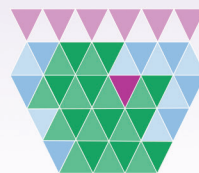


The Moray Council

# Statement of Accounts

For the year ended 31st March 2014



the **moray** council



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 chciałoby 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 – 2013/14.....	15-20
Remuneration Report .....	21-29
Movement in Reserves Statement.....	31-32
Comprehensive Income & Expenditure Statement.....	33
Balance Sheet as at 31 March 2014.....	35-36
Cash Flow Statement.....	37
Notes to the Accounts:.....	
Note 1    Accounting Policies	39-50
Note 2    Accounting Standards that have been Issued but have not yet been adopted	51
Note 3    Critical judgements in applying Accounting Policies	51
Note 4    Assumptions made about the future and other major sources of estimation uncertainty	51-52
Note 5    Material Items of Income and Expenditure	52
Note 6    Events after the Balance Sheet date	52
Note 7    Adjustments between accounting basis and funding basis under regulations	53-56
Note 8    Transfers to/from statutory funds and earmarked portions of the General Fund	57
Note 9    Other operating expenditure	58
Note 10   Financing and investment income and expenditure	58
Note 11   Taxation and non-specific grant income	58
Note 12   Property, Plant and Equipment	59-61
Note 13   Heritage Assets	62
Note 14   Investment Property	62-63
Note 15   Intangible Assets	63
Note 16   Financial Instruments	64-65
Note 17   Inventories	66
Note 18   Short Term Debtors	66
Note 19   Assets held for sale	66
Note 20   Cash and Cash Equivalents	67
Note 21   Short Term Creditors	67
Note 22   Provisions	67
Note 23   Usable Reserves	68
Note 24   Unusable Reserves	68-71
Note 25   Cash Flow Statement - Operating Activities	72
Note 26   Cash Flow Statement - Investing Activities	72
Note 27   Cash Flow Statement - Financing Activities	72

## Contents

	<b>Page</b>
Note 28 Amounts reported for Resource Allocation Decisions	73-75
Note 29 External Audit Costs	76
Note 30 Grant Income	76
Note 31 Related Parties	77
Note 32 Capital Expenditure and Capital Financing	78
Note 33 Leases	79-80
Note 34 Impairment Losses	80
Note 35 Public Private Partnership	81-82
Note 36 Pension Schemes accounted for as defined contribution schemes	82
Note 37 Defined Benefit Pensions Schemes	82-89
Note 38 Contingent Liabilities	89
Note 39 Nature and extent of risks arising from financial instruments	90-93
Note 40 Trust Funds and Common Good Funds	93
Housing Revenue Account Income & Expenditure Statement.....	95
Movement on the Housing Revenue Account Statement.....	97
Notes to the Housing Revenue Account.....	99
Council Tax/Community Charge Income Account.....	101-102
Non-Domestic Rate Income Account.....	103-104
Group Accounts.....	105
Group Movement in Reserves Statement.....	107-108
Group Comprehensive Income & Expenditure Statement.....	109
Group Balance Sheet as at 31 March 2014.....	111-112
Group Cash Flow Statement.....	113
Notes to the Group Accounts: .....	
Note 1 Nature of the Group and Group Members	115-116
Note 2 Accounting Policies	116
Note 3 Critical judgements in applying Accounting Policies	117
Note 4 Assumptions made about the future and other major sources of estimation uncertainty	117
Note 5 Operating expenditure and income of the subsidiaries	118
Note 6 Other operating expenditure	118
Note 7 Financing and investment income and expenditure	118
Note 8 Property, Plant and Equipment	119-121
Note 9 Investment Properties	121
Note 10 Short Term Debtors	122
Note 11 Cash and Cash Equivalents	122
Note 12 Short Term Creditors	122
Note 13 Investments in Associates and Joint Ventures	123
Note 14 Usable Reserves	123

## Contents

	<b>Page</b>
Note 15 Unusable Reserves	124
Note 16 Share of Associates Reserves	124
Note 17 Cash Flow Statement – Operating Activities	125
Note 18 Cash Flow Statement – Investing Activities	125
Note 19 Cash Flow Statement – Financing Activities	125
Note 20 Members' Allowances	126
Note 21 Senior Employees' Remuneration	126
Note 22 External Audit Costs	127
Note 23 Pension Costs	127
Note 24 Charitable Trusts	128
Note 25 Events after the Balance Sheet date	128
Trust Funds.....	129-135
Common Good Funds.....	137-141
Independent Auditor's Report.....	142-144
Glossary of Terms.....	145
Sources of Additional Information.....	145



## 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>Gordon Cowie</b> 26 Gordon Street Buckie AB56 1JD	Tel. (01542) 831956 Email <a href="mailto:gordon.cowie@moray.gov.uk">gordon.cowie@moray.gov.uk</a>
		<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>
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> 7 Seaforth House Garmouth Road Lhanbryde IV30 8QL	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>John Cowe</b> Spinningdale Beach Brae Stotfield Lossiemouth IV31 6QS	Tel. (01343) 814989 Email <a href="mailto:john.cowe@moray.gov.uk">john.cowe@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>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	Tel. 07779 999284 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 Hay Street 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	Tel. (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 Service
- Emergency Planning
- Licensing

The Council administers a number of trust funds, acting as either sole trustee or as one of several trustees and also administers the Common Good Funds in the Moray area.

The Grampian Valuation Joint Board serves the Grampian area and provides the following services in Moray:

- 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

I am pleased to present the Statement of Accounts for Moray Council ("the Council") and the Group for the year ended 31 March 2014. The foreword is a summary of the Council's financial performance 2013/14 and highlights the most significant issues and risks, which may affect future finances of the Council.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 ("the Code"). The Code seeks to achieve comparability of financial performance across all local authorities and therefore prescribes the format to be used in presenting income and expenditure information, consequently the Annual Statement of Accounts do not reflect the regular financial reporting within the Council

The Code 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 entities are encompassed in the Group Accounts, which are included in the Statement of Accounts. The Group Accounts for 2013/14 include Trust Funds and Common Good Funds as entities or activities for which the Council is responsible and the Grampian Valuation Joint Board and Moray Leisure Limited as associate bodies.

### Financial Statements

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

#### 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 44% (41% in 2012/13) of net cost of services the single largest service, and Social Work the second at 28% (26% in 2012/13).

The Statement shows a surplus of £63.6 million, which included £36.1 million from the re-measurement of the net defined benefit liability of the Council's pension fund and a net increase of £16.7 million for the revaluation of the Council's assets. This leaves a surplus on the Provision of Services of £10.8 million. After adjustment for items not chargeable to taxation, this book deficit equates to a deficit of £1.6 million. This is reflected in the Movement in Reserves Statement

#### Movement in Reserves Statement

This statement shows the movements in the different reserves held by the Council, and shows the movements in usable reserves resultant on aligning the accounting basis with the basis on which the Council sets its budgets. It therefore shows the direct financial impact for the Council Tax payer and Council house dweller. The General Fund balance has decreased by £1.6 million, and this can be analysed as follows:

	£M
General Fund Decrease during 2013/14	<u>£(1.6)M</u>
<b>Details</b>	
Reduction in Devolved School Management Balances	(0.3)
Earmarked Reserves released to Scottish Government for Police and Fire Balances	(1.5)
Surplus Transferred into General Fund	0.2
	<u>£(1.6)M</u>

## Explanatory Foreword (continued)

### Balance Sheet

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2014. This includes pension liabilities falling due in future years, which will be financed by pension contributions through the Council's Revenue Expenditure. Assets of £693 million are offset by liabilities of £325 million, giving the Council a net worth of £368 million (2012/13 £304 million) which represents the total value of the Council's usable and unusable reserves.

### Financial Overview and Performance 2013/14

The Council's overall position should be considered in two sections: The Housing revenue Account and General Fund. 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.

#### General Services - Revenue

The Council approved a budget of £189.8 million, net of charges for services, contributions from other organisations and specific grants, for General Services for 2013/14.

The budget funding was from General Government Grants of £151.5 million, Council Tax income of £33.9 million, £1.7 million from Devolved School Management (DSM) balances and the remaining balance of £2.7 million from the General Fund reserve.

However, the final position resulted in £0.2 million surplus transferred into the General Reserve for 2013/14, resulting in a variance of £2.9 million. The main variations from budget are set out below:

<u>Underspends:</u>	£M
Staffing	1.2
Income received	0.4
Council Tax Income	0.5
Unused Funds from Devolved School Management Budgets (carried forward)	1.4
Various other smaller budget variances	2.1
	<hr/> £5.6M <hr/>
<u>Offset by Overspends:</u>	£M
Purchase and provision of social care	0.6
Various other smaller budget variances	2.1
	<hr/> £2.7M <hr/>
<b>Net Overall Variance for the year</b>	<b><u>£2.9M</u></b>

Staff savings of £1.2 million arise from vacant posts, new appointments and people choosing not to join the pension scheme. Income received overall is above budget, but the position across the Council shows that charges and income for Catering, Cleaning and Waste collection are nearly £1.0 million over budget but this was offset by a decrease in Planning Fees and Building Standards Fees of £0.6 million for 2013/14. Growth in the number of dwellings paying Council Tax contributed £0.5 million to the Council's surplus for the year.

Out of Area placements and other intensive support packages for Looked After Children and the provision of social care for people with learning disabilities and the care for older people resulted in an overspend for the year of £0.6 million.

## **Explanatory Foreword (continued)**

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

The Council approved expenditure of £15.1 million in 2013/14, to be funded from rents, government grant and other income. As shown in the Movement on the Housing Revenue Account Statement, there was a surplus of £11,000, increasing the Housing Revenue Account balance to £1.1 million.

The variance was mainly as a result of £0.5 million overspend in response repairs and maintenance and void property repairs, increased capital funded from revenue of £0.3million offset by £0.4 million in reduced capital borrowing costs, £0.2 million in reduced supervision and management costs and £0.2million from reduced debtors provision and increased house rental income.

### **Capital Expenditure**

Total capital expenditure in 2013/14 was £59.9 million. Further significant additions are major flood schemes completed and under construction (£29.7 million). The General Services Capital Programme for 2013/14, including balances carried forward from 2012/13 amounted to £48.7 million. Expenditure for the year was £46.9 million. The underspend was mainly in the flood alleviation schemes (£1.2 million), which is by far the largest item in the capital programme, and waste management was underspent by £ 0.2 million. The programme was underspent in all areas, and over the years consistently underspends. The Housing Capital Programme amounted to £14.3 million and actual expenditure was £13.0 million. The underspend was due mainly to slippage in the Home Efficiency programme and the New Build programme.

Capital expenditure is supported by capital grants from the Scottish Government and £36.3 million of grants were received in 2013/14. Capital receipts generated £1.1 million and £2.2 million was funded from revenue. The balance was funded by borrowing. The level of capital expenditure permitted to 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 2014 amounted to £194.2 million, with £134.1 million attributable to General Services and £60.1 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 2013/14 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 £5 million in April 2013, from the PWLB. The loan was an Equal Instalment of Principal over a period of 10 years and the interest rate was 1.59%.

### **Public Private Partnership**

The Council entered into a Public Private Partnership for the provision of two schools and the maintenance thereof. The provider is required to ensure the availability of these buildings to a pre-agreed standard. During 2013/14, the Council paid the contractor £4.6 million under the terms of the agreement.

### **Pension Assets and Liabilities**

The calculation required by International Accounting Standard 19 – Employment Benefits, shown in Note 37 to the accounts, is based on a snapshot valuation of the North East Scotland Local Government Pension Scheme administered by Aberdeen City Council as at 31 March 2014. 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 £97.3 million at 31 March 2014 (£125.8 million at 31 March 2013). 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 Statement of Accounts has have been prepared on a going concern basis.



## Explanatory Foreword (continued)

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	2012/13 Result	2013/14 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.	9.83%	9.89%
Movement in the uncommitted General Fund Reserve	This reflects the extent to which the council is adding to or using this reserve.	£0.3million 1.45%	£0.2 million 0.95%
Council Tax in-year collection rate	This reflects the Council's effectiveness in collecting Council Tax debt.	95.6%	95.1%
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.	19.19%	18.52%
Actual outturn net service expenditure compared to budgeted net service expenditure	This reflects the effectiveness of financial management across the Council.	99.25%	98.84%
Ratio of financing costs to net revenue stream	The proportion of revenue expenditure, which supports borrowing to fund capital investment.	General Services 7.76%	General Services 8.56%
		HRA 19.24%	HRA 20.45%
Impact of capital investment on Council Tax and weekly rents	The incremental impact of the previous years' capital investment programme ( excl PPP)	General Services £(5.42)	General Services £15.52
		HRA £0.64	HRA £1.02

### Change of Accounting Policy

On 1 April 2013, the Board implemented a change in accounting policy relating to the June 2011 amendments to the accounting standard IAS 19 Employee Benefits. The key change relates to the expected return on assets and in order to permit a meaningful comparison between financial years, some figures in the previous year's audited statement of accounts have been restated. The details of the changes are summarised in note 37 to the accounts.

## **Explanatory Foreword (continued)**

### **Group Accounts**

Local Authorities are required to prepare Group Accounts, in addition to their own Council's accounts, where the Council is considered to have a material interest in other organisations. The Group Accounts on pages 105 to 128 consolidate the results of the Council with two other entities (Grampian Valuation Joint Board and Moray Leisure Limited) for 2013/14 (four organisations in 2012/13).

The decrease in number of organisations is due to transfer of responsibility for Police and Fire Services to Scottish Government on 31 March 2013 when the financial records of the Grampian Joint Police Board and Grampian Fire and Rescue Joint Board no longer form part of the Council's Group Accounts in accordance with the Police and Fire Reform (Scotland) Act 2012.

### **Impact of the Current Economic Climate**

Economic recovery in the UK remains slow and as a consequence, the period of austerity and reduction in the overall level of UK public sector expenditure is now anticipated to extend at least until the next comprehensive spending review period through to 2017/18. It is expected that the Council's government grant settlement, which remains the primary source of revenue funding (80% of Council income); will continue to decline in absolute terms over the medium term.

At the same time, the Council continues to face ongoing service and cost pressures arising from a range of key issues, the most significant of which are in relation to social care and educational services. A key strand of the Council's medium term financial strategy is to progress a range of initiatives, which mitigate these pressures through major strategic reviews and a commitment to service redesign to support early intervention and prevention for older people and early year's client groups. As well as mitigating long-term cost growth, these measures are focused on delivering better long-term outcomes for service users and their families.

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.

The Council embarked on the current financial plan strategy in 2012 with public roadshows informing the public that the Council required £30 million savings to balance its revenue budget to 31 March 2017. A number of workstreams were developed to implement this strategy and have resulted in the Council identifying over £14 million savings. A higher than anticipated growth of Council Tax has resulted in a further £0.5 million income per annum and an increase share of the Scottish Government grant of £5 million has resulted in the Council still having to identify £10 million savings.

In this context, the medium term financial strategy provides the Council with a clear framework to guide the strategic planning and management of the Council's financial resources and in addition to the strategies for managing major areas of cost pressures, the following principles were adopted:

- The Council has an ongoing commitment to efficiency and modernisation of service delivery through the Designing Better Services programme.
- The Council strives to maximise income in alignment with approved priorities.
- Investment is prioritised to service transformation, early intervention and prevention and delivery of priorities.
- New borrowing is capable of repayment on a sustainable basis and overall debt levels are contained within affordable parameters.
- Council reserves are maintained at a level, which provides financial resilience to the Council and the core services it provides.

During the course of 2014/15, the UK Government will continue to progress their plans to introduce changes to the benefits system as part of their wider welfare reform agenda. This reform programme is wide ranging and complex in term of its impact and represents a significant risk for the Council, the Moray public and the local economy. Consequently, increased demand for a range of Council services is anticipated and will create a number of specific financial risks in the delivery and funding of those services.

Moray has now well developed programme arrangements within the Council and with key partner agencies, both locally and at a national level, which have ensured the Council is implementing benefit changes and is alert to

## **Explanatory Foreword (continued)**

financial risks emerging from what is a fast changing environment. The Council's key development has been to ensure that the people of Moray are aware of the changes and that support is in place.

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 focused on the Council's priorities as expressed in the 10 year Strategic Plan and the Corporate Plan. 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.

## **Conclusion**

The UK Government has signalled its intention to continue its current programme of austerity and consequential reductions in public spending over the medium term. The position in Scotland and Scottish Local Government is expected to mirror that financial planning over the next few years and so will present the council with a significant challenge.

The continuation of prudent financial management and sound budgetary control has allowed the council to manage its financial affairs successfully again, for 2013/14. 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 like to take this opportunity of thanking the staff in Financial Services for their hard work in producing these accounts for 2013/14 and meeting the tight deadlines.

**Margaret Wilson CPFA**

**Head of Financial Services**

**29 September 2014**

## **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 2013/14 (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 2014.

**Margaret Wilson CPFA**

**Head of Financial Services**

**29 September 2014**



## **Annual Governance Statement - 2013/14**

### **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 those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

A governance framework has been in place for the year ended 31 March 2014 and up to the date of approval of the Annual Report and Accounts.

### **The governance framework**

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

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

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

The creation and implementation of a vision for the local area, including expected outcomes for the community, is encompassed in 'Moray 2023, a plan for the future'. Developed by the Community Planning Partnership, the plan considers issues facing the Moray community over the next 10 years. A number of key priorities have been identified covering the need to grow a diverse and sustainable economy, improving the health of citizens, enhancing opportunities for young people, supporting healthy and sustainable adult lifestyles, and securing safer communities. The plan explains how members of the Partnership will work together to secure appropriate outcomes for the community.

The Council for its part has established a cross-party working group to inform decision-making relating to prioritisation of resources. The work of this group supports the council's budget setting process. Key policy and linked financial commitments for the authority, together with service planning processes, are being used to develop a four-year council plan. The four-year plan will replace current council strategic planning documents and complement the Moray 2023 Community Plan.

## **Annual Governance Statement - 2013/2014 (continued)**

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, work is continuing on three large and challenging topics encompassing the core project – more efficient ways of working, a property project looking at staff accommodation, and community care re-design. A Programme Board oversees governance arrangements of the programme.

The Performance Management Framework was reviewed and revised during the year to ensure effective monitoring of progress and outcomes against stated objectives. A layered approach has been taken with the framework covering community performance against community plan objectives, corporate performance for key council priorities, and service performance within service departments. Governance arrangements call for performance outcomes to be reported at regular intervals to the relevant board or committee and published on the Council internet.

Workforce Planning remains a particular focus given the effects on staff of the need to make substantial financial savings. A workforce transformation strategy is in place which is 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 clear relationships between the Council, its partners and the public.

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 Scheme of Delegation was reviewed and updated during the year.

Governance arrangements in relation to roles and responsibilities of elected members were also strengthened with submission to and approval by Council of changes relating to protocols for raising complaints about a councillor, working with outside bodies, accessing information and accessing council facilities.

Functions and roles of statutory posts including the Head of Paid Service, Monitoring Officer and Chief Financial Officer are clearly defined and governance arrangements have been considered by the Community Planning Board to secure effective partnership working.

A community engagement strategy is also in place to support consultations with the public on significant policy matters.

### **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 those values are replicated effectively throughout the organisation. This is achieved through 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. Conduct issues relating to elected members can be investigated in terms of the in-house complaints process referred to above, 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. Investigations of complaints against two elected members were completed during the year; neither was upheld. 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. Few issues were raised, affirming the robustness of anti-fraud measures the council has in place. The opportunity also has been taken to review arrangements for prevention and detection of corporate fraud and related issues as a consequence of changes in welfare reform.

## **Annual Governance Statement - 2013/2014 (continued)**

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

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

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. The Committee has an agreed 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 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.

Separately, 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 those risks can be controlled. The updated registers are considered by the Policy and Resources Committee. Departmental and operational risk registers are updated annually, with the results used to inform service planning.

### **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.

Training and development for elected members is provided mainly in the form of briefing sessions and workshops covering new and emerging issues, these being provided by senior staff from council departments, the council's training team, or by representatives from other government agencies and partner bodies. Personal Development Plans have been made available to elected members for recording training received.

For employees, access to training is available in various forms, through professional bodies to which employees belong, and through specialist training teams located within services. The corporate Employee Development Team also provides a programme of training opportunities, including structured training programmes for senior officers and first line managers.

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

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



## **Annual Governance Statement - 2013/2014 (continued)**

A particular focus of community engagement in this period and continuing relates to the sustainable schools review and a review of sport and leisure and recreation provision, both of which involved a programme of presentations and workshops. Those consultations generate widespread debate and provide extensive feedback to inform decision-making processes. The council also targets selected sectors of the community for engagement purposes, most recently by providing a briefing session for prospective suppliers on how to do business with the Council.

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

The review of effectiveness of the governance framework including the system of internal control is pursued 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 the cross-party working group, by the Community Planning Board, and by the Audit and Performance Review Committee.

- **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. The CMT meets regularly to consider corporate issues and has a detailed work programme which gives structure and focus to their meetings.

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

This is an extended management team comprising the CMT and 10 Heads of Service. The role of this group is to further the vision, objectives and priorities of the Council, to foster co-operative working and to support corporate decision making processes in line with Best Value principles.

- **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.

## Annual Governance Statement - 2013/2014 (continued)

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 concludes that the Social Work Service has continued to adapt and improve in what has been, and will continue to be, a very challenging climate. Financial constraint, significant legislative and policy change, along with continuing progress towards the integration of services for both adults and children all dominate the local service landscape, requiring staff to adapt what they do and prioritise resources to meet the growing demands associated with protecting and caring for the most vulnerable members of our community.

### • 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 is currently reviewing its working practices against new *Public Sector Internal Audit Standards* which took effect on 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 and 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; and
- 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 2014.

### • 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 - 2013/2014 (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

- Working closely in partnership with others to progress the objectives of the 'Moray 2023 plan for the future', in particular, during 2014/15, to undertake a detailed assessment of capacity to deliver agreed targets;
- Finalising and adopting a financially sustainable four-year plan for the Council through to 2017;
- Building on recent improvements in organisational leadership and culture and maintaining momentum on leadership and support for equalities;
- Ensuring established performance reporting procedures remain aligned to the community, corporate and service plans; and
- Evaluating current consultation arrangements to ensure customer focus is a key consideration in informing policy decisions.

### **Concluding Remarks**

In our respective roles as Leader of the Council and Chief Executive, we are committed to good governance and recognise the contribution it makes to securing delivery of service outcomes in an effective and efficient manner. This annual governance statement summarises the Council's current governance arrangements, and affirms our commitment to ensuring they are regularly reviewed and remain fit for purpose.

While pressure on financial settlements is likely to continue during the incoming period, considerable progress in engaging with our partners and the wider community has been made to develop plans for the area which we believe are both sustainable and achievable. Taking those forward will be challenging as we look to secure further efficiencies. Good governance will assist in delivering services in a way that both meets the needs of communities and discharges statutory best value responsibilities.

.....

Cllr Allan G Wright  
Leader of the Council

29 September 2014

.....

Roderick D Burns  
Chief Executive

## Remuneration Report

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

All information disclosed in tables 1 to 7 in this Remuneration Report will be audited by 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 statement of accounts.

### 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 2014, the Council has a Leader who is the Political Head of the Council and a Convener who is the Civic Head of the Council. A senior councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

The salary that is paid to the Leader of the Council is set out in the above Regulations. For 2013/14 the salary for the Leader of Moray Council was £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 2013/14, The Moray Council had eight senior councillors and the remuneration paid to these councillors totalled £161,962. 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. No reimbursement was necessary in 2013/14 as the Convener of Grampian Valuation Joint Board is already paid a senior councillor salary by the Moray Council for his role as chair of the Licensing committee.

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.

During 2013/14, the senior employees in the Moray Council were the Chief Executive and three Corporate Directors with portfolio responsibilities for Corporate Services, Education and Social Care and Environmental Services. Remuneration details are shown on Table 3 attached.

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) sets the salaries for the Chief Executives of Scottish Local Authorities. Circular CO/146, issued on 20 December 2013 provides details of salary scales to be paid to Chief Officers for the period 1 April 2013 to 31 March 2015. The salaries of Directors are based on 84 percent of the Chief Executive's salary.

### **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 2013/14 are still the same as 2012/13, however the earning bands have changed for 2013/14 and are shown as follows (2012/13 figures are in brackets):

## Remuneration Report (continued)

### Pension Benefits (continued)

Whole time pay (2012/13 in brackets)	Contribution rate 2013/14	Contribution rate 2012/13
On earnings up to and including £19,800 (£19,400)	5.5%	5.5%
On earnings above £19,800 and up to £24,200 (£19,400 - £23,700)	7.25%	7.25%
On earnings above £24,200 and up to £33,200 (£23,700 - £32,500)	8.5%	8.5%
On earnings above £33,200 and up to £44,200 (£32,500 - £43,300)	9.5%	9.5%
On earnings above £44,200 (£43,300)	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 total 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, payments to the pension fund for early retirement and up until February 2013, the capitalised cost of compensatory added years payments. In February 2013, the Council agreed a revised scheme to allow employees to apply for Voluntary Early Retirement or Voluntary Severance if they are employed in a service where jobs may be at risk. The scheme no longer allows for any enhancement to retirement benefits in the form of added years service. Table 7 shows the number of employees who have accepted exit packages over the last two years and the total cost of these packages.

## Remuneration Report (continued)

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

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

Councillor Name and Responsibility	Salary, fees and allowances	Taxable Expenses	Total Remuneration 2013/14	Total Remuneration 2012/13
	£	£	£	£
<b>Senior Councillors</b>				
Allan Wright: Leader of the Council	27,058		27,058	26,076
Stewart Cree: Convener of the Council	20,294		20,294	20,016
John Cowe: Chair, Economic Development & Infrastructure	20,294		20,294	278
Lorna Creswell: Chair, Health & Social Care from 20 November 2013 (Note 1)	7,339		7,339	-
Gordon McDonald: Chair, Audit Performance & Review	20,294		20,294	20,016
Eric McGillivray: Chair: Communities	20,294		20,294	20,016
Anne McKay: Chair, Health & Social Care until 12 November 2013 (Note 1)	12,565		12,565	18,181
Pearl Paul: Leader of the largest opposition group	20,294		20,294	20,016
Douglas Ross: Chair, Planning & Regulatory Services	20,294		20,294	18,181
Ron Shepherd: Chair, Licensing and Convener of Grampian Valuation Joint Board (Note 2)	20,294		20,294	20,016
Anne Skene: Chair, Children & Young People	20,294		20,294	18,181
<b>Total</b>	<b>209,314</b>		<b>209,314</b>	<b>180,977</b>

Note 1 Councillor McKay was chair of the Health and Social Care Committee until 12 November 2013 when she stood down from this position. Councillor Creswell was appointed as Acting Chair of the Health and Social Care Committee from 20 November 2013 and received the senior councillor salary from this date. She was formally appointed to this post by the Moray Council on 11 February 2014.

Note 2 Councillor Shepherd is Convener of the Grampian Valuation Joint Board. 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 Report (continued)

**TABLE 2: Remuneration paid to Councillors**

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

Type of Remuneration	2013/14	2012/13
	£	£
Salaries	466,890	464,318
Allowances	-	-
Expenses	45,797	46,035
<b>TOTAL</b>	<b>512,687</b>	<b>510,353</b>

**TABLE 3: Remuneration of Senior Employees of the Council**

Name and Post Title	Salary, fees and allowances	Taxable Expenses (Note 2)	Total Remuneration 2013/14	Total Remuneration 2012/13
	£	£	£	£
Roderick Burns – Chief Executive	104,562	36	104,598	105,182
Mark Palmer - Corporate Director (Corporate Services)	88,157	242	88,399	89,064
Sandy Riddell - Corporate Director (Education and Social Care)	88,075	239	88,314	88,936
Richard Hartland - Corporate Director (Environmental Services) until 1 December 2013 (Note 1)	59,118	235	59,353	88,975
Jill Stewart, Acting Corporate Director (Environmental Services) from 2 December 2013 (Note 1)	29,039 Full year equivalent (£87,832)	-	29,039	-
<b>TOTAL</b>	<b>368,951</b>	<b>752</b>	<b>369,703</b>	<b>372,157</b>

Note 1 Richard Hartland retired from his post as Corporate Director (Environmental Services) on 1 December 2013. Jill Stewart was appointed Acting Corporate Director for Environmental Services from the following day, 2 December 2013. The remainder of her remuneration for the year is not disclosed as this relates to non-director duties.

Note 2 Taxable expenses include payments for essential user car allowance and telephone costs.



## Remuneration Report (continued)

### Pension Benefits

**TABLE 4: Senior Councillors**

The pension entitlements for Senior Councillors for the year to 31 March 2014 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 2014	For the year to 31 March 2013		As at 31 March 2014	Difference from March 2013
	£	£		£000	£000
<b>Senior Councillors</b>					
Allan Wright: Leader of the Council	5,222	5,033	Pension Lump Sum	2 -	- -
Stewart Cree: Convener of the Council	3,917	3,863	Pension Lump Sum	2 2	- -
John Cowe: Chair, Economic Development & Infrastructure	3,917	54	Pension Lump Sum	- -	- -
Lorna Creswell: Chair, Health & Social Care from 20 November 2013	1,416	-	Pension Lump Sum	1 -	- -
Gordon McDonald: Chair, Audit Performance & Review	3,917	3,863	Pension Lump Sum	2 2	- -
Eric McGillivray: Chair: Communities	3,917	3,863	Pension Lump Sum	2 2	- -
Anne McKay: Chair, Health & Social Care until 12 November 2013	2,425	3,509	Pension Lump Sum	2 1	- -
Pearl Paul: Leader of the largest opposition group	3,917	3,863	Pension Lump Sum	3 2	- -
Douglas Ross: Chair, Planning & Regulatory Services	3,917	-	Pension Lump Sum	- -	- -
Anne Skene: Chair, Children & Young People	3,917	3,509	Pension Lump Sum	1 -	1 -
<b>TOTAL</b>	<b>36,482</b>	<b>27,557</b>		<b>24</b>	<b>1</b>

Senior Councillor Ron Shepherd is not a member of the Local Government Pension Scheme. Councillor Douglas Ross joined the scheme on 1 April 2013.

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

## Remuneration Report (continued)

**TABLE 5: Senior Employees**

The pension entitlements of Senior Employees for the year to 31 March 2014 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 2014	For the year to 31 March 2013		As at 31 March 2014	Difference from March 2013
	£	£		£000	£000
Roderick Burns – Chief Executive	20,181	20,181	Pension Lump Sum	43 104	1 -
Mark Palmer – Corporate Director (Corporate Services)	17,014	17,014	Pension Lump Sum	28 61	2 -
Sandy Riddell – Corporate Director (Education and Social Care)	16,998	16,983	Pension Lump Sum	41 101	1 -
Richard Hartland – Corporate Director (Environmental Services) until 1 December 2013	11,410	17,003	Pension Lump Sum	43 108	1 -
Jill Stewart – Corporate Director (Environmental Services) from 2 December 2013	5,605	-	Pension Lump Sum	31 73	4 6
<b>TOTAL</b>	<b>71,208</b>	<b>71,181</b>		<b>633</b>	<b>15</b>

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

## Remuneration Report (continued)

**TABLE 6: General Disclosure by Pay Band**

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	
	2013/14	2012/13
£50,000 - £54,999	28	27
£55,000 - £59,999	24	22
£60,000 - £64,999	2	3
£65,000 - £69,999	2	2
£70,000 - £74,999	12	10
£75,000 - £79,999	1	-
£85,000 - £89,999	2	3
£100,000 - £104,999	1	-
£105,000 - £109,999	-	1
Total	72	68

**TABLE 7: Exit Packages**

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 and payments to the pension fund for early retirement. The figures for 2012/13 also include the capitalised cost of compensatory added years payments, if applicable. From February 2013, such enhancements are not awarded under the Voluntary Early Retirement/Voluntary Severance schemes.

Exit Packages						
Banding	2013/14			2012/13		
	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	11	15	96,865	13	8	96,735
£20,001 - £40,000	-	5	117,186	-	3	85,997
£40,001 - £60,000	-	-	-	-	2	108,660
£60,001 - £80,000	-	-	-	-	1	77,031
£80,001 - £100,000	1	1	173,478	-	-	-
£100,001 - £150,000	-	-	-	-	1	126,100
Total	12	21	387,529	13	15	494,523

## Remuneration Report (continued)

### Termination Benefits

During 2013/14 the Council terminated the contracts of 33 employees. The contracts were terminated as a result of either budget savings, the redesign of council services or council restructuring. The cost to the Council was £0.188M comprising redundancy payments only.

Termination benefits in 2012/13 totalled £0.193M comprising £0.177M redundancy payments and £0.016M 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 (2012/13 only) are not included in the termination benefits figures above.

.....  
Councillor Allan Wright  
Leader of the Council

29 September 2014

.....  
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 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 Restated</b>									
Surplus or (deficit) on provision of services (accounting basis)	20,148	(9,220)	-	-	-	-	10,928	-	10,928
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	(11,938)	(11,938)
<b>Total Comprehensive Expenditure and Income</b>	<b>20,148</b>	<b>(9,220)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,928</b>	<b>(11,938)</b>	<b>(1,010)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(18,407)	9,215	(21)	(4)	98	-	(9,119)	9,119	-
<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 Restated</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>

## Movement in Reserves Statement (continued)

General Fund	Housing Revenue	Capital Receipts	Capital Grants	Capital Fund	Other Statutory	Total Usable	Unusable Reserves	Total Authority
-----------------	--------------------	---------------------	-------------------	-----------------	--------------------	-----------------	----------------------	--------------------

	Balance £000	Account £000	Reserve £000	Unapplied £000	£000	Funds £000	Reserves £000	£000	Reserves £000
<b>Balance at 31 March 2013 Restated</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>Movement in Reserves 2013/14</b>									
Surplus or (deficit) on provision of services (accounting basis)	14,101	(3,320)	-	-	-	-	10,781	-	10,781
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	52,822	52,822
<b>Total Comprehensive Expenditure and Income</b>	<b>14,101</b>	<b>(3,320)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,781</b>	<b>52,822</b>	<b>63,603</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(15,692)	3,338	1	(1)	(98)	-	(12,452)	12,452	-
<b>Net Increase / (Decrease) before Transfers to Other Statutory Funds</b>	<b>(1,591)</b>	<b>18</b>	<b>1</b>	<b>(1)</b>	<b>(98)</b>	<b>-</b>	<b>(1,671)</b>	<b>65,274</b>	<b>63,603</b>
Transfers to / from Other Statutory Funds (Note 8)	(8)	(7)	-	-	-	15	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>(1,599)</b>	<b>11</b>	<b>1</b>	<b>(1)</b>	<b>(98)</b>	<b>15</b>	<b>(1,671)</b>	<b>65,274</b>	<b>63,603</b>
<b>Balance at 31 March 2014</b>	<b>21,381</b>	<b>1,126</b>	<b>797</b>	<b>68</b>	<b>-</b>	<b>4,018</b>	<b>27,390</b>	<b>340,621</b>	<b>368,011</b>

## Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost for the year ended 31 March 2014, 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.

2012/13			2013/14		
Restated Expenditure	Income	Restated Net	Expenditure	Income	Net
£000	£000	£000	£000	£000	£000
85,047	(1,004)	84,043	87,246	(1,137)	86,109
34,662	(27,505)	7,157	34,118	(25,982)	8,136
23,255	(14,497)	8,758	19,502	(15,148)	4,354
10,705	(1,788)	8,917	11,674	(1,919)	9,755
18,438	(3,753)	14,685	16,656	(2,965)	13,691
17,234	(7,377)	9,857	15,553	(6,141)	9,412
869	(422)	447	778	(412)	366
5,999	(3,703)	2,296	5,834	(3,835)	1,999
63,248	(10,385)	52,863	65,642	(10,535)	55,107
3,890	-	3,890	-	-	-
14,268	(8,365)	5,903	-	-	-
593	-	593	600		600
2,656	-	2,656	2,647	(28)	2,619
811	5	816	769	6	775
3,237	(938)	2,299	2,753	(791)	1,962
284,912	(79,732)	205,180	263,772	(68,887)	194,885
		<b>Cost Of Services</b>			
		813			525
		14,249			16,058
		(231,170)			(222,249)
		<b>(10,928)</b>			<b>(10,781)</b>
		(23)			(16,745)
		11,961			(36,077)
		<b>11,938</b>			<b>(52,822)</b>
		<b>1,010</b>			<b>(63,603)</b>
		<b>Total Comprehensive Net (Income)/Expenditure</b>			

\* Responsibility for Police and Fire and Rescue Services transferred to the Scottish Government on 1 April 2013.





## Balance Sheet as at 31 March 2014

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 2013 £000		Notes	31 March 2014 £000
625,891	Property, Plant & Equipment	12	673,266
903	Heritage Assets	13	903
3,762	Investment Property	14	3,762
123	Intangible Assets	15	132
697	Long Term Investments	16	-
970	Long Term Debtors	16	944
<u>632,346</u>	<b>Long Term Assets</b>		<u>679,007</u>
164	Short Term Investments	16	-
610	Inventories	17	811
11,705	Short Term Debtors	18	11,363
849	Assets held for sale	19	1,983
<u>13,328</u>	<b>Current Assets</b>		<u>14,157</u>
(1,316)	Cash and Cash Equivalents	20	(9,044)
(7,921)	Short Term Borrowing	16	(19,439)
<u>(31,757)</u>	Short Term Creditors	21	<u>(21,728)</u>
(40,994)	<b>Current Liabilities</b>		(50,211)
(170)	Provisions	22	(463)
(138,255)	Long Term Borrowing	16	(141,573)
(36,061)	Other Long Term Liabilities	16	(35,654)
<u>(125,786)</u>	Pensions Liability	37	<u>(97,252)</u>
(300,272)	<b>Long Term Liabilities</b>		(274,942)
<u><b>304,408</b></u>	<b>Net Assets</b>		<u><b>368,011</b></u>

## Balance Sheet as at 31 March 2014 (continued)

31 March 2013		Notes	31 March 2014
£000			£000
22,980	General Fund Balance	23	21,381
1,115	Housing Revenue Account	23	1,126
796	Capital Receipts Reserve	23	797
69	Capital Grants Unapplied	23	68
98	Capital Fund	23	-
4,003	Other Statutory Funds	23	4,018
<u>29,061</u>	<b>Usable Reserves</b>		<u>27,390</u>
95,931	Revaluation Reserve	24	109,374
318,667	Capital Adjustment Account	24	341,682
(8,506)	Financial Instruments Adjustment Account	24	(8,204)
(193)	Icelandic Banks Statutory Adjustment Account	24	-
(4,766)	Employee Statutory Adjustment Account	24	(4,979)
(125,786)	Pensions Reserve	24	(97,252)
<u>275,347</u>	<b>Unusable Reserves</b>		<u>340,621</u>
<u><b>304,408</b></u>	<b>Total Reserves</b>		<u><b>368,011</b></u>

The notes on pages 39 to 93 form part of the financial statements

**Margaret Wilson CPFA**

**Head of Financial Services**

**29 September 2014**

The unaudited statement of accounts was issued on 23 June 2014 and the audited statement of accounts was authorised for issue on 29 September 2014 by Margaret Wilson, Head of Financial Services.

## Cash Flow Statement

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

<b>2012/13</b> <b>£000</b> <b>Restated</b>		<b>2013/14</b> <b>£000</b>
10,928	Net surplus or (deficit) on the provision of services	10,781
28,670	Adjust net surplus or deficit on the provision of services for non cash movements	33,159
<u>(32,381)</u>	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<u>(39,362)</u>
7,217	Net cash flows from Operating Activities	4,578
(13,911)	Investing Activities (Note 26)	(24,048)
5,215	Financing Activities (Note 27)	11,742
<u>(1,479)</u>	Net increase or (decrease) in cash and cash equivalents	<u>(7,728)</u>
163	Cash and cash equivalents at the beginning of the financial year	(1,316)
<u><u>(1,316)</u></u>	<b>Cash and cash equivalents at the end of the financial year (Note 20)</b>	<u><u>(9,044)</u></u>



## **Notes to the Accounts**

### **Note 1 Accounting Policies**

#### **General**

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year ending 31 March 2014. The Council is required to prepare an Annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985, which section 12 of the Local Government in Scotland Act 2003 requires 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 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The implementation of IFRS 13 Fair Value Measurement has been deferred until 2014/15.

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 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 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 4.4% (based on long-term redemption yields available on AA rated corporate bonds of appropriate duration).

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

- quoted securities - current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market 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 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 Statement of Accounts is 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.

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

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

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

##### **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.

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**

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.

Investment property is measured initially at cost and thereafter at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses arising from revaluation are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment applies to gains and losses on disposal.

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income and Expenditure 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 2013/14 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 2013/14* (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 Fund and Capital Receipts Reserve.



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

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

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.

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 Fund** 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 phase 2 that runs from 1 April 2014 to 31 March 2019. 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. This applies to the adoption of the following new or amended standards within the 2014/15 Code:

- IFRS 10 Consolidated Financial Statements (May 2011)
- IFRS 11 Joint Arrangements (May 2011)
- IFRS 12 Disclosure of Interests in Other Entities (May 2011)
- IFRS 13 Fair Value Measurement has been deferred until 2014/15
- IAS 27 Separate Financial Statements (as amended in May 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in May 2011)
- IAS 32 Financial Instruments: Presentation (as amended in Dec 2011)
- Annual Improvements to IFRS 2009-2011 Cycle

The Code requires implementation from 1 April 2014 and there is, therefore, no impact on the 2013/14 Financial Statements.

IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28 relate specifically to the group accounts. These new or amended standards include a change to the definition of control and will require consideration of joint arrangements, a reassessment of the group boundary and potentially further disclosure. IAS 32 outlines disclosure requirements in respect of offsetting financial assets and liabilities. IFRS improvements are generally minor, principally providing clarification. Overall, these new or amended standards are not expected to have a significant impact on the financial statements.

## **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 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 for 2012/13 have not yet been mutually agreed, it is not thought prudent to include any monies that might be retained under this scheme in the 2013/14 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 2014 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

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

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 £0.535M 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 £7.841M.
Arrears	At 31 March 2014, 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 £0.010M.

## 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 2013/14 the following items, which all relate to capital expenditure, are regarded as material:

Nature	£M
Ongoing construction of the flooding defences schemes across Moray.	
Elgin scheme	16.430
Forres scheme - Findhorn, Pilmuir	13.090
Phase 4-5 of the construction of new Council houses. Forty dwellings were completed during the year and a further ninety two dwellings were under construction at 31 March 2014	9.330

## Note 6 Events After The Balance Sheet Date

The unaudited Statement of Accounts was issued on 23 June 2014 and the audited Statement of Accounts was authorised for issue by Margaret Wilson, Head of Financial Services on 29 September 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure recognised by the 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.

### 2012/13 Restated

	Usable Reserves							
	General Fund	HRA	Capital Receipts Reserve	Capital Grants Unapplied	Capital Fund	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>								
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 Restated

	Usable Reserves							Movement in Unusable Reserves
	General Fund	HRA	Capital Receipts Reserve	Capital Grants Unapplied	Capital Fund	Repairs & Renewals Fund	Insurance Fund	
	£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 37)	16,513	730						(17,243)
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>(18,407)</b>	<b>9,215</b>	<b>(21)</b>	<b>(4)</b>	<b>98</b>	<b>-</b>	<b>-</b>	<b>9,119</b>

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

2013/14

	Usable Reserves							Movement in Unusable Reserves
	General Fund	HRA	Capital Receipts Reserve	Capital Grants Unapplied	Capital Fund	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	15,838	4,682						(20,520)
Revaluation losses on Property, Plant & Equipment	859	3,987						(4,846)
Movements in the market value of Investment Properties	-							-
Amortisation of intangible assets	185							(185)
Capital grants and contributions applied	(32,974)	(3,319)						36,293
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	1,676	924						(2,600)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>								
Statutory provision for the financing of capital investment	(6,818)	(361)						7,179
Capital expenditure charged against the General Fund and HRA balances	(154)	(2,050)						2,204
	(532)	532						-
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>								
Application of grants to capital financing transferred to the Capital Adjustment Account				(1)				1
<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	(748)	(1,437)	2,185					-
IORB	(1)	(2)	3					-
Use of the Capital Receipts Reserve to finance new capital expenditure			(2,187)					2,187

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

2013/14

	Usable Reserves							
	General Fund	HRA	Capital Receipts Reserve	Capital Grants Unapplied	Capital Fund	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	(208)	(94)						302
<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	(193)							193
<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 37)	19,111	876						(19,987)
Employer's pensions contributions and direct payments to pensioners payable in the year	(11,931)	(513)						12,444
<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	198	15						(213)
<b>Total Adjustments</b>	<b>(15,692)</b>	<b>3,338</b>	<b>1</b>	<b>(1)</b>	<b>(98)</b>	<b>-</b>	<b>-</b>	<b>12,452</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 2013/14.

### Statutory Funds

	Repairs & Renewals Fund £000	Insurance Fund £000	Total £000
Balance at 1st April 2012	2,766	1,357	4,123
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>
Transfers Out 2013/14	-	-	-
Transfers In 2013/14	10	5	15
Balance at 31st March 2014	<u>2,651</u>	<u>1,367</u>	<u>4,018</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 2012	19,265	1,704	135	8	21,112
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>
Transfers Out 2013/14	-	(299)	-	(1,553)	(1,852)
Transfers In 2013/14	186	-	8	59	253
Balance at 31st March 2014	<u>19,730</u>	<u>1,430</u>	<u>162</u>	<u>59</u>	<u>21,381</u>

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

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

Other Funds. These funds are grants and contributions unspent at the reporting year end which have restrictions on their use. The majority of the earmarked funds held at 31 March 2013, (£1.546M) related to Police and Fire Board Reserves held on behalf of the Scottish Government. These funds have been released during the year and accounted for in accordance with the guidance. During the year £0.059M was transferred from the A.S. Murdoch Trust to be used to upgrade/maintain Sanquhar Loch in Forres.



## Note 9 Other Operating Expenditure

	2012/13 £000	2013/14 £000
Movement on revaluation of held for sale assets recognised in the Provision of Services	-	71
(Gain)/Loss on disposal of investments	(26)	39
(Gains)/Losses on disposal of non-current assets	839	415
	<u>813</u>	<u>525</u>

## Note 10 Financing and Investment Income and Expenditure

	2012/13 £000 <b>Restated</b>	2013/14 £000
Interest payable and similar charges	11,293	11,244
Net interest on the net defined benefit liability	5,020	5,000
Interest receivable and similar income	(300)	(178)
Income & Expenditure in relation to investment properties	(6)	(8)
Movement on revaluation of Investment Property	(1,758)	-
	<u>14,249</u>	<u>16,058</u>

## Note 11 Taxation and Non-Specific Grant Income

	2012/13 £000	2013/14 £000
Council tax income	38,310	34,439
Non domestic rates	28,502	30,668
Non-ring fenced Government grants	132,786	120,849
Capital grants and contributions	31,572	36,293
	<u>231,170</u>	<u>222,249</u>

## Note 12 Property, Plant and Equipment

### Comparative Movements in 2012/13:

	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 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)
Derecognition – other	(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>

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

### Movement in 2013/14:

	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 2013	178,820	311,949	37,193	122,130	1,969	2,656	57,470	712,187
Additions	9,154	4,637	2,745	7,239	-	-	35,940	59,715
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,601)	(492)	-	-	(184)	(122)	-	(2,399)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,009)	(2,058)	-	-	-	13	-	(6,054)
Derecognition – disposals	-	(1,396)	(2,118)	-	-	-	-	(3,514)
Derecognition – other	-	-	-	-	-	-	(2)	(2)
Assets reclassified (to)/from Held for Sale	(1,122)	(820)	-	-	-	(492)	-	(2,434)
Other movements in cost or valuation	386	558	-	-	-	484	(1,428)	-
<b>At 31 March 2014</b>	<b>181,628</b>	<b>312,378</b>	<b>37,820</b>	<b>129,369</b>	<b>1,785</b>	<b>2,539</b>	<b>91,980</b>	<b>757,499</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2013	12,356	31,567	22,070	19,923	329	51	-	86,296
Depreciation charge	4,450	9,321	3,151	3,524	56	16	-	20,518
Depreciation written out to the Revaluation Reserve	-	(19,069)	-	-	(69)	(6)	-	(19,144)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(1,270)	-	-	-	(9)	-	(1,279)
Derecognition – disposals	-	(212)	(1,869)	-	-	-	-	(2,081)
Assets reclassified (to)/from Held for Sale	(77)	-	-	-	-	-	-	(77)
Other movements in depreciation and impairment	-	-	-	-	-	-	-	-
<b>At 31 March 2014</b>	<b>16,729</b>	<b>20,337</b>	<b>23,352</b>	<b>23,447</b>	<b>316</b>	<b>52</b>	<b>-</b>	<b>84,233</b>
<b>Net Book Value</b>								
at 31 March 2013	166,464	280,382	15,123	102,207	1,640	2,605	57,470	625,891
at 31 March 2014	164,899	292,041	14,468	105,922	1,469	2,487	91,980	673,266

## 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 2014, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years budgeted to cost £42.717M. Similar commitments at 31 March 2013 were £69.517M. The major commitments are:

	2013/14 £000
Schools Estate Projects	1,882
Flood Alleviation Schemes	30,028
HRA Capital Projects	1,114
HRA Council House New Build	9,693
	<u>42,717</u>

### Effect of Changes in Estimates

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

### Revaluations

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

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Carried at historical cost	-	12,832	37,820	129,369	717	804	91,980	273,522
valued at fair value as at:								
01 April 2013	3,930	213,224	-	-	477	20	-	217,651
01 April 2012	8,709	21,304	-	-	591	762	-	31,366
01 April 2011	2,593	27,606	-	-	-	38	-	30,237
01 April 2010	166,396	18,225	-	-	-	915	-	185,536
01 April 2009	-	19,187	-	-	-	-	-	19,187
Total cost or valuation	<b>181,628</b>	<b>312,378</b>	<b>37,820</b>	<b>129,369</b>	<b>1,785</b>	<b>2,539</b>	<b>91,980</b>	<b>757,499</b>

## Note 13 Heritage Assets

This note details the movement in Heritage Assets during 2013/14.

	<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 2012	903	-	903
Revaluations	-	-	-
<b>At 31 March 2013</b>	<b>903</b>	<b>-</b>	<b>903</b>
Valuation at 1 April 2013	903	-	903
Revaluations	-	-	-
<b>At 31 March 2014</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 Chains of Office were valued for insurance purposes during 2013/14, which values fall below the reporting de minimus.

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 2014</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>2012/13 £000</b>	<b>2013/14 £000</b>
Rental income from investment property	6	8
Net gain/ (loss)	<u>6</u>	<u>8</u>

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

## Note 14 Investment Property (continued)

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

	2012/13 £000	2013/14 £000
Balance at start of the year	1,602	3,762
Newly classified as investment property	888	-
Declassified as investment property	(486)	-
Net gains/losses from fair value adjustments	1,758	-
Balance at end of the year	<u>3,762</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	
5 years	934

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.185M charged to revenue in 2013/14 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. (£0.152M 2012/13)

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

	2012/13 £000	2013/14 £000
Balance at start of year:		
Gross carrying amount	628	740
Accumulated amortisation	465	617
Net carrying amount at start of year	<u>163</u>	<u>123</u>
Additions:		
Purchases	112	194
Amortisation for the period	152	185
Net carrying amount at end of year	<u>123</u>	<u>132</u>
Comprising:		
Gross carrying amounts	740	934
Accumulated amortisation	617	802
	<u>123</u>	<u>132</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	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Investments				
Loans and receivables	697	-	164	-
Total Investments	697	-	164	-
Cash & Cash Equivalents				
Cash and bank	-	-	4,514	(3,311)
Cash equivalent carried at contract amounts	-	-	(5,830)	(5,733)
Total Cash & Cash equivalents			(1,316)	(9,044)
Debtors				
Loans and receivables	970	944	-	-
Financial assets carried at contract amounts	-	-	11,705	11,363
Total Debtors	970	944	11,705	11,363
Borrowings				
Financial liabilities at amortised cost	138,255	141,573	7,921	19,439
Total Borrowings	138,255	141,573	7,921	19,439
Other Long Term Liabilities				
Financial liabilities at amortised cost	1,956	2,171	-	-
Finance lease and PPP liabilities	34,105	33,483	-	-
Total Other Long Term Liabilities	36,061	35,654	-	-
Creditors				
Financial liabilities carried at contract amount (including finance lease and PPP liabilities)	-	-	31,757	21,728
Total Creditors	-	-	31,757	21,728

## 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:

	2012/13			2013/14		
	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	11,397	-	11,397	11,336	-	11,336
Impairment losses	-	44	44	-	133	133
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	11,397	44	11,441	11,336	133	11,469
Interest income	-	(173)	(173)	-	(177)	(177)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	-	(173)	(173)	-	(177)	(177)
<b>Net loss/(gain) for the year</b>	11,397	(129)	11,268	11,336	(44)	11,292

### 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
- 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:

	2012/13		2013/14	
	Restated			
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial liabilities	219,824	304,564	227,461	288,182

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. Also, for 2013/14 fair value of long term finance lease liabilities have been included for the photocopier finance lease and the Education Services Public Private Partnership 30 year finance lease. The totals for 2012/13 has been restated to enable comparisons between years.

Financial Assets	18,050	18,129	12,330	12,330
------------------	--------	--------	--------	--------

At 31 March 2014 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 (£11.386M) 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>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>

<b>2013/14</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	169	743	(720)	192
Fleet Services	197	2,774	(2,767)	204
Road Maintenance	83	456	(310)	229
Other	147	1,183	(1,176)	154
Client Services Work in Progress	14	-	18	32
<b>Total</b>	<b>610</b>	<b>5,156</b>	<b>(4,955)</b>	<b>811</b>

## Note 18 Short Term Debtors

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Central Government Bodies	4,068	5,299
Other Local Authorities	2,320	101
NHS Bodies	263	239
Public Corporations	502	526
Other entities and individuals	4,552	5,198
	<b>11,705</b>	<b>11,363</b>

## Note 19 Assets Held for Sale

	<b>2012/13 £000</b>	<b>Current Assets 2013/14 £000</b>
<b>Balance outstanding at 1 April</b>	<b>583</b>	<b>849</b>
Assets newly classified as held for sale:		
Property, Plant and Equipment	858	2,372
Revaluation gains/(losses)	-	(71)
Assets declassified as held for sale:		
Property, Plant and Equipment	(198)	-
Assets sold	(394)	(1,167)
<b>Balance outstanding at 31 March</b>	<b>849</b>	<b>1,983</b>

## Note 20 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>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Cash Held by the Council	23	23
Bank Current/ Call Accounts	4,491	(3,334)
	<u>4,514</u>	<u>(3,311)</u>
Amounts Owed to Other Bodies	(5,830)	(5,733)
Total Cash & Cash Equivalents	<u>(1,316)</u>	<u>(9,044)</u>

## Note 21 Short Term Creditors

	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Central government bodies	9,845	4,230
Other local authorities	2,000	2,152
NHS bodies	309	769
Public corporations and trading funds	193	396
Other entities and individuals	19,410	14,181
Total	<u>31,757</u>	<u>21,728</u>

## Note 22 Provisions

	<b>Equal Pay</b>	<b>Flood</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance as at 1 April 2013	170	-	170
Settlements made in 2013/14	(7)	-	(7)
Additional provision made in 2013/14	-	300	300
Balance as at 31 March 2014	<u>163</u>	<u>300</u>	<u>463</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.

A provision has also been made in respect of a potential claim for compensation as a result of the ongoing flood alleviation works.

The Council believes that the amounts provided represent 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

2012/13 £000		2013/14 £000
95,931	Revaluation Reserve	109,374
318,667	Capital Adjustment Account	341,682
(8,506)	Financial Instruments Adjustment Account	(8,204)
(193)	Icelandic Banks Statutory Adjustment Account	-
(4,766)	Employee Statutory Adjustment Account	(4,979)
(125,786)	Pensions Reserve	(97,252)
<b>275,347</b>	<b>Total Reserves</b>	<b>340,621</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.

2012/13 £000		2013/14 £000
98,343	Balance at 1 April	95,931
3,776	Upward revaluation of assets	28,131
(3,753)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(11,386)
<b>23</b>	<b>Surplus or deficit on revaluation on non-current assets not posted to the Surplus of Deficit on the provision of Services</b>	<b>16,745</b>
(1,852)	Difference between fair value depreciation and historical cost depreciation	(2,867)
(583)	Accumulated gains on assets sold or scrapped	(435)
<b>(2,435)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(3,302)</b>
<b>95,931</b>	<b>Balance at 31 March</b>	<b>109,374</b>

## Note 24 Unusable Reserves (continued)

### Capital Adjustment Account

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

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2012/13 £000		2013/14 £000
302,824	Balance at 1 April	318,667
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement	
(18,601)	Charges for depreciation and impairment of non-current assets	(20,520)
(9,346)	Revaluation losses on Property, Plant and Equipment	(4,846)
(152)	Amortisation of Intangible Assets	(185)
(1,622)	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	(2,600)
<u>(29,721)</u>		<u>(28,151)</u>
2,435	Adjusting amounts written out of the Revaluation Reserve	3,302
<u>(27,286)</u>	Net written out amount of the cost of non-current assets consumed in the year	<u>(24,849)</u>
	Capital financing applied in the year:	
807	Use of the Capital Receipts Reserve to finance new capital expenditure	2,187
31,572	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	36,293
4	Application of grants to capital financing from the Capital Grants Unapplied Account	1
6,848	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	7,179
2,140	Capital expenditure charged against the General Fund and HRA balances	2,204
<u>41,371</u>		<u>47,864</u>
1,758	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-
<u>318,667</u>	Balance 31 March	<u>341,682</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 2014 will be charged to the General Fund over the next 40 years.

2012/13 £000		2013/14 £000
(8,822)	Balance at 1 April	(8,506)
303	Proportion of premiums incurred in previous financial years to be charged against the General Fund balance in accordance with statutory requirements	300
13	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	2
<u>(8,506)</u>	Balance at 31 March	<u>(8,204)</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 Council's claims against Landsbanki were sold in January 2014 and the balance on this account was charged against the General Fund in accordance with statutory requirements.

2012/13 £000		2013/14 £000
(256)	Balance at 1 April	(193)
114	Notional Interest Required by Statute	-
-	Amount charged against the General Fund in accordance with statutory requirements	193
(51)	(Increase)/ Decrease in Impairment Loss	-
<u>(193)</u>	Balance at 31 March	<u>-</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.

2012/13 £000			2013/14 £000
(5,148)	Balance at 1 April		(4,766)
5,148	Settlement or cancellation of accrual made at the end of the preceding year	4,766	
<u>(4,766)</u>	Amounts accrued at the end of the current year	<u>(4,979)</u>	
382	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		(213)
<u>(4,766)</u>	Balance at 31 March		<u>(4,979)</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 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.

2012/13 Restated £000			2013/14 £000
(108,775)	Balance at 1 April		(125,786)
(11,961)	Remeasurements (liabilities & assets)		36,077
(17,243)	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		(19,987)
12,193	Employer's pensions contributions and direct payments to pensioners payable in the year		12,444
<u>(125,786)</u>	Balance at 31 March		<u>(97,252)</u>

## Note 25 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	<b>2012/13</b> <b>£000</b>	<b>2013/14</b> <b>£000</b>
Interest Received	(185)	(177)
Interest Paid	11,247	11,226

## Note 26 Cash Flow Statement - Investing Activities

	<b>2012/13</b> <b>£000</b>	<b>2013/14</b> <b>£000</b>
Purchase of property, plant and equipment, investments, property and intangible assets	47,694	63,487
Other payments for investing activities	151	33
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(915)	(2,221)
Proceeds from the sale of shares	(26)	-
Proceeds from short term and long term investments	-	(884)
Other receipts from investing activities	(32,993)	(36,367)
Net cash flows from investing activities	<u>13,911</u>	<u>24,048</u>

## Note 27 Cash Flow Statement - Financing Activities

	<b>2012/13</b> <b>£000</b>	<b>2013/14</b> <b>£000</b>
Cash receipts of short-term and long-term borrowing	(7,000)	(23,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases	596	626
Repayment of short and long-term borrowing	591	8,182
Other payments/(receipts) for financing activities	598	2,450
Net cash flows from financing activities	<u>(5,215)</u>	<u>(11,742)</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

### Directorate Income and Expenditure 2012/13

	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>

### Directorate Income and Expenditure 2013/14

	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	(2,225)	(9,904)	(10,140)	(1,273)	(9,454)	(554)	(14,781)	(48,331)
Government grants	(1,801)	(381)	(503)	(1,167)	(34)	(16,303)	(367)	(20,556)
<b>Total Income</b>	<b>(4,026)</b>	<b>(10,285)</b>	<b>(10,643)</b>	<b>(2,440)</b>	<b>(9,488)</b>	<b>(16,857)</b>	<b>(15,148)</b>	<b>(68,887)</b>
Employee expenses	64,974	18,250	5,081	3,972	10,810	4,043	2,483	109,613
Other service expenses	32,053	31,519	5,846	2,939	18,257	18,865	7,119	116,598
Support Service Recharges	3,987	884	601	521	1,035	1,425	1,085	9,538
<b>Total operating expenses</b>	<b>101,014</b>	<b>50,653</b>	<b>11,528</b>	<b>7,432</b>	<b>30,102</b>	<b>24,333</b>	<b>10,687</b>	<b>235,749</b>
<b>Cost of Services</b>	<b>96,988</b>	<b>40,368</b>	<b>885</b>	<b>4,992</b>	<b>20,614</b>	<b>7,476</b>	<b>(4,461)</b>	<b>166,862</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 include in the Comprehensive Income and Expenditure Statement.

	2012/13 £000 Restated	2013/14 £000
Cost of Services in Service Analysis	176,496	166,862
Add amounts not reported to management	40,877	40,467
Remove amounts reported to management not included in Comprehensive Income and Expenditure Statement	(12,193)	(12,444)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>205,180</b>	<b>194,885</b>

### Reconciliation to Subjective Analysis 2012/13 Restated

	Service Analysis £000	Not reported to management £000	Not included in C I & I £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)	-	(51,278)
Interest and investment income	-	-	-	-	-	(306)	(306)
Income from council tax	-	-	-	-	-	(38,310)	(38,310)
Government grants and contributions	(29,010)	-	-	-	(29,010)	(192,860)	(221,870)
<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	12,223	(12,193)	8,406	120,046	5,020	125,066
Other service expenses	134,256	-	-	2,512	136,768	-	136,768
Support Service recharges	10,362	-	-	(10,362)	-	-	-
Depreciation, amortisation and impairment	-	28,654	-	-	28,654	(1,758)	26,896
Interest Payments	-	-	-	-	-	11,293	11,293
Gain/Loss on Disposal of Non Current Assets	-	-	-	-	-	813	813
<b>Total operating expenses</b>	<b>256,228</b>	<b>40,877</b>	<b>(12,193)</b>	<b>556</b>	<b>285,468</b>	<b>15,368</b>	<b>300,836</b>
<b>Net Cost of Services</b>	<b>176,496</b>	<b>40,877</b>	<b>(12,193)</b>	<b>-</b>	<b>205,180</b>		
<b>(Surplus) or deficit on provision of services</b>							<b>(10,928)</b>

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

### Reconciliation to Subjective Analysis 2013/14

	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	(48,331)	-	-	(378)	(48,709)	-	<b>(48,709)</b>
Interest and investment income	-	-	-	-	-	(186)	<b>(186)</b>
Income from council tax	-	-	-	-	-	(34,439)	<b>(34,439)</b>
Government grants and contributions	(20,556)	-	-	(2)	(20,558)	(187,810)	<b>(208,368)</b>
<b>Total Income</b>	<b>(68,887)</b>	<b>-</b>	<b>-</b>	<b>(380)</b>	<b>(69,267)</b>	<b>(222,435)</b>	<b>(291,702)</b>
Employee expenses	109,613	14,987	(12,444)	8,488	120,644	5,000	<b>125,644</b>
Other service expenses	116,598	-	-	1,430	118,028	-	<b>118,028</b>
Support Service recharges	9,538	-	-	(9,538)	-	-	<b>-</b>
Depreciation, amortisation and impairment	-	25,480	-	-	25,480	71	<b>25,551</b>
Interest Payments	-	-	-	-	-	11,244	<b>11,244</b>
Gain/Loss on Disposal of Non Current Assets	-	-	-	-	-	454	<b>454</b>
<b>Total operating expenses</b>	<b>235,749</b>	<b>40,467</b>	<b>(12,444)</b>	<b>380</b>	<b>264,152</b>	<b>16,769</b>	<b>280,921</b>
<b>Net Cost of Services</b>	<b>166,862</b>	<b>40,467</b>	<b>(12,444)</b>	<b>-</b>	<b>194,885</b>		
<b>(Surplus) or deficit on the provision of services</b>							<b>(10,781)</b>

## Note 29 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:-

	2012/13 £000	2013/14 £000
Fees payable in respect of external audit services: carried out by the appointed auditor for the year. audit fee	252	247
<b>Total</b>	<b>252</b>	<b>247</b>

## Note 30 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14

	2012/13 £000	2013/14 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	132,786	120,849
National non domestic rates	28,502	30,668
Capital Grant and Contributions	31,572	36,293
<b>Total</b>	<b>192,860</b>	<b>187,810</b>
<b>Credited to services</b>		
Housing Benefits	16,151	15,578
Joint Boards	7,799	-
Private Sector Housing Grant	465	502
Other Grants	4,739	4,166
<b>Contributions</b>		
NHS Grampian - Resource Transfer	5,430	5,319
Other Contribution	518	427
<b>Donations</b>	<b>4</b>	<b>10</b>
<b>Total</b>	<b>35,106</b>	<b>26,002</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:

	2012/13 £000	2013/14 £000
<b>Grants received in Advance</b>		
Capital Grants	2,976	1,922
Revenue Support Grant	717	-
Other Grants	543	889
<b>Total</b>	<b>4,236</b>	<b>2,811</b>

## Note 31 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 2013/14 was as follows:

	2012/13	2013/14
	£000	£000
Revenue Support Grant and Non Domestic Rate income	161,288	151,517
Scottish Government Grants	28,040	19,488

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 30.

Members of the Council have direct control over the Council's financial and operating policies. During 2013/14 no works or services were commissioned from companies in which any member had a noted interest. Details of members expenses are included in the Remuneration Report.

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

	£000	£000
Funding received amounted to	5,430	5,318

The amount receivable and included in debtors at 31 March 2014 was £0.239M (£0.325M at 31 March 2013).

	£000	£000
European Union Funding received	970	1,039

The amount receivable and included in debtors at 31 March 2014 was £1.01M (£nil at 31 March 2013).

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

	£000	£000
Grampian Valuation Joint Board	594	600
Grampian Joint Fire & Rescue Board	3,890	-
Grampian Joint Police Board	5,903	-

From April 2013, regional Police and Fire Services became single services serving the whole of Scotland: Police Scotland and Scottish Fire and Rescue Service, funded directly by the Scottish Government.

The amount receivable and included in debtors at 31 March 2014 is £nil (£2.237M at 31 March 2013).

The Council provided material financial assistance to the following body:

	£000	£000
Moray Leisure Limited	678	823

The Council participates in the following partnerships:

The Highlands and Islands Transport Partnership - contribution	46	47
Scotland Excel - contribution	65	64
SEEMIS Group LLP - contribution	77	63
Northern Community Justice Authority - receipt	848	907

## Note 32 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>2012/13 £000</b>	<b>2013/14 £000</b>
Opening Capital Financing Requirement	204,455	216,930
Capital Investment:		
Property, Plant and Equipment (incl. Held for Sale)	53,734	59,730
Intangible Assets	112	194
Sources of finance:		
Capital receipts	(807)	(2,187)
Government grants and other contributions	(31,576)	(36,294)
Sum set aside from revenue:		
Direct revenue contributions	(2,140)	(2,204)
Loans fund principal	(6,848)	(7,179)
Closing Capital Financing Requirement	<u>216,930</u>	<u>228,990</u>
	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Explanations of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	8,775	12,060
Assets acquired under PFI/PPP contracts	3,700	-
Increase/(decrease) in Capital Financing Requirement	<u>12,475</u>	<u>12,060</u>

## Note 33 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 31 March is as follows:-

	2012/13 £000	2013/14 £000
Machinery, Plant, Vehicles & Equipment	103	-

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
Total	<u>184</u>	<u>(7)</u>	<u>177</u>

Outstanding obligations under finance leases at 31 March 2014 :

	Minimum Lease Payments £000	less Future Interest Charges £000	Present Value of Minimum Lease Payments £000
within one year	79	(2)	77
Total	<u>79</u>	<u>(2)</u>	<u>77</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:-

	2012/13 £000	2013/14 £000
Not later than one year	102	142
Later than one year and not later than five years	341	357
Later than five years	1,324	1,378
	<u>1,767</u>	<u>1,877</u>

The future minimum sublease payments expected to be received by the Council are £0.212M (£0.239M in 2012/13).

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to minimum lease payments was £0.165M (£0.134M in 2012/13).

## Note 33 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:

	2012/13 £000	2013/14 £000
Minimum Lease Payments	9	15
less Future Interest Charges	(1)	(1)
Present Value of Minimum Lease Payments	8	14

#### 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:-

	2012/13 £000	2013/14 £000
Not later than one year	815	759
Later than one year and not later than five years	2,438	2,411
Later than five years	25,539	23,530
	<u>28,792</u>	<u>26,700</u>

## Note 34 Impairment Losses

During 2013/14, the Council has impairment losses of £0.002M (2012/13 £nil) in relation to its Property, Plant and Equipment.

## Note 35 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:

	2012/13 £000	2013/14 £000
<b>Cost or valuation</b>		
At 1 April	31,383	35,083
Additions	3,700	-
Revaluations	-	7,745
At 31 March	35,083	42,828
<b>Accumulated Depreciation</b>		
At 1 April	1,326	2,219
Revaluations	-	(2,219)
Depreciation charge	893	2,006
At 31 March	2,219	2,006
<b>Net Book Value</b>	32,864	40,822

#### 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 2014 (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 2014/15	924	545	2,854	4,323
Payable within 2 to 5 years	3,696	2,536	10,919	17,151
Payable within 6 to 10 years	4,620	3,419	12,402	20,441
Payable within 11 to 15 years	4,620	3,775	11,001	19,396
Payable within 16 to 20 years	4,620	6,425	8,981	20,026
Payable within 21 to 25 years	4,620	9,214	5,877	19,711
Payable within 26 to 30 years	2,762	8,114	1,428	12,304
<b>Total</b>	<b>25,862</b>	<b>34,028</b>	<b>53,462</b>	<b>113,352</b>



## Note 35 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:

	2012/13	2013/14
	£000	£000
Balance outstanding at start of year	31,351	34,554
Payments during the year	(497)	(526)
Capital expenditure incurred in the year	3,700	-
Balance outstanding at year-end	34,554	34,028

## Note 36 Pension Schemes Accounted for as Defined Contribution Schemes

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

The scheme is a defined benefit scheme and is administered by the Scottish Government through the Scottish Public Pension Agency (SPPA). As the scheme is unfunded there can be not 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. As a proportion of the total contributions into the Teachers' Pension during the year ending 31 March 2014, the Council's own contributions equate to approximately 0.09%.

In 2013/14 the amount payable to the Scottish Government in respect of teachers' retirement benefits was £4.941M of which £0.652M was outstanding at 31 March 2014. The amount payable represents 14.9% of pensionable pay. The figures for 2012/13 were £5.0361M, £0.632M 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 37.

## Note 37 Defined Benefit Pension Schemes

### Participation in Pension Schemes

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

The Council participates in two schemes, the North East Scotland Local Government Pension Scheme which is administered by Aberdeen City Council and the Teachers' Scheme which is administered by the Scottish Government through the Scottish Public Pensions Agency (SPPA). Both Schemes are defined benefit schemes based on final pensionable salary. The Local Government Pension Scheme, administered by Aberdeen City Council - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets over a period of time.

## Note 37 Defined Benefit Pension Schemes (continued)

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.

The North East Scotland Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Panel. The Panel is comprised of elected members of Aberdeen City Council. Policy is determined in accordance with the Pensions Fund Regulations. There is a Joint Investment Advisory Committee (JIAC) with responsibility for monitoring the investment management of the Pension Fund and making recommendations to the Pensions panel on appointments, retention and termination of investment management contracts. The JIAC consists of 14 members, 4 elected members from Aberdeen City Council (members of the Pensions Panel), 4 elected members from Aberdeenshire Council, 2 elected members from Moray Council, 1 member representing the Colleges and Admitted Bodies, 1 member representing Scottish Water and 2 Trade Union representatives.

The principal risks to the scheme are the longevity assumptions, statutory changes to the scheme, changes to inflation, bond yields and the performance of the investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in the accounting policy note.

### Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

### Transactions Relating to Post-employment Benefits

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

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	
	Restated 2012/13 £000	2013/14 £000	Restated 2012/13 £000	2013/14 £000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services:</b>				
Current Service Cost	11,678	14,421	-	-
Past Service Cost	-	112	-	-
Settlements and Curtailment Cost	318	222	-	-
Administration Expenses	227	232	-	-
	<u>12,223</u>	<u>14,987</u>	<u>-</u>	<u>-</u>
<b>Financing and Investment Income and Expenditure</b>				
Net Interest Expense	4,828	4,830	192	170
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<u>17,051</u>	<u>19,817</u>	<u>192</u>	<u>170</u>

## Note 37 Defined Benefit Pension Schemes (continued)

	Local Government Pension Scheme		Teachers Pension Scheme	
	Restated 2012/13 £000	2013/14 £000	Restated 2012/13 £000	2013/14 £000
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets	(32,715)	(19,849)	-	-
Actuarial gains and losses arising on changes in financial assumptions	44,167	(15,978)	509	(296)
Other	-	-	-	46
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>28,503</b>	<b>(16,010)</b>	<b>701</b>	<b>(80)</b>
<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	(16,564)	28,155	(447)	379
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	11,222	11,414	-	-
Retirement benefits payable to pensioners	717	731	254	299

### Assets and Liabilities Recognised in the Balance Sheet

The change in the net pensions' liability is analysed into the following 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 related 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.

**Net Interest on the Net Defined Benefit Liability:** The change during the year in the net defined benefit liability that arises from the passage of time - charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. It is the difference between the interest (increase) in the value of the liabilities as the benefits are one year closer to being paid and the interest on pension assets based on assets held at the start of the year. The calculation is based on the discount rate in force at the beginning of the year.

**Remeasurements:** This comprises the Return on Plan Assets (excluding amounts included in the Net Interest on the Net Defined Benefit Liability) and Actuarial Gains and Losses which are changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because actuaries have updated their assumptions - charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

**Contributions 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.

## Note 37 Defined Benefit Pension Schemes (continued)

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

	Funded liabilities : Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
	Restated		Restated	
Present value of the defined benefit obligation	(430,810)	(439,284)	(18,588)	(17,737)
Fair value of plan assets	323,612	359,769	-	-
<b>Net liability arising from defined benefit obligation</b>	<b>(107,198)</b>	<b>(79,515)</b>	<b>(18,588)</b>	<b>(17,737)</b>

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

	Funded liabilities : Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
	Restated		Restated	
<b>Opening balance at 1 April</b>	<b>366,603</b>	<b>430,810</b>	<b>17,327</b>	<b>18,588</b>
Current service cost	11,678	14,421	-	-
Interest cost	17,749	17,916	813	736
Contributions from scheme participants	3,500	3,525	-	-
Remeasurement gains and (losses):				
Actuarial gains/(losses) arising from changes in financial assumptions	43,257	(15,671)	1,419	(603)
Other	-	-	-	46
Past service cost	-	112	-	-
(Losses)/gains on curtailment	318	222	-	-
Benefits paid	(12,295)	(12,051)	(971)	(1,030)
<b>Closing balance at 31 March</b>	<b>430,810</b>	<b>439,284</b>	<b>18,588</b>	<b>17,737</b>

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

	Funded liabilities : Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
	Restated		Restated	
<b>Opening fair value of scheme assets</b>	<b>275,155</b>	<b>323,612</b>	<b>-</b>	<b>-</b>
Interest Income	13,542	13,652	-	-
Remeasurement gains/(losses):				
The return on plan asset, excluding the amount in the net interest expense	32,715	19,849	-	-
Contributions from employer	11,222	11,414	971	1,030
Contributions from employees into the scheme	3,500	3,525	-	-
Benefits paid	(12,295)	(12,051)	(971)	(1,030)
Other - administration expenses	(227)	(232)	-	-
<b>Closing fair value of scheme assets</b>	<b>323,612</b>	<b>359,769</b>	<b>-</b>	<b>-</b>

## Note 37 Defined Benefit Pension Schemes (continued)

### Local Government Pension Scheme assets comprised:

Fair value of scheme assets

	<b>Quoted Prices in Active Markets £000</b>	<b>Prices not Quoted in Active Markets £000</b>	<b>Total £000</b>
31 March 2013			
U.K Equities	129,640	550	130,190
Overseas Equities	127,212	129	127,341
U.K Government Bonds	6,084	-	6,084
Other Government Bonds	15,565	-	15,565
Other U.K Bonds	3,916	-	3,916
Other non U.K Bonds	5,501	-	5,501
Property	18,608	-	18,608
Private Equity	11,229	-	11,229
Global Infrastructure	194	-	194
Cash Instruments	4,984	-	4,984
Total Assets	322,933	679	323,612
	<b>Quoted Prices in Active Markets £000</b>	<b>Prices not Quoted in Active Markets £000</b>	<b>Total £000</b>
31 March 2014			
U.K Equities	140,240	504	140,744
Overseas Equities	145,203	72	145,275
U.K Government Bonds	7,339	-	7,339
Other Government Bonds	15,111	-	15,111
Other U.K Bonds	2,014	-	2,014
Other non U.K Bonds	5,899	-	5,899
Property	21,406	-	21,406
Private Equity	12,951	-	12,951
Global Infrastructure	252	-	252
Cash Instruments	8,778	-	8,778
Total Assets	359,193	576	359,769

## Note 37 Defined Benefit Pension Schemes (continued)

### Basis for Estimating Assets and Liabilities

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

The most recent actuarial valuation was carried out as at 31 March 2011 and has been updated by Mercer Limited, independent actuaries to the North East 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 2014.

### The significant assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Liabilities Discretionary Benefits	
	2012/13	2013/14	2012/13	2013/14
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.00%	7.00%		
Bonds	2.80%	3.40%		
Other Bonds	3.90%	4.30%		
Property	5.70%	6.20%		
Cash/Liquidity	0.50%	0.50%		
Other	7.00%	Dependent on type of asset		
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	22.4	22.5	22.4	22.5
Women	25.4	25.5	25.4	25.5
Longevity at 65 for future pensioners:				
Men	24.7	24.8		
Women	27.8	27.9		
Rate of inflation	2.40%	2.40%	2.40%	2.40%
Rate of increase in salaries	4.15%	4.15%	4.15%	4.15%
Rate of increase in pensions	2.40%	2.40%	2.40%	2.40%
Rate for discounting scheme liabilities	4.20%	4.40%	3.70%	4.30%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, and assume for each change that the assumption analysed changes while all the other assumptions remain constant. The assumption in longevity, for example, assumes that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, ie on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the scheme	Increase in Assumption £000	Decrease in Assumption £000
Longevity (increase or decrease in 1 year)	8,655	(8,655)
Rate of inflation (increase or decrease by 0.1%)	7,941	(7,941)
Rate of increase in salaries (increase or decrease by 0.1%)	2,025	(2,025)
Rate of increase in pensions (increase or decrease by 0.1%)	5,684	(5,684)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(7,795)	7,795

## **Note 37 Defined Benefit Pension Schemes (continued)**

### **Asset and Liability Matching (ALM) Strategy**

The Pensions Panel's long-term funding objective is to achieve and maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis. The current actuarial valuation of the Fund is effective as at 31 March 2011 and the results indicate that overall the assets represented 88% of projected accrued liabilities at the valuation date. Investments that would most closely match the pension liabilities would be gilts, predominantly index-linked, reflecting the nature of the Fund's liabilities. However the Fund invests in other assets, in the expectation that these will provide higher returns albeit without any guarantee that higher returns will be achieved over any particular period. The benefit of higher investment return is that, over the long term, a higher level of funding should achieve lower employer contribution rates. However the additional investment returns from growth assets come with a price: greater volatility relative to the liabilities thus introducing risk. There is a trade-off between the benefits of additional investment return from greater exposure to growth assets and the greater predictability from having greater exposure to liability matching assets. The Pensions Panel and the Joint Investment Advisory Committee have considered this trade-off and defined a strategic benchmark to achieve the long term investment returns required to achieve the Fund objective: equities 70% (range +/- 5%), property 10% (range +/- 2%), bonds 8% (range +/- 2%), alternative assets (including private equity) 12%. There is no strategic allocation to cash. The asset proportions of the Fund at 31 March 2014, with March 2013 in brackets were: equities, including alternatives 83.2% (83.1%), bonds 8.4% (9.6%), property 6.0% (5.8%) and cash 2.4% (1.5%).

### **Impact on the Council's Cash Flows**

The fund aims to keep employers' contribution at as constant a rate as possible. The Pensions Panel has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over an average deficit recovery period of 16 years, with a maximum recovery period of 22 years. Funding levels are monitored on an annual basis. The next triennial valuation is as at 31 March 2014 and will be completed during 2014/15.

The Fund will need to take account of the national changes to the Local Government Pension Scheme in Scotland such as the move from 1 April 2015 to a new career average revalued earning scheme (CARE) for future accruals.

The projected employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2015 is £11.175M. Expected contributions for the Discretionary Benefits in the year to 31 March 2015 is £1.036M

The weighted average duration of the defined benefit obligation for scheme members at the 31 March 2011 valuation is 15 years.

### **Change in Accounting Policy IAS19**

On 1 April 2013, the Council implemented a change in accounting policy relating to the June 2011 amendments to the accounting standard IAS19 employee Benefits. The key change relates to the expected return on assets. In order to permit a meaningful comparison between financial years, some figures in the previous year's audited financial statements have been amended.

There has been a redistribution of costs within the Comprehensive Income and Expenditure Statement. The pensions interest costs with the Surplus or Deficit on the Provision of Services has increased with a corresponding reduction in the Remeasurement of the Net Defined Benefit Liability, (actuarial gains or (losses) on pension assets and (liabilities) in Other Comprehensive Income and Expenditure. Essentially, the expected return on scheme assets that was credited to the Surplus or Deficit on the Provision of Services has been replaced with an equivalent figure using the discount rate.

## Note 37 Defined Benefit Pension Schemes (continued)

The effects of the restatement on the financial statements are as follows. Only those lines that have changed are shown.

<b>Effect on Comprehensive Income and Expenditure Statement</b>	<b>As Previously stated 2012/13 £000</b>	<b>As Restated 2012-13 £000</b>	<b>Amendment 2012/13 £000</b>	<b>General Fund Amendment 2012/13 £000</b>	<b>HRA Amendment 2012/13 £000</b>
Operating Expenditure	11,717	12,223	506	484	22
Financing and Investment Income and Expenditure	11,221	14,249	3,028	2,896	132
Surplus or (Deficit) on Provision of Services	(14,462)	(10,928)	3,534	3,380	154
Remeasurement of Net Defined Benefit Liability and liabilities	15,495	11,961	(3,534)	(3,380)	(154)
Other Comprehensive Income and Expenditure	15,472	11,938	(3,534)	(3,380)	(154)
<b>Movement in Reserves Statement - Usable Reserves</b>	<b>As Previously stated 2012/13 £000</b>	<b>As Restated 2012-13 £000</b>	<b>Amendment 2012/13 £000</b>	<b>General Fund Amendment 2012/13 £000</b>	<b>HRA Amendment 2012/13 £000</b>
<b>General Fund Balance</b>					
Surplus of (Deficit) on the Provision of Services	14,462	10,928	(3,534)	(3,380)	(154)
Total Comprehensive Expenditure and Income	14,462	10,928	(3,534)	(3,380)	(154)
Adjustments between Accounting basis and Funding Basis under Regulations	(12,653)	(9,119)	3,534	3,380	154
<b>Movement in Reserves Statement - Unusable Reserves</b>	<b>As Previously stated 2012/13 £000</b>	<b>As Restated 2012-13 £000</b>	<b>Amendment 2012/13 £000</b>	<b>General Fund Amendment 2012/13 £000</b>	<b>HRA Amendment 2012/13 £000</b>
<b>General Fund Balance</b>					
Other Comprehensive Expenditure and Income	(15,472)	(11,938)	3,534	3,380	154
Total Comprehensive Expenditure and Income	(15,472)	(11,938)	3,534	3,380	154
Adjustments between Accounting Basis and Funding Basis under Regulations	12,653	9,119	(3,534)	(3,380)	(154)

## Note 38 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 39 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 2014 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 £10 million and other organisations meeting the above criteria is £5 million.

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 AA+ rating.

## Note 39 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%

On 30 January 2014, the Council sold its claims against the insolvent estate of Landsbanki, as did all the Scottish Council's that were affected. The claims were sold through a competitive auction process.

The decision to auction the Council's claims was taken after professional advice stated that the administration of the insolvent estate of Landsbanki is likely to continue for several years, which creates a level of uncertainty around the timings of future recoveries. Future distributions could be made in a number of currencies, including Icelandic Krona, which would be less advantageous to the Council. A sale of the claims removed this uncertainty and has allowed the Council to use the money to support essential public services.

The sale of the Council's claims represent a clean break and the Council is no longer a creditor of Landsbanki. The sales means that the final percentage that the Council received equated to 92.5% of the amount originally deposited in Landsbanki in 2008.

During the 2013/14 year, the Council recognised two transactions in the Comprehensive Income and Expenditure Statement relating to the Landsbanki claims: an exchange rate gain of £0.062M and an overall loss of £0.125M.

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 2013 £000	Amounts at 31 March 2014 £000	Historical experience of default %	Historical experience adjusted for market conditions as at 31 March 2014 %	Estimated maximum exposure to default and uncollectability 2014 £000
Customers	584	2,836	25.93	25.93	735
<b>Total</b>	<b>584</b>	<b>2,836</b>			<b>735</b>

### Debtors

The Council does not generally allow credit for customers. As a result, £2.751M of the £2.836M balance is past its due date for payment (2012/13 £2.526M). The past due, but not impaired amount can be analysed by age as follows:

	2012/13 £000	2013/14 £000
Less than six months	1,368	1,547
Six months to one year	262	346
More than one year	896	858
<b>Total</b>	<b>2,526</b>	<b>2,751</b>

The impairments made analysed by age are as follows:

	2012/13 £000	2013/14 £000
Less than six months	-	-
Six months to one year	131	173
More than one year	896	858
<b>Total</b>	<b>1,027</b>	<b>1,031</b>

## Note 39 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 21.88% of its current debt maturing within the period 2049/50 to 2053/54, it is continually reviewing its borrowing position to minimise the financial impact of debt maturing at any one time in the future and possibly exposing the Council to unfavourable interest rates. With the assistance of its treasury advisers, the Council manages this risk through prudent planning of new loans taken out where economic to do so.

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

	<b>2012/13</b>		<b>2013/14</b>	
	<b>£000</b>	<b>Average</b>	<b>£000</b>	<b>Average</b>
		<b>Rate</b>		<b>Rate</b>
Repayment less than 1 year	682	2.725%	1,182	2.245%
Repayment between 1 and 2 years	682	2.725%	3,182	1.972%
Repayment between 2 and 5 years	4,045	2.273%	3,545	2.245%
Repayment between 5 and 10 years	7,355	5.920%	8,764	5.138%
Repayment between 10 and 15 years	5,621	7.165%	6,530	7.291%
Repayment in more than 15 years	120,041	5.708%	119,041	5.693%
	<u>138,426</u>		<u>142,244</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 39 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 2013/14, the Council did take out variable rate temporary borrowing. During 2013/14, the Council held variable rate temporary investments and took out variable rate temporary borrowing.

According to this assessment strategy, at 31 March 2014, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	2012/13 £000	2013/14 £000
Increase in interest payable on variable rate borrowing	9	15
Increase in interest receivable on variable rate investments	(16)	
<b>Impact on Comprehensive Income and Expenditure Account</b>	<b>(7)</b>	<b>15</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 had limited foreign exchange exposure which resulted from an element of the settlement received from Landsbanki. At the beginning of 2013/14 there was a sterling equivalent of £0.016M held in Icelandic Kroner in an escrow account due to the current imposition of currency control. During 2013/14 the escrow accounts were sold as part of the Council's claim against Landsbanki and the Council no longer has any exposure to foreign exchange rate risk.

## Note 40 Trust Funds and Common Good Funds

The Council administers 64 trust funds, acting as sole trustee for 59 trust funds and as one of several trustees for a further 5 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 129 to 141.



## Housing Revenue Account Income & Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost for the year ended 31 March 2014 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.

<b>Restated</b>		
<b>2012/13</b>		<b>2013/14</b>
<b>£000</b>		<b>£000</b>
	<b>Income</b>	
(13,741)	Dwelling Rents	(14,453)
(69)	Hostel Rents	(79)
(450)	Housing Support Grant	(367)
(154)	Non Dwelling Rents	(157)
(83)	Other Income	(92)
<b>(14,497)</b>	<b>Total Income</b>	<b>(15,148)</b>
	<b>Expenditure</b>	
4,217	Supervision and Management	4,322
5,948	Repairs & Maintenance	6,391
121	Bad & Doubtful Debts	85
4,566	Depreciation and Impairment of Non-Current Assets	4,682
8,386	Revaluation losses on Non-Current Assets	3,987
17	Other Expenditure	35
<b>23,255</b>	<b>Total Expenditure</b>	<b>19,502</b>
	<b>Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Account</b>	
8,758		4,354
58	HRA share of Corporate and Democratic Core costs	44
<b>8,816</b>	<b>Net Cost of HRA Services</b>	<b>4,398</b>
(123)	(Gain) / Loss on sale of HRA Non-Current Assets	(513)
2,413	Interest Payable and Similar Charges	2,567
(29)	Interest and Investment Income	(30)
211	Net interest on the net defined benefit liability (asset)	217
(2,068)	Capital grants and contributions receivable	(3,319)
<b>9,220</b>	<b>Deficit for the Year on HRA Services</b>	<b>3,320</b>



## Movement on the Housing Revenue Account Statement

Restated		
2012/13		2013/14
£000		£000
9,220	<b>Deficit for the Year on the HRA Income and Expenditure Account</b>	3,320
	<b>Adjustments between accounting basis and funding basis under regulations</b>	
90	Difference between interest payable and similar charges determined in accordance with the Code and those determined in accordance with statute	94
123	Net gain or loss on sale of HRA non-current assets	513
2,000	Capital expenditure funded by the Housing Revenue Account	2,050
	Transfers to/from the Capital Adjustment Account:	
(4,566)	Depreciation and Impairment of Non-Current Assets	(4,682)
(8,386)	Revaluation losses on Non-Current Assets	(3,987)
199	Loans fund principal repayments	361
2,068	Capital Grants applied	3,319
<u>748</u>	<b>Net (increase) or decrease before transfers to/(from) reserves</b>	<u>988</u>
	<b>Transfers to/(from) reserves</b>	
9	IORB and Statutory Funds	9
(500)	Transfers from the General Fund as directed by the Minister	(630)
(241)	HRA share of contributions to/(from) the Pensions Reserve	(363)
<u>(4)</u>	Employee Statutory Adjustment Account	<u>(15)</u>
(736)		(999)
12	<b>(Increase) or decrease in the year on the HRA</b>	(11)
(1,127)	<b>Housing Revenue Account Balance Brought Forward</b>	(1,115)
<u><b>(1,115)</b></u>	<b>Housing Revenue Account Balance Carried Forward</b>	<u><b>(1,126)</b></u>





## Notes to the Housing Revenue Account

### 1. Number and Type of Dwelling House

The Council dwelling house stock as at 31 March was as follows:-

		2012/13	2013/14
		Number of dwellings	Number of dwellings
Bedsit	Houses & bungalows	16	16
	Flats & Maisonettes	24	24
1 bedroom	Houses & bungalows	1,088	1,085
	Flats & Maisonettes	574	574
2 bedroom	Houses & bungalows	2,140	2,143
	Flats & Maisonettes	698	697
3 bedroom	Houses & bungalows	1192	1199
	Flats & Maisonettes	100	99
4 or more bedroomed	Houses & bungalows	105	107
	Total	<u>5,937</u>	<u>5,944</u>

### 2. Rent Arrears

The total rent arrears, including rents outstanding from former tenants, as at 31 March 2014 was £0.367M which is 2.54% of gross rental income. This is equivalent to £61.79 per house (2012/13 £0.365M, 2.66%, £61.47).

### 3. Bad Debt Provision

The provision for uncollectable debts has decreased by £0.047M (Decrease in 2012/13 £0.108M). The total provision for uncollectable debts including hostels and rechargeable repairs is £0.310M (2012/13 £0.357M).

### 4. Voids

The loss of rental on void properties for the year was £0.092M (2012/13 £0.105M).



## 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.

2012/13 £000			2013/14 £000
44,942	<b>Council Tax Levied and Contributions in Lieu</b>		45,436
-	Deduct:	Local Council Tax Reduction Scheme	(3,918)
3		Council Tax Benefit (net of Government Grant)	-
(6,189)		Other discounts and reductions	(6,339)
(477)		Write offs of uncollectable debts & allowance for impairment	(653)
<u>38,279</u>	<b>Total for Year</b>		<u>34,526</u>
29		Council Tax adjustment in respect of prior years	(87)
2		Community Charge	-
<u>38,310</u>	<b>Transfers to General Fund</b>		<u>34,439</u>

From 1 April 2013, the Council Tax Reduction Scheme replaced Council Tax Benefit, with the resultant decrease in Council Tax income shown in the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement. Council Tax Benefit grant and payments were previously disclosed as part of General Fund Housing in Net Cost of Services.

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

### Calculation of Council Tax Base

#### Number of Dwellings

	Number of Dwellings	Number of Exemptions/Reliefs	Discounts		Total Equivalent Dwellings	Ratio to Band D	Band D Equivalent
			25%	Other			
Band A	12,002	712	1,444	222	9,624	6/9	6,413
Band B	10,472	420	933	266	8,853	7/9	6,886
Band C	6,489	386	464	124	5,515	8/9	4,902
Band D	6,140	485	357	115	5,183	9/9	5,183
Band E	5,407	230	245	106	4,826	11/9	5,898
Band F	1,929	53	65	39	1,772	13/9	2,560
Band G	594	30	19	15	530	15/9	883
Band H	106	56	1	5	44	18/9	88
	<b>43,139</b>	<b>2,372</b>	<b>3,528</b>	<b>892</b>	<b>36,347</b>		<b>32,813</b>
Add: Contributions in Lieu							870
Less: Provision for non-collection							505
<b>Council Tax Base 2013/14</b>							<b>33,178</b>

Other Discount rates are 10% or 50%.

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

### Calculation of Council Tax

In 2013/14, the charges for each band were as follows:

Band	£ Property Value	Number of Properties	£ Council Tax Charge
A	Up to 27,000	9,624	756.67
B	27,000 - 35,000	8,853	882.78
C	35,001 - 45,000	5,515	1,008.89
D	45,001 - 58,000	5,183	1,135.00
E	58,001 - 80,000	4,826	1,387.22
F	80,001 - 106,000	1,772	1,639.44
G	106,001 - 212,000	530	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 2013/14 the rate poundage was 46.2p, (45.0p in 2012/13). Properties with a rateable value of more than £0.035M attract a Large Business Supplemental of 0.9p, and retail properties with a rateable value of £0.300M or more which sold alcohol and tobacco also attract a Public Health Multiplier of 13.0p. 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.

2012/13 £000		2013/14 £000
39,062	<b>Gross Rates Levied</b>	40,767
	Deduct:	
(6,458)	Reliefs and other deductions	(6,661)
<u>32,604</u>	<b>Net Non-Domestic Rate Income</b>	<u>34,106</u>
	Adjustments to previous years' National Non Domestic Rates	
(844)		(2,602)
<u>31,760</u>		<u>31,504</u>
(3,258)	Contribution to National Pooling	(836)
<u><b>28,502</b></u>	<b>Guaranteed Rate Income</b>	<u><b>30,668</b></u>

## Non-Domestic Rate Income Account (continued)

### Analysis of Rateable Values & Numbers of Subjects at 1 April 2013

	Number of Subjects	2013-14 Rateable Value £000
Shops	914	17,662
Public Houses	66	877
Offices (including Banks)	455	4,970
Hotels, Boarding Houses, etc.	106	1,846
Industrial & Freight Transport Subjects	1,149	31,902
Leisure, Entertainment Caravans and Holiday Sites	633	2,583
Garages and Petrol Stations	122	1,041
Cultural	22	175
Sporting Subjects	149	98
Education & Training	74	6,448
Public Service Subjects	481	10,051
Communications (Non-Formula)	162	1,570
Quarries, Mines etc.	34	336
Petrochemical	4	531
Religious	158	975
Health Medical	55	2,313
Other	405	382
Care Facilities	51	1,646
Advertising	17	15
Undertaking	2,465	186
	<u>7,522</u>	<u>85,607</u>

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

## **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 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 Restated</b>												
Surplus or (deficit) on provision of services (accounting basis)	20,148	(9,220)	-	-	-	-	10,928	-	10,928	(250)	(8,664)	2,014
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	(11,938)	(11,938)	1,029	(19,004)	(29,913)
<b>Total Comprehensive Expenditure and Income</b>	<b>20,148</b>	<b>(9,220)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,928</b>	<b>(11,938)</b>	<b>(1,010)</b>	<b>779</b>	<b>(27,668)</b>	<b>(27,899)</b>
Adjustments between accounting basis & funding basis under regulations	(18,407)	9,215	(21)	(4)	98	-	(9,119)	9,119	-	-	-	-
<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 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 2013/14</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>
Less Police and Fire & Rescue reserve balances transferred on 1 April 2013 [Note 1]	-	-	-	-	-	-	-	-	-	-	(160,411)	(160,411)
<b>Adjusted 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>(715)</b>	<b>321,541</b>
<b>Movement in 2013/14</b>												
Surplus or (deficit) on provision of services (accounting basis)	14,101	(3,320)	-	-	-	-	10,781	-	10,781	4,001	(61)	14,721
Other Comprehensive Expenditure and Income	-	-	-	-	-	-	-	52,822	52,822	291	398	53,511
<b>Total Comprehensive Expenditure and Income</b>	<b>14,101</b>	<b>(3,320)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,781</b>	<b>52,822</b>	<b>63,603</b>	<b>4,292</b>	<b>337</b>	<b>68,232</b>
Adjustments between accounting basis & funding basis under regulations	(15,692)	3,338	1	(1)	(98)	-	(12,452)	12,452	-	-	-	-
<b>Net Increase / (Decrease) before Transfers to Other Statutory Funds</b>	<b>(1,591)</b>	<b>18</b>	<b>1</b>	<b>(1)</b>	<b>(98)</b>	<b>-</b>	<b>(1,671)</b>	<b>65,274</b>	<b>63,603</b>	<b>4,292</b>	<b>337</b>	<b>68,232</b>
Transfers to / from Other Statutory Funds	(8)	(7)	-	-	-	15	-	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>(1,599)</b>	<b>11</b>	<b>1</b>	<b>(1)</b>	<b>(98)</b>	<b>15</b>	<b>(1,671)</b>	<b>65,274</b>	<b>63,603</b>	<b>4,292</b>	<b>337</b>	<b>68,232</b>
<b>Balance at 31 March 2014</b>	<b>21,381</b>	<b>1,126</b>	<b>797</b>	<b>68</b>	<b>-</b>	<b>4,018</b>	<b>27,390</b>	<b>340,621</b>	<b>368,011</b>	<b>22,140</b>	<b>(378)</b>	<b>389,773</b>
<b>Note</b>												
Minority Interest										431		431
<b>Total Reserves as per Balance Sheet</b>									<b>22,571</b>			<b>390,204</b>

[Note 1]: On the 1 April 2013 Police and Fire services transferred to the Scottish Government.

Please see Balance Sheet for details of the relevant balances transferred.

## Group Comprehensive Income and Expenditure Statement

This Statement shows the economic cost for the year ended 31 March 2014 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.

Restated 31 March 2013			31 March 2014		
£000	£000	£000	£000	£000	£000
Expenditure	Income	Net	Expenditure	Income	Net
85,217	(1,004)	84,213	87,279	(1,137)	86,142
34,662	(27,505)	7,157	34,118	(25,982)	8,136
23,255	(14,497)	8,758	19,502	(15,148)	4,354
10,705	(1,788)	8,917	11,674	(1,919)	9,755
18,438	(3,753)	14,685	16,656	(2,965)	13,691
17,234	(7,377)	9,857	15,553	(6,141)	9,412
869	(422)	447	778	(412)	366
5,999	(3,703)	2,296	5,834	(3,835)	1,999
63,276	(10,385)	52,891	65,654	(10,535)	55,119
3,890	-	3,890	-	-	-
14,268	(8,365)	5,903	-	-	-
593	-	593	600	-	600
2,656	-	2,656	2,647	(28)	2,619
811	5	816	769	6	775
3,589	(948)	2,641	3,295	(804)	2,491
<b>285,462</b>	<b>(79,742)</b>	<b>205,720</b>	<b>264,359</b>	<b>(68,900)</b>	<b>195,459</b>
		<b>Cost Of Services</b>			
		810 Other Operating Expenditure (Note 6)			551
		13,962 Financing and Investment Income and Expenditure (Note 7)			11,457
		<u>(231,170)</u> Taxation and Non-Specific Grant Income			<u>(222,249)</u>
		<b>(10,678) (Surplus) or Deficit on Provision of Services</b>			<b>(14,782)</b>
		<u>8,664</u> Associates accounted for on an equity basis [Note 1]			<u>61</u>
		<b>(2,014) Group (Surplus) or Deficit cfwd</b>			<b>(14,721)</b>
		(882) Surplus or deficit on revaluation of fixed assets			(16,886)
		(170) Surplus or deficit on revaluation of available for sale financial assets			(150)
		11,961 Actuarial gains / losses on pension assets / liabilities			(36,077)
		19,004 Share of other Comprehensive Income and Expenditure of Associates [Note 1]			(398)
		<b>29,913 Other Comprehensive Income and Expenditure</b>			<b>(53,511)</b>
		<b>27,899 Total Comprehensive Income and Expenditure</b>			<b>(68,232)</b>

[Note 1] Police and Fire & Rescue services transferred to the Scottish Government and are no longer part of the Council's group arrangements. The 2013/14 figures shown reflect the movement in year between the adjusted opening group Balance Sheet at 1 April 13 and the closing Balance Sheet.



## Group Balance Sheet as at 31 March 2014

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".

Group Restated		Adjusted opening balances 1 April 2013		Notes	Group
31 March 2013	[Note 1]	31 March 2013			31 March 2014
£000	£000	£000			£000
634,886	-	634,886	Property, Plant & Equipment	8	681,388
1,028	-	1,028	Heritage Assets		1,107
5,513	-	5,513	Investment Property	9	10,555
123	-	123	Intangible Assets		132
2,810	-	2,810	Long Term Investments		2,263
143	-	143	Investments in Associates	13	146
970	-	970	Long Term Debtors		944
645,473	-	645,473	<b>Long Term Assets</b>		696,535
164	-	164	Short Term Investments		-
611	-	611	Inventories		812
11,735	-	11,735	Short Term Debtors	10	11,391
3,977	-	3,977	Cash and Cash Equivalents	11	-
849	-	849	Assets held for sale		1,983
17,336	-	17,336	<b>Current Assets</b>		14,186
-	-	-	Cash and Cash Equivalents	11	(3,858)
(7,921)	-	(7,921)	Short Term Borrowing		(19,439)
(31,812)	-	(31,812)	Short Term Creditors	12	(21,754)
(39,733)	-	(39,733)	<b>Current Liabilities</b>		(45,051)
(170)	-	(170)	Provisions		(463)
(138,255)	-	(138,255)	Long Term Borrowing		(141,573)
(36,061)	-	(36,061)	Other Long Term Liabilities		(35,654)
(125,786)	-	(125,786)	Pension Liability		(97,252)
(161,269)	160,411	(858)	Liabilities in Associates	13	(524)
(461,541)	160,411	(301,130)	<b>Long Term Liabilities</b>		(275,466)
<b>161,535</b>	<b>160,411</b>	<b>321,946</b>	<b>Net Assets</b>		<b>390,204</b>

# **Group Balance Sheet as at 31 March 2014 (continued)**

Group		Adjusted opening balances 1 April 2013		Group	
31 March 2013 £000	[Note 1]		Notes	31 March 2014 £000	
30,821	-	30,821	General Fund Revenue Reserve	14	34,050
1,115	-	1,115	HRA	14	1,126
796	-	796	Capital Receipts Reserve	14	797
69	-	69	Unapplied Capital Grants	14	68
98	-	98	Capital Fund	14	-
4,003	-	4,003	Other Statutory Funds	14	4,018
<b>36,902</b>	-	<b>36,902</b>	<b>Usable Reserves</b>		<b>40,059</b>
105,017	-	105,017	Revaluation Reserve	15	117,774
318,760	-	318,760	Capital Adjustment Account	15	341,775
(8,506)	-	(8,506)	Financial Instruments Adj Account	15	(8,204)
(193)	-	(193)	Icelandic Banks Stat Adj Account	15	-
(4,766)	-	(4,766)	Accumulated Absences Account	15	(4,979)
828	-	828	Available for Sale Fin Ins Reserve	15	978
(125,786)	-	(125,786)	Pensions Reserve	15	(97,252)
<b>285,354</b>	-	<b>285,354</b>	<b>Unusable Reserves</b>		<b>350,092</b>
(161,126)	160,411	(715)	Share of Associates Reserves	16	(378)
405	-	405	Minority Interest		431
<b>161,535</b>	<b>160,411</b>	<b>321,946</b>	<b>Total Reserves</b>		<b>390,204</b>

[Note 1] On the 1 April 2013 Police and Fire services transferred to the Scottish Government. The joint board arrangements have ceased and are no longer part of the Council's group arrangements. Consequently the opening balance sheet has been adjusted to reflect the assets, liabilities and reserves transferred to the relevant new bodies on 1 April 2013.

Short Term Investments 2012/13 included Unit Trust investments which have been restated and included in Long Term Investments

The notes on pages 115 to 128 form part of the financial statements.

**Margaret Wilson CPFA**

**Head of Financial Services**

**29 September 2014**

The unaudited statement of accounts was issued on 23 June 2014 and the audited statement of accounts was authorised for issue on 29 September 2014 by Margaret Wilson, Head of Financial Services.

## 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.

31 March 2013		31 March 2014
£000		£000
Restated		
10,678	Net surplus or (deficit) on the provision of services	14,782
28,874	Adjust net surplus or deficit on the provision of services for non cash movements	29,049
(32,381)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(39,362)
7,171	Net cash flows from Operating Activities (Note 17)	4,469
(13,909)	Investing Activities (Note 18)	(24,046)
5,215	Financing Activities (Note 19)	11,742
(1,523)	Net increase or (decrease) in cash and cash equivalents	(7,835)
5,500	Cash and cash equivalents at the beginning of the reporting period	3,977
3,977	Cash and cash equivalents at the end of the reporting period	(3,858)
(1,523)		(7,835)





## 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 seven subsidiary entities and two associate entities.

#### Subsidiaries

The Entities which have been combined as subsidiaries are:

<b>Subsidiary</b>	<b>Group Interest Percentage</b>
Banffshire Educational Trust	50%
Donald Manson Edinkillie Trust Fund	67%
Donald Manson Forbes Trust Fund	67%
Falconer Museum Trust	83%
Auchernack Trust	80%
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 five trust funds which have a combined net asset balance of £1.671M. The Council acts as sole trustees for various other trust funds which have a net asset balance of £5.245M.

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 £15.655M.

The individual accounts for these entities are shown separately on pages 129 to 141 of these accounts.

#### Associates

The Entities that have been combined as Associates are:

<b>Name of Associate</b>	<b>Moray Council's Share of Voting Control</b>	<b>Moray Council's Share of Requisition</b>
Grampian Valuation Joint Board	20%	17%
Moray Leisure Limited	43%	n/a

On the 1 April 2013 Police and Fire & Rescue services transferred to the Scottish Government. The joint board arrangements have ceased and are no longer part of the Council's group arrangements. Consequently the opening balances of the financial statements of the group have been adjusted.

Inclusion of Associate entities has reduced reserves and net assets by £0.378M due mainly to the liability of the Grampian Valuation Joint Board's Pension Scheme.

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

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

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

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

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

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

Name of Entity	Shareholding	
	31/03/13	31/03/14
The Grampian Venture Capital Fund Limited	20%	20%

## Note 2 Accounting Policies

The accounts of The Moray Council and of its Subsidiary and Associate entities combined in the Group Accounts have all been drawn up for the financial year to 31 March 2014.

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 £0.261M in the company's balance sheet.

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

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

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

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

The Joint Board also has a significant net liability associated with the future pension costs. However, statutory arrangements for the funding of the deficit means that the financial positions of the Board remain assured and the Joint Board has 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 Council's 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 Liabilities**

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

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

## Note 5 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

2012/13 £000		2013/14 £000
798	(Gain)/ Loss on disposal of non-current assets	415
-	Movement on revaluation of held for sale assets	71
(26)	(Gain)/ Loss on disposal of investments	39
38	Minority Interest - share of profit of Trusts	26
<u>810</u>		<u>551</u>

## Note 7 Financing and Investment Income and Expenditure

2012/13 £000 Restated		2013/14 £000
11,293	Interest payable and similar charges	11,244
5,020	Pensions interest cost and expected return on pensions assets	5,000
(474)	Interest receivable and similar income	(288)
(1,815)	Income and expenditure in relation to investment properties and their changes in fair value.	(4,458)
(62)	Other investment income	(41)
<u>13,962</u>		<u>11,457</u>

## Note 8 Property, Plant and Equipment

### Comparative Movements 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	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
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)

### Movement in 2013/14:

	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 2013	178,820	320,832	37,193	122,130	1,993	3,271	57,470	721,709
Additions	9,154	4,637	2,745	7,239	-	-	35,940	59,715
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,601)	(432)	-	-	(184)	(122)	-	(2,339)
Revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,009)	(2,058)	-	-	-	13	-	(6,054)
Derecognition – disposals	-	(1,396)	(2,118)	-	-	-	-	(3,514)
Derecognition – other	-	-	-	-	-	-	(2)	(2)
Assets reclassified (to)/from Held for Sale	(1,122)	(820)	-	-	-	(492)	-	(2,434)
Other movements in cost or valuation	386	407	-	-	-	(131)	(1,428)	(766)
<b>At 31 March 2014</b>	<b>181,628</b>	<b>321,170</b>	<b>37,820</b>	<b>129,369</b>	<b>1,809</b>	<b>2,539</b>	<b>91,980</b>	<b>766,315</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2013	12,356	32,094	22,070	19,923	329	51	-	86,823
Depreciation charge	4,450	9,494	3,151	3,524	56	16	-	20,691
Depreciation written out to the Revaluation Reserve	-	(19,071)	-	-	(69)	(6)	-	(19,146)
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	(1,270)	-	-	-	(9)	-	(1,279)
Derecognition – disposals	-	(212)	(1,869)	-	-	-	-	(2,081)
Assets reclassified (to)/from Held for Sale	(77)	-	-	-	-	-	-	(77)
Other movements in depreciation and impairment	-	(4)	-	-	-	-	-	(4)
<b>At 31 March 2014</b>	<b>16,729</b>	<b>21,031</b>	<b>23,352</b>	<b>23,447</b>	<b>316</b>	<b>52</b>	<b>-</b>	<b>84,927</b>
<b>Net Book Value</b>								
at 31 March 2013	166,464	288,738	15,123	102,207	1,664	3,220	57,470	634,886
at 31 March 2014	164,899	300,139	14,468	105,922	1,493	2,487	91,980	681,388

## Note 8 Property, Plant and Equipment (continued)

### 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:-

	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Rental income from investment property	140	70
Net gain/ (loss)	<u>140</u>	<u>70</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:-

	<b>2012/13</b>	<b>2013/14</b>
	<b>£000</b>	<b>£000</b>
Balance at start of the year	3,343	5,513
Net gains/losses from fair value adjustments	1,768	4,388
Other changes	402	654
Balance at end of the year	<u>5,513</u>	<u>10,555</u>



## Note 10 Short Term Debtors

2012/13		2013/14
£000		£000
4,068	Central Government Bodies	5,298
2,320	Other Local Authorities	101
263	NHS Bodies	239
502	Public Corporations	526
4,582	Other entities and individuals	5,227
<u>11,735</u>		<u>11,391</u>

## Note 11 Cash & Cash Equivalents

2012/13		2013/14
£000		£000
23	Cash Held by the Authority	23
<u>4,491</u>	Bank Current/ Call Accounts	<u>(3,334)</u>
4,514		(3,311)
<u>(537)</u>	Amounts Owed to Other Bodies	<u>(547)</u>
(537)		(547)
<u>3,977</u>	Total Cash & Cash Equivalents	<u>(3,858)</u>

## Note 12 Short Term Creditors

2012/13		2013/14
£000		£000
9,845	Central government bodies	4,230
2,000	Other local authorities	2,152
309	NHS bodies	769
193	Public corporations and trading funds	396
<u>19,465</u>	Other entities and individuals	<u>14,207</u>
<u>31,812</u>	Total	<u>21,754</u>

## Note 13 Investments in Associates and Joint Ventures

The share of investments in associates is analysed below.

2012/13	Liability				Asset
	Fire Board	Valuation Board	Police Board	Total Liability	Moray Leisure Restated
	£000	£000	£000	£000	£000
Non Current Assets and Long Term Assets	9,980	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 and Expenditure	3,539	131	15,373	19,043	-
Less Police and Fire & Rescue reserve balances transferred on 1 April 2013	25,655	-	134,756	160,411	-
Adjusted Balance at 31 March 2013	-	(858)	-	(858)	143

2013/14	Liability		Asset
	Valuation Board		Moray Leisure
	£000		£000
Non Current Assets and Long Term Assets	127		112
Current Assets	130		96
Liabilities due within one year	(100)		(62)
Liabilities due after more than one year	(681)		-
	(524)		146
Turnover	(637)		935
Share of surplus or (deficit)	64		3
Share of Other Comprehensive Income and Expenditure	(398)		-

## Note 14 Usable Reserves

Movements in the Group's usable 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.

All other Usable reserves of the Group relate to the Moray Council.

### General Fund Revenue Reserve

2012/13 £000		2013/14 £000
22,890	Moray Council General Fund balance	21,381
7,841	Subsidiary Revenue Reserves	12,669
<u>30,731</u>	<u>Total</u>	<u>34,050</u>

## Note 15 Unusable Reserves

2012/13		2013/14
£000		£000
105,017	Revaluation Reserve	117,774
318,760	Capital Adjustment Account	341,775
(8,506)	Financial Instruments Adjustment Account	(8,204)
(193)	Icelandic Banks Statutory Adjustment Account	-
(4,766)	Accumulated Absences Account	(4,979)
828	Available for Sale Financial Instruments Reserve	978
(125,786)	Pensions Reserve	(97,252)
<b>285,354</b>		<b>350,092</b>

### Revaluation Reserve

2012/13		2013/14
£000		£000
106,746	Balance at 1 April	105,017
(1,729)	Unrealised Gains & Losses	12,757
<b>105,017</b>	Balance at 31 March	<b>117,774</b>

### Capital Adjustment Account

2012/13		2013/14
£000		£000
302,917	Balance at 1 April	318,760
15,843	Surplus/Deficit	23,015
<b>318,760</b>	Balance at 31 March	<b>341,775</b>

### Available for Sale Financial Instruments Reserve

2012/13		2013/14
£000		£000
658	Balance at 1 April	828
170	Surplus/Deficit	150
<b>828</b>	Balance at 31 March	<b>978</b>

## Note 16 Share of Associates Reserves

2012/13	Usable £000	Unusable £000	Total £000
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>
Less Police and Fire & Rescue reserve balances transferred on 1 April 2013	-	160,411	160,411
Adjusted Balance at 31 March	<b>45</b>	<b>(760)</b>	<b>(715)</b>
2013/14	Usable £000	Unusable £000	Total £000
Balance at 1 April	45	(760)	(715)
Movement	-	337	337
Balance at 31 March	<b>45</b>	<b>(423)</b>	<b>(378)</b>

## Note 17 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2012/13		2013/14
£000		£000
(303)	Interest Received	(239)
11,247	Interest Paid	11,226

## Note 18 Cash Flow Statement - Investing Activities

2012/13		2013/14
£000		£000
47,694	Purchase of property, plant and equipment, investments, property and intangible assets	63,487
151	Other payments for investing activities	33
(915)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,221)
(26)	Proceeds from sale of shares	-
-	Proceeds from short term and long term investments	(884)
(32,995)	Other receipts from investing activities	(36,369)
<u>13,909</u>	Net cash flows from investing activities	<u>24,046</u>

## Note 19 Cash Flow Statement - Financing Activities

2012/13		2013/14
£000		£000
(7,000)	Cash receipts of short-term and long-term borrowing,	(23,000)
596	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PPP contracts.	626
591	Repayment of short and long-term borrowing	8,182
598	Other payments (receipts) for financing activities	2,450
<u>(5,215)</u>	Net cash flows from financing activities	<u>(11,742)</u>

## Note 20 Members' Allowances

	2012/13 £000	2013/14 £000
Members Allowances for Group	510	513
Members Allowances for Associates	4	-
Total	<u>514</u>	<u>513</u>

## Note 21: Senior Employees' Remuneration

Remuneration Band	2012/13 Number of Employees			Revised
	Group	Associates	Police & Fire Boards	Total
£50,000 - £54,999	27	100	(96)	31
£55,000 - £59,999	22	90	(90)	22
£60,000 - £64,999	3	16	(16)	3
£65,000 - £69,999	2	6	(6)	2
£70,000 - £74,999	10	6	(5)	11
£75,000 - £79,999	-	8	(7)	1
£80,000 - £84,999	-	1	(1)	-
£85,000 - £89,999	3	6	(6)	3
£90,000 - £94,999	-	1	(1)	-
£100,000 - £104,999	-	2	(1)	1
£105,000 - £109,999	1	2	(2)	1
£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>(235)</u>	<u>75</u>

The employee numbers for 2012/13 have been revised to exclude Police and Fire employees to allow for a meaningful comparison.

Remuneration Band	2013/14 Number of Employees		
	Group	Associates	Total
£50,000 - £54,999	28	4	32
£55,000 - £59,999	24	-	24
£60,000 - £64,999	2	-	2
£65,000 - £69,999	2	-	2
£70,000 - £74,999	12	1	13
£75,000 - £79,999	1	-	1
£80,000 - £84,999	-	1	1
£85,000 - £89,999	2	-	2
£100,000 - £104,999	1	1	2
	<u>72</u>	<u>7</u>	<u>79</u>

Further details of the remuneration of senior employees are shown in the Remuneration Report on pages 21 to 29.

## Note 22 External Audit Costs

	2012/13 £000	2013/14 £000
Fees payable in respect of external audit services: carried out by the appointed auditor for the year.		
Group	252	251
Associates	17	6
Total	<u>269</u>	<u>257</u>

## Note 23 Pension Costs

The Council participates in two schemes, the North East 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 2013/14 the Council paid £4.941M to the Scottish Government in respect of teachers' retirement benefits, of which £0.652M was outstanding at 31 March 2014. The amount payable represents 14.9% of pensionable pay. The figures for 2012/13 were £5.036M, £0.632M 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 Valuation Joint Board participates in the North East Scotland Local Government Pension Scheme administered by Aberdeen City Council.

Moray Leisure Limited operates a defined contribution pension scheme. Contributions are charged in the Income and Expenditure Account as they become payable.

## Note 24 Charitable Trusts

There are 42 charitable trusts included within the Group consisting of 39 charitable trusts, for which the Council acts as sole trustee, 2 for which the Council acts as one of several trustees and Moray Leisure Limited in which the Moray Council has a 43% share of voting control. The assets noted below are not the property of the Council, however the Council does have a controlling interest in their administration. The figures for 2012/13 previously included some non Charitable Trusts. They have been restated to provide a meaningful comparison.

		<b>2012/13</b>	<b>2013/14</b>
		<b>£000</b>	<b>£000</b>
		<b>Restated</b>	
Long Term Assets	Group	835	895
	Associate	116	112
		<u>951</u>	<u>1,007</u>
Current Assets	Group	712	650
	Associate	122	96
		<u>834</u>	<u>746</u>
Less: Current Liabilities	Group	(2)	(5)
	Associate	(95)	(62)
		<u>(97)</u>	<u>(67)</u>
<b>Total Net Assets</b>		<u><b>1,688</b></u>	<u><b>1,686</b></u>

		<b>2012/13</b>	<b>2013/14</b>
		<b>£000</b>	<b>£000</b>
		<b>Restated</b>	
Income	Group	38	34
	Associate	946	935
		<u>984</u>	<u>969</u>
Expenditure	Group	(63)	40
	Associate	947	932
		<u>884</u>	<u>972</u>
<b>Surplus (Deficit) for Year</b>		<u><b>100</b></u>	<u><b>(3)</b></u>

The assets of the Group trusts consist mainly of unit trust investments and loans fund balances.

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

## Note 25 Events After The Balance Sheet Date

The unaudited Statement of Accounts was issued on 23 June 2014 and the audited Statement of Accounts was authorised for issue by Margaret Wilson, Head of Financial Services on 29 September 2014. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.





## Trust Funds Income and Expenditure Account

2012/13			2013/14		
Connected Charitable £000	Other £000		Connected Charitable £000	Other £000	
		<b>Income</b>			
(20)	(83)	Investment Income	(17)	(70)	
-	(43)	Property Rental Income	-	(39)	
-	(102)	Gain on revaluation of Property	-	(62)	
-	(64)	Other Income	-	(2)	
(39)	(172)	Surplus on revaluation on Available for Sale Financial Assets	(29)	(121)	
<u>(59)</u>	<u>(464)</u>	Total Income	<u>(46)</u>	<u>(294)</u>	
		<b>Expenditure</b>			
8	222	Beneficiaries	6	96	
3	12	Administration	9	21	
-	32	Other Costs	-	88	
-	55	Depreciation	-	55	
<u>11</u>	<u>321</u>	Total Expenditure	<u>15</u>	<u>260</u>	
<u>(48)</u>	<u>(143)</u>	<b>(Surplus) for the year</b>	<u>(31)</u>	<u>(34)</u>	
39	219	Items not Chargeable to Revenue Reserves	29	128	
<u>(9)</u>	<u>76</u>	<b>(Increase)/ Decrease in Revenue Reserves</b>	<u>(2)</u>	<u>94</u>	

## Trust Funds Balance Sheet

31 March 2013 Restated			31 March 2014		
Connected Charitable £000	Other £000		Connected Charitable £000	Other £000	
-	2,656	Property Plant & Equipment	Note 1 -	2,663	
-	93	Investment Properties	Note 2 -	93	
411	1,702	Long Term Investments	Note 3 441	1,822	
<b>411</b>	<b>4,451</b>	<b>Long Term Assets</b>	<b>441</b>	<b>4,578</b>	
1	2	Government Securities	1	2	
5	17	Debtors	2	8	
414	1,581	Loans Fund Balance	421	1,475	
<b>420</b>	<b>1,600</b>	<b>Current Assets</b>	<b>424</b>	<b>1,485</b>	
(2)	(29)	Creditors	(5)	(7)	
(2)	(29)	<b>Current Liabilities</b>	(5)	(7)	
<b>829</b>	<b>6,022</b>	<b>Net Assets</b>	<b>860</b>	<b>6,056</b>	
-	93	Capital Adjustment Account	-	93	
-	2,632	Revaluation Reserve	-	2,639	
162	666	Available for Sale Financial Instruments Reserve	191	787	
667	2,631	Revenue Balance	669	2,537	
<b>829</b>	<b>6,022</b>	<b>Total Reserves</b>	<b>860</b>	<b>6,056</b>	

## Notes to the Trust Fund Accounts

### Note 1 Property, Plant and Equipment

Property, plant and equipment is valued on the basis recommended by CIPFA and the valuation report is produced by the Council's Estates Manager who is a Member of the Royal Institute of Chartered Surveyors. The assets are valued on a 5 year rolling programme and have been prepared in accordance with the provisions of the Royal Institution of Chartered Surveyors 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 2013/14.

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.                                 |

Depreciation:

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

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

Movements of Fixed Assets were as follows:

#### 2012/13

	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
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	615	3,200

#### 2013/14

	Other Land & Buildings	Community Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2013	2,791	24	2,815
Revaluations	60	-	60
Gross Book Value at 31 March 2014	2,851	24	2,875
Accumulated Depreciation at 1 April 2013	159	-	159
Revaluations	(2)	-	(2)
Charge for the Year	55	-	55
Depreciation at 31 March 2014	212	-	212
Net Book Value at 31 March 2014	2,639	24	2,663
Net Book Value at 31 March 2013	2,632	24	2,656

### Note 2 Investment Properties

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

	2012/13	2013/14
	£000	£000
Balance at start of the year	93	93
Net gains/(losses) from fair value adjustments	-	-
Balance at end of the year	93	93

### Note 3 Long Term Investments

Long Term Investments are a mixed portfolio of Unit Trusts. These investments have been restated as Long Term Investments from Current Assets to more accurately reflect the nature of the holdings.

### Note 4 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>				
36 Registered Charitable Trusts, each with Assets less than £50,000	(1)	4	194	(3)
Cumine of Auchray <i>Established to provide for decayed merchants of the Burgh of Elgin</i>	(1)	1	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>	(44)	10	548	(2)
	<u>(46)</u>	<u>15</u>	<u>865</u>	<u>(5)</u>
<b>Other Trusts</b>				
6 Non Registered Trusts, each with Assets less than £50,000	(84)	1	183	-
Longmore Hall <i>Village Hall for the use of the community</i>	-	21	713	-
A S Murdoch Fishing <i>River Findhorn Fishing Trust established for the purchase of fishing rights</i>	-	59	24	-
Glenisla Comforts Fund <i>For the benefit of the residents of Glenisla Care Home</i>	(8)	1	114	-
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>	(1)	1	101	-
William Lawtie <i>For the Poor of Cullen</i>	(1)	1	167	-
The MacDonald Benevolent Fund <i>Established in 1989 for persons in need of financial assistance particularly in Dufftown as decided by the Social Work Department</i>	(6)	3	260	-

<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>	(21)	4	236	-
Laing Mortification <i>For the benefit of a decayed merchant resident in Elgin.</i>	(2)	2	278	-
Craigmoray Bequest (Bishopmill) <i>For the benefit of the residents of Craigmoray Care Home</i>	(20)	2	338	-
Ladyhill Public Trust <i>Provides homes for two veterans from the Elgin area</i>	-	4	84	-
Jubilee Cottages Public Trust <i>Trust established by monies raised during Queen Victorias Diamond Jubilee for the purposes of providing low cost housing</i>	(1)	15	597	-
Cooper Park Public Trust <i>Trust established at turn of last century to provide Elgin library and reading rooms and parkland for recreation – all for the inhabitants of Elgin</i>	12	11	561	-
River Lossie Public Trust <i>Established mid 1800's to provide ground for recreation for the people of Elgin</i>	(36)	26	469	-
Miltoduff Hall <i>Established to provide space for local groups for education, recreation etc</i>	-	6	260	-
	<u>(168)</u>	<u>157</u>	<u>4,385</u>	<u>-</u>

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

<b>Fund</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Assets £000</b>	<b>Liabilities £000</b>
<b>Registered Charitable Trusts</b>				
Auchernack Trust <i>For the benefit of the elderly community of the Forres Area who are in need of relief by reason of advanced age</i>	(46)	5	680	-
Falconer Musuem <i>Established to provide a Public Museum in Forres</i>	-	-	-	-
	<u>(46)</u>	<u>5</u>	<u>680</u>	<u>-</u>
<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>	(24)	6	291	-
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>	(6)	2	84	-
Banffshire Educational Trust <i>Grants payable to persons resident in the former County of Banffshire, including University, Post Graduate, Apprentices &amp; Trainees; School Equipment; Sports Facilities; Support of Clubs; Promoting Education in Drama, Music &amp; Visual Arts; Travel Grants and School Excursions.</i>	(49)	11	623	(7)
	<u>(79)</u>	<u>19</u>	<u>998</u>	<u>(7)</u>

## Trust Fund wound up under the Trust Reorganisation

<b>Fund</b>	<b>Income £000</b>	<b>Expenditure £000</b>	<b>Assets £000</b>	<b>Liabilities £000</b>
<b>Registered Charitable Trusts</b>				
Cathedral Amenity <i>Established for the benefit of Elgin Cathedral</i>	(1)	79	-	-
	<u>(1)</u>	<u>79</u>	<u>-</u>	<u>-</u>
<b>Summary</b>				
Connected Charitable Trusts	(46)	15	865	(5)
Other Trusts	(293)	181	6,063	(7)
Trusts Wound up in the year	(1)	79	-	-
Total	<u>(340)</u>	<u>275</u>	<u>6,928</u>	<u>(12)</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 2013/14.

## 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 2013 £000			31 March 2014 £000
	<b>Income</b>		
(10)	Property		(13)
(112)	Investment Income		(85)
(10)	Movement in Fair Value of Investment Property		(4,388)
<b>(132)</b>	<b>Total Income</b>		<b>(4,486)</b>
	<b>Expenditure</b>		
5	Property Costs		2
15	Administrative Costs		15
75	Donations, Grants etc		51
6	Other Costs		18
121	Depreciation	<b>Note 1</b>	118
-	Movement on Held for Sale Asset	<b>Note 2</b>	108
<b>222</b>	<b>Total Expenditure</b>		<b>312</b>
<b>90</b>	<b>(Surplus)/Deficit for the Year</b>		<b>(4,174)</b>
-	Deficit on revaluation of Non-current Assets		6
<b>90</b>	<b>Total Comprehensive Net (Income)/Expenditure</b>		<b>(4,168)</b>



## Common Good Funds Balance Sheet

31 March 2013  
£000

31 March 2014  
£000

6,339	Property, Plant & Equipment	<b>Note 1</b>	5,459
210	Heritage Assets	<b>Note 3</b>	204
1,658	Investment Property	<b>Note 4</b>	6,700
<b>8,207</b>	<b>Long Term Assets</b>		<b>12,363</b>
-	Debtors		12
1	Inventories		1
5	Feu duties		3
3,298	Loans Fund Balance		3,290
<b>3,304</b>	<b>Current Assets</b>		<b>3,306</b>
(24)	Creditors		(14)
<b>(24)</b>	<b>Current Liabilities</b>		<b>(14)</b>
<b>11,487</b>	<b>Net Assets</b>		<b>15,655</b>
6,539	Revaluation Reserve		5,761
4,948	Revenue Reserve		9,894
<b>11,487</b>	<b>Total Reserves</b>		<b>15,655</b>

### Summary of Funds

Total Funds £000		Invested In Loans Fund £000	Total Funds £000
2,479	Buckie	1,457	2,451
114	Cullen	30	114
22	Dufftown	10	23
5,426	Elgin	1,583	5,374
3,444	Forres	208	7,691
2	Keith	2	2
<b>11,487</b>	<b>TOTAL</b>	<b>3,290</b>	<b>15,655</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 2013/14.

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

Depreciation

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

Other Land & Buildings - Buildings up to 60 years, land is not depreciated

Surplus Assets - land is not depreciated

Movements of Fixed Assets were as follows:

#### 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

#### 2013/14

	Other Land & Buildings	Surplus Assets	Total
	£000	£000	£000
Gross Book Value at 1 April 2013	6,092	615	6,707
Reclassifications	(151)	(615)	(766)
Gross Book Value at 31 March 2014	5,941	-	5,941
Accumulated Depreciation at 1 April 2013	368	-	368
Reclassifications	(4)	-	(4)
Charge for the Year	118	-	118
Depreciation at 31 March 2014	482	-	482
Net Book Value at 31 March 2014	5,459	-	5,459
Net Book Value at 31 March 2013	5,724	615	6,339

Restatements (2012/13) relate to assets previously held on the General Services Account now identified as Common Good.

		<b>Current Assets</b>
	<b>2012/13</b>	<b>2013/14</b>
<b>Note 2 Assets Held for Sale</b>	<b>£000</b>	<b>£000</b>
Balance outstanding at 1 April	-	-
Assets newly classified as held for sale:		
Property, Plant and Equipment	-	108
Revaluation gains/(losses)	-	(108)
Balance outstanding at 31 March	<u>-</u>	<u>-</u>

### Note 3 Heritage Assets

This note details the movement in Heritage Assets during the years 2012/13 and 2013/14.

	<b>Fine Art £000</b>	<b>Chains of Office £000</b>	<b>Total Heritage Assets £000</b>
Valuation at 1 April 2012	125	-	125
Revaluations	-	85	85
<b>At 31 March 2013</b>	<u>125</u>	<u>85</u>	<u>210</u>
Valuation at 1 April 2013	125	85	210
Revaluations	-	(6)	(6)
<b>At 31 March 2014</b>	<u>125</u>	<u>79</u>	<u>204</u>

The revaluation of the Chains of Office in 2013/14 included an estimated value for four Chains of Office. These chains were independently valued during 2013/14 by William Windwick, PJDip FGA FNAG MIRV, a member of the Institute of Registered Valuers

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

<b>Assets excluded from Heritage Assets</b>	<b>Estimated number of assets 31 March 2014</b>
Monuments and Fountains	3
Nelsons Tower	1

## Note 4 Investment Properties

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

	<b>2012/13 £000</b>	<b>2013/14 £000</b>
Rental income from investment property	41	62
Net gain/ (loss)	<u>41</u>	<u>62</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>2012/13 £000</b>	<b>2013/14 £000</b>
Balance at start of the year	1,648	1,658
Net gains/(losses) from fair value adjustments	10	4,388
Transfers from Property, Plant and Equipment	-	654
Balance at end of the year	<u>1,658</u>	<u>6,700</u>



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

We certify that we have audited the financial statements of The Moray Council and its group for the year ended 31 March 2014 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 2013/14 (the 2013/14 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013/14 Code of the state of the affairs of the group and of the body as at 31 March 2014 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 2013/14 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.

Lindsey Paterson, for and on behalf of PricewaterhouseCoopers LLP  
141 Bothwell Street  
Glasgow  
G2 7EQ

29 September 2014

## 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**

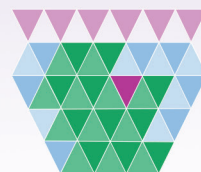
The total cost of performing an activity or following a decision or course of action.

## 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.





the **MORAY** council

D-00540