AUDITED ACCOUNTS

GRAMPIAN VALUATION JOINT BOARD

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

38695

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01343 563319 equalopportunities@moray.gov.uk

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Index of Contents

	Page(s)
Explanatory Foreword by the Treasurer	1-4
Glossary of Terms	5-6
Statement of Responsibilities for the Statement of Accounts	7
Movement in Reserves Statement	9-10
Comprehensive Income and Expenditure Statement	11
Balance Sheet	13
Cash Flow Statement	15
Notes to the Accounts	17-47
Statement on the System of Internal Financial Control	49-50
Remuneration Report	51-56
Independent Auditor's Report	57-58

EXPLANATORY FOREWORD BY THE TREASURER

INTRODUCTION

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

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Board has prepared the following statements for the first time in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and has applied IFRS1 except where adaptations to the public sector are detailed in the code. Previously the financial statements were prepared in accordance with the previous Code of Practice 2009 – the SORP, which was largely based on United Kingdom Generally Accepted Accounting Practice (UK GAAP). The comparative figures for 2009/10 have been restated to reflect any amendments that were required, mainly the accrual of short-term employee benefits for holiday and other leave earned but not taken at 31 March.

CORE FINANCIAL STATEMENTS

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

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

The **Balance Sheet** shows the assets and liabilities of the Board and shows a picture of the Board's financial position as at 31 March 2011.

The **Cash Flow Statement** summarises the flows of cash into and out of the Board for the year to 31 March 2011.

EXPLANATORY FOREWORD BY THE TREASURER (continued)

FINANCIAL PERFORMANCE 2010/11

The Board's financial results for the year compared against budget are shown below. This presentation differs slightly from that shown in the Comprehensive Income and Expenditure Statement, as set out in Note 24.

Actual 2009/10 £'000		Budget 2010/11 £'000	Actual 2010/11 £'000
3,019	Staff Costs	3,151	2,964
334	Property Costs	324	232
339	Admin Expenses	315	291
71	Transport Cost	96	75
182	Supplies and Services	201	238
3,945	**Gross Expenditure**	4,087	3,800
44	Government Grant	-	-
9	Sales and Miscellaneous Income	2	10
3	Interest on Revenue Balances	1	2
56	**Gross Income**	3	12
3,889	**Net Expenditure**	4,084	3,788

The Net budgeted expenditure of the Board in 2010/11 was £4.084m (2009/10 £4.084m). The actual expenditure requisitioned from the constituent authorities was £3.788m (2009/10 £3.889m). There was an underspend of £0.296m (2009/10 £0.194m) which can be analysed as follows:

2009/10 £'000		2010/11 £'000
116	Staff Costs	187
(11)	Property Costs	92
6	Admin Expenses	24
16	Transport Cost	21
21	Supplies and Services	(37)
46	Income	9
194	**Net Underspend Against Budget**	**296**

The main reason for the underspend in staff costs were vacant posts, of which three have been deleted in 2011/12, as efficiency savings. Property costs show a saving due to a backdated payment for previous years' overcharge by Aberdeenshire Council for Woodhill House services.

It was agreed by the Board at its meeting on 28 January 2011 that a General Fund would be created to provide the Assessor with some flexibility to investigate any spend to save projects which would require one-off expenditure in order to deliver future budget savings. The Board agreed that transfers to the fund would be restricted to 3% of the total budget in any one year and that the cumulative balance would not exceed 5% of the total budget of that year. The maximum amount which can be transferred to the General Fund in 2010/11 is £0.123m.

EXPLANATORY FOREWORD BY THE TREASURER (continued)

FINANCIAL PERFORMANCE 2010/11 (continued)

The Comprehensive Income and Expenditure Statement shows a surplus of £1.594m on the provision of services for the year. After allowing for the reversal of statutory charges for IAS19 of £(1.507)m, depreciation and impairment totalling £0.036m there remains a surplus of £0.123m which has been transferred to a General Fund. Included in the Requisitions and Non-Specific Grant Income line is a refund due to the constituent authorities of £0.173m. This is allocated between the constituent authorities on the basis of population and will be returned to authorities after the accounts are audited. For 2010/11 the amount to be returned has been allocated as follows:

2009/10 £'000	2009/10 %	Constituent Authority	2010/11 £'000	2010/11 %
76	39	Aberdeen City Council	67	39
87	45	Aberdeenshire Council	78	45
31	16	Moray Council	28	16
194	100	**Total**	173	100

Capital Fund

A Capital Fund was established in 2002/03 using the Board's share of proceeds from the sale of Woodhill House. The balance on the fund at 31 March 2011 was £0.071m (2009/10 £0.071m). Interest of £0.0002m from the Moray Council's Loans Fund was credited during the year (2009/10 £0.001m).

During the year 2010/11 the Board paid the remaining retention fees of £0.021m for the final snagging works at the new office in Banff. These had been accrued for in previous years. No further expenditure is expected on the Banff project. Capital Expenditure is expected to be required for the Board's share of repairs to the roof at 234 High Street, Elgin in 2011/12, however this has not been formally committed and further details will be reported to the Board in advance of this spend.

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

Significant Future Risk to Funding

The public sector in Scotland is facing severe financial pressures, especially the Board's constituent authorities. The respective Chief Financial Officers in the three constituent authorities have requested that the Board makes budget savings equivalent to 4% per annum over the next four years, equating to a cash reduction in revenue budget of 15.1% by the end of 2015.
Although the Board set a budget for 2011/12 generating 4.19% cash savings, it is unlikely to meet the target set by the constituent authorities without major impact on service delivery. The Assessor and his management team have highlighted future funding as a significant risk.

EXPLANATORY FOREWORD BY THE TREASURER (continued)

RETIREMENT BENEFITS

Employee Benefits (IAS19)

In accordance with CIPFA/LASAAC guidance IAS19 has been fully adopted in preparing the accounts of the Board. The standard prescribes how employing organisations are to account for pension benefits earned by employees in the year and associated pension assets and liabilities.

Employees are eligible to join the Local Government Pension Scheme (LGPS), administered by Aberdeen City Council. Note 25 to the accounts details the income and expenditure charged to the Comprehensive Income and Expenditure Statement under IAS 19 in respect of the Local Government Scheme, based upon estimates provided by the actuary to the Scheme.

The liability on the Local Government Pension Scheme pension fund and a pensions reserve are incorporated on the balance sheet. In the Comprehensive Income and Expenditure Statement, the cost of retirement benefits is recognised in the Net Cost of Services when earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is funded by requisitions is based on the contribution payable to the pension scheme in the year, so the cost of retirement benefits is reversed out in the Movement in Reserves Statement. Note 17 to the Accounts shows that the Board has a net pension liability of £4.104m as at 31 March 2011 (31 March 2010 £5.351m) due to the accrual of pension liabilities in accordance with IAS 19.

GOING CONCERN

The accrual of pension liabilities has a significant impact on the Balance Sheet at 31 March 2011 which shows an excess of liabilities over assets of £3.227m (£4.568m at 31 March 2010). Future actuarial valuations of the Local Government Pension Fund will consider the appropriate employee/employer's rate to meet the commitments of the Fund and the constituent authorities of the Board are required to fund the liabilities of the Board as they fall due. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

ACKNOWLEDGEMENTS

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

Margaret Wilson.

Margaret Wilson
Treasurer
31 May 2011

GLOSSARY OF TERMS

EXPENDITURE

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

Property Costs:
Includes rent, rates, repairs and maintenance, heating, lighting costs as well as feu duties, metered water charges.

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

Transport Costs:
This is staff travel expenses.

Administration Costs:
Includes telephone, printing, stationery, advertising, postage, and training expenses.

Corporate Democratic Core (CDC):
These are costs associated with democratic representation and include Members expenses and costs relating to the corporate management of the Board.

Non Distributed Costs (NDC):
These are costs which cannot be allocated to the cost of a service.

Depreciation:
Depreciation is a charge to the Comprehensive Income & Expenditure Account, allocating the cost of a fixed asset over its useful life.

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

BVACOP
Best Value Accounting Code of Practice

CIPFA
The Chartered Institute of Public Finance and Accountancy

GLOSSARY OF TERMS (Continued)

OTHER

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

SORP
Statement of Recommended Practice

UKGAAP
UK Generally Accepted Accounting Practice

FAIR VALUE
Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
For land and buildings, fair value is the amount that would be paid for the asset in its existing use.

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Board's Responsibilities

The Board is required to: -

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In the Valuation Joint Board, that officer is the Treasurer to the Board.

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Treasurer's Responsibilities

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

In preparing this statement of accounts, the Treasurer has: -

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the local authority Code.

The Treasurer has also

- kept proper accounting records which were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that this Statement of Accounts gives a true and fair view of the financial position of the Board at the accounting date and its income and expenditure for the year ended 31 March 2011.

Margaret Wilson

Margaret Wilson
Treasurer
31 May 2011

MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2011

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 or (Deficit) 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 2009/10 for comparative purposes.

	General Fund £000	Capital Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Board Reserves £000
Balance at 31 March 2009	**-**	**482**	**482**	**(2,928)**	**(2,446)**
Surplus or (deficit) on provision of services (accounting basis)	(223)	-	**(223)**	-	**(223)**
Other Comprehensive Expenditure and Income	-	(400)	**(400)**	(1,499)	**(1,899)**
Total Comprehensive Expenditure and Income	**(223)**	**(400)**	**(623)**	**(1,499)**	**(2,122)**
Adjustments between accounting basis & funding basis under regulations (Note 8)	224	(12)	**212**	(212)	**-**
Net Increase / Decrease before Transfers to Other Statutory Reserves	**1**	**(412)**	**(411)**	**(1,711)**	**(2,122)**
Transfers to / from Other Statutory Reserves	(1)	1	**-**	-	**-**
Increase / Decrease in Year	**-**	**(411)**	**(411)**	**(1,711)**	**(2,122)**
Balance at 31 March 2010	**-**	**71**	**71**	**(4,639)**	**(4,568)**

MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2011 (continued)

	General Fund	Capital Fund	Total Usable Reserves	Unusable Reserves	Total Board Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2010	-	71	71	(4,639)	(4,568)
Surplus or (deficit) on provision of services (accounting basis)	1,594	-	1,594	-	1,594
Other Comprehensive Expenditure and Income	-	-	-	(253)	(253)
Total Comprehensive Expenditure and Income	**1,594**	**-**	**1,594**	**(253)**	**1,341**
Adjustments between accounting basis & funding basis under regulations (Note 8)	(1,471)	-	(1,471)	1,471	-
Net Increase / Decrease before Transfers to Other Statutory Reserves	**123**	**-**	**123**	**1,218**	**1,341**
Transfers to / from Other Statutory Reserves	-	-	-	-	-
Increase / Decrease in Year	**123**	**-**	**123**	**1,218**	**1,341**
Balance at 31 March 2011	**123**	**71**	**194**	**(3,421)**	**(3,227)**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

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

31 March 2010					31 March 2011		
£000 Expenditure	£000 Income	£000 Net		Note	£000 Expenditure	£000 Income	£000 Net
3,788	(53)	3,735	Rating and Council Tax valuation and Electoral Registration		3,783	(10)	3,773
22	-	22	Corporate and Democratic Core		22	-	22
-	-	-	Non Distributed Costs		-	(1,565)	(1,565)
3,810	**(53)**	**3,757**	**Cost Of Services**		**3,805**	**(1,575)**	**2,230**
359	(3)	356	Financing and Investment Income and Expenditure	9	89	(2)	87
		(3,890)	Requisitions and Non-Specific Grant Income				(3,911)
		223	**(Surplus) or Deficit on Provision of Services**				**(1,594)**
		1,499	Actuarial (gains) / losses on pension assets / liabilities				253
		400	Amounts returned to constituent authorities				-
		1,899	**Other Comprehensive Income and Expenditure**				**253**
		2,122	**Total Comprehensive Income and Expenditure**				**(1,341)**

BALANCE SHEET AS AT 31 MARCH 2011

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 2009 £000	31 March 2010 £000		Note	31 March 2011 £000
819	788	Property, Plant & Equipment	10	752
10	8	Long Term Debtors	11	4
829	**796**	**Long Term Assets**		**756**
24	67	Short Term Debtors	12	65
892	432	Cash and Cash Equivalents	13	451
916	**499**	**Current Assets**		**516**
(513)	(512)	Short Term Creditors	14	(395)
(513)	**(512)**	**Current Liabilities**		**(395)**
(3,678)	(5,351)	Other Long Term Liabilities		(4,104)
(2,446)	**(4,568)**	**Net Assets**		**(3,227)**
		Usable reserves	16	
-	-	General Fund		123
482	71	Capital Fund		71
482	71	Total		194
		Unusable Reserves	17	
173	171	Revaluation Reserve		168
646	617	Capital Adjustment Account		584
(3,678)	(5,351)	Pensions Reserve		(4,104)
(69)	(76)	Accumulated Absences Account		(69)
(2,928)	(4,639)	Total		(3,421)
(2,446)	**(4,568)**	**Total Reserves**		**(3,227)**

Margaret Wilson

Margaret Wilson
Treasurer
31 May 2011

The Unaudited Accounts were issued on 31 May 2011 and the Audited Accounts were authorised for issue on 31 August 2011.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

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

31 March 2010 £000		Note	31 March 2011 £000
223	Net (surplus) or deficit on the provision of services		(1,594)
(176)	Adjust net (surplus) or deficit on the provision of services for non cash movements		1,554
47	Net cash flows from Operating Activities	18	(40)
13	Investing Activities	19	21
400	Capital Fund Refund to constituent authorities		-
460	Net (increase) or decrease in cash and cash equivalents		(19)
892	Cash and cash equivalents at the beginning of the reporting period		432
432	Cash and cash equivalents at the end of the reporting period		451

NOTE TO THE ACCOUNTS

NOTE 1 Accounting Policies

General Principles

The Statement of Accounts summarises the Board's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Board is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985, which section 12 of the Local Government in Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

First Time Adoption of the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11: Based on International Reporting Standards

These financial statements are the first to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. The Board has applied IFRS 1 in preparing these financial statements, except where interpretations or adaptations to fit the public sector are detailed in the Code. The Board's financial statements for the year ended 31 March 2010 were prepared in accordance with the previous Code of Practice 2009 – the SORP, which was based largely on United Kingdom Generally Accepted Accounting Practice (UK GAAP). When preparing the 2010/11 financial statements, certain accounting and valuation methods applied in the SORP 2009 financial statements were amended to comply with IFRS. The comparative figures for 2009/10 are restated to reflect these amendments. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. See Note 2 for reconciliations and descriptions of the effect of transferring from UK GAAP to IFRS on the Board's opening balance sheet at 1 April 2009, closing balance sheet at 31 March 2010 and Comprehensive Income and Expenditure Statement for the year ended 31 March 2010.

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.

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Fixed Assets

Property Plant and Equipment

Recognition: All expenditure on the acquisition, creation, enhancement or replacement of a part of an asset is capitalised providing the asset yields benefit for more than one year to the Board and the services it provides and the cost can be reliably measured.

Where a component is replaced or restored, the carrying amount of the old component is derecognised and the new component reflected in the carrying amount.

Measurement: New assets are measured at cost on an accruals basis and property is revalued at least every five years.

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.

Derecognition: The carrying amount of an item of property, plant and equipment is derecognised when an asset is disposed of or when no future economic benefits or service potential are expected from its use. The value of the asset in the Balance Sheet and any receipt are written to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

The gain or loss on disposal is not a charge against Requisitions, as the cost of fixed assets is fully provided for under separate arrangements for Capital Financing. The carrying amount of the fixed asset disposal is transferred to the Capital Adjustment Account and the disposal proceeds transferred to the Capital Fund and reported in the Movement in Reserves Statement.

Depreciation: Depreciation is provided for on all items of property, plant and equipment with a finite useful life with the exception of land where it can be demonstrated that it has an unlimited useful life. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is calculated using the straight-line method. In the year of acquisition, a full year's depreciation is provided for on all assets. In the year of disposal, no depreciation is charged.

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

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Depreciation (continued): 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)
- 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.

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 2011.

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 2011.

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

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 2011.

Employee Benefits

Benefits Payable During Employment: Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Board. As the leave year runs from 1 January to 31 December, an accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is calculated at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services so that holiday benefits are charged to revenue in the financial year in which the holiday absence is earned, but Statutory Regulations issued by the Scottish Government allow the Board to reverse out this amount through the Movement in Reserves Statement so that it does not impact on the General Fund.

Termination Benefits: Termination benefits are amounts payable as a result of a decision by the Board to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line (or discontinued operations) in the Comprehensive Income and Expenditure Statement when the Board is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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.

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Employee Benefits (continued)

Post Employment Benefits: The Board is a statutory body in the North East of Scotland Local Government Pension Scheme administered by Aberdeen City Council, which provides employees with defined benefits related to pay and service.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Board to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

The liabilities of the North East of Scotland pension scheme attributable to the Board are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, 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 5.5% (based on long-term redemption yields available on AA rated corporate bonds of appropriate duration).

In assessing liabilities for retirement benefits at 31 March 2010 for the 2009/10 Statement of Accounts, the actuary assumed a discount rate of 2.3% real (5.6% actual). For the 2010/11 Statement of Accounts the actuary has advised that a rate of 2.1% real (5.5% actual) is appropriate. Application of this rate and the reduction of the rate of annual increase in pensions from 3.3% to 2.9% has resulted in a decrease in liabilities. This is reflected by the decrease in actuarial losses recognised for the year in the Comprehensive Income and Expenditure Statement.

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

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Going Concern

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

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). 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 BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Value Added Tax

VAT is included in the Comprehensive Income and Expenditure Statement only to the extent that it is irrecoverable. The net amount due to or from HM Revenue and Customs in respect of VAT is included as part of debtors or creditors.

Exceptional Items and Prior Period Adjustments

Exceptional items are those which are separately identified by virtue of their size or incidence to allow a full understanding of the performance of the Board.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimate do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Board's financial position or financial performance.
Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for prior periods as if the new policy had always been applied.
Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Events after Balance Sheet Date

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

There are two types of events:

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

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

The accounts are adjusted to reflect adjusting events after the reporting period and are not adjusted to reflect non-adjusting events after the reporting period. Where a non-adjusting event would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Leases

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

Reserves

The Board sets aside specific amounts as reserves for future policy purposes. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against requisitions for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Board – these reserves are explained in the relevant policies.

Usable Reserves

General Fund: The creation of a General Fund was agreed by the Board at its meeting on 28th 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.

Note 1 Accounting Policies (continued)

Reserves (continued)

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

Unusable Reserves

The **Capital Adjustment Account** was introduced on 1 April 2007 and reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

The **Revaluation Reserve** was introduced on 1 April 2007 and reflects the difference between depreciated historical cost and carrying value of fixed assets.

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

The **Accumulated Absences 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 20.

Note 2 Transitional Arrangements – IFRS Disclosure Requirements

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Short-Term Accumulating Compensated Absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Board. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As the leave year runs from 1 January to 31 December, the Board is required to accrue for any annual leave earned but not taken at 31 March each year.

NOTES TO THE ACCOUNTS (continued)

Note 2 Transitional Arrangements – IFRS Disclosure Requirements (continued)

Short-Term Accumulating Compensated Absences (continued)

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the year the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000
Short Term Creditors	(444)	(69)
Accumulated Absences Account	-	69

Closing 31 March 2010 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000
Short Term Creditors	(436)	(76)
Accumulated Absences Account	-	76

2009/10 Comprehensive Income and Expenditure Statement

Cost of Services (Net)

	2009/10 Statements £000	Adjustments Made £000
Rating and Council Tax Valuation and Electoral Registration	3,728	7
Corporate and Democratic Core	22	-
Non Distributed Costs	-	-

Note 3 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

For 2010/11 the only accounting policy change that needs to be reported relates to Heritage and Community Assets. As a result of the introduction of FRS30 Heritage Assets, the Code of Practice on Local Authority Accounting 2010/11 adds the option for authorities to choose to measure community assets at valuation and make certain disclosures if community assets are heritage assets. The Board does not own or control any community or heritage assets so no adjustments have been made within the financial statements or disclosure notes for this.

NOTES TO THE ACCOUNTS (continued)

Note 4 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Treasurer has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government and hence to funding for the Board. However, the Board has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Board might be impaired as a result of a need to close facilities and reduce levels of service provision.

- In 2010 the UK Government announced compulsory changes to public sector pension schemes. With effect from 2011, pension increases will be based on CPI (Consumer Price Index) rather than RPI (Retail Price Index). The effect will be to reduce the value of the Board's liabilities by approximately 5%.
  There is an accounting uncertainty as to whether this change should be accounted for as an actuarial gain or benefit change. The UK Accounting Standards Board has instructed that where there is a legal or constructive obligation to provide pension increases in line with RPI, the change should be accounted for as a benefit change. Where there is no such obligation, the change should be treated as an actuarial gain.
  On balance the Board's Actuaries believe that past practice and previous member communications did create a constructive obligation.
  The effect of this change from RPI to CPI is, therefore, accounted for as a benefit change rather than as an actuarial gain and is shown in the Comprehensive Income and Expenditure Statement in 2010/11 as a past service gain of £1.565m under the heading Non Distributed Costs.

Note 5 Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Board about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Board's Balance Sheet at 31 March 2011 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

NOTES TO THE ACCOUNTS (continued)

Note 5 Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty (continued)

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 £0.456m.

Note 6 Material Items of Income and Expense

The Board agreed at its meeting on 28th January 2011 to create a General Fund which could be used in the future to investigate spend to save projects for the Board. This fund can also be used as a contingency to meet unforeseen costs in future years and assist with financial planning by enabling limited budget flexibility between financial years. Transfers are restricted to 3% of revenue budget in any one year subject to the fund having a cumulative balance not exceeding 5% of revenue budget. In 2010/11, the Board transferred £0.123m to the General Fund.

The Board also received income of £0.040m in 2010/11 from Aberdeenshire Council in relation to an overpaid service charge for Woodhill House which was backdated from April 2007. A further invoice for £0.025m relating to the charge in 2009/10 was also credited to the Board in 2010/11. This payment had previously been accrued for in the 2009/10 statements.

In 2010/11 the Board authorised an additional £0.047m expenditure above budget on IT Equipment. This equipment was purchased with the intention of making budget savings in future years.

Note 7 Events After The Balance Sheet Date

The unaudited Statement of Accounts was issued on 31 May 2011 by Margaret Wilson, Treasurer to the Board. The audited Statement of Accounts was authorised for issue on 31 August 2011. Any events that would affect the Balance Sheet at 31 March 2011 have been considered up to this date.

NOTES TO THE ACCOUNTS (continued)

Note 8 Adjustments between Accounting Basis and Funding Basis under Regulations

2009/10	Usable Reserves: General Fund Balance	Usable Reserves: Capital Fund Balance	Unusable Reserves
	£000	£000	£000
Adjustments involving the Capital Adjustments Account			
Reversal of items Debited or Credited to the Comprehensive Income and Expenditure Account:			
Depreciation and Impairment	43	-	(43)
Adjustments involving the Capital Fund			
Capital Expenditure	-	(12)	12
Adjustments Primarily involving the Pensions Reserve			
Movement in Pensions Reserve	174	-	(174)
Adjustments Primarily involving the Accumulated Absences Account			
Increase in Accumulated Absences Account	7	-	(7)
Total Adjustments	224	(12)	(212)

NOTES TO THE ACCOUNTS (continued)

Note 8 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2010/11	Usable Reserves General Fund Balance £000	 Capital Fund Balance £000	Unusable Reserves £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	36		(36)
<u>Adjustments Primarily involving the Pensions Reserve</u>			
Movement in Pensions Reserve	(1,500)		1,500
<u>Adjustments Primarily involving the Accumulated Absences Account</u>			
Decrease in Accumulated Absences Account	(7)		7
Total Adjustments	(1,471)	-	1,471

Note 9 Financing and Investment Income and Expenditure

	2009/10 **£000**	**2010/11** **£000**
Pensions interest cost and expected return on pensions assets	359	89
Interest receivable and similar income	(3)	(2)
	356	87

NOTES TO THE ACCOUNTS (continued)

Note 10 Property, Plant and Equipment

	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Total Property, Plant and Equipment £000
Cost or valuation			
At 1 April 2009	675	210	885
Additions	12	-	12
Impairment	(12)	-	(12)
At 31 March 2010	**675**	**210**	**885**
Accumulated Depreciation and Impairment			
At 1 April 2009	18	48	66
Depreciation charge	11	20	31
At 31 March 2010	**29**	**68**	**97**
Net Book Value			
At 31 March 2009	657	162	819
At 31 March 2010	646	142	788

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

NOTES TO THE ACCOUNTS (continued)

Note 10 Property, Plant and Equipment (continued)

Depreciation

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

Other Land & Buildings - 33-60 years, land is not depreciated
Vehicles, Plant, Furniture & Equipment - 10 years

Revaluations

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

Capital Commitments

At 31 March 2011, the Board had no capital commitments for 2011/12 and future years. Similar commitments at 31 March 2010 were £0.021m.

Note 11 Long Term Debtors

	2008/09 £000	2009/10 £000	2010/11 £000
Car Loans	10	8	4

Note 12 Short Term Debtors

	2008/09 £000	2009/10 £000	2010/11 £000
Central Government bodies	4	11	7
Other Local Authorities	-	30	41
Other Entities and Individuals	20	26	17
	24	67	65

NOTES TO THE ACCOUNTS (continued)

Note 13 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents comprises:

	2008/09 £000	2009/10 £000	2010/11 £000
Temporary Investment in the Moray Council Loans Fund	892	432	451
	892	432	451

Note 14 Short Term Creditors

	2008/09 £000	2009/10 £000	2010/11 £000
Central Government bodies	97	69	105
Other Local Authorities	272	275	182
Other Entities and Individuals	144	168	108
	513	512	395

Note 15 Financial Instruments

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

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

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

NOTES TO THE ACCOUNTS (continued)

Note 15 Financial Instruments (continued)

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

	Long Term			Short Term		
	2008/09 £000	2009/10 £000	2010/11 £000	2008/09 £000	2009/10 £000	2010/11 £000
Debtors						
Loans & Receivables	10	8	4	-	-	-
Financial Assets carried at contract amounts	-	-	-	24	67	65
Total Debtors	**10**	**8**	**4**	**24**	**67**	**65**
Creditors						
Financial Liabilities carried at contract amounts	-	-	-	513	512	395
Total Creditors	**-**	**-**	**-**	**513**	**512**	**395**
Cash and Cash Equivalents						
Cash Equivalent carried at contract amounts				892	432	451
Total Cash and Cash Equivalents				**892**	**432**	**451**

Note 16 Usable Reserves

Movements in the Board's usable reserves are detailed in the Movement in Reserves Statement and Note 8.

Note 17 Unusable Reserves

	2008/09 £000	2009/10 £000	2010/11 £000
Revaluation Reserve	173	171	168
Capital Adjustment Account	646	617	584
Pensions Reserve	(3,678)	(5,351)	(4,104)
Accumulated Absences Account	(69)	(76)	(69)
	(2,928)	(4,639)	(3,421)

NOTES TO THE ACCOUNTS (continued)

Note 17 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.

	2009/10 £000	2010/11 £000
Balance at 1 April	173	171
Difference between fair value depreciation and historical cost depreciation	(2)	(3)
Accumulated gains on assets sold or scrapped	-	-
Amount written off to the Capital Adjustment Account	(2)	(3)
Balance at 31 March	171	168

NOTES TO THE ACCOUNTS (continued)

Note 17 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 8 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2009/10 £000	2010/11 £000
Balance at 1 April	646	617
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	(43)	(36)
	(43)	(36)
Adjusting amounts written out of the Revaluation Reserve	2	3
Net written out amount of the cost of non-current assets consumed in the year	(41)	(33)
Capital financing applied in the year:		
Use of the Capital Fund to finance new capital expenditure	12	-
	12	-
Balance 31 March	617	584

NOTES TO THE ACCOUNTS (continued)

Note 17 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.

	2009/10 £000	2010/11 £000
Balance at 1 April	(3,678)	(5,351)
Actuarial gains or losses on pensions assets and liabilities	(1,499)	(253)
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	(635)	1,055
Employer's pensions contributions and direct payments to pensioners payable in the year	461	445
Balance at 31 March	(5,351)	(4,104)

NOTES TO THE ACCOUNTS (continued)

Note 17 Unusable Reserves (continued)

Accumulated Absences Account

The Accumulated Absences 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.

	2009/10 £000	2010/11 £000
Balance at 1 April	(69)	(76)
Settlement or cancellation of accrual made at the end of the preceding year	69	76
Amounts accrued at the end of the current year	(76)	(69)
Balance at 31 March	(76)	(69)

Note 18 Cash Flow - Operating Activities

The cash flows for operating activities includes the following item:

	2009/10 £000	2010/11 £000
Interest Received	3	2

Note 19 Cash Flow – Investing Activities

	2009/10 £000	2010/11 £000
Purchase of property, plant and equipment	13	21
Capital Fund refund to constituent authorities	400	-
	413	21

NOTES TO THE ACCOUNTS (continued)

Note 20 External Audit Costs

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

	2009/10 £000	2010/11 £000
Fees payable in respect of external audit services:		
audit fee	7	7
notified fixed charge element for the year	1	1
Total	8	8

Note 21 Requisition and Grant Income

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

	2009/10 £000	2010/11 £000
Credited to Requisitions and Non Specific Grant Income:		
Requisition from Aberdeen City Council	1,596	1,592
Requisition from Aberdeenshire Council	1,825	1,828
Requisition from Moray Council	663	664
Total	4,084	4,084
Credited to services:		
Grant - Electoral Registration data Standards requirements	44	-
Total	44	-
Returned to constituent authorities:		
Aberdeen City Council	76	67
Aberdeenshire Council	87	78
Moray Council	31	28
Total	194	173

NOTES TO THE ACCOUNTS (continued)

Note 22 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 21. The Board also made payments to the constituent authorities in the normal course of business. The amounts are detailed below:

	2009/10 £000	2010/11 £000
Aberdeen City Council	4	6
Aberdeenshire Council	368	262
Moray Council	84	90

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 23 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 2010/11 was £0.114m, (£0.114m in 2009/10).

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

	2009/10 £000	2010/11 £000
Not later than one year	114	114
Later than one year and not later than five years	453	453
Later than five years	226	113
	793	680

NOTES TO THE ACCOUNTS (continued)

Note 24 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting 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.

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

Income and Expenditure

	2009/10 £000	2010/11 £000
	Rating, Council Tax Valuation and Electoral Registration	Rating, Council Tax Valuation and Electoral Registration
Government Grants	(44)	-
Sales and Other Income	(9)	(10)
Interest on Revenue Balances	(3)	(2)
Total Income	**(56)**	**(12)**
Employee Costs	3,019	2,964
Property Costs	334	232
Supplies and Services	182	238
Transport Costs	71	75
Administration Costs	339	291
Total operating expenses	**3,945**	**3,800**
Net Expenditure	**3,889**	**3,788**

NOTES TO THE ACCOUNTS (continued)

Note 24 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.

	2009/10 £000	2010/11 £000
Net Expenditure reported to the Board	3,889	3,788
Add Amounts in the Comprehensive Income and Expenditure not included in reports to the Board	(135)	(1,560)
Less Amounts reported to Management but not reported in Net Cost of Services	3	2
Net Cost of Services in Comprehensive Income and Expenditure Statement	3,757	2,230

NOTES TO THE ACCOUNTS (continued)

Note 24 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 2009/10

	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	(9)			(9)		**(9)**
Interest and investment income	(3)		3	-	(3)	**(3)**
Government grants and contributions	(44)			(44)	(3,890)	**(3,934)**
Total Income	**(56)**		**3**	**(53)**	**(3,893)**	**(3,946)**
Employee Costs	3,019			3,019		**3,019**
Property Costs	334			334		**334**
Admin Expenses	339			339		**339**
Transport Costs	71			71		**71**
Supplies and Services	182			182		**182**
Depreciation, Amortisation and Impairment		43		43		**43**
Net Charges for Retirement Benefits IAS19		(185)		(185)		**(185)**
IAS19 Holiday Pay Accrual		7		7		**7**
Pension Interest Cost and Expected Return on Pension Assets					359	**359**
Total Expenditure	**3,945**	**(135)**	**-**	**3,810**	**359**	**4,169**
Net Cost of Services	**3,889**	**(135)**	**3**	**3,757**		
(Surplus) or Deficit on the Provision of Services						**223**

NOTES TO THE ACCOUNTS (continued)

Note 24 Amounts Reported for Resource Allocation Decisions (continued)

Reconciliation to Subjective Analysis

Subjective Analysis 2010/11

	Board Analysis	Amounts not reported to the Board	Amounts not included in Net Cost of Services	Net Cost of Services	Corporate Amount	**Total**
Sales and Other Income	(10)			(10)		**(10)**
Interest and investment income	(2)		2	-	(2)	**(2)**
Government grants and contributions				-	(3,911)	**(3,911)**
Total Income	**(12)**	**-**	**2**	**(10)**	**(3,913)**	**(3,923)**
Employee Costs	2,964			2,964		**2,964**
Property Costs	232			232		**232**
Admin Expenses	291			291		**291**
Transport Costs	75			75		**75**
Supplies and Services	238			238		**238**
Depreciation, Amortisation and Impairment		36		36		**36**
IAS 19 Net Charges for Retirement Benefits		(1,589)		(1,589)		**(1,589)**
IAS19 Holiday Pay Accrual		(7)		(7)		**(7)**
Pension Interest Cost and Expected Return on Pension Assets					89	**89**
Total Expenditure	**3,800**	**(1,560)**	**-**	**2,240**	**89**	**2,329**
Net Cost of Services	**3,788**	**(1,560)**	**2**	**2,230**		
(Surplus) or Deficit on the Provision of Services						**(1,594)**

NOTES TO THE ACCOUNTS (continued)

Note 25 Defined Benefit Pension Scheme

Participation in Pension Scheme

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

The Board participates in the North East of Scotland Local Government Pension Scheme, which is administered by Aberdeen City Council. The Local Government Pension Scheme is a funded defined benefit scheme, based on final pensionable salary, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets over a period of time.

Transactions relating to Post-employment Benefits

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	**2009/10**	**2010/11**
	£000	**£000**
Cost of Services:		
Current Service Cost	276	421
Past Service (Gain)/Cost	-	(1,565)
Financing and Investment Income and Expenditure:		
Interest Cost	1,179	1,339
Expected Return on Assets in the Scheme	(820)	(1,250)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	635	(1,055)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement.		
Actuarial Gains and Losses	1,499	253
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement.	2,134	(802)
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	(1,673)	1,247
Actual amount charged against requisitions for pensions in the year	461	445

NOTES TO THE ACCOUNTS (continued)

Note 25 Defined Benefit Pension Scheme (Continued)

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £2.674m.

Assets and Liabilities in relation to Post Employment Benefits

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

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

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

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

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

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

Contributions Paid to the Pension Fund: Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

	31 March 2010 **£'000**	**31 March 2011** **£'000**
1 April	(16,405)	(23,627)
Current Service Cost	(276)	(421)
Interest Cost	(1,179)	(1,339)
Contributions by scheme participants	(152)	(155)
Actuarial (Gains)/Losses	(5,637)	(935)
Benefits Paid	22	22
Past Service (Costs)/Gains	-	1,565
31 March	**(23,627)**	**(24,890)**

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

	31 March 2010 £'000	31 March 2011 £'000
1 April	12,727	18,276
Expected rate of return	820	1,250
Actuarial Gains/(Losses)	4,138	682
Employer Contributions	461	445
Contributions by scheme participants	152	155
Benefits Paid	(22)	(22)
31 March	**18,276**	**20,786**

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

The actual return on scheme assets in the year was £1.932m (2009/10 £4.958m)

Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Fair Value of Assets	16,607	16,631	12,727	18,276	20,786
Present Value of Liabilities	(18,364)	(20,466)	(16,405)	(23,627)	(24,890)
Surplus/(deficit) in the scheme	(1,757)	(3,835)	(3,678)	(5,351)	(4,104)

The liabilities show the underlying commitments that the Board has in the long run to pay post employment (retirement) benefits. The total liability of £4.104m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in a negative overall balance of £3.227m. However, statutory arrangements for funding the deficit mean that the financial position of the Board remains healthy. The deficit on the pension scheme will be made good by increased contributions in future years over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the scheme in the year to 31 March 2012 are £0.422m.

Basis for Estimating Assets and Liabilities

The most recent valuation was carried out as at 31 March 2008 and has been updated by independent actuaries to the Aberdeen City Council Pension Fund, Mercer Limited, in order to assess the liabilities of the Fund as at 31 March 2011. 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. A valuation will be undertaken as at 31 March 2011, but the figures are not yet available.

NOTES TO THE ACCOUNTS (contined)

Note 25 Defined Benefit Pension Scheme (continued)

The principal assumptions used by the actuary have been:

	31 March 2010	**31 March 2011**
Discount rate	5.6%	5.5%
Rate of increase in salaries	5.05%	5.15%
Rate of increase in pensions	3.3%	2.9%
Rate of inflation (RPI)	3.3%	3.4%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22	22.2
Women	24	24.2
Longevity at 65 for future pensioners:		
Men	23	23.2
Women	25	25.1
Commutation of Pension for Lump Sum at Retirement	50% take maximum cash 50% take 3/80ths cash	50% take maximum cash 50% take 3/80ths cash
Long-term expected rates of return on:		
Equities	7.5%	7.5%
Government Bonds	4.5%	4.4%
Other Bonds	5.2%	5.1%
Property	6.5%	6.5%
Cash / current assets	0.5%	0.5%
Other	7.5%	7.5%

<u>History of Experience Gains and Losses</u>

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

	2006/07		**2007/08**		**2008/09**		**2009/10**		**2010/11**	
	£000	**%**	**£000**	**%**	**£000**	**%**	**£000**	**%**	**£000**	**%**
Experience gains and (losses) on assets	7	0	(1,609)	(9.7)	(5,573)	(43.8)	4,138	22.6	682	3.3%
Experience gains and (losses) on liabilities	0	0	0	0	1,784	10.9	0	0	0	0

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the Annual Accounts for the Grampian Valuation Joint Board for the year ended 31 March 2011. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

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

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

Internal Audit of the Moray Council is an independent appraisal activity, which reviews the internal financial control system as a service to the Board. In accordance with the principles of Good Governance, the Team Leader, Internal Audit reports to the Board on the planned audit coverage and on the findings and recommendations arising from audit work completed.

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

For the 2010/11 financial year, he re-affirmed the adequacy of the controls covering both payroll and creditor payment systems.

The work also included an analytical review of budgeted and actual expenditure in the current and prior years, and a review of progress towards completion of prior year audit recommendations made in Internal Audit report 10'021 dated June 2010 was undertaken. All audit testing was concluded satisfactorily.

The procedures for maintaining the Valuation Roll and Council Tax lists were audited this year at the Assessor's Banff office with sample data extracted from the records in relation to additions, deletions and amendments being reviewed against supporting documentation. No material errors or omissions were noted from the audit testing completed.

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL (continued)

The Board's senior managers also maintain a risk register summarising the key risks faced by the Board. Each risk is assigned an 'owner' who is responsible for leading on risk mitigation measures. The register is reviewed and updated quarterly by the management team and was last updated on 21 April 2011. The latest version will be submitted to the Board for information and approval at its meeting in June 2011.

Two main areas in the risk register were identified as high risk:

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

Opinion

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

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

It is my opinion, based on the above information, that reasonable assurance can be placed on the adequacy and effectiveness of the Board's internal financial control systems in place for the year ended 31st March 2011.

Margaret Wilson

Margaret Wilson
Treasurer
31 May 2011

REMUNERATION REPORT

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

All information disclosed in the tables 1 to 6 in this Remuneration Report will be audited by Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

Remuneration of Councillors

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

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

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

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

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

Councillor Name and Responsibility	Salary, fees and allowances	Taxable Expenses	Total Remuneration 2010-11	Total Remuneration 2009-10
	£	£	£	£
Cllr Irene Ogilvie, Convener	4,060	0	4,060	4,157
TOTAL	**4,060**	**0**	**4,060**	**4,157**

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

REMUNERATION REPORT (continued)

Remuneration of Councillors (Table 2)

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

Type of Remuneration	2010-11	2009-10
	£	£
Salaries	4,060	4,157
Allowances	-	-
Expenses	1,064	1,064
TOTAL	**5,124**	**5,221**

Remuneration of Senior Employees

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

i) A person who has responsibility for the management of a local authority to the extent that the person has power to direct or control the major activities of the authority whether solely or collectively with other persons.

ii) A person who holds a post that is politically restricted by reason of section 2(1)(a),(b) or (c) of the Local Government and Housing Act 1989.

iii) A person whose annual remuneration, including any annual remuneration from a local authority subsidiary body is £150,000 or more.

Remuneration disclosure is therefore required for the Assessor and two Depute Assessors who are deemed to be senior employees for the Grampian Valuation Joint Board. Details are shown on Table 3 below.

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

REMUNERATION REPORT (continued)

Remuneration of Senior Employees of the Board (Table 3)

Name and Post Title	Salary, fees and allowances	Taxable Expenses	Total Remuneration 2010-11	Total Remuneration 2009-10
	£	£	£	£
Ian Milton – Depute Assessor until 31 August 2009 and Assessor from 1 September 2009. Note 1	101,359	639	101,998	90,306
Gavin Oag - Depute Assessor from 1 September 2009. Note 2	78,940	743	79,683	45,252 (full year equivalent £77,611)
Mark Adam - Depute Assessor from 1 September 2009. Note 2	70,308	751	71,059	40,495 (full year equivalent £69,495)
TOTAL	**250,607**	**2,133**	**252,740**	**176,053**

1. Ian Milton was formerly the Depute Assessor and assumed the post of Assessor on 1 September 2009. The salary comparison for 2009/10 shows the actual amount paid to Ian Milton for both posts.
2. Gavin Oag and Mark Adam were appointed as Depute Assessors on 1 September 2009. The salary comparison for 2009/10 shows the actual amount paid to the named employees from 1 September 2009 and the full year equivalent figure if they had been in post for the full year.
3. 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 potholders' substantive posts in the Moray Council.

<u>Pension Benefits</u>

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS). Details of pension benefits paid are included on Table 4 and Table 5 below.

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day in the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits. The Board pays a contribution to the Moray Council for the Convener's pension contributions and this is based on a percentage of the cost of the Special Responsibility Allowance.

REMUNERATION REPORT (continued)

Pension Benefits (continued)

For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. The scheme's normal retirement age for both councillors and employees is 65.
From 1st 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 tiers and members contributions rates for 2010/11 remain at the 2009/10 rates, (due to negative increase in the cost of living index for 2010/11) and are as follows:

Whole time pay	Contribution rate 2010-11	Contribution rate 2009-10
On earnings up to and including £18,000	5.5%	5.5%
On earnings above £18,000 and up to £22,000	7.25%	7.25%
On earnings above £22,000 and up to £30,000	8.5%	8.5%
On earnings above £30,000 and up to £40,000	9.5%	9.5%
On earnings above £40,000	12%	12%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.
There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of the final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of the final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.
The pension figures shown relate to the benefits that the person has accrued as a consequence of their local government service, and not just their current appointment.

REMUNERATION REPORT (continued)

Pension Benefits (continued)

Senior Councillors (Table 4)

	In-year pension contributions	
	For the year to 31 March 2011	For the year to 31 March 2010
	£	£
Cllr Irene Ogilvie, Convener	780	794
Total	780	794

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

Senior Employees (Table 5)

The pension entitlements of Senior Employees for the year to 31 March 2011 are shown in the table below, together with the contribution made by the Board to each Senior Employees' pension during the year.

	In-year pension contributions			Accrued pension benefits	
	For the year to 31 March 2011	For the year to 31 March 2010		As at 31 March 2011	Difference from March 2010
	£	£		£	£
Ian Milton Assessor	19,434	17,118	Pension Lump Sum	34,637 93,790	5,462 10,744
Gavin Oag Depute Assessor	15,149	14,031	Pension Lump Sum	21,639 57,027	2,716 3,930
Mark Adam Depute Assessor	13,499	11,713	Pension Lump Sum	22,909 61,695	3,949 7,884
TOTAL	**48,082**	**42,862**		**291,697**	**34,685**

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

REMUNERATION REPORT (continued)

General Disclosure by Pay Band

The Regulations require information to be provided for the number of persons whose remuneration is £50,000 or more. This information is disclosed in bands of £5,000 and is shown on Table 6 below.

General Disclosure by Pay Band (Table 6)

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

Remuneration Band	Number of employees	
	2010/11	2009/10
£50,000 - £54,999	4	6
£60,000 - £64,999	-	1
£70,000 - £74,999	1	1
£75,000 - £79,999	1	-
£90,000 - £94,999	-	1
£100,000 - £104,999	1	-
Total	7	9

The higher number of employees included in 2009/10 was due to two individuals being paid overtime relating to the major revaluation exercise during 2009/10.

Margaret Wilson.

Margaret Wilson
Treasurer
31 May 2011

Independent Auditor's Report

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

I certify that I have audited the financial statements of Grampian Valuation Joint Board for the year ended 31 March 2011 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure 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 2010/11 (the 2010/11 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 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 7, the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My 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 me 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 Joint Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report and Financial Statement to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2010/11 Code of the state of the affairs of Grampian Valuation Joint Board as at 31 March 2011 and of its income and expenditure 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 2010/11 Code; and

- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and

- the information given in the Explanatory Foreword by the Treasurer for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my 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

- I have not received all the information and explanations I require for my audit; or

- the Statement on the System of Internal Financial Control does not comply with the 2010/11 Code.

I have nothing to report in respect of these matters.

Maggie Bruce CA.,
Senior Audit Manager
Audit Scotland – Audit Services
Ballantyne House, 84 Academy Street
Inverness, IV1 1LU

31 August 2011