TAY ROAD BRIDGE JOINT BOARD

STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2012

AUDITED

SEPTEMBER 2012

TAY ROAD BRIDGE JOINT BOARD

STATEMENT OF ACCOUNTS 2011/2012

CONTENTS

TAY ROAD BRIDGE JOINT BOARD

MEMBERS AND OFFICIALS

The Board comprises 12 elected members who are appointed by the three constituent local authorities to serve on the Board. Dundee City Council nominates 6 members, Angus Council have 1 member and Fife Council nominate the remaining 5 members. Following the previous Scottish Local Government Elections that were held in May 2007 it was agreed by the Board that Dundee City Council would continue to act as lead authority to the Board, and consequently, the Council are required to appoint officers to serve as officials of the Board. At the end of financial year 2011/2012, the Members and Officials of the Board were:

Representing Dundee City Council

Councillor David Bowes
Councillor Will Dawson
Councillor Ken Lynn
Councillor Mohammed Asif
Councillor Tom Ferguson (Vice Chair)
Bailie Rod Wallace

Representing Angus Council

Councillor John R Whyte

Representing Fife Council

Councillor Andrew Arbuckle (Chair)
Councillor Jim Young
Councillor David MacDairmid
Councillor Margaret Taylor
Councillor Ross Vettraino

Bridge Manager

Mr Iain MacKinnon BSc, C Eng, MICE

Engineer

Mr Fergus Wilson BSc, MBA, C Eng, MICE, MIHT, Dundee City Council

Clerk

Ms Patricia McIlquham LLB, Dundee City Council

Treasurer

Mrs Marjory M Stewart FCCA, CPFA, Dundee City Council

Contact details:

Bridge Manager
Bridge Office
Marine Parade
Dundee
01382-221881
iain.mackinnon@tayroadbridge.co.uk

Engineer
c/o Dundee City Council
City Development Dept
50 North Lindsay Street
Dundee
01382-433711
fergus.wilson@dundeecity.gov.uk

Clerk
c/o Dundee City Council
Corporate Services Dept
21 City Square
Dundee
01382-434202
patricia.mcilquham@dundeecity.gov.uk

Treasurer
c/o Dundee City Council
Corporate Services Dept
50 North Lindsay Street
Dundee
01382-433555
marjory.stewart@dundeecity.gov.uk

TAY ROAD BRIDGE JOINT BOARD

Bridge Manager's Report

Organisational Changes

In March 2012, the Clerk to the Board, Patricia McIlquham retired after holding the position for 16 years. Roger Mennie, Head of Democratic and Legal Services, Dundee City Council, was appointed Clerk to the Board as of 1 April 2012.

The current Chair, Andrew Arbuckle, is not seeking re-election to Fife Council and will be standing down as Chair after the Local Government Elections on 3 May 2012.

The Bridge Manager would like to extend his thanks to the outgoing Chair and Clerk to the Board for their support and assistance.

Management Arrangement with Scottish Government

During this period, the main point of contact with the Scottish Government continued to be the Trunk Road and Bus Operations Team of Transport Scotland. Meetings have been held on a regular basis between Board Officers and officers from the Trunk Road and Bus Operations Team to discuss financial matters etc.

Contracts

Pier Collision Protection Works
The Bridge Manager, in conjunction with the Engineer to the Board, has been extensively involved in the design and construction process for the Pier Collision Protection Works contract, which was awarded to Volker Stevin in January 2011. In addition to the design and construction process, the Bridge Manager has worked with the Harbour Master and Volker Stevin regarding navigation issues associated with the works.

Variable Message Signs
Ongoing problems with the provision of an electrical supply have resulted in further delay to the completion of this project. The final work to provide power to the site was completed in March 2012 and it is anticipated that the final sign installation will now be completed in the May 2012.

Maintenance Gantries
The Board's two self propelled maintenance gantries were subjected to a full Principle Inspection and refurbishment programme. The refurbishment works, which included the removal and replacement of the slew ring mechanisms, were carried out in-house and will add several years to the lifespan of the gantries before full replacement will be required.

Dundee Central Waterfront Development

Contract 2 to reconstruct the Perth off ramp was completed in November 2011 and during the works there were only nominal effects on bridge users. Contract 3 for the demolition and reconstruction of the remaining ramps was awarded to Sir Robert McAlpine and the Bridge Manager was involved in the Contractor interview and assessment element of the procurement process. To date the bulk of the works have had little or no effect on bridge users.

Traffic

Due to the ongoing work to reconfigure the bridge approach spans as part of the Dundee City Waterfront Development there have been prolonged periods where the traffic counters have been unavailable for use therefore there has been insufficient data collected to provide meaningful comparison of traffic flows. On completion of the reconfiguration of the bridge approaches the traffic counters will be reinstated and full traffic figures collected for future reports.

One or both lanes on the bridge were closed on a number of occasions over the past twelve months. The table below summarises the reasons and number of occurrences:-

Wind speed > 80mph Closed to all Vehicles	**Wind speed > 60mph** Cars Only	**Wind speed > 45mph** No Double Deck buses	**Minor accidents**	**Breakdowns**	**Works related closures**	**Debris collection etc**
7	24	72	13	69	260	313

The number of wind speed restrictions was considerably higher than previous years with full closures being implemented on 7 occasions. Five of the closures occurred in the 4 week period between 8 December 2011 and 3 January 2012. The number of other restrictions due to high winds also increased substantially.

Staffing Issues

<u>Staff Establishment</u>
There has been no change to the number of permanent posts within the staff establishment which stands as follows:-

Administration	5
Operational	15
Maintenance	14
Cleaner (P/T)	1
Total	35

Iain Mackinnon
Bridge Manager
Tay Road Bridge Joint Board
28 September 2012

TAY ROAD BRIDGE JOINT BOARD

TREASURER'S REPORT

Introduction
This report is intended as a commentary on the Tay Road Bridge Joint Board's financial position, as presented within the Statement of Accounts for the financial year 2011/2012.

Statement of Responsibilities for the Statement of Accounts (see page 9)
This statement sets out the main financial responsibilities of the Board and the Treasurer.

The Accounting Statements (see pages 10 to 41)

Movement in Reserves Statement:
This statement shows the movement in the year on the different reserves held by the Board, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable reserves'.

Comprehensive Income & Expenditure Account:
This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

Balance Sheet:
Shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Board.

Cash Flow Statement:
Shows the changes in cash and cash equivalents of the Board during the reporting period.

Notes to the Financial Statements:
These are intended to give the reader further information which is not separately detailed in the financial statements. They also include the Accounting Policies which set out the basis upon which the financial statements have been prepared and explains the accounting treatment of both general and specific items.

Annual Governance Statement (see page 42)
This statement sets out the Board's Corporate Governance arrangements, explaining how the Board conducts its business, both internally and in its dealings with others. The main components of the system are listed, together with any significant weaknesses that have been identified and the remedial action taken.

Remuneration Report (see page 44)
This statement sets out the remuneration and accrued pension benefits of the senior employee of the Board and the policy context, in accordance with Scottish Government regulations.

Revenue Expenditure
The Tay Road Bridge Joint Board, at its meeting on 13 December 2010, approved the 2011/2012 Revenue Budget. The final budget showed a break-even position. The projected General Reserve balance as at 31 March 2012 would be £1,107,451. However, subsequent underspends totalling £53,140 were achieved in 2010/2011 (after the budget for 2011/2012 was set) which had the effect that the projected General Reserve balance as at 31 March 2012 increased to £1,160,591.

The Board received quarterly Revenue Monitoring reports during 2011/2012 in order to keep the members fully appraised as to the projected revenue outturn position.

The following table reconciles the Revenue Budget approved by the Board on 13 December 2010 to the revised budget figures that are included in the Comprehensive Income and Expenditure Statement shown on page 11. The actual outturn for 2011/2012 was a net overspend against budget of £9,000 and the detailed variance analysis is set out on pages 6 and 7.

	Approved Budget £000	Corp & Democratic Core Re-allocation £000	Net Depreciation & Impairment Allocation £000	Re-allocate Investment Property Inc & Exp £000	Net (Gain) or Loss on Disposal of Assets £000	Recognised Capital Grant £000	Reval-uation of PPE Assets £000	IAS 19 Adjs £000	Revised Budget £000	Actual Expend/ (Income) £000	Over / (Under) Spend £000
Staff Costs	1,105	-	-	-	-	-	-	11	1,116	1,078	(38)
Property Costs	63	-	-	(2)	-	-	-	-	61	42	(19)
Supplies and Services	315	(14)	-	-	-	-	-	-	301	275	(26)
Transport Costs	36	-	-	-	-	-	-	-	36	38	2
Third Party Payments	161	(10)	-	-	-	-	-	-	151	141	(10)
Depreciation & Impairment	-	-	1,453	-	-	-	-	-	1,453	1,453	-
Corporate & Democratic Core	-	24	-	-	-	-	-	-	24	22	(2)
Non Distributed Costs	-	-	-	-	-	-	-	-	-	-	-
Cost of Expenditure	1,680	-	1,453	(2)	-	-	-	11	3,142	3,049	(93)
Other Operating Income & Expenditure	(15)	-	-	10	(3)	-	-	-	(8)	(3)	5
Financing & Investment Income & Expenditure	(15)	-	-	(8)	-	-	(11)	(49)	(83)	(96)	(13)
Non-Specific Grant Income	(1,650)	-	-	-	-	(11,350)	-	-	(13,000)	(12,890)	110
(Surplus) / Deficit on Provision of Service	-	-	1,453	-	(3)	(11,350)	(11)	(38)	(9,949)	(9,940)	9
Actuarial Gains / Losses on Pension Assets / Liabilities	-	-	-	-	-	-	-	355	355	355	-
Total Comprehensive Income & Expenditure	-	-	1,453	-	(3)	(11,350)	(11)	317	(9,594)	(9,585)	9
IAS 19 Adjustments	-	-	-	-	-	-	-	(317)	(317)	(325)	(8)
Other IFRS Code Accounting Adjustments	-	-	(1,453)	-	3	11,350	11	-	9,911	9,910	(1)
Total (Surplus)/ Deficit	-	-	-	-	-	-	-	-	-	-	-
General Reserve Balance b/fwd	(1,161)	-	-	-	-	-	-	-	(1,161)	(1,161)	-
General Reserve Balance c/fwd	(1,161)	-	-	-	-	-	-	-	(1,161)	(1,161)	-

Staff Costs (Underspend £38,000)
Mainly reflects posts that have been held vacant during the year. In addition, expenditure on ove time has been lower than budgeted following a reduction in the level of overtime worked due to the bridge gantries being unavailable during the year.

Property Costs (Underspend £19,000)
Reflects lower expenditure relating to electricity costs due to a new contract being negotiated at the start of the year. In addition, expenditure on ground maintenance at the Fife landfall has reduced following the decision to take these duties in-house.

Supplies & Services (Underspend £26,000)
Due to ongoing capital contracts there was a reduction in the amount of bridge maintenance work carried out during the year which has resulted in lower than anticipated expenditure on the purchase of equip nent and materials, plant hire and other miscellaneous supplies and services. Additionally, there was an underspend on de-icing materials due to the mild winter. These variances were partly offset by additional costs incurred on upgrading weather monitoring software and unplanned repairs required to the road barrier at Fife and the walkway lift.

Transport Costs (Overspend £2,000)
Reflects increased expenditure on repairs and maintenance as unplanned repairs were required on one of the vehicles. This was partly offset by minor underspends in a number of budget headings including travel and subsistence, and business mileage as more training has either been brought in-house or on-site.

Third Party Payments (Underspend £10,000)
Reflects savings relating to the Pier Scour Protection survey being delayed to coincide with the Pier Collision Protection Works in 2012/2013, as well as a shortfall in the amount of professional fees for the cathodic protection system due to lack of access, and reduced charges for police services as the terms were renegotiated with Tayside Police. These variances were partly offset by additional professional fees required due to an increase in structural inspections required.

Corporate and Democratic Core Costs (Underspend £2,000)
Due to a reduction in external audit fees.

Other Operating Income and Expenditure (Income Shortfall £5,000)
Reflects the fact that the original budget was over-estimated due to higher levels of income in previous years.

Financing and Investment Income and Expenditure (Increased Income £13,000)
Reflects increase in interest received on bank balances due to higher than anticipated average balances due to large amounts of Capital Grant income.

Non-Specific Grant Income (Income Shortfall £110,000)
Reflects the fact that any unused Revenue Grant (with conditions) is to be held in creditors so that it can be applied to match expenditure in future years.

General Reserve
There was a break-even position for the financial year 2011/2012. This gives a total General Reserve balance of £1,160,591 at 31 March 2012.

Capital Expenditure and Financing
During 2011/2012, the Board incurred capital expenditure of £6,122,000 on the following projects:-

	£000
North Approach Viaduct Remedial Works	7
Carriageway Resurfacing	6
Gantry	14
Fife Abutment Bearing Replacement	40
Pier Collision Protection	5,952
Advanced Warning Signs	7
Other Projects	96
	6,122

Capital expenditure was funded as follows:

	£000
Capital Grant from the Scottish Government	6,119
Capital Receipts	3
	6,122

In addition to above, an asset of £2.55m has been recognised in the Balance Sheet (2010/2011 Restated - £1.91m). This relates to the new western off-ramp which had been constructed by Dundee City Council as part of the central waterfront development and subsequently transferred to the Board, as well £0.469m as assets under construction at 31 March 2012 which relates to the remaining off-ramps.

Control of Revenue and Capital Expenditure

The control of both the revenue and capital expenditure of the Board is an ongoing and substantial exercise which requires a positive contribution from staff and elected members to ensure that the Board's financial objectives are achieved and that financial resources are fully utilised.

Pension Liability (IAS 19)

Under IAS 19 (Employee Benefits) the Board is required to include figures in its Statement of Accounts relating to the assets, liabilities, income and expenditure of the pension schemes for its employees. It has been estimated that the Board had a net pension liability of £2,072,000 as at 31 March 2012. The estimated net pension liability at 31 March 2011 was £1,747,000. A decrease in the real interest rate and changes in the underlying assumptions used to calculate scheme liabilities have caused an increase in liabilities. This was partly offset by an increase in the value of scheme assets, resulting in the overall net liability increasing by £325,000.

Acknowledgements

During the 2011/2012 financial year the Board's financial position has required continuous scrutiny and strict budgetary control. I would like to thank the Bridge Manager, Bridge Engineer and their staff in controlling the Board's expenditure and income. In addition, I wish to mention my appreciation of the help and co-operation provided during the financial year by the elected members and by Patricia McIlquham, Clerk to the Board.

I would also like to acknowledge the support and contribution made by Patricia McIlquham who retired in March 2012 after holding the position of Clerk to the Board for 16 years. Furthermore, I also wish to extend my appreciation for the contribution made by the current chair, Andrew Arbuckle, who is not seeking re-election to Fife Council and has stood down as chair after the Local Government elections on 3 May 2012.

Finally, I would conclude my report by thanking all staff who contributed to the preparation of the Board's 2011/2012 Statement of Accounts.

M M Stewart

Marjory M Stewart, FCCA, CPFA
Treasurer
Tay Road Bridge Joint Board
28 September 2012

TAY ROAD BRIDGE JOINT BOARD

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

Tay Road Bridge Joint Board is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards. This is to ensure that public funds and assets at its disposal are safeguarded, properly accounted for and used economically, efficiently, effectively, and ethically. The Board also has a duty to make arrangements to secure continuous improvement in the way its functions are carried out.

In discharging these responsibilities elected members and senior officers are responsible for implementing effective arrangements for governing the Board's affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

To this end the Board has approved and adopted a local Code of Corporate Governance that is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance In Local Government.* This statement explains how Tay Road Bridge Joint Board delivers good governance and reviews the effectiveness of these arrangements.

The Board's Governance Framework

The governance framework comprises the systems, processes, cultures and values by which the Board is directed and controlled. It also describes the way it engages with and accounts to stakeholders. It enables the Board to monitor the achievement of its strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The framework reflects the arrangements in place to meet the six supporting principles of effective corporate governance. These are as follows:

- focusing on the purpose of the Board and on outcomes for the community and creating and implementing a vision for the local area;
- members and officers working together to achieve a common purpose with clearly defined functions and roles;
- promoting values for the Board and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- developing the capacity and capabilities of members and officers to be effective; and
- engaging with local people and other stakeholders to ensure robust public accountability.

Within the overall control arrangements the system of internal financial control is intended to ensure that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected within a timely period. It is based on a framework of regular management information, financial regulations, administrative procedures and management supervision.

The overall control arrangements include:

- identifying the Board's objectives in the Service Plan;
- monitoring of objectives by the Board and senior officers;
- reporting performance regularly to Board meetings;
- clearly defined Standing Orders and Schemes of Administration covering Financial Regulations, Tender Procedures and Delegation of Powers;
- approved Fraud Guidelines which include anti-fraud and corruption strategies, and "whistle-blowing" arrangements;
- setting targets to measure financial and service performance; and
- formal revenue and capital budgetary control systems and procedures.

Additionally, in order to support Chief Financial Officers in the fulfilment of their duties and to ensure that local authority organisations have access to effective financial advice of the highest level, CIPFA's *Role of the Chief Financial Officer* has introduced a "comply or explain" requirement in the Annual Statement of Accounts.

Review of Effectiveness

Members and officers of the Board are committed to the concept of sound governance and the effective delivery of Board services and take into account comments made by internal and external auditors.

In addition the Board have made a self-assessment of their own arrangements. This involved the completion, by the Bridge Manager, of a 56-point checklist covering the six supporting principles defined in CIPFA/SOLACE's *Delivering Good Governance in Local Government*. This indicated a high level of compliance.

The Board's Internal Audit Service operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom and reports to the Board. Internal Audit undertakes an annual programme of work, which is reported to the Board. The Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control.

The Treasurer complies with the principles set out in CIPFA's *Role of the Chief Financial Officer*.

Continuous Improvement Agenda

The following areas were identified by the Bridge Manager in the self-assessment checklists completed as part of the Board's assurance gathering process where further improvement could be made:

- Develop a formal complaints procedure.

During 2011/2012, Internal Audit conducted a review of the Corporate Governance and Planning arrangements in place at the Board. This identified the following areas where further improvements could be made:

- Update the current Code of Corporate Governance to include a section which identifies the key partnerships and relationships that the Board has with other bodies;
- Update the current Code of Corporate Governance to reflect changes made since the introduction of the Business Continuity Plan and changes in both external and internal auditors; and
- Develop a formal complaints procedure (taking account of updated guidance still to be issued by the Scottish Ombudsman's Office).

It is proposed over 2012/13 steps are taken to address the items identified in the Continuous Improvement Agenda to further enhance the Board's governance arrangements.

The annual review demonstrates sufficient evidence that the code's principles of delivering good governance in local government operated effectively and the Board complies with the Local Code of Corporate Governance in all significant respects.

Marjory Stewart FCCA, CPFA
Treasurer
Tay Road Bridge Joint Board
28 September 2012

Iain MacKinnon
Bridge Manager
Tay Road Bridge Joint Board
28 September 2012

TAY ROAD BRIDGE JOINT BOARD

ANNUAL REMUNERATION REPORT

INTRODUCTION

The Board is required to prepare and publish within its Statement of Accounts an annual Remuneration Report under the Local Authority Accounts (Scotland) Amendment Regulations 2011 (Scottish Statutory Instrument No. 2011/64), which came into force on 31 March 2011. The report sets out the remuneration and accrued pension benefits of the Senior Employees of the Board. The report also provides information on the number of Board employees (including Senior Employees) whose total actual remuneration was £50,000 or more, this information being disclosed in salary bandings of £5,000 above £50,000. No Councillors receive remuneration from the Board. The following report has been prepared in accordance with the aforementioned Regulations and also in accordance with the non-statutory guidance set out in Scottish Government Finance Circular 8/2011, issued on 13 May 2011.

The Board's External Auditor is required to audit certain parts of the Remuneration Report and give a separate opinion in his report on the Statement of Accounts as to whether the Remuneration Report has been properly prepared in accordance with the Regulations. Tables 1 and 2 are subject to audit, and the remainder of the report is subject to review.

REMUNERATION ARRANGEMENTS

Senior Board Members

The Chairman and Vice-Chairman do not receive any remuneration (2010/2011: Nil remuneration).

Senior Employees

The salary of Senior Employees is set by reference to national agreements. The salaries of senior employees of the Board take into account the duties and responsibilities of their posts. The Board is responsible for agreeing the salaries of senior employees. All Board employees are entitled to participate in Dundee City Council's Contract Car Hire Scheme, subject to meeting certain criteria. The Council's Policy & Resources Committee is also responsibie for agreeing the terms of the Contract Car Hire Scheme.

For the purposes of the Remuneration Report, the Regulations set out the following criteria for designation as a Senior Employee of the Board:

(i) has responsibility for management of the Board to the extent that the person has power to direct or control the major activities of the Board (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;
(ii) 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; or
(iii) annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

The Board has determined that one employee met the criteria for designation as a Senior Employee in 2011/2012, with the employee falling into category (i) above. The remuneration details for the Senior Employees of the Board are set out in Table 1.

The Regulations also require information to be published on the total number of Board employees (including Senior Employees) whose total actuai remuneration was £50,000 or more. This information is to be disclosed in salary bandings of £5,000 above £50,000 and is shown in the following table.

Remuneration Bands	No of Employees	No of Employees
	2011/2012	2010/2011
£50,000 - £54,999	-	-
£55,000 - £59,999	1	1
Total	1	1

EXIT PACKAGES

There were no exit packages agreed during 2011/2012 (2010/2011: No exit packages agreed).

ACCRUED PENSION BENEFITS

Pension benefits for Local Government Employees are provided through the Local Government Pension Scheme (LGPS). Local Government Employees pension benefits are a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number years that the person has been a member of the scheme. The scheme's normal retirement age for Local Government 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, contribution rates were set at 6% for all non-manual employees. The tiers and members contribution rates for 2011/2012 remain at the 2009/2010 rates and are as follows:

Whole Time Pay	Contribution Rate 2011/2012	Contribution Rate 2010/2011
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 lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of 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 final pensionable salary and years of pensionable service.

Senior Employees
The accrued pension benefits for Senior Employees are set out in Table 2, together with the pension contributions made by the Board.

Assumptions and Contextual Information
The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a 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 total Local Government service and not just their current appointment.

In considering the accrued pension benefits figures the following contextual information should be taken into account:

(i) the figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.

(ii) the accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time. In 2011/2012, the scheme member contribution rate for Senior Employees of the Board was 8.6% of pensionable pay. In 2011/2012, the employer contribution rate was 18.5% of pensionable pay for Senior Employees.

M M Stewart

Marjory M Stewart, FCCA, CPFA
Treasurer
Tay Road Bridge Joint Board
28 September 2012

TABLE 1 – REMUNERATION OF SENIOR EMPLOYEES

Employee Name	Post Title	Salary, Fees & Allowances	Bonuses	Taxable Expenses	Compensation for Loss of Employment	Benefits Other Than in Cash	Total Remuneration 2011/2012	Total Remuneration 2010/2011
		£	£	£	£	£	£	£
J. I. MacKinnon	Bridge Manager	57,845	0	0	0	0	57,845	57,845
Total		57,845	0	0	0	0	57,845	57,845

TABLE 2 – SENIOR EMPLOYEES ACCRUED PENSION BENEFITS

Employee Name	Post Title	Pension as at 31 March 2012	Pension Difference from 31 March 2011	Lump Sum as at 31 March 2012	Lump Sum Difference from 31 March 2011	Pension Contribution 2011/2012	Pension Contribution 2010/2011
		£000	£000	£000	£000	£	£
J.I. Mackinnon	Bridge Manager	24	2	62	0	10,701	10,701
Total		24	2	62	0	10,701	10,701

TAY ROAD BRIDGE JOINT BOARD

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Joint Board's responsibilities

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

The Treasurer's responsibilities

The Treasurer is responsible for the preparation of the Joint Board's statement of accounts in accordance with proper practices 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 Code of Practice.

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.

The Statement of Accounts presents a true and fair view of the financial position of the Joint Board at the accounting date and its income and expenditure for the year ended 31 March 2012.

M M Stewart

Marjory M Stewart, FCCA, CPFA
Treasurer
Tay Road Bridge Joint Board
28 September 2012

TAY ROAD BRIDGE JOINT BOARD

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Board, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable reserves.' The Surplus or (Deficit) on the 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 Reserve Balance. The Net Increase / (Decrease) before Transfers to Earmarked Reserves line shows the statutory General Reserve balance before any discretionary transfers to or from earmarked reserves undertaken by the Board.

	General Fund Balance £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Board Reserves £000
Balance at 31 March 2010	(1,454)	(1,504)	(2,958)	(47,252)	(50,210)
Movement in Reserves during 2010/11 (Restated per Note 1D)					
Surplus or (deficit) on provision of services	(3,398)	-	(3,398)	-	(3,398)
Other Comprehensive Expenditure and Income	-	-	-	(604)	(604)
Total Comprehensive Expenditure and Income	(3,398)	-	(3,398)	(604)	(4,002)
Adjustments between accounting basis & funding basis under regulations (note 4)	3,691	(1,035)	2,656	(2,656)	-
Net (Increase) /Decrease before Transfers to Earmarked Reserves	293	(1,035)	(742)	(3,260)	(4,002)
Transfers to / (from) Earmarked Reserves	-	-	-	-	-
(Increase) / Decrease in 2010/11	293	(1,035)	(742)	(3,260)	(4,002)
Balance at 31 March 2011 carried forward	(1,161)	(2,539)	(3,700)	(50,512)	(54,212)
Movement in Reserves during 2011/12					
Surplus or (deficit) on provision of services	(9,940)	-	(9,940)	-	(9,940)
Other Comprehensive Expenditure and Income	-	-	-	355	355
Total Comprehensive Expenditure and Income	(9,940)	-	(9,940)	355	(9,585)
Adjustments between accounting basis & funding basis under regulations (note 4)	9,940	(2,681)	7,259	(7,259)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	-	(2,681)	(2,681)	(6,904)	(9,585)
Transfers to / (from) Earmarked Reserves	-	-	-	-	-
(Increase) / Decrease in Year	-	(2,681)	(2,681)	(6,904)	(9,585)
Balance at 31 March 2012 carried forward	(1,161)	(5,220)	(6,381)	(57,416)	(63,797)

TAY ROAD BRIDGE JOINT BOARD

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

2010/2011 (Restated per Note 1D)				2011/2012			
Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000		Budgeted Net Expenditure (unaudited) £000	Gross Expenditure £000	Gross Income £000	Net Expenditure / (Income) £000
			Expenditure				
1,106	-	1,106	Staff Costs	1,116	1,078	-	1,078
68	-	68	Property Costs	61	42	-	42
289	-	289	Supplies and Services	301	275	-	275
29	-	29	Transport Costs	36	38	-	38
137	-	137	Third Party Payments	151	141	-	141
1,442	-	1,442	Depreciation & Impairment	1,453	1,453	-	1,453
23	-	23	Corporate and Democratic Core	24	22	-	22
-	(554)	(554)	Non Distributed Costs	-	-	-	-
3,094	(554)	2,540	**Cost Of Services**	3,142	3,049	-	3,049
70	(2)	68	Other Operating Income & Expenditure (note 5)	(8)	-	(3)	(3)
63	(37)	26	Financing and investment income and Expenditure (note 6)	(83)	1	(97)	(96)
-	(6,032)	(6,032)	Non-Specific Grant Income (note 7)	(13,000)	-	(12,890)	(12,890)
3,227	(6,625)	(3,398)	(Surplus) or Deficit on Provision of Services (note 13)	(9,949)	3,050	(12,990)	(9,940)
-	-	-	(Surplus) or deficit on revaluation of fixed assets	-	-	-	-
-	(604)	(604)	Actuarial (Gains) / Losses on Pension Assets / Liabilities	355	355	-	355
-	(604)	(604)	Other Comprehensive Income and Expenditure	355	355	-	355
3,227	(7,229)	(4,002)	Total Comprehensive Income and Expenditure	(9,594)	3,405	(12,990)	(9,585)

TAY ROAD BRIDGE JOINT BOARD

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the 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, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure). The second category of reserves is unusable reserves i.e. those that the Board is not able to use to provide services. This category of reserves includes 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 Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1 April 2010	31 March 2011 (Restated per Note 1D)		Note	31 March 2012
£000	£000			£000
49,944	52,150	Property, Plant & Equipment	20	59,368
59	73	Investment Property	19	85
50,003	52,223	**Total Long Term Assets**		59,453
52	47	Inventories	22	47
196	20	Short Term Debtors	23	581
3,511	4,076	Cash and Cash Equivalents	12	8,155
3,759	4,143	**Total Current Assets**		8,783
(758)	(406)	Short Term Creditors	24	(2,367)
(758)	(406)	**Total Current Liabilities**		(2,367)
(2,793)	(1,747)	Net Pension Liabilities		(2,072)
(2,793)	(1,747)	**Total Long Term Liabilities**		(2,072)
50,211	54,213	**Net Assets**		63,797
2,958	3,700	Usable reserves	8	6,381
47,253	50,513	Unusable Reserves	9	57,416
50,211	54,213	**Total Reserves**		63,797

M M Stewart

Marjory Stewart FCCA, CPFA
Treasurer
Tay Road Bridge Joint Board

The unaudited accounts were issued on 8 June 2012 and the audited accounts were authorised for issue on 28 September 2012.

TAY ROAD BRIDGE JOINT BOARD

CASH FLOW STATEMENT

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 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. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Board.

2010/11 (Restated per Note 1D) £000		2011/12 £000
(3,398)	Net (surplus) or deficit on the provision of services	(9,940)
(939)	Adjust net surplus or deficit on the provision of services for non cash movements	(954)
4,596	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	11,273
259	**Net cash flows from Operating Activities**	**379**
(812)	Investing Activities (note 10)	(4,445)
(12)	Financing Activities (note 11)	(13)
(565)	**Net (increase) or Decrease in cash and cash equivalents**	**(4,079)**
3,511	Cash and cash equivalents at the beginning of the reporting period	4,076
4,076	Cash and cash equivalents at the end of the reporting period (note 12)	8,155

TAY ROAD BRIDGE JOINT BOARD

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

A General Principles

The Statement of Accounts summarises the Board's transactions for the 2011/2012 financial year and its position at the year-end of 31 March 2012. The Board is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985. Section 12 of the Local Government in Scotland Act 2003 requires that they be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets.

B Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Board transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Board.
- Revenue from the provision of services is recognised when the Board can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Board.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the Board's employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Where revenue and expenditure have 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 there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

C Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents comprise short term lending that is repayable on demand or within 3 months of the Balance Sheet date and that is readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Board's cash management.

D Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or when 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 by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

There has been a restatement of the prior period due to an error identified in the 2010/2011 financial statements, whereby an amount of grant income totalling £1.91m was not accounted for in 2010/2011, this has been applied for capital purposes in creating an asset under construction. Additionally, an amount of £70,000 for the de-recognition of the carrying amount of the replaced asset was omitted (see Note 26).

E **Charges to Revenue for Non-Current Assets**

The Comprehensive Income and Expenditure Statement is debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

The Board is not required to apply revenue grant receipts to fund depreciation, revaluation and impairment losses. Depreciation, revaluation and impairment losses are therefore reversed by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

F **Employee Benefits**

Benefits Payable During Employment
Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, are recognised as an expense in the year in which employees render service to the Board. An accrual is made against Staff Costs in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Reserve by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Board to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Account when the Board is demonstrably committed to either terminating the employment of an employee or group of employees or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Reserve 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 termination benefits related to pensions enhancements 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
Employees of the Board are members of a separate pension scheme being the Local Government Superannuation Scheme (Tayside Superannuation Fund), a defined benefits scheme which is administered by Dundee City Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Board.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

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

- Liabilities are discounted to their value at current prices, using a discount rate of 4.6% (based on the indicative rate of return on high quality corporate bond, iBoxx AA rated over 15 year corporate bond index).
- The assets of the Tayside Superannuation Fund attributable to the Board are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into seven components:
  - current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to Staff Costs
  - 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/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
  - gains/losses on settlements and curtailments – the result of actions to relieve the Board of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not co-incided 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 Tayside Superannuation Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Reserve 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 pensioners 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 on the General Reserve of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Board also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

G Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events 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.

H Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Board when there is reasonable assurance that:

- the Board will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Board are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant line (Non-Specific Grant Income) in the Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Reserve Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

I Heritage Assets

The Board's Heritage Assets are held in support of the primary objective of increasing knowledge, understanding and appreciation of the history of the Tay Road Bridge and the surrounding area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Board's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets are also presented below.

The Board's heritage assets are accounted for as follows:

Heritage Assets Not Recognised in the Balance Sheet

The Board holds heritage assets which, in light of the relaxation of measurement rules, are not recognised in the balance sheet. The Board considers that, due to the unique nature of the assets held and the lack of comparable values, the cost of obtaining valuations would be disproportionate in relation to the benefits to the user's of the Board's financial statements. As a result, fair value information is unavailable and cost information is also unknown. These assets are therefore not recognised in the balance sheet, however, detailed information regarding them is held on relevant databases.

Heritage Assets - Impairments

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, for example where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Board's general policies on impairment.

J Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First-in-First-out (FIFO) costing formula.

K Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Reserve Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the Balance. The gains and losses are therefore reversed out of the General Reserve Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

L Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

<u>The Board as Lessee</u>

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease together with an equivalent deferred liability for the obligation to pay the lessor. Where applicable, any initial direct costs of the Board are added to the carrying amount of the asset. Any premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the years in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Property, Plant and Equipment recognised under finance leases is accounted for using the relevant accounting policies applied generally to such assets e.g. depreciation, revaluation and impairment review.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. if there is a rent-free period at the commencement of the lease).

<u>The Board as Lessor</u>

Finance Leases

Where the Board grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Board's net investment in the lease, is credited to the same line in the

Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

Operating Leases

Where the Board grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet as a non-current asset and continues to be subject to depreciation, revaluation and impairment review, in accordance with the relevant accounting policies. Rental income is credited to the appropriate service line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Any initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

M Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others of for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Board and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Board does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Board. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Board. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Reserve Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation or impairment loss previously charged to a service. Where decreases in value are identified, the revaluation loss is 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 insufficient balance, the carrying amount of the asset is written down against the relevant line(s) in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into 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 indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. 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 insufficient balance, the carrying amount of the asset is written down against the relevant 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.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for disposals are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Board's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Reserve in the Movement in Reserves Statement. Amounts are appropriated to the Capital Adjustment Account from the General Reserve in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e., assets under construction).

Deprecation is calculated on the following bases:

- buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant and equipment – straight line allocation over between 3 and 10 years.
- infrastructure – straight-line allocation over between 10 and 85 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between 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.

N Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Board a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For example, the Board may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate line in the Comprehensive Income and Expenditure Stetement in the year that the Board becomes aware of the obligation, and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant heading. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Board settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Board a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly wihin the control of the Board. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Board a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Board. Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

O Reserves

Reserves are created by appropriating amounts out of the General Reserve in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate heading in that year to count against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Reserve Balance in the Movement in Reserves Statement so that there is no net charge against grant receipts for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and these reserves do not represent usable resources for the Board. Further information on the Board's reserves is contained in notes 8 and 9.

P VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Board has had to make certain judgements about future events. The key judgement made in the Statement of Accounts relates to the high degree of uncertainty about future levels of funding for public bodies. The Board has determined that this uncertainty is not sufficient to provide an indication that the assets of the Board might be impaired as a result of a need to reduce levels of service provision.

3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Board's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Board will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £86,000 for every year that useful lives had to be reduced.
Pensions 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. A firm of consulting actuaries is engaged to provide the Board with expert advice about the assumptions to be applied.	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 £157,000. However, the assumptions interact in complex ways. During 2011/12, the Board's actuaries advised that the net pensions liability had increased by £529,000 as a result of estimates being corrected as a result of experience and increased by £885,000 attributable to updating of the assumptions.

This list does not include any assets and liabilities that have are carried at fair value based on a recently observed market price.

4. MOVEMENT IN RESERVES STATEMENT - ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Board in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Board to meet future capital and revenue expenditure.

2011/2012	General Fund Balance £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000	2011/12 £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(1,453)	-	1,453	-
Movements in the fair value of Investment Properties	12	-	(12)	-
Capital grants and contributions that have been applied to capital financing	8,668	-	(8,668)	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6	-	(6)	-
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	3	3
Use of the Capital Receipts Reserve to finance new capital expenditure	(3)	-	-	(3)
Adjustment involving the Capital Grants Unapplied Account				
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	2,681	(2,681)	-	-
Adjustments involving the Pensions Reserve:				
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 15)	(116)	-	116	-
Employer's pensions contributions and direct payments to pensioners payable in the year	147	-	(147)	-
Adjustment involving the Accumulating Compensated Absences Adjustment Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(2)	-	2	-
Total Adjustments	9,940	(2,681)	(7,259)	-

2010/2011 (Restated)	General Fund Balance £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000	2010/11 £000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(1,442)	-	1,442	-
Movements in the fair value of investment Properties	15	-	(15)	-
Capital grants and contributions that have been applied to capital financing	3,715	-	(3,715)	-
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(66)	-	66	-
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	2	2
Use of the Capital Receipts Reserve to finance new capital expenditure	(2)	-	-	(2)
Adjustment involving the Capital Grants Unapplied Account				
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	1,035	(1,035)	-	-
Adjustments involving the Pensions Reserve:				
Reversal of items relating to post employment benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (see note 15)	298	-	(298)	-
Employer's pensions contributions and direct payments to pensioners payable in the year	144	-	(144)	-
Adjustment involving the Accumulating Compensated Absences Adjustment Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(6)	-	6	-
Total Adjustments	**3,691**	**(1,035)**	**(2,656)**	**-**

5. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - OTHER OPERATING EXPENDITURE

2010/11 (Restated) £000		2011/12 £000
-	Fees and Charges	-
(68)	(Gains) / Losses on the disposal of non current assets	(3)
(68)	Total	(3)

6. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2010/11 £000		2011/12 £000
-	Interest payable and similar charges	-
63	Pensions interest cost and expected return on pensions assets	(49)
(13)	Interest receivable and similar income	(26)
(15)	Changes in the fair value of investment properties	(12)
(9)	Income & Expenditure on investment properties	(9)
26	Total	(96)

7. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - NON SPECIFIC GRANT INCOME

2010/11 (Restated) £000		2011/12 £000
(1,282)	Non-ring fenced government grants	(1,540)
(4,750)	Capital grants and contributions	(11,350)
(6,032)	Total	(12,890)

8. BALANCE SHEET - USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and note 4.

9. BALANCE SHEET - UNUSABLE RESERVES

31 March 2011 (Restated) £000		31 March 2012 £000
711	Revaluation Reserve	711
51,559	Capital Adjustment Account	58,789
(1,747)	Pensions Reserve	(2,072)
(10)	Accumulating Compensated Absences Adjustment Account	(12)
50,513	Total Unusable Reserves	57,416

Revaluation Reserve

The Revaluation Reserve contains the 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:

- re-valued 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 are 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.

2010/11 £000			2011/12 £000
711	Balance at 1 April		711
-	Upward revaluation of assets	-	-
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-	-
-	Surplus or deficit on revaluation of non-current assets posted to the Comprehensive Income and Expenditure Statement	-	-
-	Difference between fair value depreciation and historical cost depreciation	-	-
-	Accumulated gains on assets sold or scrapped	-	-
-	Amount written off to the Capital Adjustment Account	-	-
711	Balance at 31 March		711

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 and impairment losses are charged to the Comprehensive Income and Expenditure Statement. The Account is credited with the amounts set aside by the Board as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Board. 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 4 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2010/11 (Restated) £000			2011/12 £000
49,339	Balance at 1 April		51,559
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(1,442)	• Charges for depreciation and impairment of non current assets	(1,453)	
-	• Revaluation losses on Property, Plant and Equipment	-	
(70)	• Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	
-	Adjusting amounts written out of the Revaluation Reserve	-	
(1,512)	**Net written out amount of the cost of non current assets consumed in the year**		(1,453)
	Capital financing applied in the year:		
2	• Use of the Capital Receipts Reserve to finance new capital expenditure	3	
3,715	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	8,668	
-	• Capital expenditure charged against the General Fund	-	
3,717	**Total Capital Financing Applied during the year**		8,671
15	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		12
51,559	**Balance at 31 March**		58,789

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 pensions 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.

2010/11 £000		2011/12 £000
(2,793)	Balance at 1 April	(1,747)
604	Actuarial gains or (losses) on pensions assets and liabilities	(355)
298	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	(116)
144	Employer's pensions contributions and direct payments to pensioners payable in the year	147
(1,747)	Balance at 31 March	(2,072)

Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Reserve Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Reserve Balance is neutralised by transfers to or from the Account.

2010/11 £000		2011/12 £000	
(4)	**Balance at 1 April**		(10)
4	Settlement or cancellation of accrual made at the end of the preceding year	10	-
(10)	Amounts accrued at the end of the current year	(12)	-
(6)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(2)
(10)	**Balance at 31 March**		(12)

10. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2010/11 (Restated) £000		2011/12 £000
3,940	Purchase of property, plant and equipment, investment property and intangible assets	6,908
-	Purchase of short-term and long-term investments	-
-	Other payments for investing activities	-
(2)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3)
-	Proceeds from shot-term and long-term investments	-
(4,750)	Other receipts from investing activities	(11,350)
(812)	**Net cash flows from investing activities**	(4,445)

11. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2010/11 £000		2011/12 £000
-	Cash receipts of short and long-term borrowing	-
(12)	Other receipts from financing activities	(13)
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	-
-	Repayments of short and long-term borrowing	-
-	Other payments for financing activities	-
(12)	**Net cash flows from financing activities**	(13)

12. CASH FLOW STATEMENT - CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2011 £000		31 March 2012 £000
-	Cash held by the Board	-
4,076	Bank current account	8,155
4,076	**Total cash and cash equivalents**	8,155

13. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

Decisions about resource allocation are taken by the Board on the basis of budget reports analysed across operational divisions. 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 and impairment losses) 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 current service cost of benefits accrued in the year

The income and expenditure of the Board's operational divisions recorded in the budget reports for the year is as follows:

Divisional Income and Expenditure 2011/2012	Admin £000	Operations £000	Plant & Equipment £000	Bridge Maintenance £000	Income £000	Total £000
Fees, charges & other service income	-	-	-	-	-	-
Interest and investment income	-	-	-	-	(36)	(36)
Government grants	-	-	-	-	(1,540)	(1,540)
Total Income	-	-	-	-	(1,576)	(1,576)
Employee expenses	180	481	-	397	-	1,058
Other service expenses	240	5	169	104	-	518
Total Expenditure	420	486	169	501	-	1,576
Net Expenditure	420	486	169	501	(1,576)	-

Divisional Income and Expenditure 2010/2011	Admin £000	Operations £000	Plant & Equipment £000	Bridge Maintenance £000	Income £000	Total £000
Fees, charges & other service income	-	-	-	-	-	-
Interest and investment income	-	-	-	-	(23)	(23)
Government grants	-	-	-	-	(1,282)	(1,282)
Total Income	-	-	-	-	(1,305)	(1,305)
Employee expenses	177	468	-	406	-	1,051
Other service expenses	261	4	182	99	-	546
Total Expenditure	438	472	182	505	-	1,597
Net Expenditure	438	472	182	505	(1,305)	292

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

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

	2010/11 £000	2011/12 £000
Net expenditure in the Divisional Analysis	292	-
Net expenditure of services not included in the Analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	2,392	3,196
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(144)	(147)
Cost of Services in Comprehensive Income and Expenditure Statement	2,540	3,049

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of divisional 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.

2011/2012	Operational Divisions £000	Amounts not reported to mgmt £000	Amounts not included in CIES £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	-	-	-	-	-	-
Interest and investment income	(36)	-	-	(36)	(63)	(99)
Government grants and contributions	(1,540)	-	-	(1,540)	(11,350)	(12,890)
Total income	(1,576)	-	-	(1,576)	(11,413)	(12,989)
Employee expenses	1,058	167	(147)	1,078	-	1,078
Other service expenses	518	-	-	518	-	518
Depreciation, amortisation and impairment	-	1,453	-	1,453	-	1,453
Interest Payments	-	-	-	-	-	-
Gain or Loss on Disposal of Non-Current Assets	-	-	-	-	-	-
Total expenditure	1,576	1,620	(147)	3,049	-	3,049
Surplus or deficit on the provision of services	-	1,620	(147)	1,473	(11,413)	(9,940)

2010/2011 (Restated)	Operational Divisions £000	Amounts not reported to mgmt £000	Amounts not included in CIES £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	-	-	-	-	-	-
Interest and investment income	(23)	-	-	(23)	47	24
Government grants and contributions	(1,282)	-	-	(1,282)	(4,750)	(6,032)
Total income	(1,305)	-	-	(1,305)	(4,703)	(6,008)
Employee expenses	1,051	199	(144)	1,106	-	1,106
Other service expenses	546	(554)	-	(8)	-	(8)
Depreciation, amortisation and impairment	-	1,442	-	1,442	-	1,442
Interest Payments	-	-	-	-	-	-
Gain or Loss on Disposal of Non-Current Assets	-	70	-	70	-	70
Total expenditure	1,597	1,157	(144)	2,610	-	2,610
Surplus or deficit on the provision of services	292	1,157	(144)	1,305	(4,703)	(3,398)

14. EXTERNAL AUDIT COSTS

The Board has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to other non-audit services provided by the Board's external auditors:

	2010/11 £000	2011/12 £000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	13	12
Fees payable in respect of other services provided by the appointed auditor during the year	-	-
Total	13	12

15. DEFINED BENEFIT PENSION SCHEMES

Participation in pension schemes

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 employees retire, the Board has a commitment to make the payments and this needs to be disclosed at the time that employees earn their future entitlement.

The Board participates in two post employment schemes:

- The Local Government Pension Scheme (Tayside Superannuation Fund), which is administered locally by Dundee City Council and is a funded defined benefit final salary scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit final arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions relating to post employment benefits

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 the Board is required to make against the cost of service is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Reserve via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Reserve Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme £000	
	2010/2011	2011/2012
Comprehensive Income and Expenditure Statement:		
Cost of Services:		
• current service cost	193	165
• past service costs	(554)	-
Financing and Investment Income and Expenditure		
• interest cost	423	357
• expected return on scheme assets	(360)	(406)

	Local Government Pension Scheme £000	
	2010/2011	2011/2012
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	(298)	116
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
• actuarial (gains) and losses	(604)	355
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(902)	471
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	298	(116)
Actual amount charged against the General Fund Balance for pensions in the year:		
• employers' contributions payable to scheme	144	147
• retirement benefits payable to pensioners	-	-

Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded liabilities: Local Government Pension Scheme £000	
	2010/2011	2011/2012
Opening balance at 1 April	7,746	6,946
Current service cost	193	165
Interest cost	423	357
Contributions by scheme participants	47	46
Settlements and curtailments	-	-
Actuarial gains and losses	(571)	359
Benefits paid	(338)	(240)
Past service costs	(554)	-
Closing balance at 31 March	6,946	7,633

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme £000	
	2010/2011	2011/2012
Opening balance at 1 April	4,953	5,199
Expected rate of return	360	406
Actuarial gains and (losses)	30	3
Settlements	-	-
Employer contributions	147	147
Contributions by scheme participants	47	46
Benefits paid	(338)	(240)
Closing balance at 31 March	5,199	5,561

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 £23,000 (2010/11: £389,000).

Scheme history:

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present value of liabilities	(5,540)	(5,191)	(7,746)	(6,946)	(7,633)
Fair value of assets in the Local Government Pension Scheme	4,219	3,750	4,953	5,199	5,561
Surplus/(deficit) in the scheme	(1,321)	(1,441)	(2,793)	(1,747)	(2,072)

The liabilities show the underlying commitments that the Board has in the long run to pay post employment (retirement) benefits. The total liability of £2.072m is reflected in the Board's Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Board remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e., before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Board in the year to 31 March 2013 is £135,000.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Tayside Superannuation Fund has been assessed by Barnett Waddingham, an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31 March 2011.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2010/11	2011/12
Long-term expected rate of return on assets in the scheme:		
Equity investments	8.2%	7.1%
Gilts	4.4%	3.3%
Bonds	5.5%	4.6%
Property	5.4%	4.3%
Cash	3.0%	3.0%
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	21.4	20.6
Women	24.4	22.8
Longevity at 65 for future pensioners (years):		
Men	22.3	21.8
Women	25.3	24.4
Rate of Inflation (RPI)	3.5%	3.3%
Rate of Inflation (CPI)	2.7%	2.5%
Rate of increase in salaries	5.0%	4.8%
Rate of increase in pensions	2.7%	2.5%
Rate for discounting scheme liabilities	5.5%	4.6%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

The Tayside Superannuation Fund's assets consist of the following categories, by proportion of the total assets held:

	31 March 2011 %	31 March 2012 %
Equity investments	72	68
Gilts	7	8
Other Bonds	10	11
Property	9	11
Cash	2	2
Total	100	100

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	(12.2)	(19.7)	21.2	0.6	0.1
Experience gains and losses on liabilities	0.0	(1.1)	0.2	0.0	6.9

16. EVENTS AFTER THE BALANCE SHEET DATE

There were no events that occurred between 1 April 2012 and 28 September 2012 that would have an impact on the 2011/2012 financial statements. The latter date is the date on which the audited accounts were authorised for issue by the Treasurer.

17. 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.

Central Government
Central government has effective control over the general operations of the Board. It is responsible for providing the statutory framework within which the Board operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Board has with other parties. Grants received from government departments are set out in the subjective analysis in note 13 on amounts reported to decision makers. There are no grant receipts outstanding at 31 March 2012 (see note 25).

Other Local Authorities
Angus, Dundee City and Fife Councils are considered to be related parties of the Board. During 2011/2012, the Board entered into a number of transactions with Dundee City and Fife Councils, as detailed below:

2010/2011 Income £000	2010/2011 Expenditure £000		2011/2012 Income £000	2011/2012 Expenditure £000
		Dundee City Council:		
(13)	-	Interest Receivable	(26)	-
-	59	Central Support Services	-	58
-	-	Miscellaneous	-	30
-	2	Grounds Maintenance	-	-
(13)	61	**Total**	(26)	88
		Fife Council:		
-	10	Grounds Maintenance	-	-
-	10	**Total**	-	-

The following balances existed between the Board and Dundee City and Fife Councils as at 31 March 2012:

2010/2011 Asset £000	2010/2011 Liability £000		2011/2012 Asset £000	2011/2012 Liability £000
		Dundee City Council:		
-	17	Central Support Services	-	36
(13)	-	Interest Receivable	(26)	-
-	24	Miscellaneous	(546)	13
(13)	41	Total	(572)	49
		Fife Council:		
-	-	Grounds Maintenance	-	-
-	-	Total	-	-

18. **LEASES**

The Board as Lessee

The Board held no assets on finance or operating lease during 2011/2012 and, accordingly, there were no lease rentals paid to lessors during the year (2010/2011 None) or commitments due to lessors in 2011/2012 (2010/2011 None).

The Board as Lessor

The Board had entared a three year agreement for the lease of land and property to a third party which ended in 2011. This arrangement has continued on a monthly basis as permitted in the lease agreement. This agreement is accounted for as an operating lease. in 2011/2012 the Board received rent of £10,213 from this agreement (2010/2011 £10,213). The present value of minimum lease payments receivable as at the Balance Sheet date are as follows:

a) Not later than 1 year = £10,213
b) later than 1 year and not later than 5 years = £Nil
c) later than 5 years = £Nil.

19. **INVESTMENT PROPERTIES**

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement:

	2010/11 £000	2011/12 £000
Rental income from investment property	10	10
Direct operating expenses arising from investment property	(1)	(1)
Net gain/(loss)	9	9

There are no restrictions on the Board's ability to realise the value inherent in its investment property or on the Board's right to the remittance of income and the proceeds of disposal.

The following table summarises the movement in the fair value of investment properties over the year:

	2010/11 £000	2011/12 £000
Balance at start of the year	58	73
Additions:		
Purchases	-	-
Subsequent expenditure	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	15	12
Transfers:		
to/from Inventories	-	-
to/from Property, Plant and Equipment	-	-
Balance at end of the year	73	85

20. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2011/12:

	Other Land and Buildings	Vehicles, Plant & Equip	Infrastructure Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2011	1,244	739	56,239	1,910	60,132
Additions	-	14	6,107	-	6,121
Additions - Ramp Work	-	-	-	2,550	2,550
Derecognition – Disposals	-	-	-	-	-
Derecognition – Other	-	-	(80)	-	(80)
Other movements in Cost or Valuation	-	-	3,991	(3,991)	-
At 31 March 2012	1,244	753	66,257	469	68,723
Accumulated Depreciation and Impairment					
At 1 April 2011	14	248	7,721	-	7,983
Depreciation charge	14	50	1,308	-	1,372
Derecognition – Disposals	-	-	-	-	-
At 31 March 2012	28	298	9,029	-	9,355
Net Book Value					
At 31 March 2012	1,216	455	57,228	469	59,368
At 31 March 2011	1,230	492	48,518	1,910	52,150

Comparative Movements in 2010/11 (Restated):

	Other Land and Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2010	1,244	618	54,849	-	56,711
Additions	-	157	1,650	-	1,807
Additions - Ramp Work	-	-	-	1,910	1,910
Derecognition – Disposals	-	(36)	(150)	-	(186)
Derecognition – Other	-	-	(110)	-	(110)
Other movements in Cost or Valuation	-	-	-	-	-
At 31 March 2011	1,244	739	56,239	1,910	60,132
Accumulated Depreciation and Impairment					
At 1 April 2010	-	241	6,525	-	6,766
Depreciation charge	14	43	1,276	-	1,333
Derecognition – Disposals	-	(36)	(80)	-	(116)
At 31 March 2011	14	248	7,721	-	7,983
Net Book Value					
At 31 March 2011	1,230	492	48,518	1,910	52,150
At 31 March 2010	1,244	376	48,324	-	49,944

Capital Commitments

At 31 March 2012, the Board has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years, budgeted to cost £12,059,000. (Similar commitments at 31 March 2011 were £464,000). The major commitment is for:

- Pier Collision Protection Works - £12,008,000

Revaluations

The Authority 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 Mr Douglas Davidson BSc MRICS, from Dundee City Council's City Development Department. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

21. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

	2010/11 £000	2011/12 £000
Capital investment:		
Property, Plant and Equipment	1,807	6,122
Investment Properties	-	-
Total Capital Investment	**1,807**	**6,122**
Sources of finance:		
Capital receipts	2	3
Government grants and other contributions	1,805	6,119
Capital Financed from Revenue	-	-
Total Sources of Finance	**1,807**	**6,122**

22. INVENTORIES

	Consumable Stores		Maintenance Materials		Client Services Work In Progress		Property Acquired or Constructed for Sale		Total	
	10/11 £000	11/12 £000	10/11 £000	11/12 £000	10/11 £000	11/12 £000	10/11 £000	11/12 £000	10/11 £000	11/12 £000
Balance outstanding at start of year	-	-	52	47	-	-	-	-	52	47
Purchases	-	-	-	-	-	-	-	-	-	-
Recognised as an expense in the year	-	-	(2)	(1)	-	-	-	-	(2)	(1)
Written off balances	-	-	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-	-	-
Other Adjustments	-	-	(3)	1	-	-	-	-	(3)	1
Balance outstanding at year-end	-	-	47	47	-	-	-	-	47	47

23. SHORT-TERM DEBTORS

	31 March 2011 £000	31 March 2012 £000
Central government bodies	-	-
Local authorities	12	572
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	8	9
Total	20	581

24. SHORT-TERM CREDITORS

	31 March 2011 £000	31 March 2012 £000
Central government bodies	-	161
Local authorities	41	127
NHS bodies	-	-
Public corporations and trading funds	9	-
Other entities and individuals	356	2,079
Total	406	2,367

25. GRANT INCOME

The Board credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2011/12:

	2010/11 (Restated) £000	2011/12 £000
Credited to Taxation and Non Specific Grant Income		
Scottish Government Revenue Grant	1,282	1,540
Scottish Government Capital Grant	2,840	8,800
Dundee City Council Capital Grant	1,910	2,550
Total	6,032	12,890

The Board has £160,000 of Revenue grants, contributions and donations that have yet to be recognised as income due to them having conditions attached to them that requires the monies or property to be returned to the grant provider (2010/2011 None).

26. PRIOR PERIOD ADJUSTMENT

Restatement required at the beginning of the earliest prior period presented

There was no change to net assets or the brought forward reserves' balances as at 1 April 2010.

Reconciliation of adjustment to Balance Sheet at 31 March 2011

	Original Balance Sheet as at 31 March 2011 £000	Adjustment 1: Recognising Asset Under Construction at 31 March 2011 £000	Adjustment 2: Derecognising Net Book Value of Replaced Asset at 31 March 2011 £000	Restated Balance Sheet as at 31 March 2011 £000
Property, Plant & Equipment	50,310	1,910	(70)	52,150
Total Long Term Assets	50,383	1,910	(70)	52,223
Net Assets	52,373	1,910	(70)	54,213
Unusable Reserves (Capital Adjustment Account)	48,673	1,910	(70)	50,513
Total Reserves	52,373	1,910	(70)	54,213

Adjustment 1: Recognising the Asset Under Construction at 31 March 2011:

The board is required to recognise all assets under construction at the balance sheet date and all corresponding grant income when it is received. The contract to complete the western off-ramp was in progress at 31 March 2011 and as such the portion of the contract that was complete at that date (£1.91m) is required to be recognised as an asset under construction within property, plant and equipment. The matching grant for this expenditure is also required to be recognised.

Adjustment 2: Derecognising Net Book Value of Replaced Asset:

The board is required to derecognise the net book value of any assets that have been replaced in order to avoid double-counting. The original western off-ramp had been demolished at 31 March 2011, therefore the carrying amount has to be derecognised at that date. In the absence of accurate data for the carrying value of the ramp, the total cost of the new asset was used as a proxy figure and an indexation calculation was applied to calculate the original cost of the ramp and the associated accumulated depreciation in order to establish the carrying amount to be derecognised.

	Amount as at 31 March 2011 £000
Estimated original cost	150
Estimated accumulated depreciation	(80)
Estimated Net Book Value	**70**

Reconciliation of adjustment to Comprehensive Income and Expenditure Statement 2010/2011:

	Original 2010/2011 CIES: Net Expenditure / Income £000	Adjustment 1: Recognising Asset Under Construction at 31 March 2011 £000	Adjustment 2: Derecognising Net Book Value of Replaced Asset at 31 March 2011 £000	**Restated 2010/2011 CIES: Net Expenditure / Income £000**
Other Operating Income & Expenditure	(2)	-	70	68
Non-Specific Grant Income	(4,122)	(1,910)	-	(6,032)
(Surplus) or Deficit on Provision of Services	**(1,558)**	(1,910)	70	(3,398)
Total Comprehensive Income and Expenditure	**(2,162)**	(1,910)	70	(4,002)

Reconciliation of Adjustment to Movement in Reserves Statement 2010/2011:

	Original 2010/2011 MRS: General Fund Balance £000	Adjustment 1: Rococognising Asset Under Construction at 31 March 2011 £000	Adjustment 2: Derecognising Net Book Value of Replaced Asset at 31 March 2011 £000	Restated 2010/2011 MRS: General Fund Balance £000
Adjustments between accounting basis & funding basis under regulations	1,851	1,910	(70)	3,691

	Original 2010/2011 MRS: Unusable Reserves £000	Adjustment 1: Rococognising Asset Under Construction at 31 March 2011 £000	Adjustment 2: Derecognising Net Book Value of Replaced Asset at 31 March 2011 £000	Restated 2010/2011 MRS: Unusable Reserves £000
Adjustments between accounting basis & funding basis under regulations	(816)	(1,910)	70	(2,656)

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of the Tay Road Bridge Joint Board and the Accounts Commission for Scotland

We have audited the financial statements of the Tay Road Bridge Joint Board for the year ended 31 March 2012 on pages 15 to 48. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 (the 2011-12 Code).

This report is made solely to the members of the Tay Road Bridge Joint Board and the Accounts Commission for Scotland, in accordance with Part VII of the Local Government (Scotland) Act 1973. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Tay Road Bridge Joint Board and the Accounts Commission for Scotland, for this report, or the opinions we have formed.

Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities on page 14, the Treasurer is responsible for the preparation of financial statements which 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 Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non- financial information in the statement of accounts to identify material misstatements or 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 of the state of the affairs of the body as at 31 March 2012 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011-12
- have been prepared in accordance with the requirements of the Local Government (Scotland) act 1973 and the Local Government Scotland Act 2003.

Opinion on other matters prescribed by the Local Government (Scotland) Act 1973

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 Treasurer's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Local Government (Scotland) Act 1973 requires us to report to you if, in our opinion:

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

S. Reid

S Reid

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EG

28 September 2012