

AUDITED ACCOUNTS

**GRAMPIAN  
VALUATION  
JOINT BOARD**

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**ANNUAL REPORT AND FINANCIAL STATEMENT  
FOR THE YEAR ENDED  
31 MARCH 2012**

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## **EXPLANATORY FOREWORD BY THE TREASURER**

### **INTRODUCTION**

The Joint Board was created following Local Government Re-organisation on 1 April 1996, under the Local Government (Scotland) Act 1994 and administers the Rating Valuation, Council Tax Valuation and Electoral Registration services on behalf of Aberdeenshire, Aberdeen City and Moray Councils. The Board receives its financial support from the three constituent authorities by requisitioning the funding for its Revenue Budget each financial year.

The Moray Council provides the accounting and treasury services to the Board and the Treasurer to the Board is the Moray Council's Head of Financial Services.

### **CORE FINANCIAL STATEMENTS**

The **Movement In Reserves Statement** shows the movement on the different reserves held by the Board, analysed into 'usable reserves' and 'unusable reserves'.

The **Comprehensive Income and Expenditure Statement** is a summary of the resources generated and consumed by the Board in the year.

The **Balance Sheet** shows the assets and liabilities of the Board and shows a picture of the Board's financial position as at 31 March 2012.

The **Cash Flow Statement** summarises the flows of cash into and out of the Board for the year to 31 March 2012.

## EXPLANATORY FOREWORD BY THE TREASURER (continued)

### FINANCIAL PERFORMANCE 2011/12

The Board's financial results for the year compared against budget are shown below. This presentation differs slightly from that shown in the Comprehensive Income and Expenditure Statement, as set out in Note 23.

<b>Actual 2010/11 £000</b>		<b>Budget 2011/12 £000</b>	<b>Actual 2011/12 £000</b>
2,964	Staff Costs	3,030	2,871
232	Property Costs	301	302
291	Admin Expenses	315	271
75	Transport Cost	84	73
238	Supplies and Services	190	168
<b>3,800</b>	<b>Gross Expenditure</b>	<b>3,920</b>	<b>3,685</b>
-	Government Grant	-	-
10	Sales and Miscellaneous Income	5	10
2	Interest on Revenue Balances	2	2
<b>12</b>	<b>Gross Income</b>	<b>7</b>	<b>12</b>
<b>3,788</b>	<b>Net Expenditure</b>	<b>3,913</b>	<b>3,673</b>

The Net budgeted expenditure of the Board in 2011/12 was £3.913m (2010/11 £4.084m). The actual expenditure requisitioned from the constituent authorities was £3.673m (2010/11 £3.788m). There was an underspend of £0.240m (2010/11 £0.296m) which can be analysed as follows:

<b>2010/11 £000</b>		<b>2011/12 £000</b>
187	Staff Costs	159
92	Property Costs	(1)
24	Admin Expenses	44
21	Transport Cost	11
(37)	Supplies and Services	22
9	Income	5
<b>296</b>	<b>Net Underspend Against Budget</b>	<b>240</b>

The main reason for the underspend in staff costs was vacant posts, of which five have been frozen in 2012/13 as efficiency savings. Admin expenditure was also under budget on postages, printing and stationery expenses.

It was agreed by the Board at its meeting on 28 January 2011 that a General Fund would be created to provide the Assessor with some flexibility to investigate any spend to save projects which would require one-off expenditure in order to deliver future budget savings. The Board agreed that transfers to the fund would be restricted to 3% of the total budget in any one year and that the cumulative balance would not exceed 5% of the total budget of that year. The Board created the General Fund with a transfer of £0.123m last year. From the underspend this year the maximum amount which can be transferred to the General Fund in 2011/12 is £0.073m. This takes the balance on the General Fund to the maximum

## EXPLANATORY FOREWORD BY THE TREASURER (continued)

### FINANCIAL PERFORMANCE 2011/12 (continued)

permitted, i.e. 5% of the total budget for 2011/12 which equates to £0.196m. The remaining underspend of £0.167m will be returned to authorities.

The Comprehensive Income and Expenditure Statement shows a surplus of £0.048m on the provision of services for the year. After allowing for the reversal of statutory charges for IAS 19 of £(0.010)m, depreciation and impairment totalling £0.035m, there remains a surplus of £0.073m which has been transferred to a General Fund. Included in the Requisitions and Non-Specific Grant Income line is a refund due to the constituent authorities of £0.167m. This is allocated between the constituent authorities on the basis of population and will be returned to authorities after the accounts are audited. For 2011/12 the amount to be returned has been allocated as follows:

2010/11		Constituent Authority	2011/12	
£000	%		£000	%
67	39	Aberdeen City Council	65	39
78	45	Aberdeenshire Council	75	45
28	16	Moray Council	27	16
<u>173</u>	<u>100</u>	<b>Total</b>	<u>167</u>	<u>100</u>

### Capital Fund

A Capital Fund was established in 2002/03 using the Board's share of proceeds from the sale of Woodhill House. The balance on the fund at 31 March 2012 was £0.071m (2010/11 £0.071m). Interest of £0.0002m from the Moray Council's Loans Fund was credited during the year (2010/11 £0.0002m).

The Board agreed that any major capital requirements for the Board in the future would be funded through the normal requisition process.

### Significant Future Risk to Funding

The public sector in Scotland is facing severe financial pressures, especially the Board's constituent authorities. The respective Chief Financial Officers in the three constituent authorities have requested that the Board makes budget savings equivalent to 4% per annum over the next three years, equating to a cash reduction in revenue budget of 11.5% by the end of 2015.

The Board set a budget for 2012/13 generating 1.5% cash savings, as it is unlikely to meet the target set by the constituent authorities without major impact on service delivery. The Assessor and his management team have highlighted future funding as a significant risk.

## **EXPLANATORY FOREWORD BY THE TREASURER (continued)**

### **RETIREMENT BENEFITS**

#### **Employee Benefits (IAS 19)**

In accordance with CIPFA/LASAAC guidance IAS 19 has been fully adopted in preparing the accounts of the Board. The standard prescribes how employing organisations are to account for pension benefits earned by employees in the year and associated pension assets and liabilities.

Employees are eligible to join the Local Government Pension Scheme (LGPS), administered by Aberdeen City Council. Note 24 to the accounts details the income and expenditure charged to the Comprehensive Income and Expenditure Statement under IAS 19 in respect of the Local Government Scheme, based upon estimates provided by the actuary to the Scheme.

The liability on the Local Government Pension Scheme pension fund and a pensions reserve are incorporated on the balance sheet. In the Comprehensive Income and Expenditure Statement, the cost of retirement benefits is recognised in the Net Cost of Services when earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is funded by requisitions is based on the contribution payable to the pension scheme in the year, so the cost of retirement benefits is reversed out in the Movement in Reserves Statement. Note 16 to the Accounts shows that the Board has a net pension liability of £5.137m as at 31 March 2012 (31 March 2011 £4.104m) due to the accrual of pension liabilities in accordance with IAS 19.

### **GOING CONCERN**

The accrual of pension liabilities has a significant impact on the Balance Sheet at 31 March 2012 which shows an excess of liabilities over assets of £4.221m (£3.227m at 31 March 2011). Future actuarial valuations of the Local Government Pension Fund will consider the appropriate employee/employer's rate to meet the commitments of the Fund and the constituent authorities of the Board are required to fund the liabilities of the Board as they fall due. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### **ACKNOWLEDGEMENTS**

My thanks go to the staff, who contribute to the preparation of these accounts and in particular to Finance staff at the Moray Council for their hard work in meeting the year-end deadlines.

**Lorraine Paisey  
Acting Treasurer  
29 August 2012**

## **GLOSSARY OF TERMS**

### **EXPENDITURE**

#### **Employee Costs:**

Includes wages, salaries and overtime, employer's national insurance and superannuation contributions as well as relocation costs and allowances.

#### **Property Costs:**

Includes rent, rates, repairs and maintenance of buildings. Energy costs, water services as well as fixtures and fittings and grounds maintenance are also included.

#### **Supplies and Services:**

Includes the cost of purchasing equipment, materials and payments to third parties for the provision of services. Also included are canvass expenses and valuation appeal panel costs and expenses.

#### **Transport Costs:**

This includes all costs associated with the provision, hire or use of transport, including staff travel allowances and public transport.

#### **Administration Costs:**

Includes telephone, printing, stationery, advertising, postage, and training expenses.

#### **Corporate Democratic Core (CDC):**

These are costs associated with democratic representation and include Members expenses and costs relating to the corporate management of the Board.

#### **Non Distributed Costs (NDC):**

These are costs which cannot be allocated to the cost of a service.

#### **Depreciation:**

Depreciation is a charge to the Comprehensive Income & Expenditure Account, reflecting the decline in value of assets as a result of their usage or ageing.

### **INCOME**

#### **Customer and Client Receipts:**

Income received for services provided.

#### **Requisitions:**

Funding received from the constituent authorities for which the Board provides a service.

### **OTHER**

#### **CIPFA**

The Chartered Institute of Public Finance and Accountancy

#### **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee



## **GLOSSARY OF TERMS (Continued)**

### **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.

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Board's Responsibilities**

The Board 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 the Valuation Joint Board, that officer is the Treasurer to the Board.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve The Statement of Accounts.

### **The Treasurer's Responsibilities**

The Treasurer to the Board is responsible for the preparation of the Board'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. (the Code)

In preparing this statement of accounts, the Treasurer 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 Treasurer 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 this Statement of Accounts gives a true and fair view of the financial position of the Board at the accounting date and its income and expenditure for the year ended 31 March 2012.

**Lorraine Paisey  
Acting Treasurer  
29 August 2012**



## **STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL**

This statement is given in respect of the Annual Accounts for the Grampian Valuation Joint Board for the year ended 31 March 2012. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

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 would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability. Managers within the Assessor's service and the Moray Council undertake development and maintenance of the system, which includes:

- Comprehensive budgeting systems
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts
- Setting targets to measure financial and other performance
- The preparation of regular financial reports which indicate actual expenditure against the forecasts

Internal Audit of the Moray Council is an independent appraisal activity, which reviews the internal financial control system as a service to the Board. In accordance with the principles of the Code of Practice for Internal Audit in Local Government, the Internal Audit Manager reports to the Board on the planned audit coverage and on the findings and recommendations arising from audit work completed.

The Internal Audit Manager also undertakes an annual independent appraisal of the Joint Board's internal financial control system and provides an independent opinion on the adequacy and effectiveness of the internal financial control system.

For the 2011/12 financial year, internal audit work included an analytical review of budgeted and actual expenditure in the current and prior years, and testing of transactions covering employee payroll costs, payment of creditors and revenue generated. All audit testing was concluded satisfactorily.

The Assessor's procedures for maintaining the Valuation Roll and Council Tax lists and for reporting additions, deletions and amendments to the lists to constituent authorities were reviewed to confirm these were operating as intended.

The most recent risk register updated in April 2012 was also reviewed confirming that the Assessor and his management team actively identify, document and address the principal risks facing the Board.

Each risk is assigned an 'owner' who is responsible for leading on risk mitigation measures. The register is reviewed and revised regularly by the management team, with an annual update being provided to the Board in support of good governance practice.

## **STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL (continued)**

Two main areas in the risk register continue to be identified as high risk:

- The shift in taxation ethos from Council Tax to Local Income Tax
- The reduction in funding from the three constituent authorities and the impact of this on service delivery

### **Opinion**

My review of the effectiveness of the system of internal financial control is informed by my knowledge of:

- The work of the Assessor and his management team
- The work of the internal auditors as described above.
- The external auditor in the annual audit letter and other reports.

It is my opinion, based on the above information, that reasonable assurance can be placed on the adequacy and effectiveness of the Board's internal financial control systems in place for the year ended 31 March 2012.

**Lorraine Paisey  
Acting Treasurer  
29 August 2012**

## REMUNERATION REPORT

This report has been written to provide details of the Grampian Valuation Joint Board'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 the tables 1 to 6 in this Remuneration Report will be audited by PricewaterhouseCoopers LLP. The other sections of the Remuneration Report will be reviewed by PricewaterhouseCoopers LLP to ensure that they are consistent with the financial statements.

### Remuneration of Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSINo.2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements as either the Convener, the Civic Head, Senior Councillors or Councillors. The Board consists of 15 Members comprising 6 from Aberdeen City Council, 6 from Aberdeenshire Council and 3 from the Moray Council.

The local authority of which the convener or vice convener is a Member pays the remuneration appropriate to the Member's work with the joint board. Conveners receive a remuneration which when added to their existing remuneration as a Councillor/Senior Councillor equals 75 per cent of the Leader of a "Band A" council, i.e. £20,294 per annum. The vice convener's remuneration is calculated on the basis of the basic salary plus 75 percent of the difference between the basic salary and the convener's salary, i.e. £19,279 per annum.

The latest rates for the Convener and Vice Convener were effective from 1 April 2009. Details of these payments are shown on Table 1 and Table 2 below. The Vice Convener receives a Special Responsibility Allowance from Aberdeen City Council and so no additional award is made for undertaking duties for the Valuation Board. This allowance is paid for in full by them and will be included in their remuneration report. All other Councillors' expenses are paid directly by the authority that they serve and will also be included in the individual authority's remuneration report.

### **Remuneration of Senior Councillors, Convener and Vice-Convener (Table 1)**

The Board pays a Special Responsibility Allowance to the Convener of the Board. Details of this payment are shown below:

<b>Councillor Name and Responsibility</b>	<b>Salary, fees and allowances</b>	<b>Taxable Expenses</b>	<b>Total Remuneration 2011/12</b>	<b>Total Remuneration 2010/11</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cllr Irene Ogilvie, Convener	4,060	-	4,060	4,060
<b>TOTAL</b>	<b>4,060</b>	<b>-</b>	<b>4,060</b>	<b>4,060</b>

The Vice Convener receives a Special Responsibility Allowance from Aberdeen City Council and so no additional award is made for undertaking duties for the Valuation Board.

## REMUNERATION REPORT (continued)

### Remuneration of Councillors (Table 2)

The Grampian Valuation Joint Board paid the following salaries, allowances and expenses for all councillors (including the senior councillor above) during the year. It includes expenses met directly by the Board and expenses reimbursed to Councillors.

Type of Remuneration	2011/12	2010/11
	£	£
Salaries	4,060	4,060
Allowances	-	-
Expenses	1,064	1,064
<b>TOTAL</b>	<b>5,124</b>	<b>5,124</b>

### Remuneration of Senior Employees

The Local Authority Accounts (Scotland) Amendment Regulations 2011 require remuneration information to be disclosed for senior employees and these are categorised by 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.

Remuneration disclosure is therefore required for the Assessor and Electoral Registration Officer (ERO) and two Depute Assessor and Depute Electoral Registration Officers who are deemed to be senior employees for the Grampian Valuation Joint Board. Details are shown on Table 3 below.

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) sets the terms and conditions and pay bandings for senior employees but actual remuneration levels are set locally and were last agreed by the Board on 23 January 2004.

## REMUNERATION REPORT (continued)

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

Name and Post Title	Salary, fees and allowances	Taxable Expenses	Total Remuneration 2011/12	Total Remuneration 2010/11
	£	£	£	£
Ian Milton – Assessor & ERO	101,359	384	101,743	101,998
Gavin Oag - Depute Assessor & ERO	79,042	627	79,669	79,683
Mark Adam - Depute Assessor & ERO	70,675	644	71,319	71,059
<b>TOTAL</b>	<b>251,076</b>	<b>1,655</b>	<b>252,731</b>	<b>252,740</b>

1. The Treasurer and the Clerk to the Board do not receive remuneration from the Valuation Board. The duties of the posts are covered by the postholders' substantive posts in the Moray Council.

### **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 below.

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. The Board pays a contribution to the Moray Council for the Convener's pension contributions and this is based on a percentage of the cost of the Special Responsibility Allowance.



## REMUNERATION REPORT (continued)

### Pension Benefits (continued)

For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. The scheme's normal retirement age for both councillors and employees is 65.

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

The member contribution rates for 2011/12 are the same as for 2010/11, however the earnings bands have changed as shown in the table below. The figures for 2010/11 are shown in brackets for comparison:

Whole time earnings	Contribution rate 2011/12	Contribution rate 2010/11
On earnings up to and including £18,500 (£18,000)	5.50%	5.50%
On earnings above £18,500 and up to £22,600 (£18,000 - £22,000)	7.25%	7.25%
On earnings above £22,600 and up to £30,900 (£22,000 - £30,000)	8.50%	8.50%
On earnings above £30,900 and up to £41,200 (£30,000 - £40,000)	9.50%	9.50%
On earnings above £41,200 (£40,000)	12.0%	12.0%

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 a consequence of their local government service, and not just their current appointment.

## REMUNERATION REPORT (continued)

### Pension Benefits (continued)

#### Senior Councillors (Table 4)

	In-year pension contributions	
	For the year to 31 March 2012	For the year to 31 March 2011
	£	£
Cllr Irene Ogilvie, Convener	783	780
Total	783	780

The above amounts show the In-year contributions relating to the Special Responsibility Allowance shown in Table 1. The total pension benefits relating to Councillor Ogilvie are detailed in the remuneration report of the Moray Council.

#### Senior Employees (Table 5)

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

	In-year pension contributions			Accrued pension benefits	
	For the year to 31 March 2012	For the year to 31 March 2011		As at 31 March 2012	Difference from March 2011
	£	£		£	£
Ian Milton Assessor and ERO	19,535	19,434	Pension Lump Sum	36,323 93,789	1,686 (1)
Gavin Oag Depute Assessor & ERO	15,228	15,149	Pension Lump Sum	22,954 57,027	1,315 -
Mark Adam Depute Assessor & ERO	13,569	13,499	Pension Lump Sum	24,081 61,695	1,172 -
<b>TOTAL</b>	<b>48,332</b>	<b>48,082</b>		<b>295,869</b>	<b>4,172</b>

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

## REMUNERATION REPORT (continued)

### General Disclosure by Pay Band

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 below.

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

The Table includes the remuneration of the senior employees detailed in Table 3.

Remuneration Band	Number of employees	
	2011/12	2010/11
£50,000 - £54,999	4	4
£70,000 - £74,999	1	1
£75,000 - £79,999	1	1
£100,000 - £104,999	1	1
Total	7	7

**Lorraine Paisey  
Acting Treasurer  
29 August 2012**

## MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2012

This Statement shows the movement in the year on the different reserves held by the Board, analysed into 'usable reserves' and 'unusable reserves'. Usable reserves are those that can be applied to fund expenditure subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital fund that may only be used to fund capital expenditure or repay debt). Unusable reserves include 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 line "Adjustments between accounting basis and funding basis under regulations".

The 'Surplus on provision of services' line shows the true economic cost of providing the Board's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Requisition setting. The 'Net Increase /Decrease before transfers to other statutory reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Board.

Details are tabulated first for 2010/11 for comparative purposes.

	General Fund £000	Capital Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Board Reserves £000
<b>Balance at 31 March 2010</b>	-	71	71	(4,639)	(4,568)
Surplus on provision of services (accounting basis)	1,594	-	1,594	-	1,594
Other Comprehensive Expenditure and Income	-	-	-	(253)	(253)
<b>Total Comprehensive Income and Expenditure</b>	<b>1,594</b>	<b>-</b>	<b>1,594</b>	<b>(253)</b>	<b>1,341</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(1,471)	-	(1,471)	1,471	-
<b>Net Increase before Transfers to Other Statutory Reserves</b>	<b>123</b>	<b>-</b>	<b>123</b>	<b>1,218</b>	<b>1,341</b>
Transfers to / from Other Statutory Reserves	-	-	-	-	-
<b>Increase in Year</b>	<b>123</b>	<b>-</b>	<b>123</b>	<b>1,218</b>	<b>1,341</b>
<b>Balance at 31 March 2011</b>	<b>123</b>	<b>71</b>	<b>194</b>	<b>(3,421)</b>	<b>(3,227)</b>

**MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2012 (continued)**

	General Fund	Capital Fund	Total Usable Reserves	Unusable Reserves	Total Board Reserves
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2011</b>	<b>123</b>	<b>71</b>	<b>194</b>	<b>(3,421)</b>	<b>(3,227)</b>
Surplus on provision of services (accounting basis)	48	-	48	-	48
Other Comprehensive Expenditure and Income	-	-	-	(1,042)	(1,042)
<b>Total Comprehensive Income and Expenditure</b>	<b>48</b>	<b>-</b>	<b>48</b>	<b>(1,042)</b>	<b>(994)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	25	-	25	(25)	-
<b>Net Increase / (Decrease) before Transfers to Other Statutory Reserves</b>	<b>73</b>	<b>-</b>	<b>73</b>	<b>(1,067)</b>	<b>(994)</b>
Transfers to / from Other Statutory Reserves	-	-	-	-	-
<b>Increase / (Decrease) in Year</b>	<b>73</b>	<b>-</b>	<b>73</b>	<b>(1,067)</b>	<b>(994)</b>
<b>Balance at 31 March 2012</b>	<b>196</b>	<b>71</b>	<b>267</b>	<b>(4,488)</b>	<b>(4,221)</b>

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the expenditure to be funded from requisitions. The Board raises requisitions from the three constituent Local Authorities in accordance with statute and this is different from the accounting cost. The effect on the General Fund is shown in the Movement in Reserves Statement.

31 March 2011				31 March 2012		
£000	£000	£000	Note	£000	£000	£000
Expenditure	Income	Net		Expenditure	Income	Net
3,783	(10)	3,773		3,732	(10)	3,722
22	-	22		21	-	21
-	(1,565)	(1,565)		-	-	-
<b>3,805</b>	<b>(1,575)</b>	<b>2,230</b>		<b>3,753</b>	<b>(10)</b>	<b>3,743</b>
89	(2)	87	8	-	(45)	(45)
		(3,911)				(3,746)
		<b>(1,594)</b>				<b>(48)</b>
		253				1,042
		<b>253</b>				<b>1,042</b>
		<b>(1,341)</b>				<b>994</b>



## BALANCE SHEET AS AT 31 MARCH 2012

The Balance Sheet shows the value as at the Balance Sheet date of assets and liabilities recognised by the Board. The net assets of the Board (assets less liabilities) are matched by the reserves held by the Board.

Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Board may use to provide services. The second category of reserves is unusable reserves, i.e. those that the Board is not able to use to provide services.

31 March 2011 £000		Note	31 March 2012 £000
752	Property, Plant & Equipment	9	717
4	Long Term Debtors	10	1
<b>756</b>	<b>Long Term Assets</b>		<b>718</b>
65	Short Term Debtors	11	23
	Cash and Cash Equivalents		
451		12	577
<b>516</b>	<b>Current Assets</b>		<b>600</b>
(395)	Short Term Creditors	13	(402)
<b>(395)</b>	<b>Current Liabilities</b>		<b>(402)</b>
(4,104)	Other Long Term Liabilities		(5,137)
<b>(4,104)</b>	<b>Long Term Liabilities</b>		<b>5,137</b>
<b>(3,227)</b>	<b>Net Liabilities</b>		<b>(4,221)</b>
	Usable reserves	15	
123	General Fund		196
71	Capital Fund		71
<b>194</b>	<b>Total</b>		<b>267</b>
	Unusable Reserves	16	
168	Revaluation Reserve		165
584	Capital Adjustment Account		552
(4,104)	Pensions Reserve		(5,137)
(69)	Employee Statutory Adjustment Account		(68)
<b>(3,421)</b>	<b>Total</b>		<b>(4,488)</b>
<b>(3,227)</b>	<b>Total Reserves</b>		<b>(4,221)</b>

**Lorraine Paisey**  
**Acting Treasurer**  
**29 August 2012**

The unaudited accounts were issued on 31 May 2012 and the audited accounts were authorised for issue on 29 August 2012.





## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

The Cash Flow statement shows the changes in cash and cash equivalents of the Board during the reporting period. The statement shows how the Board generates and uses cash and cash equivalents by classifying cash flows as; operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Board are funded by way of requisition and grant income or from the recipients of services provided by the Board. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Board's future service delivery, i.e. assets.

<b>31 March 2011</b>		<b>Note</b>	<b>31 March 2012</b>
<b>£000</b>			<b>£000</b>
(1,594)	Net (surplus) or deficit on the provision of services		(48)
1,554	Adjust net deficit or (surplus) on the provision of services for non cash movements		(78)
<hr/>			<hr/>
(40)	Net cash flows from Operating Activities	17	(126)
21	Investing Activities	18	-
<hr/>			<hr/>
(19)	Net increase in cash and cash equivalents		(126)
432	Cash and cash equivalents at the beginning of the reporting period		451
<hr/>			<hr/>
451	Cash and cash equivalents at the end of the reporting period		577
<hr/>			<hr/>



## NOTES TO THE ACCOUNTS

### NOTE 1 Accounting Policies

#### General Principles

The Statement of Accounts summarises the Board's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Board 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 require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets.

#### 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.

#### Fixed 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 Board 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 and property is revalued at least every five years. Cost includes the original purchase of the asset and the costs attributable to bringing the assets to its working condition for its intended use.

Assets are measured at fair value which is Existing Use Value for Land and Buildings and Depreciated Historic Cost for Equipment and Furniture.

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.

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.

## NOTES TO THE ACCOUNTS (continued)

### Note 1 Accounting Policies (continued)

#### Fixed Assets (continued)

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

**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 Requisitions, as the cost of fixed assets 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 Fund and reported in the Movement in Reserves Statement.

**Depreciation:** Depreciation is provided for on all items of property, plant and equipment with a finite useful life with the exception of land where it can be demonstrated that it has an unlimited useful life. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is 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. In the year of disposal, no depreciation is charged.

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.

Revaluation gains are also depreciated, with an amount equal to the difference between the 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.

**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); and
- 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 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.

#### Requisitions and Contributions

Requisitions 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 Board has not satisfied.

## **NOTES TO THE ACCOUNTS (continued)**

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

#### **Financial Assets and Liabilities**

The Board's Financial Assets are Loans and Receivables which have fixed or determinable payments but are not quoted in an active market.

Most of the Board's loans and receivables (debtors) are for less than 12 months or are charged at a market rate of interest and so are initially measured at fair value and are carried at amortised cost, which equates to the actual cash value at 31 March 2012.

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.

The Board's Liabilities are shown as Creditors in the Balance Sheet and are for less than 12 months and so are initially measured at fair value and are carried at amortised cost, which equates to the actual cash value at 31 March 2012.

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

The Board uses the Moray Council's bank account for financial transactions and the balance is invested in the Council's Loans Fund. This balance is repayable on demand and therefore treated as a cash equivalent and is included in the Balance Sheet at amortised cost, which equates to the actual cash value at 31 March 2012.

#### **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 Board. 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, eg 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 calculated 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 so that holiday benefits are charged to revenue in the financial year in which the holiday absence is earned, but Statutory Regulations issued by the Scottish Government allow the Board to reverse out this amount through the Movement in Reserves Statement so that it does not impact on the General Fund.

**Termination Benefits:** Termination benefits are amounts payable as a result of a decision by the Board 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 (or discontinued operations) in the Comprehensive Income and Expenditure Statement when the Board is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

## **NOTES TO THE ACCOUNTS (continued)**

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

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

##### **Termination Benefits (continued)**

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Board 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:** The Board is a statutory body in the North East of Scotland Local Government Pension Scheme administered by Aberdeen City Council, which provides employees with defined benefits related to pay and service.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Board 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 any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The liabilities of the North East of Scotland pension scheme attributable to the Board 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 and employee turnover rates, etc. and projections of future earnings for current employees.

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

In assessing liabilities for retirement benefits at 31 March 2011 for the 2010/11 Statement of Accounts, the actuary assumed a discount rate of 5.5% actual. For the 2011/12 Statement of Accounts the actuary has advised that a rate of 4.9% actual is appropriate. Application of this rate and the reduction of the rate of annual increase in pensions from 2.9% to 2.5% have resulted in an increase in liabilities. This is reflected by the increase in actuarial losses recognised for the year in the Comprehensive Income and Expenditure Statement.

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

## **NOTES TO THE ACCOUNTS (continued)**

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

#### **Going Concern**

The Pension Scheme overall liability demonstrates the Board's commitment to pay retirement benefits in the long term. As a consequence there is a significant impact on the net worth of the Board as recorded on the Balance Sheet, which shows a net liability. Statutory arrangements for the funding of the deficit mean that the financial position of the Board remains assured. On the basis of this funding arrangement, the Board considers it appropriate that the Statement of Accounts should follow the going concern basis of accounting.

#### **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 (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 Board's status as a multi-functional, democratic organisation.

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and past service gains.

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.

#### **Value Added Tax**

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.

#### **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 Board.

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 Board'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.



## **NOTES TO THE ACCOUNTS (continued)**

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

#### **Events after Balance Sheet Date**

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

There are two types of events:

- a) those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the reporting period) and
- b) those that provide evidence of conditions that arose after the balance sheet date (non-adjusting events after the reporting period)

The accounts are adjusted to reflect adjusting events after the reporting period and are not adjusted to reflect non-adjusting events after the reporting period. Where a non-adjusting event 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.

#### **Leases**

Operating lease payments are reflected under the relevant expenditure heading in the Comprehensive Income and Expenditure Statement, as the rentals become payable. The Board does not have any finance leases.

#### **Reserves**

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

#### **Usable Reserves**

**General Fund:** The creation of a General Fund was agreed by the Board at its meeting on 28 January 2011. This was introduced to provide the Assessor with some flexibility to investigate any spend to save projects which would require one-off expenditure in order to deliver future budget savings. The reserve will also act as a contingency for any unexpected costs in future years. Transfers are restricted to 3% of revenue budget in any one year subject to the reserve having a cumulative balance not exceeding 5% of revenue budget.

## **NOTES TO THE ACCOUNTS (continued)**

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

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

**Capital Fund:** Under the terms of Schedule 3 to the Local Government (Scotland) Act 1975, the Board has established a Capital Fund and has paid into that fund the receipt in respect of the Board's share from the sale of Woodhill House. Interest earned on the Capital Fund balance is added to the accumulated balance each year.

#### **Unusable Reserves**

The **Capital Adjustment Account** was introduced on 1 April 2007 and reflects the difference between the cost of fixed 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 fixed assets.

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

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 27.

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

For 2011/12, the accounting policy change that needs to be reported relates to Financial Instruments. Amendments to IFRS 7 – Financial Instruments: Disclosures (transfer of financial assets) were issued in October 2010 with an effective date 1 July 2011 and are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on an entity's financial position. The Board's financial assets comprise of car loans and receivables and the revisions to IFRS 7 will not affect the Board's reporting of those assets.

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

In applying the accounting policies set out in Note 1, the Treasurer 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 and hence to funding for the Board. However, the Board has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Board might be impaired as a result of a need to close facilities and reduce levels of service provision.

## NOTES TO THE ACCOUNTS (continued)

### Note 3 Critical Judgements in Applying Accounting Policies (continued)

- In June 2010 the UK Government announced that pension increases will be based on CPI (Consumer Price Index) rather than RPI (Retail Price index). The Actuary has continued to make this assumption when estimating the Board's liabilities, although the change from RPI to CPI may still be appealed.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Board 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 Board's Balance Sheet at 31 March 2012 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
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 £0.402m.

### Note 5 Material Items of Income and Expense

The Board agreed at its meeting on 28 January 2011 to create a General Fund which could be used in the future to investigate spend to save projects for the Board. This fund can also be used as a contingency to meet unforeseen costs in future years and assist with financial planning by enabling limited budget flexibility between financial years. Transfers are restricted to 3% of revenue budget in any one year subject to the fund having a cumulative balance not exceeding 5% of revenue budget. There was no spend against the General Fund during the year and a transfer of £0.073m was made as at 31 March 2012, bringing the closing balance to the maximum level in the year of £0.196m.

### Note 6 Events After The Balance Sheet Date

The unaudited Statement of Accounts was issued on 31 May 2012 and the Audited Statement of Accounts was authorised for issue on 29 August 2012 by Lorraine Paisey, Acting Treasurer. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

NOTES TO THE ACCOUNTS (continued)

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

	Usable Reserves		Unusable Reserves
	General Fund Balance	Capital Fund Balance	
2010/11	£000	£000	£000
<b><u>Adjustments involving the Capital Adjustments Account</u></b>			
Reversal of items Debited or Credited to the Comprehensive Income and Expenditure Account:			
Depreciation and Impairment	36	-	(36)
<b><u>Adjustments Primarily involving the Pensions Reserve</u></b>			
Movement in Pensions Reserve	(1,500)	-	1,500
<b><u>Adjustments Primarily involving the Employee Statutory Adjustment Account</u></b>			
Decrease in Employee Statutory Adjustment Account	(7)	-	7
<b>Total Adjustments</b>	<b>(1,471)</b>	<b>-</b>	<b>1,471</b>

**NOTES TO THE ACCOUNTS (continued)**

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

	Usable Reserves		Unusable Reserves
	General Fund Balance	Capital Fund Balance	
2011/12	£000	£000	£000
<b><u>Adjustments involving the Capital Adjustments Account</u></b>			
Reversal of items Debited or Credited to the Comprehensive Income and Expenditure Account:			
Depreciation and Impairment	35	-	(35)
<b><u>Adjustments Primarily involving the Pensions Reserve</u></b>			
Movement in Pensions Reserve	(9)	-	9
<b><u>Adjustments Primarily involving the Employee Statutory Adjustment Account</u></b>			
Decrease in Employee Statutory Adjustment Account	(1)	-	1
<b>Total Adjustments</b>	<b>25</b>	<b>-</b>	<b>(25)</b>

**Note 8 Financing and Investment Income and Expenditure**

	2010/11 £000	2011/12 £000
Pensions interest cost and expected return on pensions assets	89	(43)
Interest receivable and similar income	(2)	(2)
	<b>87</b>	<b>(45)</b>

NOTES TO THE ACCOUNTS (continued)

Note 9 Property, Plant and Equipment

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Total Property, Plant and Equipment
	£000	£000	£000
<b>Cost or valuation</b>			
At 1 April 2010	675	210	885
Additions	-	-	-
<b>At 31 March 2011</b>	<b>675</b>	<b>210</b>	<b>885</b>
<b>Accumulated Depreciation and Impairment</b>			
At 1 April 2010	29	68	97
Depreciation charge	15	21	36
<b>At 31 March 2011</b>	<b>44</b>	<b>89</b>	<b>133</b>
<b>Net Book Value</b>			
At 31 March 2010	646	142	788
At 31 March 2011	631	121	752

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Total Property, Plant and Equipment
	£000	£000	£000
<b>Cost or valuation</b>			
At 1 April 2011	675	210	885
Additions	-	-	-
<b>At 31 March 2012</b>	<b>675</b>	<b>210</b>	<b>885</b>
<b>Accumulated Depreciation and Impairment</b>			
At 1 April 2011	44	89	133
Depreciation charge	14	21	35
<b>At 31 March 2012</b>	<b>58</b>	<b>110</b>	<b>168</b>
<b>Net Book Value</b>			
At 31 March 2011	631	121	752
At 31 March 2012	617	100	717

## NOTES TO THE ACCOUNTS (continued)

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

#### Depreciation

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

Other Land & Buildings - 33-60 years, land is not depreciated

Vehicles, Plant, Furniture & Equipment - 10 years

#### Revaluations

The Board 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 by the Moray 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. Vehicles, Plant, Furniture and Equipment are based on depreciated historic cost as a proxy for current fair values.

#### Capital Commitments

At 31 March 2012 the Board had no capital commitments for 2012/13 and future years.

### Note 10 Long Term Debtors

	2010/11 £000	2011/12 £000
Car Loans	4	1

### Note 11 Short Term Debtors

	2010/11 £000	2011/12 £000
Central Government bodies	7	-
Other Local Authorities	41	-
Other Entities and Individuals	17	23
	65	23

## NOTES TO THE ACCOUNTS (continued)

### Note 12 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents comprises:

	<b>2010/11</b> <b>£000</b>	<b>2011/12</b> <b>£000</b>
Temporary Investment in the Moray Council Loans Fund	451	577
	<hr/> 451	<hr/> 577

### Note 13 Short Term Creditors

	<b>Restated</b>	
	<b>2010/11</b> <b>£000</b>	<b>2011/12</b> <b>£000</b>
Central Government bodies	58	54
Other Local Authorities	229	236
Other Entities and Individuals	108	112
	<hr/> 395	<hr/> 402

The analysis of creditors in 2010/11 incorrectly included a Local Authority creditor as a Central Government creditor. This has been corrected in the analysis above.

### Note 14 Financial Instruments

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. In the Board accounts this equates to the invoiced amounts or cash value. These amounts are also the fair values of these assets.

The Board has no material exposure to any of the following financial risks:

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

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## NOTES TO THE ACCOUNTS (continued)

### Note 14 Financial Instruments (continued)

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

	Long Term		Short Term	
	2010/11	2011/12	Restated 2010/11	2011/12
	£000	£000	£000	£000
<b>Debtors</b>				
Loans & Receivables	4	1	3	3
Financial Assets carried at contract amounts	-	-	62	20
<b>Total Debtors</b>	<b>4</b>	<b>1</b>	<b>65</b>	<b>23</b>
<b>Creditors</b>				
Financial Liabilities carried at contract amounts	-	-	395	402
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>395</b>	<b>402</b>
<b>Cash and Cash Equivalents</b>				
Cash Equivalent carried at contract amounts			451	577
<b>Total Cash and Cash Equivalents</b>			<b>451</b>	<b>577</b>

The analysis of Short Term Financial Instruments in 2010/11 incorrectly included Loans in Financial Assets carried at contract amounts. This has been corrected in the analysis above.

### Note 15 Usable Reserves

Movements in the Board's usable reserves are detailed in the Movement in Reserves Statement.

### Note 16 Unusable Reserves

	2010/11	2011/12
	£000	£000
Revaluation Reserve	168	165
Capital Adjustment Account	584	552
Pensions Reserve	(4,104)	(5,137)
Employee Statutory Adjustment Account	(69)	(68)
	<b>(3,421)</b>	<b>(4,488)</b>

## NOTES TO THE ACCOUNTS (continued)

### Note 16 Unusable Reserves (continued)

#### Revaluation Reserve

The Revaluation Reserve contains gains made by the Board arising from increases in the value of its Property, Plant and Equipment. 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 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.

	<b>2010/11</b> <b>£000</b>	<b>2011/12</b> <b>£000</b>
<b>Balance at 1 April</b>	171	168
Difference between fair value depreciation and historical cost depreciation	(3)	(3)
Accumulated gains on assets sold or scrapped	-	-
Amount written off to the Capital Adjustment Account	(3)	(3)
<b>Balance at 31 March</b>	<u>168</u>	<u>165</u>

## NOTES TO THE ACCOUNTS (continued)

### Note 16 Unusable Reserves (continued)

#### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing 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 Board as finance for the costs of acquisition, construction and enhancement.

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, excluding those involving the Revaluation Reserve.

	2010/11 £000	2011/12 £000
<b>Balance at 1 April</b>	617	584
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and impairment of non-current assets	(36)	(35)
	<hr/>	<hr/>
	(36)	(35)
Adjusting amounts written out of the Revaluation Reserve	3	3
	<hr/>	<hr/>
Net written out amount of the cost of non-current assets consumed in the year	(33)	(32)
Capital financing applied in the year:		
Use of the Capital Fund to finance new capital expenditure	-	-
	<hr/>	<hr/>
<b>Balance 31 March</b>	<u>584</u>	<u>552</u>

## NOTES TO THE ACCOUNTS (continued)

### Note 16 Unusable Reserves (continued)

#### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Board accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Board 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 Board 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.

	<b>2010/11</b> <b>£000</b>	<b>2011/12</b> <b>£000</b>
<b>Balance at 1 April</b>	(5,351)	(4,104)
Actuarial gains or losses on pensions assets and liabilities	(253)	(1,042)
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	1,055	(428)
Employer's pensions contributions and direct payments to pensioners payable in the year	445	437
<b>Balance at 31 March</b>	<u>(4,104)</u>	<u>(5,137)</u>

## NOTES TO THE ACCOUNTS (continued)

### Note 16 Unusable Reserves (continued)

#### Employee Statutory Adjustment Account

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

	2010/11 £000	2011/12 £000
<b>Balance at 1 April</b>	(76)	(69)
Settlement or cancellation of accrual made at the end of the preceding year	76	69
Amounts accrued at the end of the current year	(69)	(68)
<b>Balance at 31 March</b>	(69)	(68)

#### Note 17 Cash Flow - Operating Activities

The cash flows for operating activities includes the following item:

	2010/11 £000	2011/12 £000
Interest Received	2	2

#### Note 18 Cash Flow – Investing Activities

	2010/11 £000	2011/12 £000
Purchase of property, plant and equipment	21	-
	21	-

## NOTES TO THE ACCOUNTS (continued)

### Note 19 External Audit Costs

The Board has incurred the following costs in relation to the audit of the Statement of Accounts.

	<b>2010/11</b> <b>£000</b>	<b>2011/12</b> <b>£000</b>
Fees payable in respect of external audit services:		
audit fee	7	7
notified fixed charge element for the year	1	1
Total	<u>8</u>	<u>8</u>

### Note 20 Requisition and Grant Income

The Board credited the following requisitions to the Comprehensive Income and Expenditure Statement. The requisitions are based on population.

	<b>2010/11</b> <b>£000</b>	<b>2011/12</b> <b>£000</b>
Credited to Requisitions and Non Specific Grant Income:		
Requisition from Aberdeen City Council	1,592	1,525
Requisition from Aberdeenshire Council	1,828	1,750
Requisition from Moray Council	664	636
Total	<u>4,084</u>	<u>3,911</u>
Returned to constituent authorities:		
Aberdeen City Council	67	65
Aberdeenshire Council	78	75
Moray Council	28	27
Total	<u>173</u>	<u>167</u>

## NOTES TO THE ACCOUNTS (continued)

### Note 21 Related Parties

The Board is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Board or to be controlled or influenced by the Board. Disclosure of these transactions allows readers to assess the extent to which the Board might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Board.

#### Constituent Authorities

The constituent authorities have the potential to control or influence the Board as they provide the majority of the Board's funding. Details are shown in Note 20. The Board also made payments to the constituent authorities in the normal course of business. The amounts are detailed below:

	<b>2010/11</b> <b>£000</b>	<b>2011/12</b> <b>£000</b>
Aberdeen City Council	6	2
Aberdeenshire Council	262	385
Moray Council	90	68

The amounts owed to the constituent authorities at 31 March were:

Aberdeen City Council	116	65
Aberdeenshire Council	88	144
Moray Council	28	27

#### Members

Members of the Board have direct control over the Board's financial and operating policies. The total of members' allowances paid is shown in the Remuneration Report.

### Note 22 Leases

#### Board as Lessee

##### Operating Leases

The Board leases photocopiers and pays Aberdeenshire Council for the rental of their offices within Woodhill House under the terms of operating leases. The amount paid under these terms in 2011/12 was £0.114m, (£0.114m in 2010/11).

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

	<b>2010/11</b> <b>£000</b>	<b>2011/12</b> <b>£000</b>
Not later than one year	114	114
Later than one year and not later than five years	453	453
Later than five years	113	-
	<hr/> 680	<hr/> 567

## NOTES TO THE ACCOUNTS (continued)

### Note 23 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 Service Reporting Code of Practice. However, decisions about detailed resource allocation, within the overall budget agreed by the Board, are taken by the Assessor and reported to the Board in budget monitoring reports. 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.
- expenditure classification differs from the Service Reporting Code of Practice.

The Board's income and expenditure recorded in the outturn report for the year is as follows:

#### Income and Expenditure

	<b>2010/11</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
	Rating, Council Tax Valuation and Electoral Registration	Rating, Council Tax Valuation and Electoral Registration
Sales and Other Income	(10)	(10)
Interest on Revenue Balances	(2)	(2)
<b>Total Income</b>	<b>(12)</b>	<b>(12)</b>
Employee Costs	2,964	2,871
Property Costs	232	302
Supplies and Services	238	168
Transport Costs	75	73
Administration Costs	291	271
<b>Total operating expenses</b>	<b>3,800</b>	<b>3,685</b>
<b>Net Expenditure</b>	<b>3,788</b>	<b>3,673</b>



## NOTES TO THE ACCOUNTS (continued)

### Note 23 Amounts Reported for Resource Allocation Decisions (continued)

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

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

	<b>2010/11 £000</b>	<b>2011/12 £000</b>
Net Expenditure reported to the Board	3,788	3,673
<u>Add</u> Amounts in the Comprehensive Income and Expenditure not included in reports to the Board	(1,560)	68
<u>Less</u> Amounts reported to Management but not reported in Net Cost of Services	2	2
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<hr/> 2,230 <hr/>	<hr/> 3,743 <hr/>

## NOTES TO THE ACCOUNTS (continued)

### Note 23 Amounts Reported for Resource Allocation Decisions (continued)

#### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of the Outturn Income and Expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

#### Subjective Analysis 2010/11

	Board Analysis	Amounts not reported to the Board	Amounts not included in Net Cost of Services	Net Cost of Services	Corporate Amount	Total
Sales and Other Income	(10)			(10)		(10)
Interest and investment income	(2)		2	-	(2)	(2)
Government grants and contributions				-	(3,911)	(3,911)
<b>Total Income</b>	<b>(12)</b>	<b>-</b>	<b>2</b>	<b>(10)</b>	<b>(3,913)</b>	<b>(3,923)</b>
Employee Costs	2,964			2,964		2,964
Property Costs	232			232		232
Admin Expenses	291			291		291
Transport Costs	75			75		75
Supplies and Services	238			238		238
Depreciation, Amortisation and Impairment		36		36		36
IAS 19 Net Charges for Retirement Benefits		(1,589)		(1,589)		(1,589)
IAS 19 Holiday Pay Accrual		(7)		(7)		(7)
Pension Interest Cost and Expected Return on Pension Assets					89	89
<b>Total Expenditure</b>	<b>3,800</b>	<b>(1,560)</b>	<b>-</b>	<b>2,240</b>	<b>89</b>	<b>2,329</b>
<b>Net Cost of Services</b>	<b>3,788</b>	<b>(1,560)</b>	<b>2</b>	<b>2,230</b>		
<b><u>(Surplus) or Deficit on the Provision of Services</u></b>						<b><u>(1,594)</u></b>

**NOTES TO THE ACCOUNTS (continued)**

**Note 23 Amounts Reported for Resource Allocation Decisions (continued)**

**Reconciliation to Subjective Analysis**

**Subjective Analysis 2011/12**

	Board Analysis	Amounts not reported to the Board	Amounts not included in Net Cost of Services	Net Cost of Services	Corporate Amount	Total
Sales and Other Income	(10)	-	-	(10)	-	<b>(10)</b>
Interest and investment income	(2)	-	2	-	(2)	<b>(2)</b>
Government grants and contributions	-	-	-	-	(3,746)	<b>(3,746)</b>
<b>Total Income</b>	<b>(12)</b>	<b>-</b>	<b>2</b>	<b>(10)</b>	<b>(3,748)</b>	<b>(3,758)</b>
Employee Costs	2,871	-	-	2,871	-	<b>2,871</b>
Property Costs	302	-	-	302	-	<b>302</b>
Admin Expenses	271	-	-	271	-	<b>271</b>
Transport Costs	73	-	-	73	-	<b>73</b>
Supplies and Services	168	-	-	168	-	<b>168</b>
Depreciation, Amortisation and Impairment	-	35	-	35	-	<b>35</b>
IAS 19 Net Charges for Retirement Benefits	-	34	-	34	-	<b>34</b>
IAS 19 Holiday Pay Accrual	-	(1)	-	(1)	-	<b>(1)</b>
Pension Interest Cost and Expected Return on Pension Assets	-	-	-	-	(43)	<b>(43)</b>
<b>Total Expenditure</b>	<b>3,685</b>	<b>68</b>	<b>-</b>	<b>3,753</b>	<b>(43)</b>	<b>3,710</b>
<b>Net Cost of Services</b>	<b>3,673</b>	<b>68</b>	<b>2</b>	<b>3,743</b>	<b>(3,791)</b>	<b>(48)</b>
<b><u>(Surplus) or Deficit on the Provision of Services</u></b>						<b>(48)</b>

## NOTES TO THE ACCOUNTS (continued)

### Note 24 Defined Benefit Pension Scheme

#### Participation in Pension Scheme

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

The Board participates in the North East of Scotland Local Government Pension Scheme, which is administered by Aberdeen City Council. The Local Government Pension Scheme is a funded defined benefit scheme, based on final pensionable salary, meaning that the Board 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.

#### Transactions relating to Post-employment Benefits

In relation to the Local Government Pension Scheme, the Board 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 requisitions is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out in 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:

<b>COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>	<b>2010/11</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
<b>Cost of Services:</b>		
Current Service Cost	421	471
Past Service Gain	(1,565)	-
<b>Financing and Investment Income and Expenditure:</b>		
Interest Cost	1,339	1,362
Expected Return on Assets in the Scheme	(1,250)	(1,405)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(1,055)	428
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement.</b>		
Actuarial Gains and Losses	253	1,042
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement.</b>	(802)	1,470
 <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	1,247	(1,033)
<b>Actual amount charged against requisitions for pensions in the year</b>	<b>445</b>	<b>437</b>

## NOTES TO THE ACCOUNTS (continued)

### Note 24 Defined Benefit Pension Scheme (Continued)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2012 is a loss of £3.716m.

#### Assets and Liabilities in relation to Post Employment Benefits

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

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

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

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

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

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

**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.

Reconciliation of present value of the North East of Scotland Local Government Pension Scheme funded liabilities:

	<b>31 March 2011</b>	<b>31 March 2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>1 April</b>	(23,627)	(24,890)
Current Service Cost	(421)	(471)
Interest Cost	(1,339)	(1,362)
Contributions by scheme participants	(155)	(152)
Actuarial (Losses)/Gains	(935)	2,558
Benefits Paid	22	863
Past Service Gains	1,565	-
<b>31 March</b>	<b>(24,890)</b>	<b>(23,454)</b>

## NOTES TO THE ACCOUNTS (continued)

### Note 24 Defined Benefit Pension Scheme (continued)

Reconciliation of fair value of the North East of Scotland Local Government Pension Scheme assets:

	31 March 2011	31 March 2012
	£'000	£'000
<b>1 April</b>	18,276	20,786
Expected rate of return	1,250	1,405
Actuarial Gains/(Losses)	682	(3,600)
Employer Contributions	445	437
Contributions by scheme participants	155	152
Benefits Paid	(22)	(863)
<b>31 March</b>	<b>20,786</b>	<b>18,317</b>

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

The actual return on scheme assets in the year was £0.269m (2010/11 £1.932m)

#### Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
Fair Value of Assets	16,631	12,727	18,276	20,786	18,317
Present Value of Liabilities	(20,466)	(16,405)	(23,627)	(24,890)	(23,454)
Deficit in the scheme	(3,835)	(3,678)	(5,351)	(4,104)	(5,137)

The liabilities show the underlying commitments that the Board has in the long run to pay post employment (retirement) benefits. The total liability of £5.137m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in a negative overall balance of £4.221m. However, statutory arrangements for funding the deficit mean that the financial position of the Board remains healthy. The deficit on the pension scheme will be made good by increased contributions in future years over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the scheme in the year to 31 March 2013 are £0.437m.

#### Basis for Estimating Assets and Liabilities

The most recent valuation was carried out as at 31 March 2011 and has been updated by independent actuaries to the Aberdeen City Council Pension Fund, Mercer Limited, in order to assess the liabilities of the Fund as at 31 March 2012. Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

## NOTES TO THE ACCOUNTS (continued)

### Note 24 Defined Benefit Pension Scheme (continued)

The principal assumptions used by the actuary have been:

	<b>31 March 2011</b>	<b>31 March 2012</b>
Discount rate	5.5%	4.9%
Rate of increase in salaries	5.15%	4.25%
Rate of increase in pensions	2.9%	2.5%
Rate of CPI inflation	2.9%	2.5%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.2	22.3
Women	24.2	25.3
Longevity at 65 for future pensioners:		
Men	23.2	24.6
Women	25.1	27.7
Commutation of Pension for Lump Sum at Retirement	50% take maximum cash 50% take 3/80ths cash	50% take maximum cash 50% take 3/80ths cash
Long-term expected rates of return on:		
Equities	7.5%	7.0%
Government Bonds	4.4%	3.1%
Other Bonds	5.1%	4.1%
Property	6.5%	6.0%
Cash / current assets	0.5%	0.5%
Other	7.5%	7.0%

#### History of Experience Gains and Losses

The history of experience gains and losses on the Pensions Reserve can be analysed into the following categories, measured in absolute amounts and as a percentage of assets or liabilities.

	<b>2007/08</b>		<b>2008/09</b>		<b>2009/10</b>		<b>2010/11</b>		<b>2011/12</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Experience gains and (losses) on assets	(1,609)	(9.7)	(5,573)	(43.8)	4,138	22.6	682	3.3%	(3,600)	(19.7)
Experience gains and (losses) on liabilities	-	-	1,784	10.9	-	-	-	-	2,973	12.7

## **INDEPENDENT AUDITORS' REPORT**

### **Independent auditors' report to the Members of the Grampian Valuation Joint Board**

We have audited the financial statements of the Grampian Valuation Joint Board for the year ended 31 March 2012 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash-Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011/12 Code).

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

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

As explained more fully in the Statement of Responsibilities set out on page 7, 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 body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Responsible Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

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



## **INDEPENDENT AUDITORS' REPORT (continued)**

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

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

In our opinion:

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

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

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

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

PricewaterhouseCoopers LLP  
141 Bothwell Street, Glasgow  
29 August 2012