

AUDITED ACCOUNTS

**GRAMPIAN
VALUATION
JOINT BOARD**

**ANNUAL ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 2015**

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

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

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

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

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

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

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



Project Officer, Chief Executive's Office, High Street,
Elgin, IV30 1BX



01343 563319



equalopportunities@moray.gov.uk



(Wednesday or Thursday only): 18002 01343563603

Contents

MANAGEMENT COMMENTARY	1
GLOSSARY OF TERMS	7
STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS	9
STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS (Continued)	10
REMUNERATION REPORT	21
MOVEMENT IN RESERVES STATEMENT	27
COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT	29
BALANCE SHEET AS AT 31 MARCH 2015	31
CASH FLOW STATEMENT	33
NOTES TO THE ACCOUNTS	35
Note 1 Accounting Policies	35
Note 2 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted	41
Note 3 Critical Judgements in Applying Accounting Policies	42
Note 4 Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty	42
Note 5 Material Items of Income and Expenditure	43
Note 6 Events After The Balance Sheet Date	43
Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations ..	44
Note 8 Financing and Investment Income and Expenditure	45
Note 9 Property, Plant and Equipment.....	46
Note 10 Long Term Debtors	47
Note 11 Short Term Debtors.....	47
Note 12 Cash and Cash Equivalents	48
Note 13 Short Term Creditors.....	48
Note 14 Financial Instruments	48
Note 15 Usable Reserves.....	49
Note 16 Unusable Reserves.....	49
Note 17 External Audit Costs.....	53
Note 18 Cashflow – Analysis of Net Deficit on the provision of services for non cash movements.....	53
Note 19 Requisition and Grant Income	54
Note 20 Related Parties.....	55
Note 21 Leases	55
Note 22 Amounts Reported for Resource Allocation Decisions.....	56
Note 23 Defined Benefit Pension Scheme	60
INDEPENDENT AUDITOR'S REPORT.....	67

MANAGEMENT COMMENTARY

Strategy and objectives

Unlike local authorities that are charged with providing a wide range of services within their local authority area, the Assessor and Electoral Registration Officer (ERO) is charged with the provision of valuation assessment and registration services across Aberdeen City Council, Aberdeenshire Council and The Moray Council areas.

These services are strictly defined and regulated by statute which the Assessor and ERO, as an independent statutory official has to provide in partnership with the Grampian Valuation Joint Board, which is charged with the requirement to appoint and resource the Assessor, and the constituent authorities that are required to appoint and resource an Electoral Registration Officer. By agreement, the Board has undertaken this responsibility on behalf of the local authorities.

The priorities for 2014/15

The Service priorities for 2014/15 were:

- Maintain complete and accurate registers of electors for the European Parliamentary election of 22 May in terms of the European Parliamentary Elections Regulations 2004 (as amended).
- Complete and accurate polling list for the Scottish Independence Referendum (IER) of 18 September 2014 in terms of the Scottish Independence Referendum Act 2013
- A transition to individual electoral registration that came into force from 19 September 2014 in terms of the Electoral Registration and Administration Act 2013
- Publish revised registers under the IER regime on 27 February 2015 in terms of the Representation of the People Act 1983
- Maintain a complete and accurate Valuation roll in terms of the Local Government (Scotland) Act 1975
- Maintain a complete and accurate valuation list in terms of the Local Government Finance Act 1992

Monitoring regimes

The Chief Counting Officer for Scotland had direction and control powers over EROs in relation to the referendum and set a performance monitoring regime in place via the Electoral Management Board for Scotland.

The Electoral Commission has a performance monitoring framework in place for EROs across the UK.

The Cabinet Office in its capacity as lead department for the implementation of individual electoral registration across the UK required implementation planning and performance returns from EROs.

Key performance indicators (KPIs) set by the Board and submitted to the Scottish Government monitor the operation success in terms of the valuation list and valuation roll.

MANAGEMENT COMMENTARY (continued)

Business model

The organisation delivers the outcomes that are required by statute in a dual strand approach with the Board providing resources and oversight and the Assessor & ERO delivering the specialised professional services of valuation assessment and registration.

The Assessor & ERO works closely with the other Scottish Assessors and EROs via the Scottish Assessors Association (SAA) to deliver a service across Aberdeen City, Aberdeenshire and The Moray council areas that is consistent with that being delivered across all 32 local authority areas in Scotland. The sharing of expertise and representation through the SAA is a unique example of shared services across Scotland that includes a single website and data source for the public and government.

Key performance indicators measure the effectiveness of the organisation's valuation assessment role and the Electoral Commission's performance framework monitors the registration outcomes.

During 2014/15 the organisation met all the demands placed upon it in terms of valuation assessment and registration, against a background of intense electoral activity and a re-design of the registration system at a national level.

Key performance indicators

The organisation's Code of Corporate Governance established a KPI reporting and three-year review regime. These indicators establish the effectiveness of the organisation's activities in relation to the valuation roll of non-domestic property assessments and the valuation list of domestic property council tax band allocations. The Assessor and ERO provides performance reports at every meeting of the Board and an annual public performance report is published and available online.

The Electoral Commission is currently reviewing its electoral registration performance framework as implementation of individual electoral registration progresses.

2014/15 Performance

The organisation met or exceeded all but one of the valuation assessment KPIs. With 92% of the 2,650 new dwellings allocated to bands within the 90 day performance window and 97% of new dwellings allocated to bands within 6 months, both indicators met the targets set.

The organisation failed to achieve the revised performance threshold of 77% of valuation roll amendments being made within 90 days of the date they became effective and the within 6 months target revised to 92%. These thresholds were reviewed upwards in 2013/14, previously the threshold had been set at 70% and 85% respectively. Actual performance for 2014/15 saw 68% of amendments made within the 90 day window and 85% within the 6 months window.

MANAGEMENT COMMENTARY (continued)

2014/15 Performance (continued)

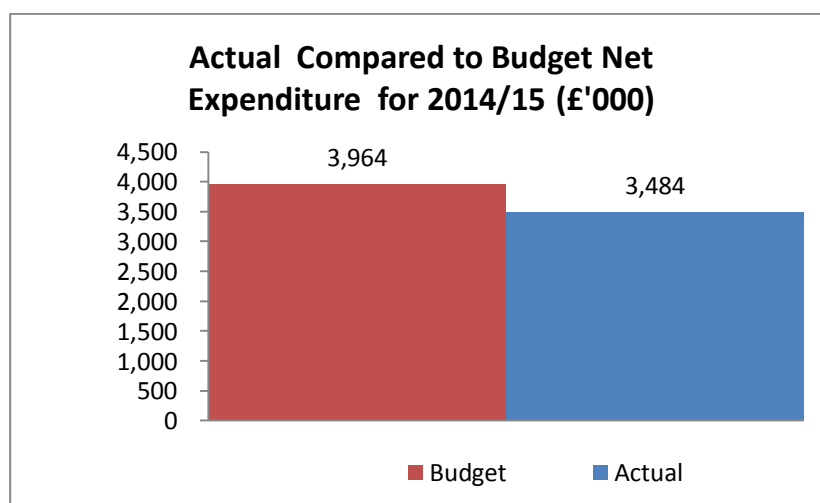
The challenge with such KPIs is however that external factors beyond the scope of the Assessor and ERO may influence and delay amendments and at the time of preparing the 2014/15 management commentary, the impact of such external factors is being analysed. Regardless of external factors, service delivery priorities are managed locally and are designed to be responsive to demands. The Scottish Independence Referendum presented the ultimate challenge to EROs across Scotland and in Grampian enquiry volumes that exceed 25% of our annual volume were received and handled within a three day period immediately prior to the referendum. Reactive resource allocation is essential when dealing with major electoral events and the impact of the sustained reallocation of valuation assessment resources to address unprecedented demands on the registration service throughout July, August and September 2014 are reflected in the valuation performance KPIs.

In its last performance audit published on 6 June 2014, the Electoral Commission concluded that the registration service in Grampian met or exceeded all 10 performance standards set by the Commission.

Financial Performance for 2014/15

The public sector in Scotland is facing severe financial pressures. The main challenge in preparing the 2014/15 budget was the request from the constituent authorities to continue to achieve savings. With employee costs representing over 75% 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 2014/15 revenue budget increase compared to 2013/14 was 1.9% in cash terms. Almost 96% of the increase related to anticipated pay awards, anniversary increments and related overheads.

At the meeting of the Board on the 24 January 2014, the revenue budget for 2014/15 was approved at £3.964m (2013/14 £3.927m). The actual expenditure requisitioned from the constituent authorities was £3.484m (2013/14 £3.615m). This resulted in an underspend of £0.480m for the year. Of this total, £0.436m was returned to constituent authorities, £0.042m will be carried forward for Government Grants unspent and £0.002m was transferred into the General Fund Reserve.



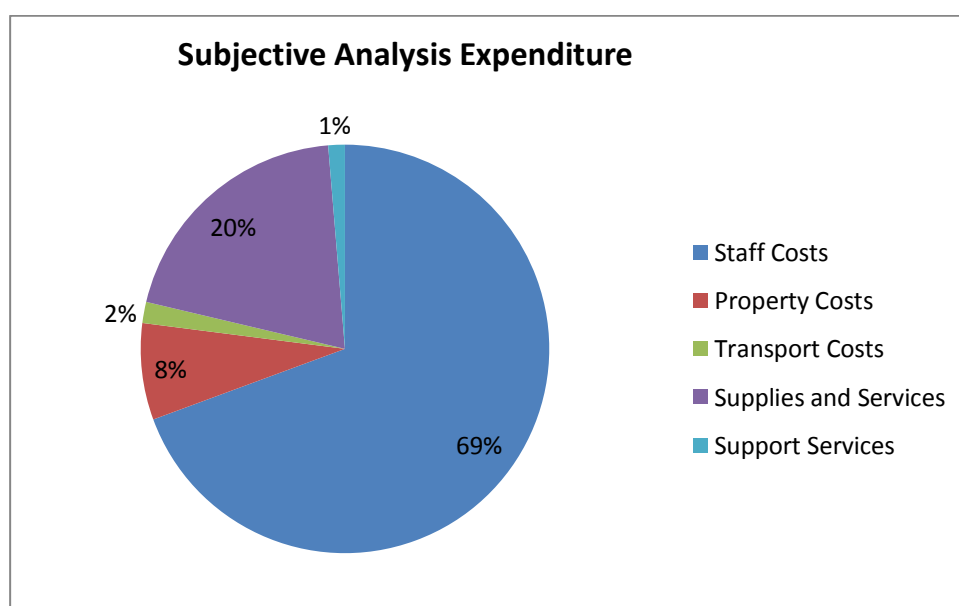
MANAGEMENT COMMENTARY (continued)

Financial Performance for 2014/15 (continued)

The main reason for the underspend in staff costs was vacant posts. Property Costs also had an underspend against budget, relating to Woodhill House rental and a reduced charge this year for the Elgin Office accommodation. Supplies and Services expenditure was over budget on printing and stationery, postages and IT expenses. Most of this can be offset against the government grant income received in the year to defray the implementation costs of Individual Electoral Registration and Maximising Registration. Expenditure incurred for the printing and postage of poll cards for the European election has been fully recovered, as has expenditure incurred for the Scottish Referendum.

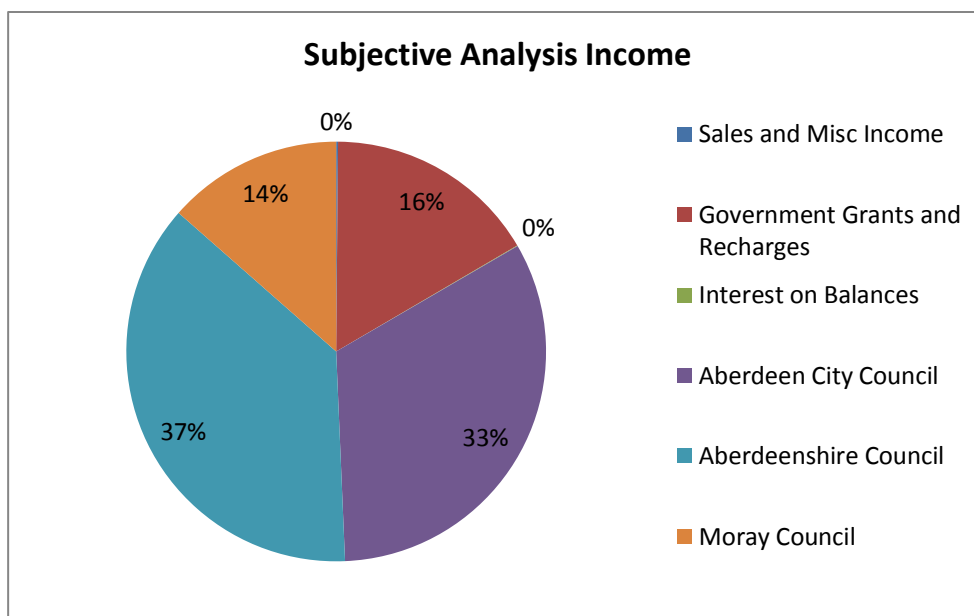
2013/14		2014/15
£000		£000
191	Staff Costs	148
31	Property Costs	17
(5)	Transport Costs	3
(103)	Supplies and Services	(292)
(8)	Support Services	(2)
206	Income	606
312	Net Underspend Against Budget	480

The Comprehensive Income and Expenditure Statement shows a deficit of £0.282m on the provision of services for the year. After allowing for the reversal of statutory charges for International Accounting Standard 19 (IAS19) of £0.292m, depreciation totalling £0.035m, transfer to Capital Fund £0.001m, there remains a surplus of £0.044m which has been transferred to the General Fund (£0.042m for unspent government grant and £0.002m augmentation of the General Fund Reserve as per the Board's Reserves Policy).



MANAGEMENT COMMENTARY (continued)

Financial Performance for 2014/15 (continued)



Future developments

The priorities over the next two years will be to complete the transition to individual electoral registration and deliver a revaluation of all non-domestic properties for the area of Grampian.

Both priorities involve unknowns, with the Scottish Government planning to reduce the voting age from 18 to 16 in 2015/16 for elections in 2016/17 and also including currently exempt property types in the revaluation that is completed in 2016/17.

The Local Tax Commission is due to report in autumn 2015 ahead of the Scottish Parliamentary elections on 5 May 2016. It is anticipated that following the establishment of a new administration in Holyrood, the organisation will have a significant role in implementing any modification of or replacement to the council tax.

Retirement Benefits

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 annual accounts details the income and expenditure charged to the Comprehensive Income and Expenditure Statement 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 adjusted out in the Movement in Reserves Statement. The Balance Sheet shows that the Board has a net pension liability of £4.707m as at 31 March 2015 (31 March 2014 £4.007m) due to the accrual of pension liabilities.

MANAGEMENT COMMENTARY (continued)

Going Concern

The accrual of pension liabilities has a significant impact on the Balance Sheet at 31 March 2015 which shows an excess of liabilities over assets of £3.798m (£3.080m at 31 March 2014). 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.

Principal risks and uncertainties

The principal risks and uncertainties relate to resources. Electoral registration has since 2000 changed beyond recognition with absent voting on demand, rolling registration and in 2014/15 individual electoral registration.

Although the organisation has considerable valuable expertise in managing and implementing change, the risk of insufficient funding resource presents a significant challenge for 2016/17. Currently two uncertainties could impact significantly on the services provided; the Spending Review from central government as yet unknown and the Scottish Local Tax Commission currently examining potential replacements for the council tax.

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.

The organisation maintains and reviews an operational and strategic risk register.

Apart from the normal control measures in terms of financial and operational planning, the Assessor and ERO is seeking to mitigate such risk and uncertainty through partnership working via the SAA and also external agencies. He is a member of the Royal Institution of Chartered Surveyors (RICS) rating practice group and the Institute of Revenues Rating and Valuation (IRRV). He also works with the Convention of Scottish Local Authorities (COSLA), Scottish Government, UK government, the Electoral Commission and has advised the Devolution (Further Powers) Committee in the Scottish Parliament. Through these roles, the organisation has a unique insight into potential developments in the valuation assessment and registration fields and therefore is able to minimise uncertainty as far as is possible.

Councillor Ronald H Shepherd JP
Convener

Ian H Milton BSc(Hons) FRICS IRRV AEA(Cert-Scotland)
Assessor and Electoral Registrations Officer

Margaret Wilson CPFA
Treasurer

28 August 2015

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 ANNUAL ACCOUNTS

The Board's Responsibilities

The Board is required to: -

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Board has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). 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.
- ensure the Annual Accounts are prepared in accordance with legislation (The Local authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government Scotland Act 2003).
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Board at its meeting on 28 August 2015.

Signed on behalf of the Grampian Valuation Joint Board

Councillor Ronald H Shepherd JP
Convener

28 August 2015

STATEMENT OF RESPONSIBILITIES FOR THE ANNUAL ACCOUNTS (Continued)

The Treasurer's Responsibilities

The Treasurer to the Board is responsible for the preparation of the Board's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Accounting Code).

In preparing these annual accounts, the Treasurer has: -

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).
- kept adequate accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Board at the reporting date and the transactions of the Board for the year ended 31 March 2015.

Margaret Wilson, CPFA
Treasurer

28 August 2015

ANNUAL GOVERNANCE STATEMENT – 2014/15

Scope of responsibility

The Board was established in terms of The Valuation Joint Boards (Scotland) Order 1995 and is the valuation authority for Aberdeen City Council, Aberdeenshire Council and The Moray Council. The Board is responsible for the provision of valuation assessment services for local taxation purposes.

Through an agreement to share services, the Board also provides electoral registration services for the same three constituent authorities.

The Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Board is considered to be a local authority in terms of the Local Government etc. (Scotland) Act 1994 and has a duty to deliver continuous improvement as set out in the Local Government in Scotland Act 2003.

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

Responsibility for delivery - members and officers

In terms of the above order, the Board membership comprises 6 members appointed by Aberdeen City Council, 6 members appointed by Aberdeenshire Council and 3 members appointed by The Moray Council.

Also in terms of the order, the Board appointed a Convener, depute Convener, Clerk and Treasurer. The role of the Clerk is to ensure the proper conduct of the board's business and that of the Treasurer is to ensure that the Board operates effective financial information and control systems and complies with all financial regulatory requirements.

To fulfil its operational role, the Board is responsible for the appointment of an Assessor, and deposes as appropriate, in terms of section 27 of the Local Government etc. (Scotland) Act 1994. In practice the Assessor and deposes manage the provision of valuation assessment services on a day to day basis, with the Board providing resources, a governance framework and a monitoring regime for financial and operational performance.

The Local Government (Qualifications of Assessors) (Scotland) Order 1995 requires the Assessor and deposes to be qualified chartered surveyors. The Lands Valuation Acts and the Local Government Finance Act 1992 require that these senior officials exercise their assessment duties wholly independently of the valuation authority or government, thus providing the taxpayer, wider citizenship along with local and central government with confidence in the integrity of the assessment basis, which is subject to the scrutiny of the local valuation appeal committees, the Lands Tribunal for Scotland and the Lands Valuation Appeal Court.

The Assessor is also appointed as the Electoral Registration Officer (ERO) for the Board's three constituent authorities. This too is a statutory position with the ERO and deposes appointed in terms of section 8 of the Representation of the People Act 1983.

ANNUAL GOVERNANCE STATEMENT – 2014/15 (continued)

Responsibility for delivery - members and officers (continued)

As in the case of the Assessor, the ERO is an independent statutory official and as such is personally liable for the registration service provided. The ERO's decisions are subject to the scrutiny of the Sheriff and the Registration Appeal Court, and ultimately the Supreme and European Courts.

The Board has approved and adopted a local code of corporate governance that is available at www.grampian-vjb.gov.uk/website/index.asp?refID=49&pageType=C

This statement explains how the Board complies with the CIPFA/Solace guidance for Scottish authorities 'Delivering good governance in local government'. This governance framework guidance envisages the wider responsibilities of a multi-purpose local authority rather than those that are limited to a specialised valuation assessment and registration service. This statement will therefore reflect the particular nature of the Board's remit.

The purpose of the governance framework

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

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

The governance framework

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

Governance Principle 1 - focusing on the purpose of the authority and on outcomes for the community.

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

ANNUAL GOVERNANCE STATEMENT – 2014/15 (continued)

The governance framework (continued)

The Board, being focussed around delivery of specialised valuation and registration services has a limited role to play in the wider community planning aspects anticipated by the governance framework set out by CIPFA/Solace. Nevertheless, the two services delivered by the Board are foundation stones to local government and democracy at local, national and international levels, as the services provide the means to raise local taxation and to conduct elections/referendums.

The service plan is essentially driven by statute, with the next non-domestic revaluation due in 2017, domestic taxation currently being examined by the local tax commission and the electoral registration system currently in transition to the new system of individual electoral registration with elections, by-elections and referendums taking place as required.

The Assessor and ERO is a member of the Scottish Assessors Association and through this non-statutory voluntary association, the 14 Assessors and 2 independent EROs¹ that provide valuation assessment and registration services across the 32 local authority areas in Scotland share expertise and resources through this association to deliver unified and modern services.

Through engagement with external stakeholders such as the Electoral Commission, the Cabinet Office, the Scottish Government, the Electoral Management Board for Scotland (EMB), the Valuation Office (and harmonisation partner organisations in Ireland), the Institute of Revenues Rating and Valuation (IRRV), the Royal Institution of Chartered Surveyors (RICS) and the three constituent local authorities, the Assessor and ERO has developed engagement strategies that reflect the prevailing service requirements. For example the Scottish Independence Referendum of 18 September 2014 required specific and tailored service engagement plans that were part of the Electoral Management Board and Electoral Commission's ERO performance standards frameworks. The introduction of Individual Electoral Registration on 19 September 2014 also required a carefully executed implementation and engagement plan that was also subject to monitoring by the Cabinet Office and Electoral Commission. Plans are responsive and through feedback are adjusted to improve effectiveness, as most recently demonstrated in the IER write-out canvass in October 2014 and planning for the UK Parliamentary General Election in 2015.

The Board's performance management framework is reviewed regularly to drive continuous improvement and ensure effective monitoring of progress and outcomes against stated objectives. Reporting arrangements include regular update to the Board, the Electoral Commission, the Electoral Management Board, the Scottish Government, and online publication of annual performance reports.

¹ Dundee and Fife opted to provide registration services independently and contribute to the SAA Electoral Registration Committee.

ANNUAL GOVERNANCE STATEMENT – 2014/15 (continued)

The governance framework (continued)

Workforce planning remains a particular focus given the demands on the organisation to deliver revaluations and complete and accurate electoral registers along with their corresponding absent voter records. In 2014 the ERO has been required to provide a new individual electoral registration system that is embedded in the government's online citizens' services and verifies identity by comparing registration data with that held by the Department for Work and Pensions (DWP). These demands on resources have been managed during a period of acute financial austerity and the strategy that has been in place has been designed to provide an efficient and effective service and at the same time mitigate the need for compulsory redundancies.

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

This principle is about defining roles of elected members and officers, making sure responsibilities are clearly defined, that constructive working relationships are achieved, and ensuring clear relationships between the Board, the Assessor and ERO, corporate stakeholders and the public.

Standing orders regulate the form and content of board meetings and the Board's financial regulations provide a scheme of delegation for financial decisions. Performance reports are made at each board meeting and the Board's key performance indicators are subject to regular periodic review.

The Board operates a code of corporate governance and a staff review and development scheme that extends through all levels of officials.

Functions and roles of statutory posts including the Clerk, Treasurer and Assessor and ERO are clearly defined.

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

High standards of behaviour are essential to good governance. There is an expectation that elected members and senior officers will exercise leadership through exemplary standards of behaviour, and ensure those values are replicated effectively throughout the organisation. This is achieved through promotion of codes of conduct, and registers of interests which record any potential areas where conflicts of interest might arise.

The Board's code of conduct provides a clear standard in terms of conduct and behaviour, as does the Board's raft of personnel related policies that deal with mainstreaming equalities into the fabric of the organisation, dignity of the individual, whistleblowing, special leave and personal development. These policies go beyond behavioural matters and reflect the positive approach to workforce development to the extent that in 2014 the Board approved the Assessor and ERO's career development scheme for clerical officers, and in doing so, ensured that across all three service strands; non-domestic property valuation assessment, domestic property valuation assessment and electoral registration, career pathways are open to all staff.

ANNUAL GOVERNANCE STATEMENT – 2014/15 (continued)

The governance framework (continued)

In order to avoid duplication the Board relies on the registers of interests and gifts maintained by the relevant constituent authorities for elected members. A register of gifts is however maintained for the organisation's officials. The Assessor and ERO and deputies are bound by the policies of the Board and also must adhere to the professional standards regime set by the RICS.

Issues relating to actions taken or not taken by officials can be addressed internally through the established formal complaints procedure that includes a formal report to the Board. If the complaint remains unresolved the option of a referral to the Scottish Public Service Ombudsman (SPSO) is also available. The organisation provides services across 27,000 non-domestic properties, 270,000 domestic properties and 450,000 electors. During 2014/15 there was one formal complaint reported to the board. The board did not uphold the complaint and the complaint was not referred to the SPSO. There were no recorded breaches of the code of conduct by officials during the same period.

The organisation maintained its commitment to combating fraud during the year by assisting with the National Fraud Initiative by matching council tax records to the electoral register and a match is returned where a single person discount has been awarded but the electoral register indicates that another countable adult is living there. A letter can then be issued by council staff seeking clarification of household composition and initiate further investigations if required. The Assessor also works with Police Scotland where the ERO suspected fraudulent registration or absent vote applications.

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

The board's decision-making process is well established with governance, finance and performance issues being discussed at board meetings that take place in public (unless exempt under statutory provision) and the board reports are published online and made available to the media. Rules and procedures govern how decisions are made and appropriate legal, financial and other professional advice is considered as part of the decision-making process. Scrutiny is secured through internal and external audit.

Decisions of the Assessor and ERO are subject to public scrutiny, scrutiny via an appeal and complaint process to the respective judicial bodies and external stakeholders that monitor performance such as the Electoral Commission and the Electoral Management Board for Scotland. In addition the SAA website provides practice notes that provide details on how rateable values are determined and allows individual taxpayers to look up the assessment of every non-domestic and domestic property in Scotland.

Risk management is a fundamental part of the organisation's decision making process and as such is a standing item on the Assessor and ERO's management team quarterly agenda, with the Board reviewing the risk register on an annual basis.

ANNUAL GOVERNANCE STATEMENT – 2014/15 (continued)

The governance framework (continued)

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

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

The Assessor and ERO provides a briefing after the periodic local government elections when the Board membership will be updated. As part of its commitment to lifelong learning, the Board also uses the IRRV Scottish conference as a cost effective source of professional training for both members and officials.

New officials employed by the organisation receive induction training on arrival and in the vast majority of cases are able to participate in a career grade development scheme that seeks to promote personal and professional development. All officials are subject to a staff review and development scheme and surveyors, who are members of the RICS, are subject to additional compulsory continuing professional development training that is monitored by the RICS.

The organisation's training officer is responsible for monitoring training provision and recording progress. The training officer is also responsible for identifying appropriate training opportunities and the distribution of training opportunities is reported in public performance reports / equalities mainstreaming reports.

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

The Board achieves this through timely publication of its annual accounts, of statutory and local performance information, and by publishing the Assessor and ERO's annual public performance report.

The Assessor and ERO also makes significant use of media releases via the constituent authorities' publicity departments and the organisation's website to communicate relevant items of news. Procedures are in place to meet requests made under the Freedom of Information (Scotland) Act.

Community engagement is driven by the priorities of the particular aspect of the service under consideration. For example in preparation for the referendum on 18 September 2014, the ERO engaged with a wide variety of community representatives including care providers, the Scottish Youth Parliament, education authorities, social work departments, local youth councils, universities, the National Union of Students and university registrars. More recently engagement work with the Care Inspectorate and care home managers has been carried out in relation to individual electoral registration.

ANNUAL GOVERNANCE STATEMENT – 2014/15 (continued)

Review of effectiveness of governance arrangements

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

- **The Board**

In practice, governance arrangements are monitored over the year with board meetings taking place three times during each year. Every time the Board meets, it considers reports on financial and operational performance. It also considers annual public performance and audit reports.

- **The management team**

The management team which has overall responsibility for good governance arrangements, comprises the Assessor & ERO, two deputies, four assistant assessors and the principal admin officer. The management team is scheduled to meet on a quarterly basis and considers corporate issues such as finance, personnel, performance and risk management along with an overview of service related issues that are handled by two service orientated groups – the technical and admin groups.

- **The technical and admin groups**

These two groups also normally meet quarterly and focus on specialised service related planning and delivery. These groups foster co-operative working across the Aberdeen, Banff and Elgin offices of the organisation and also benefit from input from the Scottish Assessors Association representatives. They provide technical solutions to valuation assessment and electoral registration issues. Membership includes the management team and team leaders, with input from junior members of staff too, that seeks to capture the widest range of expertise and experience and also provide an inclusive insight into the decision making process to all members of the organisation.

- **The Assessor and ERO**

The Assessor and ERO performs the statutory role of Monitoring Officer under the Local Government and Housing Act 1989, which covers the duty to ensure that no enactments, rules of law, or codes of practice are breached, and that the council is not involved in maladministration or injustice as defined in the Local Government (Scotland) Act 1975.

- **The Treasurer**

The Treasurer has statutory responsibility for the Board's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973. This officer provides relevant financial advice and support to the Assessor & ERO and elected members at meetings of the board and otherwise as required. The Board's financial management arrangements generally conform with the governance requirements of the CIPFA statement on the role of the chief financial officer, and whilst the treasurer is not a member of the management team, she is actively involved in, and is able to influence, decision-making processes.

ANNUAL GOVERNANCE STATEMENT – 2014/15 (continued)

Review of effectiveness of governance arrangements (continued)

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

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. The system includes comprehensive budget setting and monitoring arrangements and the preparation of regular financial reports indicating actual expenditure against forecasts that are reported at each board meeting.

• Internal Audit

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Board on the control environment comprising risk management, internal control, and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit is currently reviewing its working practices against new *Public Sector Internal Audit Standards* which took effect on 1 April 2013.

The Internal Audit Manager is accountable on a day-to-day basis to the Treasurer and to the Board.

Internal audit and the subsequent report by the external auditors in their annual audit letter and in other reports, informs the effectiveness of the financial control environment as an element of the Board's governance arrangements. No fundamental control weaknesses were reported during the year covered by this statement. It is the opinion of the Internal Audit Manager that reasonable assurance can be placed on the Board's internal financial control systems in place for the year ended 31 March 2015.

• External Agencies

In addition to the various internal review processes and the financial audit referred to above, no external agencies actively examine aspects of the Board's governance arrangements. The way the organisation delivers its valuation and registration services is however subject to scrutiny by external agencies, with the valuation assessment aspect subject to a case by case scrutiny on appeal and the Electoral Commission and Electoral Management Board reviewing and reporting) on the performance of the ERO.

ANNUAL GOVERNANCE STATEMENT – 2014/15 (continued)

Significant governance issues

Securing good governance has been and remains of prime importance to elected members and senior officials of the board; a considerable task at a time when budgets are reducing, and major changes in services are being introduced, such as the introduction of individual electoral registration.

The key governance challenges going forward will involve

- Working towards an efficient system of individual electoral registration particularly against an uncertain funding background whereby the Board has been granted funding from central sources for 2014/15 and 2015/16, but not beyond.
- Finalising a resourced and sustainable four-year plan; forward financial planning has been particularly challenging against a dynamic design of individual electoral registration, a current move to increase the number of non-domestic properties in the valuation roll by proposed changes to statutory exemptions ahead of the 2017 revaluation and a desire to redesign local domestic taxation via the 2015 local tax commission.
- Building on the equalities mainstreaming interim report by:
 - Maximising the opportunities for young citizens to register to vote and therefore enable them to participate in the democratic process
 - Maximising registration amongst high mobility citizens such as occupiers of houses in multiple occupation and tenanted dwellings.
 - Maximising opportunities for young people to enter the workforce
- Ensuring established performance reporting procedures remain aligned to the service demands and external agency requirements; and
- Evaluating current consultation arrangements to ensure customer focus is a key consideration in informing service delivery decisions.

Concluding Remarks

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

ANNUAL GOVERNANCE STATEMENT – 2014/15 (continued)

Concluding Remarks (continued)

While financial pressures are likely to continue, considerable progress in engaging with our stakeholders and the wider community has been made to develop plans for the valuation and registration areas which we believe are both sustainable and achievable. Taking those forward will be challenging as we look to secure further efficiencies. Existing and exemplary sharing of expertise and resources across Scotland through the Scottish Assessors Association supported by good governance in Grampian will assist in delivering valuation assessment and registration services in a way that both meets the needs of communities and discharges statutory best value responsibilities.

Councillor Ronald H Shepherd JP
Convener

Ian H Milton BSc(Hons) FRICS IRRV AEA(Cert-Scotland)
Assessor & Electoral Registration Officer

28 August 2015

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 Convener or vice-convener 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. £20,702 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. £19,667 per annum. These rates are effective for the year ending 31 March 2015. Revised rates apply from 1 April 2015.

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 until 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 The Moray Council.

Councillor Owen is Depute Convener of the Board until 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	2014/15	2013/14
	£	£
Expenses	532	532
TOTAL	532	532

The expenses incurred for 2014/15 was the cost to attend the annual IRRV conference.

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 2014/15	Total Remuneration 2013/14
	£	£	£	£
Ian Milton Assessor & ERO	109,363	387	109,750	102,910
Gavin Oag Depute Assessor & ERO	85,070	581	85,651	80,448
Mark Adam Depute Assessor & ERO	78,255	733	78,988	71,790
TOTAL	272,688	1,701	274,389	255,148

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 post holders' 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

Councillors' pension benefits are based on career average pay. For benefits earned up to 31 March 2015, 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 would pay a contribution to the Pension Fund for the Convener and Depute Convener's pensions if they are members of the scheme and this is based on a percentage of the cost of the Special Responsibility Allowance. As the Board does not pay any Special Responsibility Allowance, no pension contributions were paid in 2014/15 for the current Convener and Depute Convener.

REMUNERATION REPORT (continued)

Pension Benefits (continued)

For local government employees, up until 31 March 2015 pension benefits accrued are based on final salary. 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. Benefits earned from 1 April 2015 are based on career average. The scheme's normal retirement age for both councillors and employees is 65 for benefits up to 31 March 2015 and the State Pension Age for benefits built up after 1 April 2015.

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 2014/15 are the same as for 2013/14; however the earnings bands have changed as shown in the table below. The figures for 2013/14 are shown in brackets for comparison.

Whole time earnings (2013/14 in brackets)	Contribution rate 2014/15	Contribution rate 2013/14
On earnings up to and including £20,335 (£19,800)	5.50%	5.50%
On earnings above £20,335 and up to £24,853 (£19,800 and up to £24,200)	7.25%	7.25%
On earnings above £24,853 and up to £34,096 (£24,200 and up to £33,200)	8.50%	8.50%
On earnings above £34,096 and up to £45,393 (£33,200 and up to £44,200)	9.50%	9.50%
On earnings above £45,393 (£44,200)	12.00%	12.00%

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. Up until 31 March 2015, 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). From 1 April 2015, the accrual rate guarantees a pension of 1/49th of pensionable pay for each year. At the end of each year the benefits are revalued and increased by inflation.

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			Accrued pension	
	For the year to 31 March 2015	For the year to 31 March 2014		As at 31 March 2015	Difference from March 2014
	£	£		£	£
Ian Milton Assessor and ERO	19,927	19,730	Pension	42,216	2,121
			Lump Sum	95,673	947
Gavin Oag Depute Assessor & ERO	15,534	15,380	Pension	27,440	1,600
			Lump Sum	58,174	577
Mark Adam Depute Assessor & ERO	13,842	13,705	Pension	28,150	1,462
			Lump Sum	62,935	623
Total	49,303	48,815		314,588	7,330

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	
	2014-15	2013-14
£50,000 - £54,999	3	4
£70,000 - £74,999	-	1
£75,000 - £79,999	1	-
£80,000 - £84,999	-	1
£85,000 - £89,999	1	-
£100,000 - £104,999	-	1
£105,000 - £109,999	1	-
Total	6	7

Councillor Ronald H Shepherd JP
Convener

Ian H Milton BSc(Hons) FRICS IRRV AEA(Cert-Scotland)
Assessor & Electoral Registration Officer

28 August 2015

MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2015

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 2013/14 for comparative purposes.

	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)
(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 before Transfers to Other Statutory Reserves	3	-	3	1,966	1,969
Increase in Year	3	-	3	1,966	1,969
Balance at 31 March 2014	196	72	268	(3,348)	(3,080)

MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2015 (continued)

	General Fund £000	Capital Fund £000	Total Usable Reserves £000	Unusable Reserves (Note 16) £000	Total Board Reserves £000
Balance at 31 March 2014	196	72	268	(3,348)	(3,080)
(Deficit) on provision of services (accounting basis)	(282)	-	(282)	-	(282)
Other Comprehensive Expenditure and Income	-	-	-	(436)	(436)
Total Comprehensive Income and Expenditure	(282)	-	(282)	(436)	(718)
Adjustments between accounting basis & funding basis under regulations (Note 7)	327	-	327	(327)	-
Net Increase / (Decrease) before Transfers to Other Statutory Reserves	45	-	45	(763)	(718)
Transfer to / from Other Statutory Reserves	(1)	1	-	-	-
Increase / (Decrease) in Year	44	1	45	(763)	(718)
Balance at 31 March 2015	240	73	313	(4,111)	(3,798)

BALANCE SHEET AS AT 31 MARCH 2015

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 2014		31 March 2015	
£000	Note	£000	
740	Property, Plant & Equipment	9	705
11	Long Term Debtors	10	10
751	Long Term Assets		715
213	Short Term Debtors	11	384
547	Cash and Cash Equivalents	12	595
760	Current Assets		979
(584)	Short Term Creditors	13	(785)
(584)	Current Liabilities		(785)
(4,007)	Other Long Term Liabilities	23	(4,707)
(4,007)	Long Term Liabilities		(4,707)
(3,080)	Net Liabilities		(3,798)
	Usable reserves	15	
196	General Fund		240
72	Capital Fund		73
268	Total		313
	Unusable Reserves	16	
235	Revaluation Reserve		231
505	Capital Adjustment Account		474
(4,007)	Pensions Reserve		(4,707)
(81)	Employee Statutory Adjustment Account		(109)
(3,348)	Total		(4,111)
(3,080)	Total Reserves		(3,798)

The notes on Pages 35 to 66 form part of the Financial Statements.

Margaret Wilson, CPFA
Treasurer
28 August 2015

The unaudited Annual Accounts were issued on 31 May 2015 and the audited Annual Accounts were authorised for issue on 28 August 2015.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

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 2014 £000	31 March 2015 £000
372 Net deficit on the provision of services	282
(383) Adjust net deficit on the provision of services for non cash movements (Note 18)	(330)
<hr/>	<hr/>
(11) Net cash flows from Operating Activities	(48)
<hr/>	<hr/>
(11) Net (increase) in cash and cash equivalents	(48)
536 Cash and cash equivalents at the beginning of the financial year	547
<hr/>	<hr/>
547 Cash and cash equivalents at the end of the financial year	595
<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS

Note 1 Accounting Policies

General Principles

The Annual Accounts summarise the Board's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Board is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, 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 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The principal accounting policies have been applied consistently throughout the year. The accounting convention adopted in the Annual 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 ACCOUNTS (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 by the systematic allocation of their depreciable amount over their useful lives. An exception is made for 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 rates are detailed in Note 9.

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

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

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

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

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

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

Requisitions and Contributions

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

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Financial Assets and Liabilities

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

Most of the Board's loans and receivables (debtors) are for less than 12 months or are charged at a market rate of interest and so are initially measured at fair value and are carried at amortised cost, which equates to the actual cash value at 31 March 2015.

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 2015.

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 2015.

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 ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Employee Benefits (continued)

Termination Benefits (continued)

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

Post Employment Benefits: The Board is a statutory body in the North East 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 3.2% (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 ACCOUNTS (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 Annual 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 ACCOUNTS (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 annual accounts are adjusted to reflect adjusting events after the financial year and are 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 Annual 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.

For 2014/15 only, an amount of £0.042million in excess of the permitted maximum has been carried forward to 2015/16, as this was earmarked government grant unspent at 31 March 2015.

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Reserves (continued)

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

Unusable Reserves

The **Capital Adjustment Account** was introduced on 1 April 2007 and reflects the difference between the cost of 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 37.

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 2015/16 Code:

- IFRS 13 Fair Value Measurement (January 2012)
- IFRIC 21 Levies (May 2013)
- Annual Improvements to IFRSs 2011-2013 Cycle

The Code requires implementation from 1 April 2015 and there is, therefore, no impact on the 2014/15 financial statements.

IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government. IFRS improvements are generally minor, principally providing clarification. IFRS 13, IFRIC 21 and IFRS improvements are not expected to have a significant impact on the financial statements.

NOTES TO THE ACCOUNTS (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 Annual 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 Annual 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 2015 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 £0.467m.

NOTES TO THE ACCOUNTS (continued)

Note 5 Material Items of Income and Expenditure

Where material items of income and expenditure are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the Code requires that the nature and amount of these items are disclosed in a note to the accounts. During 2014/15 the following items are regarded as material:

Nature	£000
Grant and cost recovery income for Individual Electoral Registration and Maximising Registration	517
Cost recovery income for the Scottish Referendum (Sept 2014)	90
Cost recovery income for the European Election (May 2014)	88
	<u>695</u>

The funding allocation for Individual Electoral Registration (IER) includes a grant and additional recharges to the Cabinet Office for costs including Electoral Management System and development costs incurred by the Board in the transition to IER. Alongside IER funding, the Maximising Registration grant was allocated to issue Housing Notification Letters. Unspent IER grant, £0.042M has been carried forward to continue the work in 2015/16.

The Scottish Referendum and European Election figures relate to expenditure incurred in the course of these elections. The expenditure was fully recharged to the Scottish Government and Local Authorities respectively.

Note 6 Events After The Balance Sheet Date

The unaudited Annual Accounts were issued on 31 May 2015 and the audited Annual Accounts were authorised for issue on 28 August 2015 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 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

NOTES TO THE ACCOUNTS (continued)

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

<u>2013/14</u>	Usable Reserves		Unusable Reserves
	General Fund Balance	Capital Fund Balance	
	£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>			
Decrease in Employee Statutory Adjustment Account	15	-	(15)
Total Adjustments	375	-	(375)

NOTES TO THE ACCOUNTS (continued)

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

	Usable Reserves		Unusable Reserves
	General Fund Balance	Capital Fund Balance	
<u>2014/15</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	35	-	(35)
<u>Adjustments Primarily involving the Pensions Reserve</u>			
Movement in Pensions Reserve	264	-	(264)
<u>Adjustments Primarily involving the Employee Statutory Adjustment Account</u>			
Decrease in Employee Statutory Adjustment Account	28	-	(28)
Total Adjustments	327	-	(327)

Note 8 Financing and Investment Income and Expenditure

	2013/14 £000	2014/15 £000
Pensions interest cost and expected return on pensions assets	239	167
Interest receivable and similar income	(2)	(3)
	<u>237</u>	<u>164</u>

NOTES TO THE ACCOUNTS (continued)

Note 9 Property, Plant and Equipment

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Total Property, Plant and Equipment
	£000	£000	£000
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
Cost or valuation			
At 1 April 2014	696	210	906
At 31 March 2015	696	210	906
Accumulated Depreciation and Impairment			
At 1 April 2014	14	152	166
Depreciation charge	14	21	35
At 31 March 2015	28	173	201
Net Book Value			
At 31 March 2014	682	58	740
At 31 March 2015	668	37	705

NOTES TO THE ACCOUNTS (continued)

Note 9 Property, Plant and Equipment (continued)

Depreciation

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

Other Land & Buildings - 35-60 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 2015 the Board had no capital commitments for 2015/16 and future years. (£nil at 31 March 2014).

Note 10 Long Term Debtors

	2013/14	2014/15
	£000	£000
Car Loans	11	10

Note 11 Short Term Debtors

	2013/14	2014/15
	£000	£000
Central Government bodies	165	353
Other Local Authorities	3	-
Other Entities and Individuals	45	31
	<hr/> 213	<hr/> 384

NOTES TO THE ACCOUNTS (continued)

Note 12 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents comprises:

	2013/14	2014/15
	£000	£000
Temporary Investment in the Moray Council Loans Fund	547	595

Note 13 Short Term Creditors

	2013/14	2014/15
	£000	£000
Central Government bodies	66	88
Other Local Authorities	380	520
Other Entities and Individuals	138	177
	<hr/>	<hr/>
	584	785

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 annual 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 ACCOUNTS (continued)

Note 14 Financial Instruments (continued)

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

	Long Term		Short Term	
	2013/14	2014/15	2013/14	2014/15
	£0	£0	£0	£0
Debtors				
Loans & Receivables	11	10	6	7
Financial Assets carried at contract amounts	-	-	207	377
Total Debtors	11	10	213	384
Creditors				
Financial Liabilities carried at contract amounts			584	785
Cash and Cash Equivalents				
Cash Equivalent carried at contract amounts			547	595

Note 15 Usable Reserves

Movements in the Board's usable reserves are detailed in the [Movement in Reserves Statement](#) on Page 27.

Note 16 Unusable Reserves

	2013/14	2014/15
	£000	£000
Revaluation Reserve	235	231
Capital Adjustment Account	505	474
Pensions Reserve	(4,007)	(4,707)
Employee Statutory Adjustment Account	(81)	(109)
	(3,348)	(4,111)

NOTES TO THE ACCOUNTS (continued)

Note 16 Unusable Reserves (continued)

Revaluation Reserve

The Revaluation Reserve contains gains made by the Board arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:-

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

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

	2013/14	2014/15
	£000	£000
Balance at 1 April	162	235
Revaluations		
Upward revaluation of assets not posted to the Surplus or Deficit on the Provision of Services	77	0
Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account	(4)	(4)
Balance at 31 March	<u>235</u>	<u>231</u>

NOTES TO THE ACCOUNTS (continued)

Note 16 Unusable Reserves (continued)

Capital Adjustment Account

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

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

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

	2013/14	2014/15
	£000	£000
Balance at 1 April	519	505
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	(18)	(35)
Adjusting amounts written out of the Revaluation	4	4
Net written out amount of the cost of non-current assets consumed in the year	(14)	(31)
Balance 31 March	505	474

NOTES TO THE ACCOUNTS (continued)

Note 16 Unusable Reserves (continued)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Board accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Board makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Board has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2013/14	2014/15
	£000	£000
Balance at 1 April	(5,929)	(4,007)
Remeasurements of the net defined benefit liability/asset	2,264	(436)
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	(781)	(701)
Employer's pensions contributions and direct payments to pensioners payable in the year	439	437
Balance at 31 March	<u>(4,007)</u>	<u>(4,707)</u>

NOTES TO THE ACCOUNTS (continued)

Note 16 Unusable Reserves (continued)

Employee Statutory Adjustment Account

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

	2013/14 £000	2014/15 £000
Balance at 1 April	(66)	(81)
Settlement or cancellation of accrual made at the end of the preceding year	66	81
Amounts accrued at the end of the current year	(81)	(109)
Balance at 31 March	<u>(81)</u>	<u>(109)</u>

Note 17 External Audit Costs

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

	2013/14 £000	2014/15 £000
Fees payable in respect of external audit services carried out by the appointed Auditor for the year	8	8

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

	2013/14 £000	2014/15 £000
Depreciation/Impairment charges	(18)	(35)
Pension Liability	(342)	(264)
Increase in Debtors	148	170
Increase in Creditors	(171)	(201)
Total	<u>(383)</u>	<u>(330)</u>

NOTES TO THE ACCOUNTS (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.

	2013/14	2014/15
	£000	£000
Credited to Requisitions and Non Specific Grant Income:		
Requisition from Aberdeen City Council	1,540	1,555
Requisition from Aberdeenshire Council	1,755	1,766
Requisition from Moray Council	632	643
Total	<u>3,927</u>	<u>3,964</u>
Returned to constituent authorities:		
Aberdeen City Council	121	171
Aberdeenshire Council	138	194
Moray Council	50	71
Total	<u>309</u>	<u>436</u>

NOTES TO THE ACCOUNTS (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:

	2013/14	2014/15
	£000	£000
Aberdeen City Council	4	1
Aberdeenshire Council	318	350
Moray Council	52	81

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

Aberdeen City Council	123	172
Aberdeenshire Council	158	231
Moray Council	50	71

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 2014/15 was £0.113m (£0.114m in 2013/14).

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

	2013/14	2014/15
	£000	£000
Not later than one year	114	114
Later than one year and not later than five years	226	113
	<hr/> <hr/>	<hr/> <hr/>
	340	227

NOTES TO THE ACCOUNTS (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

	2013/14	2014/15
	£000	£000
	Rating, Council Tax Valuation and Electoral Registration	Rating, Council Tax Valuation and Electoral Registration
Sales and Other Income	(18)	(6)
Interest on Revenue Balances	(2)	(2)
Other grants, reimbursements and contributions	(196)	(695)
Total Income	(216)	(703)
Employee Costs	2,845	2,905
Property Costs	308	320
Transport Costs	73	70
Supplies and Services	551	837
Support Services	54	55
Total operating expenses	3,831	4,187
Net Expenditure	3,615	3,484

NOTES TO THE ACCOUNTS (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.

	2013/14	2014/15
	£000	£000
Net Expenditure reported to the Board	3,615	3,484
<u>Add</u> Amounts in the Comprehensive Income and Expenditure not included in reports to the Board	136	160
<u>Add</u> Amounts reported to Management but not reported in Net Cost of Services	2	2
Net Cost of Services in Comprehensive Income and Expenditure Statement	<hr/> 3,753 <hr/>	<hr/> 3,646 <hr/>

NOTES TO THE ACCOUNTS (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 2013/14 £000

	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)	0	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	0	3,967	239	4,206
Net Cost of Services	3,615	136	2	3,753	(3,381)	372
<u>Deficit on the Provision of Services</u>						<u>372</u>

NOTES TO THE ACCOUNTS (continued)

Note 22 Amounts Reported for Resource Allocation Decisions (continued)

Reconciliation to Subjective Analysis

Subjective Analysis 2014/15 £000

	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	(6)	-	-	(6)	-	(6)
Interest and investment income	(2)	-	2	-	(3)	(3)
Government grants and contributions	(695)	-	-	(695)	(3,528)	(4,223)
Total Income	(703)	-	2	(701)	(3,531)	(4,232)
Employee Costs	2,905	-	-	2,905	-	2,905
Property Costs	320	-	-	320	-	320
Transport Costs	70	-	-	70	-	70
Supplies and Services	837	-	-	837	-	837
Support Services	55	-	-	55	-	55
Depreciation, Amortisation and Impairment	-	35	-	35	-	35
IAS 19 Net Charges for Retirement Benefits	-	97	-	97	-	97
IAS 19 Holiday Pay Accrual	-	28	-	28	-	28
Pension Interest Cost and Expected Return on Pension Assets	-	-	-	-	167	167
Total Expenditure	4,187	160	-	4,347	167	4,514
Net Cost of Services	3,484	160	2	3,646	(3,364)	282
<u>Deficit on the Provision of Services</u>						282

NOTES TO THE ACCOUNTS (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 Committee. The Committee is comprised of nine 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 Committee on appointments, retention and termination of investment management contracts. The JIAC consists of 19 members, 9 elected members from Aberdeen City Council (members of the Pensions Committee), 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 ACCOUNTS (continued)

Note 23 Defined Benefit Pension Scheme (continued)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	2013/14	2014/15
	£000	£000
Cost of Services:		
Current Service Cost and administration expenses	542	534
Financing and Investment Income and Expenditure:		
Net Interest Expense	239	167
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	781	701
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	(1,296)	(444)
Actuarial (gain)/loss on financial assumptions	(968)	880
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement.	(2,264)	436
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	(781)	(701)
Actual amount charged against requisitions for pensions in the year	439	437

NOTES TO THE ACCOUNTS (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 2014	31 March 2015
	£000	£000
Present value of the defined benefit obligation	(27,488)	(29,409)
Fair value of plan assets	<u>23,481</u>	<u>24,702</u>
Net liability arising from defined benefit obligation	(4,007)	(4,707)

NOTES TO THE ACCOUNTS (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 2014	31 March 2015
	£000	£000
1 April	(27,276)	(27,488)
Current Service Cost	(533)	(525)
Interest on pension liabilities	(1,135)	(1,195)
Remeasurements:		
Gain/(Loss) on financial assumptions	968	(880)
Contributions by scheme participants	(150)	(148)
Benefits Paid	638	827
31 March	(27,488)	(29,409)

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 2014	31 March 2015
	£000	£000
1 April	21,347	23,481
Interest on plan assets	896	1,028
Remeasurements (assets)	1,296	444
Administration expenses	(9)	(9)
Employer Contributions	439	437
Contributions by scheme participants	150	148
Benefits Paid	(638)	(827)
31 March	23,481	24,702

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

	31 March 2014		
	Quoted Prices in	Prices not	
	Active Markets	Quoted in	
	£000	Active	Totals
	£000	Markets	£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

NOTES TO THE ACCOUNTS (continued)

Note 23 Defined Benefit Pension Scheme (continued)

	31 March 2015		
	Quoted Prices in Active Markets	Prices not Quoted in Active Markets	Totals
	£000	£000	£000
U.K. Equities	8,894	-	8,894
Overseas Equities	10,375	-	10,375
U.K Government Bonds	618	-	618
Other Government Bonds	914	-	914
Other U.K. Bonds	98	-	98
Other non U.K. Bonds	420	-	420
Property	-	1,754	1,754
Private Equity	-	839	839
Global Infrastructure	-	74	74
Cash Instruments	-	716	716
Total Assets	21,319	3,383	24,702

Basis for Estimating Assets and Liabilities

The most recent valuation was carried out as at 31 March 2014 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 2015. 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 2014	31 March 2015
Financial assumptions:		
Discount rate	4.40%	3.20%
Rate of increase in salaries	4.15%	3.50%
Rate of increase in pensions	2.40%	2.00%
Rate of CPI inflation	2.40%	2.00%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.5	22.1
Women	25.5	24.7
Longevity at 65 for future pensioners:		
Men	24.8	24.3
Women	27.9	27.5
Commutation of Pension for Lump Sum at Retirement	50% take maximum cash	50% take maximum cash
	50% take 3/80ths cash	50% take 3/80ths cash

NOTES TO THE ACCOUNTS (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 2014	31 March 2015
Equities	7.00%	6.50%
Government Bonds	3.40%	2.20%
Other Bonds	4.30%	2.90%
Property	6.20%	5.90%
Cash / current assets	0.50%	0.50%
Other	Dependent on type of asset	Dependent on type of asset

Funding Strategy Statement (FSS)

The FSS sets out how the administering authority balances the potentially conflicting aims of affordability of contributions, transparency of process, stability of employers' contributions, and prudence in the funding basis.

The Pension Committee's long-term funding objective is to achieve and maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis. The current actuarial valuation of the Fund is effective as at 31 March 2014 and the results indicate that overall the assets represented 94% 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 Committee has considered this trade-off and defined a strategic benchmark to achieve the long term investment returns required to achieve the Fund objective: equities 65%, property 10%, bonds 10%, alternative assets (including private equity) 15%. There is no strategic allocation to cash.

The asset proportions of the Fund at 31 March 2015, with March 2014 in brackets were: equities, including alternatives 81.7% (83.2%), bonds 8.3% (8.4%), property 7.1% (6.0%) and cash 2.9% (2.4%). This is based on the Boards proportion of assets held as supplied by the actuary, rather than the proportions held by the fund as a whole.

NOTES TO THE ACCOUNTS (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 Committee has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over an average deficit recovery period of 19 years, with a maximum recovery period of 19 years. Funding levels are monitored on a quarterly basis. The next triennial valuation is as at 31 March 2017 and will be completed during 2017/18.

The projected employer contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2015 is £0.438M.

The weighted average duration of the liabilities for scheme members at the 31 March 2014 valuation is 16 years.

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 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash-Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 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 circumstances of the authority 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 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 2014/15 Code of the state of the affairs of the authority as at 31 March 2015 and of the income and expenditure of the authority 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 2014/15 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, 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 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Lindsey Paterson, for and on behalf of PricewaterhouseCoopers LLP

141 Bothwell Street
Glasgow
G2 7EQ

28 August 2015