,729	-	2,729	2,645	-	2,645
2,329	(2)	2,327	811	5	816
3,349	(871)	2,478	3,573	(948)	2,625
<b>274,973</b>	<b>(75,860)</b>	<b>199,113</b>	<b>284,956</b>	<b>(79,742)</b>	<b>205,214</b>
		<b>Cost Of Services</b>			
		6,500			810
		8,488			10,934
		(220,680)			(231,170)
		<b>(6,579)</b>			<b>(14,212)</b>
		7,736			8,625
		<b>1,157</b>			<b>(5,587)</b>
		(4,140)			(882)
		38			(170)
		16,611			15,495
		(366)			19,043
		<b>12,143</b>			<b>33,486</b>
		<b>13,300</b>			<b>27,899</b>



## Group Balance Sheet as at 31 March 2013

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 timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

<b>Group 31 March 2012 £000</b>		<b>Notes</b>	<b>Group 31 March 2013 £000</b>
610,683	Property, Plant & Equipment	8	634,886
1,028	Heritage Assets		1,028
3,343	Investment Property	9	5,513
163	Intangible Assets		123
803	Long Term Investments		697
144	Investments in Associates	13	143
1,022	Long Term Debtors		970
<b>617,186</b>	<b>Long Term Assets</b>		<b>643,360</b>
2,305	Short Term Investments		2,277
854	Inventories		611
8,977	Short Term Debtors	10	11,735
5,500	Cash and Cash Equivalents	11	3,977
583	Assets held for sale		849
<b>18,219</b>	<b>Current Assets</b>		<b>19,449</b>
(2,744)	Short Term Borrowing		(7,921)
(30,166)	Short Term Creditors	12	(31,812)
<b>(32,910)</b>	<b>Current Liabilities</b>		<b>(39,733)</b>
(624)	Provisions		(170)
(137,028)	Long Term Borrowing		(138,255)
(33,070)	Other Long Term Liabilities		(36,061)
(108,775)	Pension Liability		(125,786)
(133,602)	Liabilities in Associates	13	(161,269)
<b>(413,099)</b>	<b>Long Term Liabilities</b>		<b>(461,541)</b>
<b>189,396</b>	<b>Net Assets</b>		<b>161,535</b>



# **Group Balance Sheet as at 31 March 2013 (continued)**

<b>Group</b>		<b>Notes</b>	<b>Group</b>
<b>31 March 2012</b>			<b>31 March 2013</b>
<b>£000</b>			<b>£000</b>
29,027	General Fund Revenue Reserve	14	30,821
1,127	HRA	14	1,115
817	Capital Receipts Reserve	14	796
73	Unapplied Capital Grants	14	69
-	Capital Fund	14	98
4,123	Other Statutory Funds	14	4,003
<b>35,167</b>	<b>Usable Reserves</b>		<b>36,902</b>
106,746	Revaluation Reserve	15	105,017
302,917	Capital Adjustment Account	15	318,760
(8,822)	Financial Instruments Adj Account	15	(8,506)
(256)	Icelandic Banks Stat Adj Account	15	(193)
(5,148)	Accumulated Absences Account	15	(4,766)
658	Available for Sale Fin Ins Reserve	15	828
(108,775)	Pensions Reserve	15	(125,786)
<b>287,320</b>	<b>Unusable Reserves</b>		<b>285,354</b>
(133,458)	Share of Associates Reserves	16	(161,126)
367	Minority Interest		405
<b>189,396</b>	<b>Total Reserves</b>		<b>161,535</b>

**Margaret Wilson**

**Head of Financial Services**

**25 September 2013**

The financial statements on pages 107 to 130 were authorised for issue on 25 September by Margaret Wilson, Head of Financial Services. The unaudited accounts were issued on 26 June 2013.

## Group Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Group during the financial year. 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.

<b>31 March 2012</b>		<b>31 March 2013</b>	
<b>£000</b>		<b>£000</b>	
6,579	Net surplus or (deficit) on the provision of services	14,212	
35,627	Adjust net surplus or deficit on the provision of services for non cash movements	25,340	
<u>(26,820)</u>	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>(32,381)</u>	
15,386	Net cash flows from Operating Activities (Note 17)	7,171	
(16,365)	Investing Activities (Note 18)	(13,909)	
<u>7,068</u>	Financing Activities (Note 19)	<u>5,215</u>	
<u><u>6,089</u></u>	Net increase or (decrease) in cash and cash equivalents	<u><u>(1,523)</u></u>	
(589)	Cash and cash equivalents at the beginning of the reporting period	5,500	
5,500	Cash and cash equivalents at the end of the reporting period	3,977	
<u><u>6,089</u></u>		<u><u>(1,523)</u></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 controlling 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 four trust funds which have a combined net asset balance of £1.567M. The Council acts as sole trustees for various other trust funds which have a net asset balance of £5.284M.

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 £11.487M.

The individual accounts for these entities are shown separately on pages 131 to 143 of these accounts.

#### Associates

The Entities that have been combined as Associates 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 £161.269M 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 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:

Name of Entity	Shareholding	
	31/03/12	31/03/13
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 financial year to 31 March 2013.

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. Impairment 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 financial year 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 statement of 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 £0.271M in the company's balance sheet.

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

### **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 Boards will cease to exist from 1 April 2013.

There is a high degree of uncertainty about future structure and levels of funding for Local Government and Joint Boards. However, the Joint Boards have determined that this uncertainty does not appear to provide any indication that the assets of the Joint Boards may be impaired in any way.

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.

#### **National Police Reform Agenda**

There is a continuing degree of uncertainty around the creation of a single Police Force for Scotland as set out in the Police and Fire Reform (Scotland) Act. Although structures and work streams are developing any uncertainty is not yet sufficient to provide an indication that the assets of the Board might be impaired.

## Note 5 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 6 Other Operating Expenditure

2011/12 £000		2012/13 £000
6,491	(Gain)/ Loss on disposal of non-current assets	798
32	Movement on revaluation of held for sale assets	-
(22)	(Gain)/ Loss on disposal of investments	(26)
(1)	Minority Interest - share of profit of Trusts	38
<u>6,500</u>		<u>810</u>

## Note 7 Financing and Investment Income and Expenditure

2011/12 £000		2012/13 £000
8,056	Interest payable and similar charges	11,293
922	Pensions interest cost and expected return on pensions assets	1,992
(364)	Interest receivable and similar income	(474)
(77)	Income and expenditure in relation to investment properties and their changes in fair value.	(1,815)
(49)	Other investment income	(62)
<u>8,488</u>		<u>10,934</u>

## Note 8 Property, Plant and Equipment

### Comparative Movements 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	-	-	-	-	-	-	-	-
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 8 Property, Plant and Equipment (continued)

### Movement in 2012/13:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>								
At 1 April 2012	170,484	314,755	32,580	115,033	1,949	3,271	44,334	682,406
additions	3,805	7,396	5,979	7,178	10	-	29,366	53,734
donations	-	-	-	-	-	-	-	-
revaluation increases/ (decreases) recognised in the Revaluation Reserve	(2,473)	737	-	-	34	(150)	-	(1,852)
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(8,376)	(1,005)	-	-	-	12	-	(9,369)
derecognition – disposals	-	(1,202)	(1,366)	-	-	-	-	(2,568)
derecognition – other	-	-	-	-	-	-	(24)	(24)
assets reclassified (to)/from Held for Sale	(373)	(502)	-	-	-	198	-	(677)
other movements in cost or valuation	15,753	653	-	(81)	-	(60)	(16,206)	59
<b>At 31 March 2013</b>	<b>178,820</b>	<b>320,832</b>	<b>37,193</b>	<b>122,130</b>	<b>1,993</b>	<b>3,271</b>	<b>57,470</b>	<b>721,709</b>
<b>Accumulated Depreciation and Impairment</b>								
at 1 April 2012	8,047	26,313	20,322	16,663	345	33	-	71,723
depreciation charge	4,326	8,090	3,002	3,281	60	18	-	18,777
depreciation written out to the Revaluation Reserve	-	(2,215)	-	-	(76)	-	-	(2,291)
depreciation written out to the Surplus/Deficit on the Provision of Services	-	(23)	-	-	-	-	-	(23)
impairment losses/(reversals) recognised in the Revaluation Reserve	-	(110)	(1,254)	-	-	-	-	(1,364)
derecognition – disposals	-	-	-	-	-	-	-	-
derecognition – other	(17)	-	-	-	-	-	-	(17)
other movements in depreciation and impairment	-	39	-	(21)	-	-	-	18
<b>At 31 March 2013</b>	<b>12,356</b>	<b>32,094</b>	<b>22,070</b>	<b>19,923</b>	<b>329</b>	<b>51</b>	<b>-</b>	<b>86,823</b>

## Note 8 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 2012	162,437	288,442	12,258	98,370	1,604	3,238	44,334	610,683
at 31 March 2013	166,464	288,738	15,123	102,207	1,664	3,220	57,470	634,886

### Depreciation

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

Council Dwellings - 50 years

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

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

Infrastructure - 40 years

Community Assets - 40 years

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

## Note 9 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:-

	2011/12 £000	2012/13 £000
Rental income from investment property	41	140
Net gain/ (loss)	<u>41</u>	<u>140</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:-

	2011/12 £000	2012/13 £000
Balance at start of the year	3,130	3,343
Net gains/losses from fair value adjustments	36	1,768
Other changes	177	402
Balance at end of the year	<u>3,343</u>	<u>5,513</u>

## Note 10 Short Term Debtors

2011/12		2012/13
£000		£000
2,077	Central Government Bodies	4,068
303	Other Local Authorities	2,320
481	NHS Bodies	263
422	Public Corporations	502
5,694	Other entities and individuals	4,582
<u>8,977</u>		<u>11,735</u>

## Note 11 Cash & Cash Equivalents

2011/12		2012/13
£000		£000
27	Cash Held by the Authority	23
<u>6,049</u>	Bank Current/ Call Accounts	<u>4,491</u>
6,076		4,514
<u>(576)</u>	Amounts Owed to Other Bodies	<u>(537)</u>
(576)		(537)
<u>5,500</u>	Total Cash & Cash Equivalents	<u>3,977</u>

## Note 12 Short Term Creditors

2011/12		2012/13
£000		£000
7,086	Central government bodies	9,845
1,574	Other local authorities	2,000
374	NHS bodies	309
56	Public corporations and trading funds	193
<u>21,076</u>	Other entities and individuals	<u>19,465</u>
<u>30,166</u>	Total	<u>31,812</u>

## Note 13 Investments in Associates and Joint Ventures

The share of investments in associates is analysed below.

2011/12	Liabilities				Asset
	Fire Board	Valuation Board	Police Board	Total Liability	Moray Leisure Restated
	£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 surplus or (deficit)	(1,801)	8	(5,940)	(7,733)	(3)
Share of Other Comprehensive Income & Expenditure	198	(177)	345	366	-
2012/13	Liabilities				Asset
	Fire Board	Valuation Board	Police Board	Total Liability	Moray Leisure
	£000	£000	£000	£000	£000
Non Current Assets and Long Term Assets	9,980	117	6,322	16,419	116
Current Assets	976	103	4,418	5,497	122
Liabilities due within one year	(844)	(70)	(4,286)	(5,200)	(95)
Liabilities due after more than one year	(35,767)	(1,008)	(141,210)	(177,985)	-
	(25,655)	(858)	(134,756)	(161,269)	143
Turnover	4,536	(628)	13,504	17,412	946
Share of surplus or (deficit)	4,959	9	7,217	12,185	(1)
Share of Other Comprehensive Income & Expenditure	3,539	131	15,373	19,043	-

## Note 14 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.

2011/12		2012/13
£000		£000
7,915	Revenue Reserve	7,841

## Note 15 Unusable Reserves

2011/12		2012/13
£000		£000
106,746	Revaluation Reserve	105,017
302,917	Capital Adjustment Account	318,760
(8,822)	Financial Instruments Adjustment Account	(8,506)
(256)	Icelandic Banks Statutory Adjustment Account	(193)
658	Available for Sale Financial Instruments Reserve	828
(108,775)	Pensions Reserve	(125,786)
(5,148)	Employee Statutory Adjustment Account	(4,766)
<b>287,320</b>		<b>285,354</b>

### Revaluation Reserve

2011/12		2012/13
£000		£000
105,598	Balance at 1 April	106,746
1,148	Unrealised Gains & Losses	(1,729)
<b>106,746</b>	Balance at 31 March	<b>105,017</b>

### Capital Adjustment Account

2011/12		2012/13
£000		£000
295,183	Balance at 1 April	302,917
7,734	Surplus/Deficit	15,843
<b>302,917</b>	Balance at 31 March	<b>318,760</b>

### Available for Sale Financial Instruments Reserve

2011/12		2012/13
£000		£000
696	Balance at 1 April	658
(38)	Surplus/Deficit	170
<b>658</b>	Balance at 31 March	<b>828</b>

## Note 16 Share of Associates Reserves

2011/12	Usable	Unusable	Total
	£000	£000	£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>
<b>2012/13</b>	<b>Usable</b>	<b>Unusable</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April	2,377	(135,835)	(133,458)
Movement	(2,332)	(25,336)	(27,668)
Balance at 31 March	<b>45</b>	<b>(161,171)</b>	<b>(161,126)</b>

## Note 17 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2011/12		2012/13
£000		£000
(268)	Interest Received	(303)
8,169	Interest Paid	11,247

## Note 18 Cash Flow Statement - Investing Activities

2011/12		2012/13
£000		£000
42,079	Purchase of property, plant and equipment, investments, property and intangible assets	47,694
-	Other payments for investing activities	151
(2,230)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(915)
(22)	Proceeds from sale of shares	(26)
(23,462)	Other receipts from investing activities	(32,995)
<u>16,365</u>	Net cash flows from investing activities	<u>13,909</u>

## Note 19 Cash Flow Statement - Financing Activities

2011/12		2012/13
£000		£000
(8,000)	Cash receipts of short-term and long-term borrowing,	(7,000)
149	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PPP contracts.	596
2,995	Repayment of short and long-term borrowing	591
(2,212)	Other payments (receipts) for financing activities	598
<u>(7,068)</u>	Net cash flows from financing activities	<u>(5,215)</u>

## Note 20 Members' Allowances

	2011/12	2012/13
	£000	£000
Members Allowances for Group	524	510
Members Allowances for Associates	7	4
Total	<u>531</u>	<u>514</u>

## Note 21: Senior Employees' Remuneration

Remuneration Band	2011/12		
	Group	Number of Employees 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>

Remuneration Band	2012/13		
	Group	Number of Employees Associates	Total
£50,000 - £54,999	27	100	127
£55,000 - £59,999	22	90	112
£60,000 - £64,999	3	16	19
£65,000 - £69,999	2	6	8
£70,000 - £74,999	10	6	16
£75,000 - £79,999	-	8	8
£80,000 - £84,999	-	1	1
£85,000 - £89,999	3	6	9
£90,000 - £94,999	-	1	1
£100,000 - £104,999	-	2	2
£105,000 - £109,999	1	2	3
£110,000 - £114,999	-	1	1
£120,000 - £124,999	-	2	2
£195,000 - £199,999	-	1	1
	<u>68</u>	<u>242</u>	<u>310</u>

## Note 22 External Audit Costs

	2011/12 £000	2012/13 £000
Fees payable in respect of external audit services: carried out by the appointed auditor for the year.		
Group	267	252
Associates	16	17
Total	283	269

## Note 23 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 2012/13 the Council paid £5.036M to the Scottish Government in respect of teachers' retirement benefits, of which £0.632M was outstanding at 31 March 2013. The amount payable represents 14.9% of pensionable pay. The figures for 2011/12 were £5.131M, £0.425M 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 24 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 25 Charitable Trusts

The charitable trusts included within the Group consist of 40 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.

		2011/12	2012/13
		£000	£000
Non Current Assets	Group	2,702	2,749
	Associate	138	138
		<u>2,840</u>	<u>2,887</u>
Current Assets	Group	4,002	4,133
	Associate	77	77
		<u>4,079</u>	<u>4,210</u>
Less: Current Liabilities	Group	(3)	(102)
	Associate	(71)	-
		<u>(74)</u>	<u>(102)</u>
<b>Total Net Assets</b>		<u><b>6,845</b></u>	<u><b>6,995</b></u>

  

		2011/12	2012/13
		£000	£000
Income	Group	191	146
	Associate	908	908
		<u>1,099</u>	<u>1,054</u>
Expenditure	Group	131	328
	Associate	911	911
		<u>1,042</u>	<u>1,239</u>
<b>Surplus (Deficit) for Year</b>		<u><b>57</b></u>	<u><b>(185)</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 26 Events After The Balance Sheet Date

The unaudited Statement of Accounts was issued on 26 June 2013 and the Audited Statement of Accounts was authorised for issue on 25 September 2013 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 2013, 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 administers 127 trust funds, acting as sole trustee for 60 trusts and as one of several trustees for a further 4 funds. These accounts do not represent a charge to Council Tax payers but form part of the statutory reporting requirements of the Council. They represent funds set up by various individuals and organisations for the benefit of the community or organisations within the Moray area.

The statements below summarise the trust funds' income and expenditure for the year and the funds assets and liabilities at 31 March 2013.

## **Trust Reorganisation**

The council has undertaken a review of its Trusts, in consultation with the Office of the Scottish Charities Regulator (OSCR), to identify options for restructuring its existing charitable and non charitable trusts in order to create a smaller number of trusts with improved governance arrangements and with the opportunity to maximise the use of these resources to the benefit of the citizens of Moray.

In a report presented to the Moray Council on the 14 November 2012 by the Corporate Director the Council agreed a scheme of Trust reorganisation. The report identified 67 low value Trusts where annual running costs exceed any benefit or where the trust purposes were unknown or outdated. Council agreed that these Trusts should be wound up and the entire fund in them given out in accordance with or in the spirit of known Trust purposes. In the year 2012/13, 67 Trusts were fully exhausted with recipients receiving a combined payout of £0.201M. The trust reorganisation will continue with the remaining Trusts being subject to review and possible reorganisation in future years.

## **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 2012/13.

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

2011/12			2012/13		
Charitable	Other		Charitable	Other	
£000	£000		£000	£000	
<b>Expenditure</b>					
8	24	Beneficiaries	8	222	
6	12	Administration	6	9	
-	27	Other Costs	3	29	
-	55	Depreciation	-	55	
7	31	(Surplus)/Deficit on revaluation on Available for Sale Financial Assets	(80)	(131)	
<b>21</b>	<b>149</b>	<b>Total Expenditure</b>	<b>(63)</b>	<b>184</b>	
<b>Income</b>					
(22)	(85)	Investment Income	(38)	(65)	
-	(49)	Property Rental Income	-	(43)	
-	(35)	Movement in Fair Value of Investment Property	-	-	
-	(106)	Gain on revaluation of Property	-	(102)	
-	-	Other Income	-	(64)	
<b>(22)</b>	<b>(275)</b>	<b>Total Income</b>	<b>(38)</b>	<b>(274)</b>	
<b>(1)</b>	<b>(126)</b>	<b>Surplus for year</b>	<b>(101)</b>	<b>(90)</b>	
(7)	55	Items not Chargeable to Revenue Reserves	80	178	
<b>(8)</b>	<b>(71)</b>	<b>Increase in Revenue Reserves</b>	<b>(21)</b>	<b>88</b>	

# Trust Funds Balance Sheet As At 31 March 2013

2011/12			2012/13		
Charitable	Other		Charitable	Other	
£000	£000		£000	£000	
-	2,609	Property Plant & Equipment	Note 1 -	2,656	
-	93	Investment Properties	Note 2 -	93	
-	<b>2,702</b>	<b>Long Term Assets</b>	-	<b>2,749</b>	
-	3	Government Securities	1	2	
352	1,550	Endowments Investment Fund	835	1,278	
3	9	Debtors	9	13	
516	1,569	Loans Fund Balance	702	1,293	
<b>871</b>	<b>3,131</b>	<b>Current Assets</b>	<b>1,547</b>	<b>2,586</b>	
(2)	(1)	Creditors	(2)	(29)	
(2)	(1)	<b>Current Liabilities</b>	(2)	(29)	
<b>869</b>	<b>5,832</b>	<b>Net Assets</b>	<b>1,545</b>	<b>5,306</b>	
-	93	Capital Adjustment Account	-	93	
-	2,585	Revaluation Reserve	-	2,632	
122	536	Available for Sale Financial Instruments Reserve	328	500	
747	2,618	Revenue Balance	1,217	2,081	
<b>869</b>	<b>5,832</b>	<b>Total Reserves</b>	<b>1,545</b>	<b>5,306</b>	

## 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 2012/13.

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.

	Other Land & Buildings	Community Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2012	2,740	24	2,764
Revaluations	51	-	51
Gross Book Value at 31 March 2013	2,791	24	2,815
Accumulated Depreciation at 1 April 2012	155	-	155
Revaluations	(51)	-	(51)
Charge for the Year	55	-	55
Accumulated Depreciation at 31 March 2013	159	-	159
Net Book Value at 31 March 2013	2,632	24	2,656
Net Book Value at 31 March 2012	2,585	24	2,609

### Note 2 Investment Properties

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

	2011/12 £000	2012/13 £000
Balance at start of the year	58	93
Net gains/(losses) from fair value adjustments	35	-
Balance at end of the year	93	93

## Note 3 Trust Details

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

<u>Fund</u>	<u>Income £000</u>	<u>Expenditure £000</u>	<u>Assets £000</u>	<u>Liabilities £000</u>
<b>Registered Charitable Trusts</b>				
37 Registered Charitable Trusts, each with Assets less than £50,000	(3)	3	194	-
Cathedral Amenity				
<i>Established for the benefit of Elgin Cathedral</i>	(2)	-	78	-
Cumine of Auchray <i>Established to provide for decayed merchants of the Burgh of Elgin</i>	(3)	-	123	-
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>	(53)	8	513	(1)
	(61)	11	908	(1)
<b>Other Trusts</b>				
6 Non Registered Trusts, each with Assets less than £50,000	(10)	2	132	(2)
Longmore Hall <i>Village Hall for the use of the community</i>	-	21	734	-
A S Murdoch Fishing <i>River Findhorn Fishing Trust established for the purchase of fishing rights</i>	(1)	-	83	-
Glenisla Comforts Fund <i>For the benefit of the residents of Glenisla Care Home</i>	(10)	-	106	-
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>	(4)	5	166	-
The MacDonald Benevolent Fund <i>Established in 1989 for persons in need of financial assistance particularly in Dufftown as decided by the Social Work Department</i>	(10)	2	257	-

<b>Fund</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Assets £000</b>	<b>Liabilities £000</b>
<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>	(24)	4	223	(3)
Laing Mortification <i>For the benefit of a decayed merchant resident in Elgin.</i>	(6)	1	277	-
Craigmoray Bequest (Bishopmill) <i>For the benefit of the residents of Craigmoray Care Home</i>	(25)	1	319	-
Ladyhill Public Trust <i>Provides homes for two veterans from the Elgin area</i>	(18)	2	83	-
Jubilee Cottages Public Trust <i>Trust established by monies raised during Queen Victorias Diamond Jubilee for the purposes of providing low cost housing</i>	(2)	15	592	-
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>	(40)	12	584	-
River Lossie Public Trust <i>Established mid 1800's to provide ground for recreation for the people of Elgin</i>	(39)	26	460	-
Miltonduff Hall <i>Established to provide space for local groups for education, recreation etc</i>	(48)	6	265	-
	<u>(239)</u>	<u>99</u>	<u>4,382</u>	<u>(5)</u>

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

<b><u>Fund</u></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>	(29)	5	272	-
Auchernack Trust <i>Registered and reorganising</i>	(57)	6	639	(1)
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>	(22)	1	79	-
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;</i>	(58)	10	586	(8)
	<u>(166)</u>	<u>22</u>	<u>1,576</u>	<u>(9)</u>

## Trusts Funds Exhausted fully under the first phase of the Trust Reorganisation

<b><u>Fund</u></b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Assets £000</b>	<b>Liabilities £000</b>
67 Non Registered Trusts fully Exhausted	(45)	201	16	(16)
<b>Summary</b>				
Registered Charitable Trusts	(61)	11	908	(1)
Other Trusts	(405)	121	5,958	(14)
Trusts Exhausted in the year	<u>(45)</u>	<u>201</u>	<u>16</u>	<u>(16)</u>
Total	<u>(511)</u>	<u>333</u>	<u>6,882</u>	<u>(31)</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 Council under the reorganisation of Local Government.

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

The Accounts for Common Good have been prepared according to the LAASAC Guidance *Accounting for Common Good (December 2007)* which is consistent with proper accounting required by the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

## Accounting Policies

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

## Common Good Funds Income and Expenditure Account

31 March 2012		31 March 2013
£000	Expenditure	£000
38	Property Costs	5
15	Administrative Costs	15
34	Donations, Grants etc	75
7	Other Costs	6
108	Depreciation	121
<b>202</b>	<b>Total Expenditure</b>	<b>222</b>
	<b>Income</b>	
(14)	Property	(10)
(97)	Investment Income	(112)
5	Movement in Fair Value of Investment Property	(10)
(24)	Gain on disposal of asset	-
<b>(130)</b>	<b>Total Income</b>	<b>(132)</b>
<b>72</b>	<b>(Surplus)/Deficit for the Year</b>	<b>90</b>

## Common Good Funds Balance Sheet

31 March 2012  
£000

31 March 2013  
£000

5,703	Property, Plant & Equipment	<b>Note 1</b>	6,339
125	Heritage Assets	<b>Note 2</b>	210
1,648	Investment Property	<b>Note 3</b>	1,658
<b>7,476</b>	<b>Long Term Assets</b>		<b>8,207</b>
1	Inventories		1
7	Feu duties		5
3,252	Loans Fund Balance		3,298
<b>3,260</b>	<b>Current Assets</b>		<b>3,304</b>
(1)	Creditors		(24)
<b>(1)</b>	<b>Current Liabilities</b>		<b>(24)</b>
<b>10,735</b>	<b>Net Assets</b>		<b>11,487</b>
5,818	Revaluation Reserve		6,539
4,917	Revenue Reserve		4,948
<b>10,735</b>	<b>Total Reserves</b>		<b>11,487</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	-	-
2,242	Buckie	1,466	2,479
95	Cullen	27	114
21	Dufftown	9	22
5,454	Elgin	1,590	5,426
2,917	Forres	204	3,444
2	Keith	2	2
<b>10,735</b>	<b>TOTAL</b>	<b>3,298</b>	<b>11,487</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 6th Edition.

Property, plant and equipment is classified into groupings required by the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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:

#### 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
Accumulated 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

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

2012/13

	Other Land & Buildings	Surplus Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2012	5,455	615	6,070
Revaluations	176	-	176
Restatements	461	-	461
Gross Book Value at 31 March 2013	6,092	615	6,707
Accumulated Depreciation at 1 April 2012	367	-	367
Revaluations	(138)	-	(138)
Restatements	18	-	18
Charge for the Year	121	-	121
Depreciation at 31 March 2013	368	-	368
Net Book Value at 31 March 2013	5,724	615	6,339
Net Book Value at 31 March 2012	5,088	615	5,703

Restatements relate to assets transferred from General Services.

## Note 2 Heritage Assets

This note details the movement in Heritage Assets during the years 2011/12 and 2012/13.

	Fine Art £000	Chains of Office £000	Total Heritage Assets £000
Valuation at 1 April 2011	125	-	125
Revaluations	-	-	-
<b>At 31 March 2012</b>	<b>125</b>	<b>-</b>	<b>125</b>
Valuation at 1 April 2012	125	-	125
Revaluations	-	85	85
<b>At 31 March 2013</b>	<b>125</b>	<b>85</b>	<b>210</b>

Four Chains of Office have been independently valued at £0.063M by William Windwick, PJ Dip FGA FNAG MIRV, a member of the Institute of Registered Valuers.

Using these valuations as a baseline, the estimated value of the remaining four Chains of Office is £0.023M for accounts disclosure purposes. These Chains are currently being independently valued.

## Note 2 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. 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 2013</b>
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>2011/12 £000</b>	<b>2012/13 £000</b>
Rental income from investment property	27	41
Net gain/ (loss)	<u>27</u>	<u>41</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>2011/12 £000</b>	<b>2012/13 £000</b>
Balance at start of the year	1,476	1,648
Net gains/(losses) from fair value adjustments	30	10
Transfers from Property, Plant and Equipment	177	-
Other Changes	(35)	-
Balance at end of the year	<u>1,648</u>	<u>1,658</u>



## **Independent auditors' report to the members of Moray Council and the Accounts Commission for Scotland**

We certify that we have audited the financial statements of Moray Council and its group for the year ended 31 March 2013 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 2012/13 (the 2012/13 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, 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 and accounts 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 2012/13 Code of the state of the affairs of the group and of the body as at 31 March 2013 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 2012/13 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; 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 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.

We have nothing to report in respect of these matters.

PricewaterhouseCoopers LLP

Glasgow

25 September 2013

## 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.

