

AUDITED ACCOUNTS

**GRAMPIAN
VALUATION
JOINT BOARD**

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 2014**

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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 a comprehensive support service to the Board including finance, legal services, IT and human resources. 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 2014.

The **Cash Flow Statement** summarises the flows of cash into and out of the Board for the year to 31 March 2014.

EXPLANATORY FOREWORD BY THE TREASURER (continued)

FINANCIAL PERFORMANCE 2013/14

The Board's financial results for the year compared against budget are shown below.

Actual 2012/13 £000		Budget 2013/14 £000	Actual 2013/14 £000
2,861	Staff Costs	3,036	2,845
297	Property Costs	339	308
70	Transport Costs	68	73
415	Supplies and Services	448	551
52	Support Services	46	54
3,695	Gross Expenditure	3,937	3,831
9	Sales and Miscellaneous Income	8	18
26	Government Grants and Recharges Income	-	196
1	Interest on Revenue Balances	2	2
36	Gross Income	10	216
3,659	Net Expenditure	3,927	3,615

At the meeting of the Board on the 25 January 2013 the revenue budget for 2013/14 was approved at £3.927m (2012/13 £3.854m). The actual expenditure requisitioned from the constituent authorities was £3,615m (2012/13 £3.659m). The underspend of £0.312m (2012/13 £0.195m) can be analysed as follows:

2012/13 £000		2013/14 £000
111	Staff Costs	191
28	Property Costs	31
4	Transport Costs	(5)
29	Supplies and Services	(103)
(6)	Support Services	(8)
29	Income	206
195	Net Underspend Against Budget	312

The main reason for the underspend in staff costs was vacant posts. The Property Costs budget was increased in 2013/14 in anticipation of an increase in the annual service charge payable to Aberdeenshire Council for the Board's occupancy of Woodhill House, but as this wasn't realised it has resulted in an underspend against budget. Supplies and Services expenditure was over budget on postages, IT expenses and general expenses due to the Young Voter Canvas although this was offset by income recoveries as the Board received £0.196m grant income to defray the implementation costs of Individual Electoral Registration and Young Voter Registration.

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

EXPLANATORY FOREWORD BY THE TREASURER (continued)

FINANCIAL PERFORMANCE 2013/14 (continued)

projects which would require one-off expenditure in order to deliver future budget savings and would also be used to smooth expenditure one year to the next. 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 maximum amount that can be transferred to the General Fund in 2013/14 is £0.003m. This will take the balance on the General Fund to the maximum permitted, i.e. 5% of the total budget for 2013/14 which equates to £0.196m. The remaining underspend of £0.309m will be returned to the authorities.

The Comprehensive Income and Expenditure Statement shows a deficit of £0.372m on the provision of services for the year. After allowing for the reversal of statutory charges for International Accounting Standard 19 (IAS19) of £0.357m, depreciation and impairment totalling £0.018m, there remains a surplus of £0.003m which has been transferred to the General Fund. Included in the Requisitions and Non-Specific Grant Income line is the refund due to the constituent authorities of £0.309m. This is allocated between the constituent authorities on the basis of population and will be returned to authorities after the statement of accounts are audited. For 2013/14 the amount to be returned has been allocated as follows:

2012/13		Constituent Authority	2013/14	
£000	%		£000	%
78	39	Aberdeen City Council	121	39
88	45	Aberdeenshire Council	138	45
32	16	Moray Council	50	16
<u>198</u>	<u>100</u>	Total	<u>309</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 2014 was £0.072m (2012/13 £0.072m).

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. The main challenge in preparing the 2013/14 budget was the request from the constituent authorities to continue to achieve savings. With employee costs representing almost 77% of the revenue budget there was little scope to make efficiencies without impacting on the level of service. Despite inflationary and operational pressures in some areas of the budget, some efficiencies in working practices were also reflected and the 2013/14 revenue budget increase compared to 2012/13 was 1.9% in cash terms. Almost 96% of the increase related to anticipated pay awards, anniversary increments and related overheads.

The Board set a budget for 2014/15 which has increased slightly from the current year due to increased demands made on the service and in line with constituent authorities a pay award has also been included at 1% for all employees.

EXPLANATORY FOREWORD BY THE TREASURER (continued)

The Assessor has tried to alleviate the impact of these pressures and has generated savings in the budget from continued efficiencies in working practices. The transition to individual electoral registration to takes place in 2014/15 and although some funding towards costs has been allocated by the Cabinet Office, the full impact of the emerging detailed legislation on expenditure has added a further element of uncertainty.

Given these factors the Assessor and his management team have highlighted future funding as a significant risk and the impact this may have on the delivery of the service.

RETIREMENT BENEFITS

Employee Benefits (IAS 19)

In accordance with CIPFA/LASAAC guidance IAS 19 has been fully adopted in preparing the statement of 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 North East Scotland Pension Fund, a Local Government Pension Scheme (LGPS), administered by Aberdeen City Council. Note 23 to the statement of accounts details the income and expenditure charged to the Comprehensive Income and Expenditure Statement under IAS 19 in respect of the North East Scotland Pension Fund, based upon estimates provided by the actuary to the Fund.

The liability on the North East Scotland 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. The Balance Sheet shows that the Board has a net pension liability of £4.007m as at 31 March 2014 (31 March 2013 £5.929m) due to the accrual of pension liabilities in accordance with IAS 19.

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 financial statements have been restated. The details of the changes are summarised in note 23 to the statement of accounts.

EXPLANATORY FOREWORD BY THE TREASURER (continued)

GOING CONCERN

The accrual of pension liabilities has a significant impact on the Balance Sheet at 31 March 2014 which shows an excess of liabilities over assets of £3.080m (£5.049m at 31 March 2013). Future actuarial valuations of the North East Scotland 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 statement of accounts and in particular to Finance staff at the Moray Council for their hard work in meeting the year-end deadlines.

**Margaret Wilson, CPFA
Treasurer
29 August 2014**

GLOSSARY OF TERMS

EXPENDITURE

Employee Costs:

Includes direct employee expenses such as salaries and overtime, employer's national insurance and superannuation contributions. Indirect employee expenses include relocation cost, interview expenses, training and staff advertising.

Property Costs:

Includes property costs such as rent, rates, repairs and maintenance and premises-related contributions at the area offices in Banff, Elgin and Woodhill House headquarters. The service charge for Woodhill House is also included. Energy costs, water services and premises insurance as well as fixtures and fittings, grounds maintenance and cleaning supplies are also included.

Transport Costs:

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

Supplies and Services:

Includes the cost of purchasing equipment, furniture and materials used in the operation or administration of the service. Other Supplies and Services expenses include printing, stationery, catering and provision of protective clothing. Also included are canvass expenses and valuation appeal panel costs.

Support Services;

This is a charge from the Moray Council for services that support the Board in its provision of services to the public. These include the functions of Legal Services, Finance, Internal Audit, IT and Human Resources.

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 such as the cost of discretionary benefits awarded to employees retiring early and past service gains.

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.

Impairment:

Impairment is a charge to the Comprehensive Income and Expenditure Account, reflecting that the recoverable amount of an asset is less than its carrying amount.

GLOSSARY OF TERMS (Continued)

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

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 2013/14 (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 reporting date and its income and expenditure for the year ended 31 March 2014.

Margaret Wilson, CPFA
Treasurer
29 August 2014

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the Annual Statement of Accounts for the Grampian Valuation Joint Board for the year ended 31 March 2014. 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 year.

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 2013/14 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. The audit work confirmed the adequacy of the systems and procedures in place.

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 2014, 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)

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

- The reduction in funding from the three constituent authorities and the impact of this on service delivery
- The introduction of Individual Electoral Registration (IER) and the consequential impact on workloads
- The shift in taxation ethos from Council Tax to Local Income Tax

Additionally, although financial limits for the Assessor and his staff are indexed as required and approved by the Treasurer, the Financial Regulations were last agreed by the Board in January 2010 and will be reviewed during 2014/15.

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 2014.

Margaret Wilson, CPFA
Treasurer
29 August 2014

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 4 in this Remuneration Report will be audited by the external auditors PricewaterhouseCoopers LLP. The other sections of the Remuneration Report will be reviewed by PricewaterhouseCoopers LLP to ensure that they are consistent with the financial statements.

Remuneration of Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2013. These regulations set out the amounts a councillor may be paid for being a convenor or vice-convenor of a Joint Board. This is inclusive of any amounts payable to them as either a councillor or senior councillor of their own Local Authority.

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 percent of the Leader of a "Band A" council, i.e. £20,497 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. £19,472 per annum. These rates are effective for the year ending 31 March 2014. Revised rates apply from 1 April 2014.

The Board has an arrangement with each Council which remunerates the Convener and Vice-Convener/s to reimburse the Council for the additional costs of that councillor arising from them being a Convener or Vice-Convener of the Board.

Remuneration of Senior Councillors, Convener and Vice-Convener

Councillor Shepherd is Convener of the Grampian Valuation Joint Board for the year to May 2017. 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. Details of his salary are included in the remuneration report for Moray Council.

Councillor Owen is Depute Convener of the Board for the year to May 2017. She receives a Special Responsibility Allowance from Aberdeenshire Council for her role as Chair of the Scrutiny and Audit Committee and so no additional award is made for undertaking duties for the Valuation Board. This allowance is paid for in full by Aberdeenshire Council 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 REPORT (continued)

Remuneration of Councillors (Table 1)

The Grampian Valuation Joint Board paid the following salaries, allowances and expenses for all councillors (including senior councillors) during the year. It includes expenses met directly by the Board and expenses reimbursed to Councillors. As explained in the previous paragraphs, no salary costs are payable by the Board for the current Convener and Depute Convener.

Type of Remuneration	2013/14	2012/13
	£	£
Salaries	-	367
Expenses	532	532
TOTAL	532	899

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.

These regulations apply equally to Joint Boards and 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 2 on the next page.

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 2)

Name and Post Title	Salary, fees and allowances	Taxable Expenses	Total Remuneration 2013/14	Total Remuneration 2012/13
	£	£	£	£
Ian Milton - Assessor & ERO	102,371	539	102,910	102,013
Gavin Oag - Depute Assessor & ERO	79,831	617	80,448	79,685
Mark Adam - Depute Assessor & ERO	71,153	637	71,790	71,109
TOTAL	253,355	1,793	255,148	252,807

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 North East Scotland Pension Fund, a Local Government Pension Scheme. Details of pension benefits paid are included on Table 3 on page 17.

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 year 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 Pension Fund for the Convener and Depute Convener's pension contributions if they are members of the scheme and this is based on a percentage of the cost of the Special Responsibility Allowance. The Board is not liable to pay any pension contributions for the current Convener and Depute Convener.

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 2013/14 are the same as for 2012/13; however the earnings bands have changed as shown in the table below. The figures for 2012/13 are shown in brackets for comparison.

Whole time earnings (2012/13 in brackets)	Contribution rate 2013/14	Contribution rate 2012/13
On earnings up to and including £19,800 (£19,400)	5.50%	5.50%
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)	8.50%	8.50%
On earnings above £33,200 and up to £44,200 (£32,500 - £43,300)	9.50%	9.50%
On earnings above £44,200 (£43,300)	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) some pension for a lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of the final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th 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 Employees (Table 3)

The pension entitlements of Senior Employees for the year to 31 March 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 2014	For the year to 31 March 2013		As at 31 March 2014	Difference from March 2013
	£	£		£	£
Ian Milton Assessor and ERO	19,730	19,535	Pension Lump Sum 40,095 94,726	2,084 937	
Gavin Oag Depute Assessor & ERO	15,380	15,228	Pension Lump Sum 25,840 57,597	1,571 570	
Mark Adam Depute Assessor & ERO	13,705	13,569	Pension Lump Sum 26,688 62,312	1,436 617	
TOTAL	48,815	48,332		7,215	

All senior employees shown in the tables above are members of the North East Scotland Pension Fund. 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 4 below.

General Disclosure by Pay Band (Table 4)

The Table includes the remuneration of the senior employees detailed in Table 2.

Remuneration Band	Number of employees	
	2013/14	2012/13
£50,000 - £54,999	4	4
£70,000 - £74,999	1	1
£75,000 - £79,999	-	1
£80,000 - £84,999	1	-
£100,000 - £104,999	1	1
Total	7	7

Margaret Wilson, CPFA
Treasurer
29 August 2014

MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2014

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 2012/13 for comparative purposes.

	General Fund £000 Restated	Capital Fund £000	Total Usable Reserves £000 Restated	Unusable Reserves (Note 16) £000 Restated	Total Board Reserves £000 Restated
Balance at 31 March 2012	196	71	267	(4,488)	(4,221)
Surplus/(Deficit)on provision of services (accounting basis)	(285)	-	(285)	-	(285)
Other Comprehensive Expenditure and Income	-	-	-	(543)	(543)
Total Comprehensive Income and Expenditure	(285)	-	(285)	(543)	(828)
Adjustments between accounting basis & funding basis under regulations (Note 7)	283	-	283	(283)	-
Net Increase / (Decrease) before Transfers to Other Statutory Reserves	(2)	-	(2)	(826)	(828)
Transfers to / from Other Statutory Reserves	(1)	1	-	-	-
Increase / (Decrease) in Year	(3)	1	(2)	(826)	(828)
Balance at 31 March 2013	193	72	265	(5,314)	(5,049)

MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2014 (continued)

	General Fund £000	Capital Fund £000	Total Usable Reserves £000	Unusable Reserves (Note 16) £000	Total Board Reserves £000
Balance at 31 March 2013	193	72	265	(5,314)	(5,049)
Surplus/(Deficit) on provision of services (accounting basis)	(372)	-	(372)	-	(372)
Other Comprehensive Expenditure and Income	-	-	-	2,341	2,341
Total Comprehensive Income and Expenditure	(372)	-	(372)	2,341	1,969
Adjustments between accounting basis & funding basis under regulations (Note 7)	375	-	375	(375)	-
Net Increase / (Decrease) before Transfers to Other Statutory Reserves	3	-	3	1,966	1,969
Increase / (Decrease) in Year	3	-	3	1,966	1,969
Balance at 31 March 2014	196	72	268	(3,348)	(3,080)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

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 2013			Note	31 March 2014		
	£000 Restated Expenditure	£000 Income	£000 Restated Net		£000 Expenditure	£000 Income	£000 Net
	3,722	(35)	3,687		3,951	(214)	3,737
Rating and Council Tax Valuation and Electoral Registration							
	15	-	15		16	-	16
	3,737	(35)	3,702		3,967	(214)	3,753
Cost Of Services							
	241	(2)	239	8	239	(2)	237
Financing and Investment Income and Expenditure							
			(3,656)				(3,618)
Requisitions and Non-Specific Grant Income							
			285	22			372
(Surplus)/Deficit on Provision of Services							
			-	9			(77)
Surplus on revaluation of Property, Plant and Equipment							
			543	23			(2,264)
Remeasurement of the Net Defined Benefit Liability							
			543				(2,341)
Other Comprehensive Income and Expenditure							
			828				(1,969)
Total Comprehensive Income and Expenditure							

BALANCE SHEET AS AT 31 MARCH 2014

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 2013 £000		Note	31 March 2014 £000
681	Property, Plant & Equipment	9	740
9	Long Term Debtors	10	11
690	Long Term Assets		751
67	Short Term Debtors	11	213
536	Cash and Cash Equivalents	12	547
603	Current Assets		760
(413)	Short Term Creditors	13	(584)
(413)	Current Liabilities		(584)
(5,929)	Other Long Term Liabilities	23	(4,007)
(5,929)	Long Term Liabilities		(4,007)
(5,049)	Net Liabilities		(3,080)
	Usable reserves	15	
193	General Fund		196
72	Capital Fund		72
265	Total		268
	Unusable Reserves	16	
162	Revaluation Reserve		235
519	Capital Adjustment Account		505
(5,929)	Pensions Reserve		(4,007)
(66)	Employee Statutory Adjustment Account		(81)
(5,314)	Total		(3,348)
(5,049)	Total Reserves		(3,080)

The notes on Pages 27 to 58 form part of the Financial Statements.

Margaret Wilson, CPFA
Treasurer
29 August 2014

The unaudited statement of accounts was issued on 30 May 2014 and the audited statement of accounts was authorised for issue on 29 August 2014.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

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

31 March 2013 £000 Restated		31 March 2014 £000
285	Net (surplus) or deficit on the provision of services	372
(244)	Adjust net (surplus) or deficit on the provision of services for non cash movements (Note 18)	(383)
<hr/> 41	Net cash flows from Operating Activities	<hr/> (11)
41	Net (increase) or decrease in cash and cash equivalents	(11)
577	Cash and cash equivalents at the beginning of the financial year	536
<hr/> 536	Cash and cash equivalents at the end of the financial year	<hr/> 547

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 Accounting Policies

General Principles

The Statement of Accounts summarises the Board's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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 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 principal accounting policies have been applied consistently throughout the year. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of property, plant and equipment.

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.

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 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 FINANCIAL STATEMENTS (continued)

Note 1 Accounting Policies (continued)

Non Current 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 non current assets is fully provided for under separate arrangements for Capital Financing. The carrying amount of the non current 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 FINANCIAL STATEMENTS (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 2014.

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 2014.

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 2014.

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 year 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 in exchange for those benefits and are charged on an accruals basis to the relevant service line (or discontinued operations) in the Comprehensive Income and Expenditure Statement at the earlier of when the Board can no longer withdraw the offer of those benefits or when the Board recognises costs for a restructuring.

NOTES TO THE FINANCIAL STATEMENTS (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 Scotland Pension Fund, a 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 Scotland Pension Fund 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 4.4% (based on long-term redemption yields available on AA rated corporate bonds of appropriate duration).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 Accounting Policies (continued)

Going Concern

The Pension Fund 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 Year 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 year 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 year 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 years as if the new policy had always been applied.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 Accounting Policies (continued)

Events after Balance Sheet Date

Events after the financial year are those events, both favourable and unfavourable that occur between the end of the financial year (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 financial year) and
- b) those that provide evidence of conditions that arose after the balance sheet date (non-adjusting events after the financial year).

The statement of accounts is adjusted to reflect adjusting events after the financial year and is not adjusted to reflect non-adjusting events after the financial year. 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 FINANCIAL STATEMENTS (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 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 **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 29.

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

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. 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 December 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 group accounts and will not, therefore, have any impact on the financial statements of the Board. IAS 32 outlines disclosure requirements in respect of offsetting financial assets and liabilities. IFRS improvements are generally minor, principally providing clarification. IFRS 13, IAS 32 and IFRS improvements are not expected to have a significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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 2014 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 £0.472m.

Note 5 Material Items of Income and Expenditure

Where material items of income and expenditure are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the Code requires that the nature and amount of these items are disclosed in a note.

During 2013/14 there were no such items of income or expenditure regarded as material.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 Events After The Balance Sheet Date

The unaudited Statement of Accounts was issued on 30 May 2014 and the audited Statement of Accounts was authorised for issue on 29 August 2014 by Margaret Wilson, 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 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

	Usable Reserves		Unusable Reserves
	General Fund Balance	Capital Fund Balance	
<u>2012/13</u>	£000 Restated	£000	£000 Restated
<u>Adjustments involving the Capital Adjustments Account</u>			
Reversal of items Debited or Credited to the Comprehensive Income and Expenditure Account:			
Depreciation and Impairment	36	-	(36)
<u>Adjustments Primarily involving the Pensions Reserve</u>			
Movement in Pensions Reserve	249	-	(249)
<u>Adjustments Primarily involving the Employee Statutory Adjustment Account</u>			
Decrease in Employee Statutory Adjustment Account	(2)	-	2
Total Adjustments	283	-	(283)

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Usable Reserves		Unusable Reserves
	General Fund Balance	Capital Fund Balance	
<u>2013/14</u>	£000	£000	£000
<u>Adjustments involving the Capital Adjustments Account</u>			
Reversal of items Debited or Credited to the Comprehensive Income and Expenditure Account:			
Depreciation and Impairment	18	-	(18)
<u>Adjustments Primarily involving the Pensions Reserve</u>			
Movement in Pensions Reserve	342	-	(342)
<u>Adjustments Primarily involving the Employee Statutory Adjustment Account</u>			
Increase in Employee Statutory Adjustment Account	15	-	(15)
Total Adjustments	375	-	(375)

Note 8 Financing and Investment Income and Expenditure

	2012/13 £000 Restated	2013/14 £000
Pensions interest cost and expected return on pensions assets	241	239
Interest receivable and similar income	(2)	(2)
	239	237

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 Property, Plant and Equipment

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Total Property, Plant and Equipment
	£000	£000	£000
Cost or valuation			
At 1 April 2012	675	210	885
At 31 March 2013	675	210	885
Accumulated Depreciation and Impairment			
At 1 April 2012	58	110	168
Depreciation charge	15	21	36
At 31 March 2013	73	131	204
Net Book Value			
At 31 March 2012	617	100	717
At 31 March 2013	602	79	681
	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Total Property, Plant and Equipment
	£000	£000	£000
Cost or valuation			
At 1 April 2013	675	210	885
Revaluation increases recognised in the Revaluation Reserve	25	-	25
Revaluation increases recognised in the Provision of Services	(4)	-	(4)
At 31 March 2014	696	210	906
Accumulated Depreciation and Impairment			
At 1 April 2013	73	131	204
Depreciation written out to the Revaluation Reserve	(52)	-	(52)
Depreciation written out to the Provision of Services	(21)	-	(21)
Depreciation charge	14	21	35
At 31 March 2014	14	152	166
Net Book Value			
At 31 March 2013	602	79	681
At 31 March 2014	682	58	740

NOTES TO THE FINANCIAL STATEMENTS (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. The last revaluation of Land and Buildings was done with effect from on 1 April 2013 and the next revaluation is scheduled during 2018/19. 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 2014 the Board had no capital commitments for 2014/15 and future years. (£nil at 31 March 2013.)

Note 10 Long Term Debtors

	2012/13 £000	2013/14 £000
Car Loans	9	11

Note 11 Short Term Debtors

	2012/13 £000	2013/14 £000
Central Government bodies	28	165
Other Local Authorities	3	3
Other Entities and Individuals	36	45
	<hr/> 67	<hr/> 213

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 12 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents comprises:

	2012/13 £000	2013/14 £000
Temporary Investment in the Moray Council Loans Fund	536	547

Note 13 Short Term Creditors

	2012/13 £000	2013/14 £000
Central Government bodies	53	66
Other Local Authorities	263	380
Other Entities and Individuals	97	138
	<hr/> 413	<hr/> 584

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 statement of 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.

:

NOTES TO THE FINANCIAL STATEMENTS (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	
	2013/13 £000	2013/14 £000	2013/13 £000	2013/14 £000
Debtors				
Loans & Receivables	9	11	6	6
Financial Assets carried at contract amounts	-	-	61	212
Total Debtors	9	11	67	218
Creditors				
Financial Liabilities carried at contract amounts			413	589
Cash and Cash Equivalents				
Cash Equivalent carried at contract amounts			536	547

Note 15 Usable Reserves

Movements in the Board's usable reserves are detailed in the Movement in Reserves Statement on page 20.

Note 16 Unusable Reserves

	2012/13 £000	2013/14 £000
Revaluation Reserve	162	235
Capital Adjustment Account	519	505
Pensions Reserve	(5,929)	(4,007)
Employee Statutory Adjustment Account	(66)	(81)
	<u>(5,314)</u>	<u>(3,348)</u>

NOTES TO THE FINANCIAL STATEMENTS (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.

	2012/13 £000	2013/14 £000
Balance at 1 April	165	162
Revaluations		
Upward revaluation of assets not posted to the Surplus or Deficit on the Provision of Services	-	77
Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account	(3)	(4)
Balance at 31 March	<u>162</u>	<u>235</u>

NOTES TO THE FINANCIAL STATEMENTS (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.

	2012/13 £000	2013/14 £000
Balance at 1 April	552	519
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)	(18)
Adjusting amounts written out of the Revaluation Reserve	3	4
Net written out amount of the cost of non-current assets consumed in the year	(33)	(14)
Balance 31 March	519	505

NOTES TO THE FINANCIAL STATEMENTS (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.

	2012/13 £000 Restated	2013/14 £000
Balance at 1 April	(5,137)	(5,929)
Remeasurements of the net defined benefit liability/asset	(543)	2,264
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	(693)	(781)
Employer's pensions contributions and direct payments to pensioners payable in the year	444	439
Balance at 31 March	<u>(5,929)</u>	<u>(4,007)</u>

NOTES TO THE FINANCIAL STATEMENTS (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.

	2012/13	2013/14
	£000	£000
Balance at 1 April	(68)	(66)
Settlement or cancellation of accrual made at the end of the preceding year	68	66
Amounts accrued at the end of the current year	(66)	(81)
Balance at 31 March	<u>(66)</u>	<u>(81)</u>

Note 17 External Audit Costs

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

	2012/13	2013/14
	£000	£000
Fees payable in respect of external audit Services carried out by the appointed Auditor for the year	8	8
Total	<u>8</u>	<u>8</u>

Note 18 Cashflow – Analysis of Net (Surplus)/Deficit on the provision of services for non cash movements

	2012/13	2013/14
	£000	£000
	Restated	
Depreciation/Impairment charges	(36)	(18)
Pension Liability	(249)	(342)
Increase in Debtors	52	148
Increase in Creditors	(11)	(171)
Total	<u>(244)</u>	<u>(383)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued))

Note 19 Requisition and Grant Income

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

	2012/13 £000	2013/14 £000
Credited to Requisitions and Non Specific Grant Income:		
Requisition from Aberdeen City Council	1,512	1,540
Requisition from Aberdeenshire Council	1,722	1,755
Requisition from Moray Council	620	632
Total	<u>3,854</u>	<u>3,927</u>
Returned to constituent authorities:		
Aberdeen City Council	78	121
Aberdeenshire Council	88	138
Moray Council	32	50
Total	<u>198</u>	<u>309</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 20 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 19. The Board also made payments to the constituent authorities in the normal course of business. The amounts are detailed below:

	2012/13 £000	2013/14 £000
Aberdeen City Council	3	4
Aberdeenshire Council	304	318
Moray Council	51	52

The amounts owed to the constituent authorities for requisitions and normal business activities at 31 March were:

Aberdeen City Council	78	123
Aberdeenshire Council	153	158
Moray Council	32	50

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 21 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 2013/14 was £0.114m (£0.114m in 2012/13).

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	114	114
Later than one year and not later than five years	339	226
	<hr/> 453	<hr/> 340

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 22 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

	2012/13 £000	2013/14 £000
	Rating, Council Tax Valuation and Electoral Registration	Rating, Council Tax Valuation and Electoral Registration
Sales and Other Income	(9)	(18)
Interest on Revenue Balances	(1)	(2)
Other grants, reimbursements and contributions	(26)	(196)
Total Income	(36)	(216)
Employee Costs	2,861	2,845
Property Costs	297	308
Transport Costs	70	73
Supplies and Services	415	551
Support Services	52	54
Total operating expenses	3,695	3,831
Net Expenditure	3,659	3,615

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 22 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.

	2012/13	2013/14
	£000	£000
Net Expenditure reported to the Board	3,659	3,615
<u>Add</u> Amounts in the Comprehensive Income and Expenditure not included in reports to the Board	42	136
<u>Add</u> Amounts reported to Management but not reported in Net Cost of Services	1	2
Net Cost of Services in Comprehensive Income and Expenditure Statement	<hr/> 3,702 <hr/>	<hr/> 3,753 <hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 22 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 2012/13

Restated

	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	(8)	-	-	(8)	-	(8)
Interest and investment income	(1)	-	1	-	(2)	(2)
Government grants and contributions	(27)	-	-	(27)	(3,656)	(3,683)
Total Income	(36)	-	1	(35)	(3,658)	(3,693)
Employee Costs	2,861	-	-	2,861	-	2,861
Property Costs	297	-	-	297	-	297
Transport Costs	70	-	-	70	-	70
Supplies and Services	415	-	-	415	-	415
Support Services	52	-	-	52	-	52
Depreciation, Amortisation and Impairment	-	36	-	36	-	36
IAS 19 Net Charges for Retirement Benefits	-	8	-	8	-	8
IAS 19 Holiday Pay Accrual	-	(2)	-	(2)	-	(2)
Pension Interest Cost and Expected Return on Pension Assets	-	-	-	-	241	241
Total Expenditure	3,695	42	-	3,737	241	3,978
Net Cost of Services	3,659	42	1	3,702	(3,417)	285
<u>(Surplus) or Deficit on the Provision of Services</u>						<u>285</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 22 Amounts Reported for Resource Allocation Decisions (continued)

Reconciliation to Subjective Analysis

Subjective Analysis 2013/14

	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	(18)	-	-	(18)	-	(18)
Interest and investment income	(2)	-	2	-	(2)	(2)
Government grants and contributions	(196)	-	-	(196)	(3,618)	(3,814)
Total Income	(216)	-	2	(214)	(3,620)	(3,834)
Employee Costs	2,845	-	-	2,845	-	2,845
Property Costs	308	-	-	308	-	308
Transport Costs	73	-	-	73	-	73
Supplies and Services	551	-	-	551	-	551
Support Services	54	-	-	54	-	54
Depreciation, Amortisation and Impairment	-	18	-	18	-	18
IAS 19 Net Charges for Retirement Benefits	-	103	-	103	-	103
IAS 19 Holiday Pay Accrual	-	15	-	15	-	15
Pension Interest Cost and Expected Return on Pension Assets	-	-	-	-	239	239
Total Expenditure	3,831	136	-	3,967	239	4,206
Net Cost of Services	3,615	136	2	3,753	(3,381)	372
<u>(Surplus) or Deficit on the Provision of Services</u>						372

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 23 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 Scotland Pension Fund, a Local Government Pension Scheme, which is administered by Aberdeen City Council. The 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 year of time.

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.

Transactions relating to Post-employment Benefits

In relation to the North East Scotland Pension Fund, 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:

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 23 Defined Benefit Pension Scheme (continued)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2012/13 Restated £000	2013/14 £000
Cost of Services:		
Current Service Cost and administration expenses	452	542
Financing and Investment Income and Expenditure:		
Net Interest Expense	241	239
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	693	781
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement.		
Remeasurement of the Net Defined Benefit Liability comprising:		
Expected return on pension fund assets	(2,161)	(1,296)
Actuarial (gain)/loss on financial assumptions	2,704	(968)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement.	1,236	(1,483)
MOVEMENT IN RESERVES STATEMENT		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(792)	1,922
Actual amount charged against requisitions for pensions in the year	444	439

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 23 Defined Benefit Pension Scheme (continued)

Pensions 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 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.

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 the actuaries have updated their assumptions – charged to the Pensions 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.

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

	31 March 2013	31 March 2014
	£000	£000
Present value of the defined benefit obligation	(27,276)	(27,488)
Fair value of plan assets	<u>21,347</u>	<u>23,481</u>
Net liability arising from defined benefit obligation	(5,929)	(4,007)

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 23 Defined Benefit Pension Scheme (continued)

The reconciliation of the Board's share of the present value of the North East Scotland Pension Fund's defined benefit liability is as follows:

	31 March 2013	31 March 2014
	£000	£000
1 April	(23,454)	(27,276)
Current Service Cost	(443)	(533)
Interest on pension liabilities	(1,138)	(1,135)
Remeasurements:		
Gain/(Loss) on financial assumptions	(2,704)	968
Contributions by scheme participants	(152)	(150)
Benefits Paid	615	638
31 March	(27,276)	(27,488)

The reconciliation of the movements in the Board's share of the fair value of the North East Pension Fund's assets is as follows:

	31 March 2013	31 March 2014
	£000	£000
1 April	18,317	21,347
Interest on plan assets	897	896
Remeasurements (assets)	2,161	1,296
Administration expenses	(9)	(9)
Employer Contributions	444	439
Contributions by scheme participants	152	150
Benefits Paid	(615)	(638)
31 March	21,347	23,481

The Board's share of the Pension Fund's assets is:

	Quoted Prices in Active Markets £000	Prices not Quoted in Active Markets £000	31 March 2013 Totals £000
U.K. Equities	8,552	36	8,588
Overseas Equities	8,391	9	8,400
U.K Government Bonds	401	-	401
Other Government Bonds	1,027	-	1,027
Other U.K. Bonds	258	-	258
Other non U.K. Bonds	363	-	363
Property	-	1,228	1,228
Private Equity	-	740	740
Global Infrastructure	-	13	13
Cash Instruments	-	329	329
Total Assets	18,992	2,355	21,347

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 23 Defined Benefit Pension Scheme (continued)

	31 March 2014		
	Quoted Prices in Active Markets £000	Prices not Quoted in Active Markets £000	Totals £000
U.K. Equities	9,152	33	9,185
Overseas Equities	9,477	5	9,482
U.K Government Bonds	479	-	479
Other Government Bonds	986	-	986
Other U.K. Bonds	131	-	131
Other non U.K. Bonds	385	-	385
Property	-	1,398	1,398
Private Equity	-	846	846
Global Infrastructure	-	16	16
Cash Instruments	-	573	573
Total Assets	20,610	2,871	23,481

Basis for Estimating Assets and Liabilities

The most recent 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, in order to assess the liabilities of the Fund as at 31 March 2014. 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.

The principal assumptions used by the actuary have been:

	31 March 2013	31 March 2014
Financial assumptions:		
Discount rate	4.2%	4.4%
Rate of increase in salaries	4.15%	4.15%
Rate of increase in pensions	2.4%	2.4%
Rate of CPI inflation	2.4%	2.4%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.4	22.5
Women	25.4	25.5
Longevity at 65 for future pensioners:		
Men	24.7	24.8
Women	27.8	27.9
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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 23 Defined Benefit Pension Scheme (continued)

Basis for Estimating Assets and Liabilities (continued)

Assumptions for the expected rate of return on assets in the Fund have been:

	31 March 2013	31 March 2014
Equities	7.0%	7.0%
Government Bonds	2.8%	3.4%
Other Bonds	3.9%	4.3%
Property	5.7%	6.2%
Cash / current assets	0.5%	0.5%
Other	7.0%	Dependent on type of asset

Asset and Liability Matching (ALM) Strategy

The Pension's Panel 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 year. 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%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 23 Defined Benefit Pension Scheme (continued)

Impact on the Board'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 year of 16 years, with a maximum recovery year 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 earnings scheme (CARE) for future accruals.

The total contribution that the Board expects to pay to North East Scotland Pension Fund in the year to 31 March 2015 is £0.439 million.

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 IAS19R

On 1 April 2013, the Board 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 cost within 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.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 23 Defined Benefit Pension Scheme (continued)

Change in Accounting Policy IAS19R (continued)

Effect on Comprehensive Income and Expenditure Statement

	As Previously Stated 2012/13 £000	As Restated 2012/13 £000	Amendment 2012/13 £000
Rating and Council Tax Valuation and Electoral Registration	3,702	3,722	20
Cost of Services	3,717	3,737	20
Financing and Investment Income and Expenditure	33	241	208
(Surplus)/Deficit on Provision of Services	57	285	228
Remeasurement of Net Defined Benefit Liability	771	543	(228)
Other Comprehensive Income and Expenditure	771	543	(228)

Movement in Reserves Statement – Usable Reserves

	As Previously Stated 2012/13 £000	As Restated 2012/13 £000	Amendment 2012/13 £000
General Fund Balance			
Surplus/(Deficit) on Provision of Services	(57)	(285)	(228)
Total Comprehensive Income and Expenditure	(57)	(285)	(228)
Adjustments between accounting basis and funding basis under regulations	55	283	228

Movement in Reserves Statement – Unusable Reserves

	As Previously Stated 2012/13 £000	As Restated 2012/13 £000	Amendment 2012/13 £000
General Fund Balance			
Other Comprehensive Income and Expenditure	(771)	(543)	228
Total Comprehensive Income and Expenditure	(771)	(543)	228
Adjustments between accounting basis and funding basis under regulations	(55)	(283)	(228)

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Grampian Valuation Joint Board and the Accounts Commission for Scotland

We certify that we have audited the financial statements of Grampian Valuation Joint Board for the year ended 31 March 2014 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 and Cash-Flow Statements 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 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.

INDEPENDENT AUDITOR'S REPORT (continued)

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 body as at 31 March 2014 and of the income and expenditure of 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 Statement on the System of Internal Financial Control does not comply with the 2013/14 Code 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

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Date: 29 August 2014