

AUDITED ACCOUNTS

**GRAMPIAN
VALUATION
JOINT BOARD**

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED
31 MARCH 2013**

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EXPLANATORY FOREWORD BY THE TREASURER

INTRODUCTION

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

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

CORE FINANCIAL STATEMENTS

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

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

The **Balance Sheet** shows the assets and liabilities of the Board and shows a picture of the Board's financial position as at 31 March 2013.

The **Cash Flow Statement** summarises the flows of cash into and out of the Board for the year to 31 March 2013.

EXPLANATORY FOREWORD BY THE TREASURER (continued)

FINANCIAL PERFORMANCE 2012/13

The Board's financial results for the year compared against budget are shown below. The layout has been amended this year to follow the recommended guidance by CIPFA for a standard subjective analysis. For comparability the 2011/12 figures have also been amended.

Actual 2011/12 £000		Budget 2012/13 £000	Actual 2012/13 £000
2,881	Staff Costs	2,972	2,861
301	Property Costs	325	297
69	Transport Costs	74	70
383	Supplies and Services	444	415
51	Support Services	46	52
3,685	Gross Expenditure	3,861	3,695
10	Sales and Miscellaneous Income	5	35
2	Interest on Revenue Balances	2	1
12	Gross Income	7	36
3,673	Net Expenditure	3,854	3,659

At the meeting of the Board on the 27 January 2012 the revenue budget for 2012/13 was approved at £3.854m (2011/12 £3.913m). The actual expenditure requisitioned from the constituent authorities was £3.659m (2011/12 £3.673m). The underspend of £0.195m (2011/12 £0.240m) can be analysed as follows:

2011/12 £000		2012/13 £000
165	Staff Costs	111
-	Property Costs	28
10	Transport Costs	4
63	Supplies and Services	29
(3)	Support Services	(6)
5	Income	29
240	Net Underspend Against Budget	195

The main reason for the underspend in staff costs was vacant posts, of which five remain frozen in 2012/13 as efficiency savings. The Property Costs budget was increased in 2012/13 in anticipation of an increase in the annual service charge payable to Aberdeenshire Council for the Board's occupancy of Woodhill House, although this wasn't realised and has resulted in an underspend against budget. Supplies and services expenditure was also under budget on printing and stationery expenses and other expenses. Income exceeded the budget as the Board received £0.026m grant income to defray the implementation costs of Individual Electoral Registration.

It was agreed by the Board at its meeting on 28 January 2011 that a General Fund would be created to provide the Assessor with some flexibility to investigate any spend to save

EXPLANATORY FOREWORD BY THE TREASURER (continued)

FINANCIAL PERFORMANCE 2012/13 (continued)

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 General Fund maximum permitted balance is £0.193m therefore £0.198m will be returned to the authorities.

The Comprehensive Income and Expenditure Statement shows a deficit of £0.057m on the provision of services for the year. After allowing for the reversal of statutory charges for International Accounting Standard 19 (IAS19) of £0.019m, depreciation and impairment totalling £0.036m and transfers to the Capital Fund of £0.001m, there remains a deficit of £0.003m which has been transferred to the General Fund. Included in the Requisitions and Non-Specific Grant Income line is the refund due to the constituent authorities of £0.198m. This is allocated between the constituent authorities on the basis of population and will be returned to authorities after the accounts are audited. For 2012/13 the amount to be returned has been allocated as follows:

2011/12		Constituent Authority	2012/13	
£000	%		£000	%
65	39	Aberdeen City Council	78	39
75	45	Aberdeenshire Council	88	45
27	16	Moray Council	32	16
167	100	Total	198	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 2013 was £0.072m (2011/12 £0.071m).

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

Significant Future Risk to Funding

The public sector in Scotland is facing severe financial pressures. The main challenge in preparing the 2012/13 budget was the request from the constituent authorities to continue to achieve savings. With employee costs representing almost 77% of the revenue budget there was little scope to make efficiencies without impacting on the level of service. A further two posts were frozen in 2012/13, bringing the total number of frozen posts to five. Despite inflationary pressures in some areas of the budget, the 2012/13 revenue budget achieved cash savings of 1.51% compared to 2011/12.

The Board set a budget for 2013/14 which has increased slightly from the current year due to increased demands made on the service and in line with constituent authorities a pay award has also been included at 1% for all employees. The Assessor has tried to alleviate the impact of these pressures and has generated savings in the budget from efficiencies in working practices. The UK government's draft plans for transition to individual electoral registrations to take place in 2014/15 add a further element of uncertainty on levels of expenditure and funding.

EXPLANATORY FOREWORD BY THE TREASURER (continued)

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

RETIREMENT BENEFITS

Employee Benefits (IAS 19)

In accordance with CIPFA/LASAAC guidance IAS 19 has been fully adopted in preparing the 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 22 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. The Balance Sheet shows that the Board has a net pension liability of £5.929m as at 31 March 2013 (31 March 2012 £5.137m) 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 2013 which shows an excess of liabilities over assets of £5.049m (£4.221m at 31 March 2012). 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
Treasurer
30 August 2013

GLOSSARY OF TERMS

EXPENDITURE

Employee Costs:

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

Property Costs:

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

Transport Costs:

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

Supplies and Services:

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

Support Services:

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

Corporate Democratic Core (CDC):

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

Non Distributed Costs (NDC):

These are costs which cannot be allocated to the cost of a service such as the cost of discretionary benefits awarded to employees retiring early and past service gains.

Depreciation:

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

INCOME

Customer and Client Receipts:

Income received for services provided.

Requisitions:

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

GLOSSARY OF TERMS (Continued)

OTHER

CIPFA

The Chartered Institute of Public Finance and Accountancy

LASAAC

Local Authority (Scotland) Accounts Advisory Committee

IFRS

International Financial Reporting Standard

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom

SeRCOP

Service Reporting Code of Practice

Fair Value

Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

For land and buildings, fair value is the amount that would be paid for the asset in its existing use.

Economic Cost

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

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Board's Responsibilities

The Board is required to: -

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In the Valuation Joint Board, that officer is the Treasurer to the Board.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

The Treasurer's Responsibilities

The Treasurer to the Board is responsible for the preparation of the Board's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code).

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the local authority Code.

The Treasurer has also

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that this Statement of Accounts gives a true and fair view of the financial position of the Board at the reporting date and its income and expenditure for the year ended 31 March 2013.

Margaret Wilson
Treasurer
30 August 2013

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 2013. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

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

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

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

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

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

For the 2012/13 financial year, internal audit work included an analytical review of budgeted and actual expenditure in the current and prior years, and testing of transactions covering employee payroll costs, payment of creditors and revenue generated. The audit work confirmed the adequacy of the systems and procedures in place.

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

The most recent risk register updated in April 2013 was also reviewed confirming that the Assessor and his management team actively identify, document and address the principal risks facing the Board.

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

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL (continued)

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

- The 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
- The introduction of Individual Electoral Registration (IER)

Opinion

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

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

It is my opinion, based on the above information, that reasonable assurance can be placed on the adequacy and effectiveness of the Board's internal financial control systems in place for the year ended 31 March 2013.

Margaret Wilson
Treasurer
30 August 2013

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

Remuneration of Councillors

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No.2007/183). These regulations set out the amounts a councillor may be paid for being a convenor or vice-convenor of a Joint Board. This is inclusive of any amounts payable to them as either a councillor or senior councillor of their own Local Authority.

The Board consists of 15 members comprising 6 from Aberdeen City Council, 6 from Aberdeenshire Council and 3 from the Moray Council. The local authority of which the Convenor or Vice Convenor is a member pays the remuneration appropriate to the member's work with the joint board. Convenors receive a remuneration which when added to their existing remuneration as a Councillor/Senior Councillor equals 75 percent of the Leader of a "Band A" council, i.e. £20,294 per annum. The Vice Convenor's remuneration is calculated on the basis of the basic salary plus 75 percent of the difference between the basic salary and the Convenor's salary, i.e. £19,279 per annum

The Board has an arrangement with each Council who remunerates the Convenor and Vice-Convenor/s to reimburse the Council for the additional costs of that councillor arising from them being a Convenor or Vice-Convenor of the Board. The disclosures made in this report are limited to the amounts paid to the Council by the Board for remuneration and does not reflect the full value of the remuneration that may be paid to the councillor.

The latest rates for the Convenor and Vice Convenor were effective from 1 April 2009. Details of these payments are shown on Table 1 and Table 2 below.

Councillor Ogilvie was Convenor of the Grampian Valuation Joint Board until the local council elections on 3 May 2012. She received a Special Responsibility Allowance for the period to 3 May 2012. Councillor Shepherd was duly elected Convenor of the Grampian Valuation Joint Board for the period to May 2017 at the Board meeting on 22 June 2012. He does not receive an additional allowance as he is already paid a senior councillor salary by the Moray Council for his role as Chair of the Licensing Committee. Details of his salary are included in the remuneration report for Moray Council.

At the same Board meeting Councillor Owen was duly elected Depute Convenor of the Board for the period to May 2017. She receives a Special Responsibility Allowance from Aberdeenshire Council and so no additional award is made for undertaking duties for the Valuation Board. This allowance is paid for in full by Aberdeenshire Council and will be included in their remuneration report. All other Councillors' expenses are paid directly by the authority that they serve and will also be included in the individual authority's remuneration report.

REMUNERATION REPORT (continued)

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

The Board paid a Special Responsibility Allowance to the Convener of the Board until 3 May 2012. Details of this payment are shown below:

Councillor Name and Responsibility	Salary, fees and allowances	Taxable Expenses	Total Remuneration 2012/13	Total Remuneration 2011/12
	£	£	£	£
Councillor Ogilvie, Convener (to 3 May 2012)	367	-	367	4,060

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	2012/13	2011/12
	£	£
Salaries	367	4,060
Expenses	532	1,064
TOTAL	899	5,124

Remuneration of Senior Employees

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

- i) A person who has responsibility for the management of a local authority to the extent that the person has power to direct or control the major activities of the authority whether solely or collectively with other persons.
- ii) A person who holds a post that is politically restricted by reason of section 2(1)(a),(b) or (c) of the Local Government and Housing Act 1989.
- iii) A person whose annual remuneration, including any annual remuneration from a local authority subsidiary body is £150,000 or more.

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

REMUNERATION REPORT (continued)

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

Remuneration of Senior Employees of the Board (Table 3)

Name and Post Title	Salary, fees and allowances	Taxable Expenses	Total Remuneration 2012/13	Total Remuneration 2011/12
	£	£	£	£
Ian Milton – Assessor & ERO	101,359	654	102,013	101,743
Gavin Oag - Depute Assessor & ERO	79,057	628	79,685	79,669
Mark Adam - Depute Assessor & ERO	70,450	659	71,109	71,319
TOTAL	250,866	1,941	252,807	252,731

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

Pension Benefits

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

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day in the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits. The Board pays a contribution to the Moray Council for the Convener and Depute Convener's pension contributions if they are members of the scheme and this is based on a percentage of the cost of the Special Responsibility Allowance. The pension benefits paid for this financial year relate to Councillor Ogilvie, Convener of the Board for the period to 3 May 2012. The Board is not liable to pay any pension contributions for the current Convener and Depute Convener.

REMUNERATION REPORT (continued)

Pension Benefits (continued)

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

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

The member contribution rates for 2012/13 are the same as for 2011/12; however the earnings bands have changed as shown in the table below. The figures for 2011/12 are shown in brackets for comparison.

Whole time earnings	Contribution rate 2012/13	Contribution rate 2011/12
On earnings up to and including £19,400 (£18,500)	5.50%	5.50%
On earnings above £19,400 and up to £23,700 (£18,500 - £22,600)	7.25%	7.25%
On earnings above £23,700 and up to £32,500 (£22,600 - £30,900)	8.50%	8.50%
On earnings above £32,500 and up to £43,300 (£30,900 - £41,200)	9.50%	9.50%
On earnings above £43,300 (£41,200)	12.0%	12.0%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on $1/60^{\text{th}}$ of the final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on $1/80^{\text{th}}$ and a lump sum based on $3/80^{\text{th}}$ 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 2013	For the year to 31 March 2012
	£	£
Councillor Ogilvie, Convener (to 3 May 2012)	71	783

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 2013 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 2013	For the year to 31 March 2012		As at 31 March 2013	Difference from March 2012
	£	£		£	£
Ian Milton Assessor and ERO	19,535	19,535	Pension Lump Sum	38,011 93,789	1,688 -
Gavin Oag Depute Assessor & ERO	15,228	15,228	Pension Lump Sum	24,269 57,027	1,315 -
Mark Adam Depute Assessor & ERO	13,569	13,569	Pension Lump Sum	25,252 61,695	1,171 -
TOTAL	48,332	48,332		300,043	4,174

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	
	2012/13	2011/12
£50,000 - £54,999	4	4
£70,000 - £74,999	1	1
£75,000 - £79,999	1	1
£100,000 - £104,999	1	1
Total	7	7

Margaret Wilson
Treasurer
30 August 2013

MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2013

This Statement shows the movement in the year on the different reserves held by the Board, analysed into 'usable reserves' and 'unusable reserves'. Usable reserves are those that can be applied to fund expenditure subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital fund that may only be used to fund capital expenditure or repay debt). Unusable reserves include reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the line "Adjustments between accounting basis and funding basis under regulations".

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

Details are tabulated first for 2011/12 for comparative purposes.

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

MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2013 (continued)

	General Fund £000	Capital Fund £000	Total Usable Reserves £000	Unusable Reserves £000	Total Board Reserves £000
Balance at 31 March 2012	196	71	267	(4,488)	(4,221)
Surplus/(Deficit) on provision of services (accounting basis)	(57)	-	(57)	-	(57)
Other Comprehensive Expenditure and Income	-	-	-	(771)	(771)
Total Comprehensive Income and Expenditure	(57)	-	(57)	(771)	(828)
Adjustments between accounting basis & funding basis under regulations (Note 7)	55	-	55	(55)	-
Net Increase / (Decrease) before Transfers to Other Statutory Reserves	(2)	-	(2)	(826)	(828)
Transfers to / from Other Statutory Reserves	(1)	1	-	-	-
Increase / (Decrease) in Year	(3)	1	(2)	(826)	(828)
Balance at 31 March 2013	193	72	265	(5,314)	(5,049)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

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 2012			Note	31 March 2013		
£000 Expenditure	£000 Income	£000 Net		£000 Expenditure	£000 Income	£000 Net
3,732	(10)	3,722		3,702	(35)	3,667
21	-	21		15	-	15
3,753	(10)	3,743	Cost Of Services	3,717	(35)	3,682
-	(45)	(45)	8	33	(2)	31
		(3,746)				(3,656)
		(48)	(Surplus)/Deficit on Provision of Services			57
		1,042	22			771
		1,042	Other Comprehensive Income and Expenditure			771
		994	Total Comprehensive Income and Expenditure			828

BALANCE SHEET AS AT 31 MARCH 2013

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 2012 £000		Note	31 March 2013 £000
717	Property, Plant & Equipment	9	681
1	Long Term Debtors	10	9
718	Long Term Assets		690
23	Short Term Debtors	11	67
577	Cash and Cash Equivalents	12	536
600	Current Assets		603
(402)	Short Term Creditors	13	(413)
(402)	Current Liabilities		(413)
(5,137)	Other Long Term Liabilities		(5,929)
(5,137)	Long Term Liabilities		(5,929)
(4,221)	Net Liabilities		(5,049)
	Usable reserves	15	
196	General Fund		193
71	Capital Fund		72
267	Total		265
	Unusable Reserves	16	
165	Revaluation Reserve		162
552	Capital Adjustment Account		519
(5,137)	Pensions Reserve		(5,929)
(68)	Employee Statutory Adjustment Account		(66)
(4,488)	Total		(5,314)
(4,221)	Total Reserves		(5,049)

Margaret Wilson
Treasurer
30 August 2013

The unaudited accounts were issued on 29 May 2013 and the audited accounts were authorised for issue on 30 August 2013.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

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

31 March 2012 £000		31 March 2013 £000
(48)	Net (surplus) or deficit on the provision of services	57
(78)	Adjust net (surplus) or deficit on the provision of services for non cash movements	(16)
<hr/> (126)	Net cash flows from Operating Activities	<hr/> 41
(126)	Net increase in cash and cash equivalents	41
451	Cash and cash equivalents at the beginning of the financial year	577
<hr/> 577	Cash and cash equivalents at the end of the financial year	<hr/> 536

NOTES TO THE ACCOUNTS

NOTE 1 Accounting Policies

General Principles

The Statement of Accounts summarises the Board's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. 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 2012/13 and the Service Reporting Code of Practice 2012/13, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The principal accounting policies have been applied consistently throughout the year.

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

Accruals and Income and Expenditure

Income and Expenditure activities are accounted for in the year in which they take place, not simply when cash payments are made or received.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where the debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Non Current Assets

Property Plant and Equipment

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

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

Measurement: New assets are measured at cost on an accruals basis and property is revalued at least every five years. Cost includes the original purchase of the asset and the costs attributable to bringing the assets to its working condition for its intended use.

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

Revaluation gains are recognised in the Revaluation Reserve, unless the increase is reversing either a previous impairment loss or a previous revaluation loss charged to the Comprehensive Income and Expenditure Statement in which case the revaluation amount is used first to reverse the previous loss and any excess is treated as a revaluation gain and credited to the Revaluation Reserve.

Revaluation losses are recognised in the Revaluation Reserve up to the credit balance existing in respect of that asset and thereafter in the Comprehensive Income and Expenditure Statement.

Revaluation gains and losses charged to the Comprehensive Income and Expenditure Statement are not a charge to the General Fund and are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Non Current Assets (continued)

Property, Plant and Equipment (continued)

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

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

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

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

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

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

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

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

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

Requisitions and Contributions

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

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Financial Assets and Liabilities

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

Most of the Board's loans and receivables (debtors) are for less than 12 months or are charged at a market rate of interest and so are initially measured at fair value and are carried at amortised cost, which equates to the actual cash value at 31 March 2013.

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 2013.

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 2013.

Employee Benefits

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

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

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Employee Benefits (continued)

Termination Benefits (continued)

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

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

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

The liabilities of the North East of Scotland pension scheme attributable to the Board are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates and employee turnover rates, etc. and projections of future earnings for current employees.

Liabilities are discounted to their fair value at current prices using a discount rate of 4.2% (based on long-term redemption yields available on AA rated corporate bonds of appropriate duration).

In assessing liabilities for retirement benefits at 31 March 2012 for the 2011/12 Statement of Accounts, the actuary assumed a discount rate of 4.9% actual. For the 2012/13 Statement of Accounts the actuary has advised that a discount rate of 4.2% actual is appropriate. The rate of annual increase in pensions has decreased from 2.5% to 2.4%. The combined application of these rates has resulted in an overall increase in liabilities. This is because the effect of the reduction in the discount rate gives a higher increase in liabilities than the decrease in liabilities caused by the reduction in the rate of increase in pensions. A decrease in actuarial losses for the year is recognised in the Comprehensive Income and Expenditure Statement.

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

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Going Concern

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

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core – costs relating to the Board's status as a multi-functional, democratic organisation.

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

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Value Added Tax

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

Exceptional Items and Prior Period Adjustments

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

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

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

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

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Events after Balance Sheet Date

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

There are two types of events:

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

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

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

Leases

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

Reserves

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

Usable Reserves

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

NOTES TO THE ACCOUNTS (continued)

Note 1 Accounting Policies (continued)

Reserves (continued)

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

Unusable Reserves

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

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

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

The **Employee Statutory Adjustment Account** was introduced on 1 April 2009 to reflect the cost of holiday entitlements and other leave earned by employees but not taken before the year-end which employees can carry forward into the next financial year, as explained more fully in the Accounting Policy on Employee Benefits on page 27.

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

For 2012/2013, the only accounting policy change that requires to be reported relates to the June 2011 amendments to the accounting standard IAS19 Employee Benefits. The change of accounting policy is effective from 1 April 2013 and there is no impact of this change on the accounts covering the 2012/13 financial year.

The key change relates to the expected return on scheme assets. The expected return on assets is currently credited to the Surplus or Deficit on the Provision of Services; however from 2013 this is effectively replaced with an equivalent figure using the discount rate.

While the overall impact is expected to be cost neutral, there will be a redistribution of costs within the Comprehensive Income and Expenditure Statement. By way of illustrating the impact of the accounting change upon the current year, there would be an increase in pensions interest cost and expected return on assets of £0.228 million (as assessed by the actuaries of the North East of Scotland Local Government Pension Scheme) chargeable to the Surplus or Deficit on the Provision of Services, with a compensating reduction of £0.228 million in actuarial (gains) or losses on pension assets and liabilities chargeable to Other Comprehensive Income and Expenditure.

NOTES TO THE ACCOUNTS (continued)

Note 3 Critical Judgements in Applying Accounting Policies

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

The critical judgements made in the Statement of Accounts are:

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

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

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

The items in the Board's Balance Sheet at 31 March 2013 for which there is significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ From Assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £0.468m.

Note 5 Material Items of Income and Expenditure

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

During 2012/13 there were no such items of income or expenditure regarded as material.

NOTES TO THE ACCOUNTS (continued)

Note 6 Events After The Balance Sheet Date

The unaudited Statement of Accounts was issued on 29 May 2013 and the Audited Statement of Accounts was authorised for issue on **29 August 2013** by Margaret Wilson, Treasurer. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 7 Adjustments between Accounting Basis and Funding Basis under Regulations

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

NOTES TO THE ACCOUNTS (continued)

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

	Usable Reserves		Unusable Reserves
	General Fund Balance	Capital Fund Balance	
2012/13	£000	£000	£000
<u>Adjustments involving the Capital Adjustments Account</u>			
Reversal of items Debited or Credited to the Comprehensive Income and Expenditure Account:			
Depreciation and Impairment	36	-	(36)
<u>Adjustments Primarily involving the Pensions Reserve</u>			
Movement in Pensions Reserve	21	-	(21)
<u>Adjustments Primarily involving the Employee Statutory Adjustment Account</u>			
Decrease in Employee Statutory Adjustment Account	(2)	-	2
Total Adjustments	55	-	(55)

Note 8 Financing and Investment Income and Expenditure

	2011/12 £000	2012/13 £000
Pensions interest cost and expected return on pensions assets	(43)	33
Interest receivable and similar income	(2)	(2)
	(45)	31

NOTES TO THE ACCOUNTS (continued)

Note 9 Property, Plant and Equipment

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

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Total Property, Plant and Equipment
	£000	£000	£000
Cost or valuation			
At 1 April 2012	675	210	885
At 31 March 2013	675	210	885
Accumulated Depreciation and Impairment			
At 1 April 2012	58	110	168
Depreciation charge	15	21	36
At 31 March 2013	73	131	204
Net Book Value			
At 31 March 2012	617	100	717
At 31 March 2013	602	79	681

NOTES TO THE ACCOUNTS (continued)

Note 9 Property, Plant and Equipment (continued)

Depreciation

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

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

Vehicles, Plant, Furniture & Equipment - 10 years

Revaluations

The Board carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The last revaluation of Land and Buildings was done on 1 April 2008 and the next revaluation is scheduled during 2013/14. 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 2013 the Board had no capital commitments for 2013/14 and future years.

Note 10 Long Term Debtors

	2011/12 £000	2012/13 £000
Car Loans	1	9

Note 11 Short Term Debtors

	2011/12 £000	2012/13 £000
Central Government bodies	-	28
Other Local Authorities	-	3
Other Entities and Individuals	23	36
	<hr/> 23	<hr/> 67

NOTES TO THE ACCOUNTS (continued)

Note 12 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents comprises:

	2011/12 £000	2012/13 £000
Temporary Investment in the Moray Council Loans Fund	577	536

Note 13 Short Term Creditors

	2011/12 £000	2012/13 £000
Central Government bodies	54	53
Other Local Authorities	236	263
Other Entities and Individuals	112	97
	<hr/> 402	<hr/> 413

Note 14 Financial Instruments

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

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

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

:

NOTES TO THE ACCOUNTS (continued)

Note 14 Financial Instruments (continued)

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

	Long Term		Short Term	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Debtors				
Loans & Receivables	1	9	3	6
Financial Assets carried at contract amounts	-	-	20	61
Total Debtors	1	9	23	67
Creditors				
Financial Liabilities carried at contract amounts	-	-	402	413
Cash and Cash Equivalents				
Cash Equivalent carried at contract amounts			577	536

Note 15 Usable Reserves

Movements in the Board's usable reserves are detailed in the Movement in Reserves Statement on page 18.

Note 16 Unusable Reserves

	2011/12 £000	2012/13 £000
Revaluation Reserve	165	162
Capital Adjustment Account	552	519
Pensions Reserve	(5,137)	(5,929)
Employee Statutory Adjustment Account	(68)	(66)
	(4,488)	(5,314)

NOTES TO THE ACCOUNTS (continued)

Note 16 Unusable Reserves (continued)

Revaluation Reserve

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

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

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

	2011/12 £000	2012/13 £000
Balance at 1 April	168	165
Difference between fair value depreciation and historical cost depreciation	(3)	(3)
Amount written off to the Capital Adjustment Account	(3)	(3)
Balance at 31 March	<u>165</u>	<u>162</u>

NOTES TO THE ACCOUNTS (continued)

Note 16 Unusable Reserves (continued)

Capital Adjustment Account

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

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

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

	2011/12 £000	2012/13 £000
Balance at 1 April	584	552
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	(35)	(36)
	<hr/> (35)	<hr/> (36)
Adjusting amounts written out of the Revaluation Reserve	3	3
Net written out amount of the cost of non-current assets consumed in the year	<hr/> (32)	<hr/> (33)
Balance 31 March	<hr/> <hr/> 552	<hr/> <hr/> 519

NOTES TO THE ACCOUNTS (continued)

Note 16 Unusable Reserves (continued)

Pensions Reserve

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

	2011/12 £000	2012/13 £000
Balance at 1 April	(4,104)	(5,137)
Actuarial gains or (losses) on pensions assets and liabilities	(1,042)	(771)
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	(428)	(465)
Employer's pensions contributions and direct payments to pensioners payable in the year	437	444
Balance at 31 March	<u>(5,137)</u>	<u>(5,929)</u>

NOTES TO THE ACCOUNTS (continued)

Note 16 Unusable Reserves (continued)

Employee Statutory Adjustment Account

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

	2011/12 £000	2012/13 £000
Balance at 1 April	(69)	(68)
Settlement or cancellation of accrual made at the end of the preceding year	69	68
Amounts accrued at the end of the current year	(68)	(66)
Balance at 31 March	<u>(68)</u>	<u>(66)</u>

Note 17 External Audit Costs

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

	2011/12 £000	2012/13 £000
Fees payable in respect of external audit services:		
audit fee	7	7
notified fixed charge element for the year	1	1
Total	<u>8</u>	<u>8</u>

NOTES TO THE ACCOUNTS (continued)

Note 18 Requisition and Grant Income

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

	2011/12 £000	2012/13 £000
Credited to Requisitions and Non Specific Grant Income:		
Requisition from Aberdeen City Council	1,525	1,512
Requisition from Aberdeenshire Council	1,750	1,722
Requisition from Moray Council	636	620
Total	<hr/> 3,911	<hr/> 3,854
Returned to constituent authorities:		
Aberdeen City Council	65	78
Aberdeenshire Council	75	88
Moray Council	27	32
Total	<hr/> 167	<hr/> 198

NOTES TO THE ACCOUNTS (continued)

Note 19 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 18. The Board also made payments to the constituent authorities in the normal course of business. The amounts are detailed below:

	2011/12 £000	2012/13 £000
Aberdeen City Council	2	3
Aberdeenshire Council	385	304
Moray Council	68	51

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

Aberdeen City Council	65	78
Aberdeenshire Council	144	153
Moray Council	27	32

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 20 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 2012/13 was £0.114m, (£0.114m in 2011/12).

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

	2011/12 £000	2012/13 £000
Not later than one year	114	114
Later than one year and not later than five years	453	339
	<hr/> 567	<hr/> 453

NOTES TO THE ACCOUNTS (continued)

Note 21 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by Service Reporting Code of Practice. However, decisions about detailed resource allocation, within the overall budget agreed by the Board, are taken by the Assessor and reported to the Board in budget monitoring reports. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than the current service cost of benefits accrued in the year.
- expenditure classification differs from the Service Reporting Code of Practice.

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

Income and Expenditure

	2011/12 £000	2012/13 £000
	Rating, Council Tax Valuation and Electoral Registration	Rating, Council Tax Valuation and Electoral Registration
Sales and Other Income	(10)	(35)
Interest on Revenue Balances	(2)	(1)
Total Income	(12)	(36)
Employee Costs	2,881	2,861
Property Costs	301	297
Transport Costs	69	70
Supplies and Services	383	415
Support Services	51	52
Total operating expenses	3,685	3,695
Net Expenditure	3,673	3,659

NOTES TO THE ACCOUNTS (continued)

Note 21 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.

	2011/12 £000	2012/13 £000
Net Expenditure reported to the Board	3,673	3,659
<u>Add</u> Amounts in the Comprehensive Income and Expenditure not included in reports to the Board	68	22
<u>Add</u> Amounts reported to Management but not reported in Net Cost of Services	2	1
Net Cost of Services in Comprehensive Income and Expenditure Statement	3,743	3,682

NOTES TO THE ACCOUNTS (continued)

Note 21 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 2011/12

	Board Analysis	Amounts not reported to the Board	Amounts not included in Net Cost of Services	Net Cost of Services	Corporate Amount	Total
Sales and Other Income	(10)	-	-	(10)	-	(10)
Interest and investment income	(2)	-	2	-	(2)	(2)
Government grants and contributions	-	-	-	-	(3,746)	(3,746)
Total Income	(12)	-	2	(10)	(3,748)	(3,758)
Employee Costs	2,881	-	-	2,881	-	2,881
Property Costs	301	-	-	301	-	301
Transport Costs	69	-	-	69	-	69
Supplies and Services	383	-	-	383	-	383
Support Costs	51	-	-	51	-	51
Depreciation, Amortisation and Impairment	-	35	-	35	-	35
IAS 19 Net Charges for Retirement Benefits	-	34	-	34	-	34
IAS 19 Holiday Pay Accrual	-	(1)	-	(1)	-	(1)
Pension Interest Cost and Expected Return on Pension Assets	-	-	-	-	(43)	(43)
Total Expenditure	3,685	68	-	3,753	(43)	3,710
Net Cost of Services	3,673	68	2	3,743	(3,791)	(48)
<u>(Surplus) or Deficit on the Provision of Services</u>						<u>(48)</u>

NOTES TO THE ACCOUNTS (continued)

Note 21 Amounts Reported for Resource Allocation Decisions (continued)

Reconciliation to Subjective Analysis

Subjective Analysis 2012/13

	Board Analysis	Amounts not reported to the Board	Amounts not included in Net Cost of Services	Net Cost of Services	Corporate Amount	Total
Sales and Other Income	(8)	-	-	(8)	-	(8)
Interest and investment income	(1)	-	1	-	(2)	(2)
Government grants and contributions	(27)	-	-	(27)	(3,656)	(3,683)
Total Income	(36)	-	1	(35)	(3,658)	(3,693)
Employee Costs	2,861	-	-	2,861	-	2,861
Property Costs	297	-	-	297	-	297
Transport Costs	70	-	-	70	-	70
Supplies and Services	415	-	-	415	-	415
Support Services	52	-	-	52	-	52
Depreciation, Amortisation and Impairment	-	36	-	36	-	36
IAS 19 Net Charges for Retirement Benefits	-	(12)	-	(12)	-	(12)
IAS 19 Holiday Pay Accrual	-	(2)	-	(2)	-	(2)
Pension Interest Cost and Expected Return on Pension Assets	-	-	-	-	33	33
Total Expenditure	3,695	22	-	3,717	33	3,750
Net Cost of Services	3,659	22	1	3,682	(3,625)	57
<u>(Surplus) or Deficit on the Provision of Services</u>						57

NOTES TO THE ACCOUNTS (continued)

Note 22 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	2011/12	2012/13
	£000	£000
Cost of Services:		
Current Service Cost	471	432
Financing and Investment Income and Expenditure:		
Interest Cost	1,362	1,149
Expected Return on Assets in the Scheme	(1,405)	(1,116)
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	428	465
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement.		
Actuarial (Gains) and Losses	1,042	771
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement.	1,470	1,236
 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	(1,033)	(792)
Actual amount charged against requisitions for pensions in the year	437	444

NOTES TO THE ACCOUNTS (continued)

Note 22 Defined Benefit Pension Scheme (Continued)

Since the introduction of International Accounting Standards the cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2013 is a loss of £4.487m (£3.716m loss to 31 March 2012).

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 2012	31 March 2013
	£'000	£'000
1 April	(24,890)	(23,454)
Current Service Cost	(471)	(432)
Interest Cost	(1,362)	(1,149)
Contributions by scheme participants	(152)	(152)
Actuarial Gains /(Losses)	2,558	(2,704)
Benefits Paid	863	615
31 March	(23,454)	(27,276)

NOTES TO THE ACCOUNTS (continued)

Note 22 Defined Benefit Pension Scheme (continued)

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

	31 March 2012	31 March 2013
	£'000	£'000
1 April	20,786	18,317
Expected rate of return	1,405	1,116
Actuarial Gains/(Losses)	(3,600)	1,933
Employer Contributions	437	444
Contributions by scheme participants	152	152
Benefits Paid	(863)	(615)
31 March	18,317	21,347

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 £3.049m (2011/12 £0.269m).

Scheme History

	2008/09	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000	£000
Fair Value of Assets	12,727	18,276	20,786	18,317	21,347
Present Value of Liabilities	(16,405)	(23,627)	(24,890)	(23,454)	(27,276)
Deficit in the scheme	(3,678)	(5,351)	(4,104)	(5,137)	(5,929)

The liabilities show the underlying commitments that the Board has in the long run to pay post employment (retirement) benefits. The total liability of £5.929m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in a negative overall balance of £5.049m. 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 2014 are £0.444m.

Basis for Estimating Assets and Liabilities

The most recent valuation was carried out as at 31 March 2011 and has been updated by independent actuaries to the Aberdeen City Council Pension Fund, Mercer Limited, in order to assess the liabilities of the Fund as at 31 March 2013. Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

NOTES TO THE ACCOUNTS (continued)

Note 22 Defined Benefit Pension Scheme (continued)

The principal assumptions used by the actuary have been:

	31 March 2012	31 March 2013
Discount rate	4.9%	4.2%
Rate of increase in salaries	4.25%	4.15%
Rate of increase in pensions	2.5%	2.4%
Rate of CPI inflation	2.5%	2.4%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.3	22.4
Women	25.3	25.4
Longevity at 65 for future pensioners:		
Men	24.6	24.7
Women	27.7	27.8
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	7.0%	7.0%
Government Bonds	3.1%	2.8%
Other Bonds	4.1%	3.9%
Property	6.0%	5.7%
Cash / current assets	0.5%	0.5%
Other	7.0%	7.0%

History of Experience Gains and Losses

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

	2008/09		2009/10		2010/11		2011/12		2012/13	
	£000	%	£000	%	£000	%	£000	%	£000	%
Experience gains and (losses) on assets	(5,573)	(43.8)	4,138	22.6	682	3.3%	(3,600)	(19.7)	1,933	9.1%
Experience gains and (losses) on liabilities	1,784	10.9	-	-	-	-	2,973	12.7	-	-

INDEPENDENT AUDITORS' REPORT

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

We certify that we have audited the financial statements of Grampian Valuation Joint Board for the year ended 31 March 2013 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash-Flow 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 2012/13 (the 2012/13 Code).

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

Respective responsibilities of the Responsible Financial Officer and auditor

As explained more fully in the Statement of Responsibilities, the Responsible Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Responsible Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2012/13 Code of the state of the affairs of the body as at 31 March 2013 and of the income and expenditure of the body for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2012/13 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.

INDEPENDENT AUDITORS' REPORT (continued)

Opinion on other prescribed matters

In our opinion:

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- We have not received all the information and explanations we require for our audit; or
- the Statement on the System of Internal Financial Control does not comply with the 2012/13 Code; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

PricewaterhouseCoopers LLP
Glasgow
2 September 2013