

REPORT TO: TAY ROAD BRIDGE JOINT BOARD – 7 SEPTEMBER 2015
 REPORT ON: RESPONSE TO EXTERNAL AUDITOR'S ANNUAL REPORT ON THE
 2014/2015 AUDIT OF TAY ROAD BRIDGE JOINT BOARD

REPORT BY: TREASURER

REPORT NO: TRB 23-2015

ITEM No: 7(a)

1 PURPOSE OF REPORT

This report is a response to the report prepared by the Board's External Auditor on the audit of Tay Road Bridge Joint Board for the year ended 31 March 2015. A copy of the External Auditor's report and the Board's Audited Statement of Accounts are included on the agenda as separate items.

2 RECOMMENDATIONS

It is recommended that the Board:

- i endorse this report as the formal response to the External Auditor's report;
- ii notes that the External Auditor's findings and conclusions are favourable;
- iii instructs the Treasurer to monitor the implementation of the agreed action plan appended to this report.

3 FINANCIAL IMPLICATIONS

None

4 MAIN TEXT

Introduction

- 4.1 The external audit of the Board for the financial year 2014/2015 was carried out by Mr Andrew Shaw, Director, KPMG. The Joint Board's External Auditors are appointed for a five year period and the financial year 2014/2015 marked the fourth year of KPMG's current appointment to the Board.

External Auditors Report

- 4.2 The External Auditor's report outlines his main responsibilities as auditor and describes the scope of audit work undertaken during 2014/2015 and the issues arising from that work. The report is divided into the following areas:

- Executive Summary;
- Strategic Overview;
- Financial Statements and Accounting;
- Governance and Narrative Reporting; and
- Performance Management.

- 4.3 In addition to the Members of the Board, the External Auditor's Report is also addressed to the Controller of Audit at the Accounts Commission for Scotland. Given this wider audience, and the extent of the External Auditor's responsibilities and scope of work, his report is by necessity both fulsome and extensive. A copy of his report is included on

the agenda as a separate item. Accordingly, it is not the intention of this report to provide a detailed response or commentary on all the External Auditor's findings.

Conclusions

4.4 During 2014/2015, the External Auditor examined a number of areas covering a wide range of the Board's activities. It is pleasing to note that the auditor's overall findings and conclusions are satisfactory. In particular the Board can take encouragement from the following findings:

- the accounts were submitted on time;
- there was no qualification to the auditor's opinion;
- final accounts preparation procedures and working papers were of high quality;
- assurance can be placed on the financial systems and internal financial controls used by the Board;
- many aspects of a sound corporate governance framework are in place, including an Annual Governance Statement; and
- there are appropriate arrangements in place in respect of standards of conduct and prevention and detection of fraud and irregularity.

5 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environment Assessment, Anti-Poverty and Equality Impact Assessment and Risk Management. There are no major issues identified.

6 CONSULTATIONS

The Bridge Manager and Clerk to the Board have been consulted on the content of this report and are in agreement with the contents.

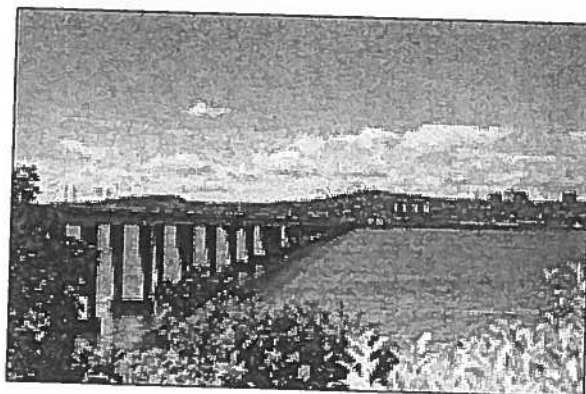
7 BACKGROUND PAPERS

KPMG: Tay Road Bridge Joint Board - Annual Report to Members on the 2014/2015 Audit (September 2015).

MARJORY M STEWART
TREASURER

26 AUGUST 2015

ITEM No: 7(b)



TAY ROAD BRIDGE JOINT BOARD

ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2015

AUDITED

SEPTEMBER 2015

ITEM NO. 100



TAY ROAD BRIDGE JOINT BOARD
ANNUAL ACCOUNTS
FOR THE YEAR ENDING 31 MARCH 1915

APPROVED

SEPTEMBER 1915

TAY ROAD BRIDGE JOINT BOARD

ANNUAL ACCOUNTS 2014/2015

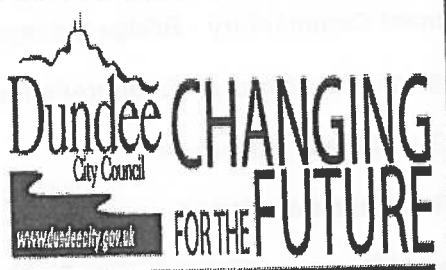


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TAY ROAD BRIDGE JOINT BOARD

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 has 1 member and Fife Council nominates the remaining 5 members. Following the Scottish Local Government Elections that were held in May 2013 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 2014/2015, the Members and Officials of the Board were:

Representing Dundee City Council	
Councillor Jimmy Black (Vice Chair) Councillor Will Dawson Councillor Ken Lynn Councillor Bill Campbell Councillor Tom Ferguson Councillor Fraser Macpherson	
Representing Angus Council	
Councillor Sheila Hands	
Representing Fife Council	
Councillor Margaret Taylor (Chair) Councillor Jim Young Councillor Brian Thomson Councillor Bill Connor Councillor Andy Heer	
Bridge Manager	
Mr Alan Hutchison BEng (Hons), MSc, CEng, MICE	
Engineer	
Mr Fergus Wilson BSc, MBA, CEng, MICE, MCIHT, MAPS, Dundee City Council	
Clerk	
Mr Roger Mennie LLB (Hons), DipLP, Dundee City Council	
Treasurer	
Mrs Marjory M Stewart FCCA, CPFA, Dundee City Council	

Contact details:

Tay Road Bridge Joint Board website: www.tayroadbridge.co.uk

Bridge Manager
Bridge Office
Marine Parade
Dundee
DD1 3JB
01382 433044
alan.hutchison@tayroad
bridge.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
roger.mennie@
dundeecity.gov.uk

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

MANAGEMENT COMMENTARY - BRIDGE MANAGER'S REPORT

Organisational Changes

The Board appointed Alan Hutchison as Bridge Manager in May 2014.

In December 2014, the Bridge Manager presented a report to the Board recommending a revised staffing structure and alternative method of delivering a safety boat service with the aim of providing an enhanced service delivery in relation to the inspection and maintenance of the Board's assets.

Seven members of the Maintenance Team accepted the Voluntary Early Retirement (VER) and Voluntary Redundancy (VR) opportunities offered to them and left the employment of Tay Road Bridge Joint Board at the end of March 2015.

The existing safety boat, the Fife, has been sold, and a new contract for safety boat services commenced in July 2015.

Management Arrangements 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 operational and financial matters.

Contracts

Carriageway Resurfacing Works

Holding maintenance works involving local resurfacing adjacent to the carriageway expansion joints was successfully completed over three weekends in October and November 2014. The use of a contraflow traffic management system, whereby one carriageway is fully closed to allow work to be carried out unhindered, was piloted during this contract and proved to be very successful with very little disruption to the travelling public. As a result of this success, it is very likely that this traffic management system will be adopted during the major expansion joint replacement works, currently anticipated to be undertaken in 2019/2020.

Pier Collision Protection Works

The Tay Road Bridge Pier Collision Protection project was completed on 19 December 2012. The two year defect maintenance period associated with the contract is now finished and an inspection confirmed no defects and retention monies were therefore released.

Scour Survey

As part of the ongoing bridge inspection regime, a pier scour survey of the river bed was carried out in June 2014. This was compared to previous scour surveys and it was confirmed that no significant variation from these surveys, which date back to 1978. No action was required and the situation will continue to be monitored through further scour surveys at the recommended six yearly intervals.

Dundee Central Waterfront Development

Contract 3 for the demolition and reconstruction of the main on-off ramps that was undertaken by Sir Robert McAlpine was completed in summer 2014.

In general the works provided few operational difficulties or delays to the travelling public.

Contract 4, involving the realignment and other changes to the roads located below the east ramps has commenced with little impact on Bridge operations.

SESTRAN Park & Ride Proposal

Approval has been given by the Board for the sale of the land at the Fife Landfall to SESTRAN at a value determined by the District Valuer. This proposal is currently the subject of ongoing discussion between solicitors.

Traffic

Traffic counters are still unavailable following reconfiguration of the ramps, and as such it is still not possible to report on traffic numbers. However, it is anticipated that traffic counters will be available in summer 2015, and will be installed and supported by Dundee City Council who will provide Tay Road Bridge with data 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	Works Full Closures	Breakdowns and Minor Accidents	Operational closures Debris collection etc
4	23	80	7	53	563

Over the period there were 4 full closures due to winds exceeding 80mph and the number of wind related restrictions is comparable over this time compared to 2013/2014.

The number of short term single carriageway closures to clear breakdowns and minor accidents from the bridge has decreased over the past 12 months, reducing by almost a third from 2013/2014.

There were 7 full closures between 01:00 to 04:00 to undertake investigation works and resurfacing/patching works on the carriageway. This is less than half the closures required during 2013/2014 due to the successful introduction of contraflow traffic management in October and November 2014.

Staffing Issues

Staff Establishment

The VER/VR scheme has resulted in a reduction of staffing levels and the existing establishment stands as follows:-

Administration	3
Operational	15
Maintenance	8
Cleaner (P/T)	1
Total	27

Alan Hutchison
Bridge Manager
Tay Road Bridge Joint Board
7 September 2015

MANAGEMENT COMMENTARY - 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 Annual Accounts for the financial year 2014/2015.

Annual Governance Statement (see page 10)

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.

Annual Remuneration Report (see page 12)

This report 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.

Statement of Responsibilities for the Statement of Accounts (see page 16)

This statement sets out the main financial responsibilities of the Board and the Treasurer.

The Accounting Statements (see pages 17 to 47)*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 explain the accounting treatment of both general and specific items.

Revenue Expenditure

The Tay Road Bridge Joint Board, at its meeting on 16 December 2013, approved the 2014/2015 Revenue Budget. The final budget showed a break-even position. The projected General Reserve balance as at 31 March 2015 would be £1,160,591.

The Board received quarterly Revenue Monitoring reports during 2014/2015 in order to keep the members fully apprised as to the projected revenue outturn position.

The following table reconciles the Revenue Budget approved by the Board on 16 December 2013 (as adjusted) to the revised budget figures that are included in the Comprehensive Income and Expenditure Statement shown on page 18. The actual outturn for 2014/2015 was a net overspend against budget of £17,000 before the application of accounting adjustments and the detailed variance analysis is set out on page 8.

	Approved Budget £000	Corp & Democratic Core Re-allocation £000	Net Depreciation & Impairment Allocation £000	Re-allocate Investment Property Inc & Exp £000	Employee Benefits Adjustment £000	Net (Gain) or Loss on Disposal of Assets £000	Recognised Capital Grant £000	Revaluation of Current Assets £000	IAS 19 Adjs £000	Revised Budget £000	Actual Expend/ (Income) £000	Over / (Under) Spend £000
Staff Costs	1,131	-	-	-	6	-	-	-	68	1,205	1,252	47
Property Costs	71	-	-	(6)	-	-	-	-	-	65	53	(12)
Supplies and Services	350	(22)	-	-	-	-	-	-	-	328	279	(49)
Transport Costs	45	-	-	-	-	-	-	-	-	45	42	(3)
Third Party Payments	125	(10)	-	-	-	-	-	-	-	115	120	5
Depreciation & Impairment	-	-	1,802	-	-	-	-	-	-	1,802	1,802	-
Corporate & Democratic Core	-	32	-	-	-	-	-	-	-	32	32	-
Non Distributed Costs	-	-	-	-	-	-	-	-	165	165	165	-
Cost of Expenditure	1,722	-	1,802	(6)	6	-	-	-	233	3,757	3,745	(12)
Other Operating Income & Expenditure	(10)	-	-	10	-	33	-	-	-	33	33	-
Financing & Investment Income & Expenditure	(12)	-	-	(4)	-	-	-	-	98	82	78	(4)
Non-Specific Grant Income	(1,700)	-	-	-	-	-	(1,033)	-	-	(2,733)	(2,700)	33
(Surplus) / Deficit on Provision of Service	-	-	1,802	-	6	33	(1,033)	-	331	1,139	1,156	17
(Surplus) / Deficit on Revaluation of Fixed Assets	-	-	-	-	-	-	-	(192)	-	(192)	(192)	-
Actuarial Gains / Losses on Pension Assets / Liabilities	-	-	-	-	-	-	-	-	(640)	(640)	(640)	-
Total Comprehensive Income & Expenditure	-	-	1,802	-	6	33	(1,033)	(192)	(309)	307	324	17
IAS 19 Adjustments	-	-	-	-	-	-	-	-	309	309	293	(16)
Other IFRS Code Accounting Adjustments	-	-	(1,802)	-	(6)	(33)	1,033	192	-	(616)	(617)	(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 (Overspend £47,000)

This reflects additional expenditure in relation to the Voluntary Early Retirement / Voluntary Redundancy (VER / VR) scheme. This has been partly offset by an underspend in relation to a vacant post remaining unfilled during the year, an underspend on overtime which has been lower than budgeted following a reduction in the level of overtime required as there were relatively few contracts requiring bridge maintenance staff, an underspend from the re-grading of the bridge managers post prior to being advertised, and another vacant post being filled at the bottom of the salary scale.

Property Costs (Underspend £12,000)

Reflects lower expenditure relating to electricity costs due to more efficient lighting in use. In addition, expenditure on navigation lights was lower than anticipated due to new equipment installed during the Pier Collision Protection Works.

Supplies & Services (Underspend £49,000)

Reflects lower expenditure due to the fact that restricted access to the bridge due to the gantries being out of use have meant a reduction in the amount of bridge maintenance work carried out during the year. This has resulted in lower than anticipated expenditure on the purchase of equipment and materials, plant hire, equipment maintenance, and maintenance of the cathodic protection equipment. There were also underspends in relation to the Safety Boat as there was no major contracts in progress. Additionally, there was an underspend in relation to de-icing materials which was due to the relatively mild winter. These were partly offset by additional expenditure on a new uninterrupted power supply and a new emergency phone system which were both required to bring them up-to-date.

Transport Costs (Underspend £3,000)

Reflects lower expenditure relating to fuel costs for the gantries and safety boat as the amount of bridge maintenance work carried out during the year was reduced. This was partly offset by an overspend relating to harbourage fees due to the fact that for insurance purposes there is now a requirement to berth the safety boat at Tayport when high winds are expected. There was also an overspend relating to increased expenditure on vehicle repairs.

Third Party Payments (Overspend £5,000)

Reflects additional expenditure as a review of the gantry operational maintenance manual was required in order to update it in advance of the gantries becoming operational after a period when they were out-of-action due to maintenance. There was also additional expenditure in relation to engineering professional fees. This was partly offset by savings relating to allowances for professional fees in respect of the cathodic protection system which could not be fully conducted as the use of the gantries has been restricted.

Financing and Investment Income and Expenditure (Underspend £4,000)

Reflects lower than anticipated expenditure on investment property due to less repairs required than expected.

Non-Specific Grant Income (Income Shortfall £33,000)

Reflects the net underspend on other budget heads, as detailed above. Any unused Revenue Grant (with conditions) requires to be held in creditors so that it can be applied to match expenditure in future years.

Other Accounting Adjustments (Underspend £17,000)

Reflects an underspend on IFRS Code Accounting adjustments. These were partly offset by an overspend relating to IAS 19 adjustments.

General Reserve

There was a break-even position for the financial year 2014/2015. This gives a total General Reserve balance of £1,160,591 at 31 March 2015, which is unchanged from the corresponding figure at 31 March 2014.

Capital Expenditure and Financing

During 2014/2015, the Board incurred capital expenditure of £808,000 on the following projects:-

	<u>£000</u>
New Vehicles	20
Carriageway Resurfacing	210
Gantry	70
Ice Detection Equipment	8
Pier Collision Protection Works	390
Expansion Joints	60
Other Projects	<u>50</u>
	<u>808</u>

Capital expenditure was funded as follows:

	<u>£000</u>
Capital Grant from the Scottish Government	779
Capital Receipts	<u>29</u>
	<u>808</u>

In addition to the above, £0.533m has been recognised in the Balance Sheet within property, plant and equipment at 31 March 2015. This relates to the main on-off ramp which was constructed by Dundee City Council as part of the Central Waterfront Development.

Control of Revenue and Capital Expenditure

The control of both the revenue and capital expenditure of the Board is an on-going 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 the 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 £1,935,000 as at 31 March 2015. The estimated net pension liability at 31 March 2014 was £2,228,000. Increases in the Returns on Assets and other actuarial gains have caused an increase in assets. This was partly offset by an increase in the value of scheme liabilities, resulting in the overall net liability decreasing by £293,000.

Acknowledgements

During the 2014/2015 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 for their assistance 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 Roger Mennie, Clerk to the Board.

Finally, I would conclude my report by thanking all staff who contributed to the preparation of the Board's 2014/2015 Annual Accounts.

Marjory M Stewart, FCCA, CPFA
Treasurer
Tay Road Bridge Joint Board
7 September 2015

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 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 and prepare action plans as appropriate.

In addition the Board has 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 conforms with Public Sector Internal Audit Standards 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

During 2012/2013, Internal Audit identified the following areas where further improvements could be made:

- Develop a Data Protection Policy; and
- Develop a Freedom of Information Policy.

Data Protection and Freedom of Information policies are being developed and will be reported to the September 2015 Board meeting for approval.

During 2013/2014, Internal Audit identified the following areas where further improvements could be made:

- Update the Health and Safety Policy statement;
- Devise a testing programme for the Business Continuity Plan; and
- Revise the Office Procedures to ensure they are consistent with other Policy documents.

An updated Health and Safety Policy was approved at the December 2014 Board meeting. The Business Continuity Plan was updated to reflect the need for an annual 'desk-top' testing exercise by management. The revision of the Office Procedures is in progress with a target completion date of June 2015.

During 2014/2015, Internal Audit conducted its programme of audits, including reviews of Contract Management, Compliance with Legislation and Staff Recruitment and Retention. These identified the following areas where further improvements could be made:

- Maintain a record of all contract management activity including performance measures;
- Develop a whistle-blowing policy;
- Update the Fraud Guidelines to take account of the UK Bribery Act 2010;
- Devise a recruitment and selection policy; and
- Develop a records management policy.

It is proposed that during 2015/2016 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.

Councillor Margaret Taylor
Chair
Tay Road Bridge Joint Board
7 September 2015

Alan Hutchison
Bridge Manager
Tay Road Bridge Joint Board
7 September 2015

ANNUAL REMUNERATION REPORT

INTRODUCTION

The Board is required to prepare and publish within its Annual Accounts an annual Remuneration Report under the Local Authority Accounts (Scotland) Amendment Regulations 2014. The report sets out the remuneration of the Chair and Vice-Chair and Senior Employees of the Board 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. 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 Annual Accounts as to whether the Remuneration Report has been properly prepared in accordance with the Regulations. Tables 1, 2 and 3 are subject to audit, and the remainder of the report is subject to review.

REMUNERATION ARRANGEMENTS

Senior Board Members

The remuneration of Councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations set out the remuneration payable to Councillors with the responsibility of a Chair or Vice-Chair of a Joint Board. The Regulations require the remuneration to be paid by the Council of which the Chair or Vice-Chair is a member.

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

The remuneration details for the Chair and Vice-Chair of Tay Road Bridge Joint Board are set out in Table 1.

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 responsible 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 2014/2015, with the employee falling into category (i) above. The remuneration details for the Senior Employees of the Board are set out in Table 2.

The Regulations also require information to be published on the total number of Board employees (including Senior Employees) whose total actual 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
	2014/2015	2013/2014
£50,000 - £54,999	1	0
£55,000 - £59,999	0	1
Total	1	1

EXIT PACKAGES

There were exit packages agreed during 2014/2015 (2013/2014: None). These are set out in Table 4.

ACCRUED PENSION BENEFITS

Pension benefits for Local Government Employees are provided through the Local Government Pension Scheme (LGPS). The LGPS is 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 members' contribution rates for 2014/2015 remain at the 2009/2010 rates although the pay bandings have been adjusted. The tiers and contribution rates are as follows:

Whole Time Pay	Contribution Rate 2014/2015	Whole Time Pay	Contribution Rate 2013/2014
On earnings up to and including £20,335	5.5%	up to and including £19,800	5.5%
On earnings above £20,335 and up to £24,853	7.25%	above £19,800 and up to £24,200	7.25%
On earnings above £24,853 and up to £34,096	8.5%	above £24,200 and up to £33,200	8.5%
On earnings above £34,096 and up to £45,393	9.5%	above £33,200 and up to £44,200	9.5%
On earnings above £45,393	12%	above £44,200	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 3, 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 2014/2015, the scheme member contribution rate for Senior Employees of the Board was in the range of 7.9% to 8.3% of pensionable pay. In 2014/2015, the employer contribution rate was 18% of pensionable pay for Senior Employees.

Councillor Margaret Taylor
Chair
Tay Road Bridge Joint Board
7 September 2015

Alan Hutchison
Bridge Manager
Tay Road Bridge Joint Board
7 September 2015

TABLE 1 – REMUNERATION OF COUNCILLORS WHO ARE CHAIR AND VICE-CHAIR OF TAY ROAD BRIDGE JOINT BOARD

Councillor Name	Responsibility	Salary, Fees & Allowances £	Taxable Expenses £	Non-cash Expenses & Benefits-in-kind £	Total Remuneration 2014/2015 £	Total Remuneration 2013/2014 £
Margaret Taylor	Chair, Tay Road Bridge Joint Board	4,129	40	0	4,169	3,865
Jimmy Black	Vice-Chair, Tay Road Bridge Joint Board	3,107	0	0	3,107	2,405
Total		7,236	40	0	7,276	6,270

TABLE 2 – 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 2014/2015 £	Total Remuneration 2013/2014 £
J.I. MacKinnon	Bridge Manager (to 18 May 2015)	7,773	0	0	0	0	7,773	58,425
A. Hutchison	Bridge Manager (from 5 May 2015)	47,286	0	0	0	0	47,286	n/a
Total		55,059	0	0	0	0	55,059	58,425

TABLE 3 – SENIOR EMPLOYEES ACCRUED PENSION BENEFITS

Employee Name	Post Title	Pension as at 31 March 2015 £000	Pension Difference from 31 March 2014 £000	Lump Sum as at 31 March 2015 £000	Lump Sum Difference from 31 March 2014 £000	Pension Contribution 2014/2015 £	Pension Contribution 2013/2014 £
J.I. MacKinnon	Bridge Manager (to 18 May 2015)	26	0	63	0	1,399	10,517
A. Hutchison	Bridge Manager (from 5 May 2015)	6	n/a	6	n/a	8,512	n/a
Total		32	0	69	0	9,911	10,517

TABLE 4 – TERMINATION BENEFITS AND EXIT PACKAGES

As part of a revision to the staff structure, Maintenance Team employees the Board approved a Voluntary Early Retirement and Voluntary Redundancy schemes. The table below details the total number and cost of employee departures agreed under these schemes, split over various cost bandings. The total cost of these exit packages includes the strain on fund payable by the Board to the relevant pension scheme, employers contribution to any enhancement of service awarded (i.e. added years benefits) or redundancy payments made. These costs are included on an actuarial basis and have been calculated by the Board's appointed actuary, Barnett Waddingham (where no actuarial valuation was provided by the actuary an estimate of the capitalised cost has been made based on the required future payments to the relevant pension schemes).

Exit Package Cost Band	Total Number of exit packages by cost band		Total cost of exit packages in each cost band £000	
	2013/2014	2014/2015	2013/2014	2014/2015
£0 - £20,000	-	4	-	30
£20,001 - £40,000	-	-	-	-
£40,001 - £60,000	-	1	-	46
£60,001 - £80,000	-	2	-	133
Total	-	7	-	209

TAY ROAD BRIDGE JOINT BOARD

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Board's responsibilities

The Board is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Board, that officer is the Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- approve the Audited Annual Accounts.

I confirm that these Annual Accounts were approved for signature by the Joint Board at its meeting on 7 September 2015.

Signed on behalf of Tay Road Bridge Joint Board

Councillor Margaret Taylor
Chair
Tay Road Bridge Joint Board
7 September 2015

The Treasurer's responsibilities

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

In preparing the Annual Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the Code of Practice (in so far as it is compatible with legislation).

The Treasurer has also:

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

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

Marjory M Stewart, FCCA, CPFA
Treasurer
Tay Road Bridge Joint Board
7 September 2015

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 2013	(1,161)	(1,031)	(2,192)	(71,068)	(73,260)
<u>Movement in Reserves during 2013/2014</u>					
(Surplus) or deficit on provision of services	(844)	-	(844)	-	(844)
Other Comprehensive Expenditure and Income	-	-	-	(170)	(170)
Total Comprehensive Expenditure and Income	(844)	-	(844)	(170)	(1,014)
Adjustments between accounting basis & funding basis under regulations (note 4)	844	(144)	700	(700)	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	-	(144)	(144)	(870)	(1,014)
Transfers to / (from) Earmarked Reserves	-	-	-	-	-
(Increase) / Decrease in 2013/2014	-	(144)	(144)	(870)	(1,014)
Balance at 31 March 2014 carried forward	(1,161)	(1,175)	(2,336)	(71,938)	(74,274)
<u>Movement in Reserves during 2014/2015</u>					
(Surplus) or deficit on provision of services	1,156	-	1,156	-	1,156
Other Comprehensive Expenditure and Income	-	-	-	(832)	(832)
Total Comprehensive Expenditure and Income	1,156	-	1,156	(832)	324
Adjustments between accounting basis & funding basis under regulations (note 4)	(1,156)	280	(876)	876	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	-	280	280	44	324
Transfers to / (from) Earmarked Reserves	-	-	-	-	-
(Increase) / Decrease in Year	-	280	280	44	324
Balance at 31 March 2015 carried forward	(1,161)	(895)	(2,056)	(71,894)	(73,950)

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.

2013/2014

2014/2015

Gross Expenditure	Gross Income	Net Expenditure / (Income)		Budgeted Net Expenditure (unaudited)	Gross Expenditure	Gross Income	Net Expenditure / (Income)
£000	£000	£000		£000	£000	£000	£000
1,175	-	1,175	Expenditure				
50	-	50	Staff Costs	1,205	1,252	-	1,252
226	-	226	Property Costs	65	53	-	53
43	-	43	Supplies and Services	328	279	-	279
83	-	83	Transport Costs	45	42	-	42
1,787	-	1,787	Third Party Payments	115	120	-	120
30	-	30	Depreciation & Impairment	1,802	1,802	-	1,802
-	-	-	Corporate and Democratic Core	32	32	-	32
3,394	-	3,394	Non Distributed Costs	165	165	-	165
			Cost Of Services	3,757	3,745	-	3,745
513	(314)	199	Other Operating Income & Expenditure (note 5)	33	-	33	33
93	(21)	72	Financing and Investment Income and Expenditure (note 6)	82	100	(22)	78
-	(4,509)	(4,509)	Non-Specific Grant Income (note 7)	(2,733)	-	(2,700)	(2,700)
4,000	(4,844)	(844)	(Surplus) or Deficit on Provision of Services (note 13)	1,139	3,845	(2,689)	1,156
-	-	-	(Surplus) or deficit on revaluation of PPE	(192)	33	(225)	(192)
218	(388)	(170)	Actuarial (Gains) / Losses on Pension Assets / Liabilities	(640)	1,127	(1,767)	(640)
218	(388)	(170)	Other Comprehensive Income and Expenditure	(832)	1,160	(1,992)	(832)
4,218	(5,232)	(1,014)	Total Comprehensive Income and Expenditure	307	5,005	(4,681)	324

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 is usable reserves, i.e. those 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 is unusable reserves i.e. those that the Board is not able to use to provide services. This category 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'.

31 March 2014 £000		Note	31 March 2015 £000
74,055	Property, Plant & Equipment	20	73,829
62	Investment Property	19	62
74,117	Total Long Term Assets		73,891
67	Inventories	22	63
19	Short Term Debtors	23	20
3,083	Cash and Cash Equivalents	12	2,709
3,169	Total Current Assets		2,792
(784)	Short Term Creditors	24	(798)
(784)	Total Current Liabilities		(798)
(2,228)	Net Pension Liabilities		(1,935)
(2,228)	Total Long Term Liabilities		(1,935)
74,274	Net Assets		73,950
2,336	Usable reserves	8	2,056
71,938	Unusable Reserves	9	71,894
74,274	Total Reserves		73,950

Marjory Stewart FCCA, CPFA
Treasurer
Tay Road Bridge Joint Board
7 September 2015

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.

2013/2014 £000		2014/2015 £000
(844)	Net (surplus) or deficit on the provision of services	1,156
(1,536)	Adjust net surplus or deficit on the provision of services for non cash movements	(1,854)
2,971	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	996
591	Net cash flows from Operating Activities	298
(248)	Investing Activities (note 10)	87
(22)	Financing Activities (note 11)	(11)
321	Net (Increase) or Decrease in cash and cash equivalents	374
3,404	Cash and cash equivalents at the beginning of the reporting period	3,083
3,083	Cash and cash equivalents at the end of the reporting period (note 12)	2,709

TAY ROAD BRIDGE JOINT BOARD
NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

A General Principles

The Annual Accounts summarises the Board's transactions for the 2014/2015 financial year and its position at the year-end of 31 March 2015. The Board is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 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 2014/2015 and the Service Reporting Code of Practice 2014/2015, supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Annual 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.

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, being the period in which the employee takes the benefit. 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 appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Board can no longer withdraw the offer of those benefits or when the Board recognises costs for a restructuring. 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 pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Board are members of a separate pension scheme being the Local Government Superannuation Scheme (Tayside Pension 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 Pension Fund attributable to the Board are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate 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 Pension 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 the following components:

- Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to Staff Costs;
 - past service cost – the increase in liabilities arising as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs; and
 - net interest on the defined benefit liability (asset), i.e. net interest expense for the Board – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
 - the return on plan assets – excluding amounts included in the net interest on the net defined benefit liability (asset) – charged to the Pensions Reserves Other Comprehensive Income and Expenditure; and
 - 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the Tayside Pension 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 Annual Accounts are 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 Annual Accounts are adjusted to reflect such events

- those that are indicative of conditions that arose after the reporting period – the Annual Accounts are 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 Annual 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 users 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 re-valued 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.

The Board as Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at fair value 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).

The Board as Lessor

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 or 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 re-valued 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. Receipts are 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).

Depreciation 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.

Depreciable assets are not depreciated in the year of purchase, but are depreciated in the year of disposal.

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 Statement 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 within 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 Annual 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 2015 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.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for property, plant and equipment would increase by £64,000 for every year that useful lives had to be reduced.</p>
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.	<p>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 £64,000.</p> <p>However, the assumptions interact in complex ways. During 2014/2015, the Board's actuaries advised that the net pensions liability had increased by £1,692,000 as a result of estimates being corrected as a result of experience and decreased by £1,052,000 attributable to updating of the assumptions.</p>

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.

2014/2015	General Fund Balance £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000	Total 2014/2015 £000
Adjustments involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets	(1,802)	-	1,802	-
Movements in the fair value of Investment Properties	-	-	-	-
Capital grants and contributions that have been applied to capital financing	1,033	280	(1,313)	-
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	-	-	-	-
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	-	-	(28)	(28)
Use of the Capital Receipts Reserve to finance new capital expenditure	28	-	-	28
Adjustments involving the Capital Grants Unapplied Account:				
Reversal of unapplied capital grant and contributions credited to the Comprehensive Income and Expenditure Statement	-	-	-	-
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)	(560)	-	560	-
Employer's pensions contributions and direct payments to pensioners payable in the year	149	-	(149)	-
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	(4)	-	4	-
Total Adjustments	(1,156)	280	876	-

2013/2014

	General Fund Balance £000	Capital Grants Unapplied Account £000	Movement in Unusable Reserves £000	Total 2013/2014 £000
Adjustments involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non current assets	(1,787)	-	1,787	-
Movements in the fair value of Investment Properties	-	-	-	-
Capital grants and contributions that have been applied to capital financing	3,010	-	(3,010)	-
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	(199)	-	199	-
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	-	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	-
Adjustment involving the Capital Grants Unapplied Account				
Reversal of unapplied capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	-	(144)	144	-
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)	(332)	-	332	-
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	5	-	(5)	-
Total Adjustments	844	(144)	(700)	-

5. **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - OTHER OPERATING INCOME AND EXPENDITURE**

2013/2014 £000		2014/2015 £000
199	(Gains) / Losses on the disposal of non current assets	33
199	Total	33

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

2013/2014 £000		2014/2015 £000
91	Net interest on the defined benefit liability (asset)	98
(11)	Interest receivable and similar income	(12)
-	Changes in the fair value of investment properties	-
(8)	Net Income & Expenditure on investment properties	(8)
72	Total	78

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

2013/2014 £000		2014/2015 £000
(1,499)	Non-ring fenced government grants	(1,667)
(3,010)	Capital grants and contributions	(1,033)
(4,509)	Total	(2,700)

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 2014 £000		31 March 2015 £000
707	Revaluation Reserve	711
73,456	Capital Adjustment Account	73,119
(2,228)	Pensions Reserve	(1,935)
3	Accumulating Compensated Absences Adjustment Account	(1)
71,938	Total Unusable Reserves	71,894

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.

2013/2014 £000		2014/2015 £000
707	Balance at 1 April	707
-	Upward Revaluation of assets	76
-	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(1)
-	Accumulated gains on assets sold or scrapped	-
-	Amount written off to the Capital Adjustment Account	(71)
707	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.

2013/2014 £000		2014/2015 £000
72,576	Balance at 1 April	73,456
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(1,787)	• Charges for depreciation and impairment of non current assets	(1,802)
(199)	• 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	53
-	Adjusting amounts written out of the Revaluation Reserve	71
(1,986)	Net written out amount of the cost of non current assets consumed in the year	(1,678)
	Capital financing applied in the year:	
-	• Use of the Capital Receipts Reserve to finance new capital expenditure	28
2,866	• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,313
2,866	Total Capital Financing Applied during the year	1,341
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-
73,456	Balance at 31 March	73,119

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.

2013/2014 £000		2014/2015 £000
(2,213)	Balance at 1 April	(2,228)
170	Re-measurements of the net defined benefit liability / (asset)	640
(332)	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	(496)
147	Employer's pensions contributions and direct payments to pensioners payable in the year	149
(2,228)	Balance at 31 March	(1,935)

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.

2013/2014 £000		2014/2015 £000
		3
(2)	Balance at 1 April	
2	Settlement or cancellation of accrual made at the end of the preceding year	(3)
3	Amounts accrued at the end of the current year	(1)
5	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	(4)
3	Balance at 31 March	(1)

10. CASH FLOW STATEMENT - INVESTING ACTIVITIES

2013/2014 £000		2014/2015 £000
2,762	Purchase of property, plant and equipment, investment property and intangible assets	1,171
-	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(51)
(3,010)	Other receipts from investing activities	(1,033)
(248)	Net cash flows from investing activities	87

11. CASH FLOW STATEMENT - FINANCING ACTIVITIES

2013/2014 £000		2014/2015 £000
(22)	Other receipts from financing activities	(11)
(22)	Net cash flows from financing activities	(11)

12. CASH FLOW STATEMENT - CASH AND CASH EQUIVALENTS

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

31 March 2014 £000		31 March 2015 £000
3,083	Bank current account	2,709
3,083	Total cash and cash equivalents	2,709

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 2014/2015	Admin £000	Operations £000	Plant & Equipment £000	Bridge Maintenance £000	Income £000	Total £000
Interest and investment income	-	-	-	-	(23)	(23)
Government grants	-	-	-	-	(1,667)	(1,667)
Total Income	-	-	-	-	(1,690)	(1,690)
Employee expenses	198	479	-	485	-	1,162
Other service expenses	266	5	162	95	-	528
Total Expenditure	464	484	162	580	-	1,690
Net Expenditure	464	484	162	580	(1,690)	-

Divisional Income and Expenditure 2013/2014	Admin £000	Operations £000	Plant & Equipment £000	Bridge Maintenance £000	Income £000	Total £000
Interest and investment income	-	-	-	-	(21)	(21)
Government grants	-	-	-	-	(1,499)	(1,499)
Total Income	-	-	-	-	(1,520)	(1,520)
Employee expenses	186	475	-	425	-	1,086
Other service expenses	247	4	134	49	-	434
Total Expenditure	433	479	134	474	-	1,520
Net Expenditure	433	479	134	474	(1,520)	-

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

	2013/2014 £000	2014/2015 £000
Net expenditure in the Divisional Analysis	-	-
Net expenditure of services not included in the Analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	2,042	2,227
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	1,352	1,518
Cost of Services in Comprehensive Income and Expenditure Statement	3,394	3,745

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.

2014/2015	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	-	-	-	-	226	226
Interest and investment income	(23)	-	-	(23)	(92)	(115)
Government grants and contributions	(1,667)	-	-	(1,667)	(1,033)	(2,700)
Total Income	(1,690)	-	-	(1,690)	(899)	(2,589)
Employee expenses	1,162	232	(149)	1,245	169	1,414
Other service expenses	528	-	-	528	-	528
Depreciation, amortisation and impairment	-	1,802	-	1,802	-	1,802
Total expenditure	1,690	2,034	(149)	3,575	169	3,744
Surplus or deficit on the provision of services	-	2,034	(149)	1,885	(730)	1,155

2013/2014	Operational Divisions £000	Amounts not reported to mgmt £000	Amounts not included in CIES £000	Cost of Services £000	Corporate Amounts £000	Total £000
Interest and investment income	(21)	-	-	(21)	292	271
Government grants and contributions	(1,499)	-	-	(1,499)	(3,010)	(4,509)
Total Income	(1,520)	-	-	(1,520)	(2,718)	(4,238)
Employee expenses	1,086	234	(147)	1,173	-	1,173
Other service expenses	434	-	-	434	-	434
Depreciation, amortisation and impairment	-	1,787	-	1,787	-	1,787
Total expenditure	1,520	2,021	(147)	3,394	-	3,394
Surplus or deficit on the provision of services	-	2,021	(147)	1,874	(2,718)	(844)

14. EXTERNAL AUDIT COSTS

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

	2013/2014 £000	2014/2015 £000
Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year	12	12
Total	12	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 Pension 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.

The Tayside Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme (Scotland) regulations 2008 and the governance of the scheme is the responsibility of the Pensions Investment Sub-Committee of the Policy and Resources Committee of Dundee City Council. Policy is determined in accordance with the Pensions Fund Regulations. The investment managers of the fund are appointed by the Sub-Committee.

The principal risks to the Board of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge the Cost of Services the amounts required by statute as described in the accounting policies note.

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 reserves 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		
	2013/2014	2014/2015
Comprehensive Income and Expenditure Statement:		
<i>Cost of Services:</i>		
• current service cost	241	233
• past service cost	-	165
<i>Financing and Investment Income and Expenditure</i>		
• net interest on the defined liability (asset)	88	95
• administration expenses	3	3
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	332	496

Local Government Pension Scheme £000		
	2013/2014	2014/2015
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>		
Re-measurement of the net defined benefit liability comprising:		
• Return on plan assets (excluding amount included in the net interest expense)	(216)	(667)
• Other actuarial gains / (losses) on assets	-	(230)
• Actuarial gains and losses arising on changes in demographic assumptions	218	(75)
• Actuarial gains and losses arising on changes in financial assumptions	(164)	1,127
• Other (if applicable)	(8)	(795)
Total Re-measurements	(170)	(640)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	162	(144)
<i>Movement in Reserves Statement:</i>		
• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(332)	(560)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
• employers' contributions payable to scheme	147	149
• retirement benefits payable to pensioners	-	-

Pension assets and liabilities recognised in the Balance Sheet

Local Government Pension Scheme £000			
	2012/2013	2013/2014	2014/2015
Net pension assets as at:			
Present value of funded obligation	8,565	8,999	9,762
Fair value of scheme assets	(6,430)	(6,838)	(7,984)
Net liability	2,135	2,161	1,778
Present value of unfunded obligation	78	67	157
Net liability arising from defined benefit obligation	2,213	2,228	1,935

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		
	2013/2014	2014/2015
Opening balance at 1 April	8,643	9,066
Current service cost	241	233
Interest cost	350	395
Contributions by scheme participants	47	47
<i>Re-measurement (gains) and losses:</i>		
○ change in financial assumptions	(164)	1,127
○ change in demographic assumptions	218	(75)
Experience loss / (gain) on defined benefit obligation	(8)	(795)
Benefits paid	(261)	(244)
Past service costs, including curtailments	-	165
Closing balance at 31 March	9,066	9,919

Reconciliation of fair value of the scheme assets:

Local Government Pension Scheme £000		
	2013/2014	2014/2015
Opening balance at 1 April	6,430	6,838
Interest income on assets	262	300
Re-measurement gain / (loss): return on assets less interest	216	667
Other re-measurement gain / (loss)	-	230
Administration expenses	(3)	(3)
Employer contributions	147	149
Contributions by scheme participants	47	47
Benefits paid	(261)	(244)
Closing balance at 31 March	6,838	7,984

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 £967,000 (2013/2014: £478,000).

The liabilities show the underlying commitments that the Board has in the long run to pay post employment (retirement) benefits. The total liability of £1.935m 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.

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 Pension 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 2014.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme		
	2013/2014	2014/2015
Long-term expected rate of return on assets in the scheme:		
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	21.0	21.2
Women	23.3	23.2
Longevity at 65 for future pensioners (years):		
Men	23.2	23.4
Women	25.6	25.5
Rate of inflation (RPI)	3.5%	3.1%
Rate of Inflation (CPI)	2.7%	2.3%
Rate of increase in salaries	4.9%	4.1%
Rate of increase in pensions	2.7%	2.3%
Rate for discounting scheme liabilities	4.4%	3.1%

The estimate of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analyses have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the defined benefit obligation in the Scheme:

Local Government Pension Scheme			
	£000	£000	£000
	+0.1%	0%	-0.1%
Adjustment to discount rate:			
o Present value of total obligation	9,767	9,919	10,073
o Projected service cost	247	252	257
Adjustment to long term salary increase:			
o Present value of total obligation	9,946	9,919	9,892
o Projected service cost	252	252	252

Adjustment to pension increases and deferred re-valuation:			
○ Present value of total obligation	10,047	9,919	9,793
○ Projected service cost	257	252	247
Adjustment to mortality age rating assumption:			
	+ 1 year	None	- 1 year
○ Present value of total obligation	9,551	9,919	10,290
○ Projected service cost	243	252	261

The Board's share of Tayside Pension Fund's assets consist of the following categories, by amount and proportion of the total assets held:

	31 March 2014 £000	31 March 2014 %	31 March 2015 £000	31 March 2015 %
Equity investments	4,855	71	5,654	71
Gilts	342	5	437	5
Other Bonds	889	13	1,009	13
Property	615	9	796	10
Cash	137	2	88	1
Total	6,838	100	7,984	100

Impact on the Board's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Tayside Pension Fund has agreed a strategy with the scheme's actuary to achieve a funding level of 100%. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2017.

The Board anticipated to pay £130,000 expected contributions to the scheme in 2015/2016. The weighted average duration of the defined benefit obligation for scheme members is 16 years (2014/2015: 17 years).

16. EVENTS AFTER THE BALANCE SHEET DATE

There were no events that occurred between 1 April 2015 and 7 September 2015 that would have an impact on the 2014/2015 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 2015 (see note 25).

Other Local Authorities

Angus, Dundee City and Fife Councils are considered to be related parties of the Board. During 2014/2015, the Board entered into a number of transactions with Dundee City Council and Fife Council, as detailed below:

2013/2014		2014/2015	
Income £000	Expenditure £000	Income £000	Expenditure £000
Dundee City Council:			
(11)	-	(12)	-
-	52	-	55
-	6	-	261
(11)	58	(12)	316
Fife Council:			
-	5	-	5
-	5	-	5

The following balances existed between the Board and Dundee City Council and Fife Council as at 31 March 2015:

2013/2014		2014/2015	
Asset £000	Liability £000	Asset £000	Liability £000
Dundee City Council:			
-	14	-	17
(11)	-	(12)	-
-	173	-	93
(11)	187	(12)	110
Fife Council:			
-	5	-	5
-	5	-	5

18. LEASES

The Board as Lessee

The Board held no assets on finance or operating lease during 2014/2015 and, accordingly, there were no lease rentals paid to lessors during the year (2013/2014: None) or commitments due to lessors in 2014/2015 (2013/2014: None).

The Board as Lessor

The Board had entered 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 2014/2015 the Board received rent of £10,213 from this agreement (2013/2014: £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:

	2013/2014 £000	2014/2015 £000
Rental income from investment property	10	10
Direct operating expenses arising from investment property	(2)	(2)
Net gain/(loss)	8	8

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:

	2013/2014 £000	2014/2015 £000
Balance at start of the year	62	62
Additions: Purchases	-	-
Subsequent expenditure	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	-	-
Transfers: to/from Inventories	-	-
to/from Property, Plant and Equipment	-	-
Balance at end of the year	62	62

20. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2014/2015:

	Other Land and Buildings £000	Vehicles, Plant & Equip £000	Infrastructure Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation					
At 1 April 2014	1,244	797	76,252	7,920	86,213
Additions	-	108	700	-	808
Additions - Ramp Work	-	-	-	533	533
Derecognition – Disposals	-	(175)	-	-	(175)
Expenditure Not Adding Value	-	-	(36)	-	(36)
Revaluation Increases / (Decreases) recognised in the Revaluation Reserve	76	-	-	-	76
Revaluation Increases / (Decreases) recognised in the Surplus / Deficit on the Provision of Services	163	-	-	-	163
Other movements in Cost or Valuation	-	-	8,453	(8,453)	-
At 31 March 2015	1,483	731	85,369	-	87,583
Accumulated Depreciation and Impairment					
At 1 April 2014	57	399	11,703	-	12,159
Depreciation charge	23	53	1,690	-	1,766
Depreciation written out to the Surplus / Deficit on the Provision of Services	(57)	-	-	-	(57)
Derecognition – Disposals	-	(114)	-	-	(114)
At 31 March 2015	23	338	13,393	-	13,754
Net Book Value					
At 31 March 2015	1,460	393	71,976	-	73,829
At 31 March 2014	1,187	398	64,549	7,920	74,054

Comparative Movements in 2013/2014:

	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 2013	1,244	770	76,475	5,410	83,899
Additions	-	27	329	-	356
Additions - Ramp Work	-	-	-	2,510	2,510
Derecognition – Disposals	-	-	(513)	-	(513)
Expenditure Not Adding Value	-	-	(39)	-	(39)
Other movements in Cost or Valuation	-	-	-	-	-
At 31 March 2014	1,244	797	76,252	7,920	86,213
Accumulated Depreciation and Impairment					
At 1 April 2013	42	348	10,335	-	10,725
Depreciation charge	15	51	1,682	-	1,748
Derecognition – Disposals	-	-	(314)	-	(314)
At 31 March 2014	57	399	11,703	-	12,159
Net Book Value					
At 31 March 2014	1,187	398	64,549	7,920	74,054
At 31 March 2013	1,202	422	66,140	5,410	73,174

Capital Commitments

At 31 March 2015, the Board had not entered into any contracts for the construction or enhancement of Property, Plant and Equipment in 2015/2016 and future years. (Similar commitments at 31 March 2014 were £397,000).

Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years. All valuations were carried out by Mr Alastair Kay BSc MRICS, Registered Valuer for 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.

	2013/2014 £000	2014/2015 £000
<i>Capital investment:</i>		
Property, Plant and Equipment	356	808
Total Capital Investment	356	808
<i>Sources of finance:</i>		
Capital receipts	-	28
Government grants and other contributions	356	780
Total Sources of Finance	356	808

22. INVENTORIES

	Maintenance Materials		Total	
	2013/2014 £000	2014/2015 £000	2013/2014 £000	2014/2015 £000
Balance outstanding at start of year	47	67	47	67
Recognised as an expense in the year	19	(4)	19	(4)
Other Adjustments	1	-	1	-
Balance outstanding at year-end	67	63	67	63

23. SHORT-TERM DEBTORS

	31 March 2014 £000	31 March 2015 £000
Local authorities	11	12
Other entities and individuals	8	8
Total	19	20

24. SHORT-TERM CREDITORS

	31 March 2014 £000	31 March 2015 £000
Central government bodies	545	686
Local authorities	198	40
Other entities and individuals	41	72
Total	784	798

25. GRANT INCOME

The Board credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2014/2015:

	2013/2014 £000	2014/2015 £000
Credited to Taxation and Non Specific Grant Income		
Scottish Government Revenue Grant	1,499	1,667
Scottish Government Capital Grant	500	500
Dundee City Council Capital Grant	2,510	533
Total	4,509	2,700

The Board has £570,000 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 (2013/2014: £537,000).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAY ROAD BRIDGE JOINT BOARD AND THE ACCOUNTS COMMISSION FOR SCOTLAND

We certify that we have audited the financial statements of Tay Road Bridge Joint Board for the year ended 31 March 2015 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement and Movement in Reserves Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the 2014/15 Code).

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

Respective responsibilities of the Treasurer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the body as at 31 March 2015 and of the income and expenditure of the body for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In our opinion:

- The part of the Remuneration Report to be audited has been properly prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014; and
- The information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Andrew Shaw
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
191 West George Street
Glasgow
G2 2LJ

11 September 2015



cutting through complexity

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Tay Road Bridge Joint Board

Annual audit report to the members of Tay Road Bridge Joint Board and
the Controller of Audit

Audit: year ended 31 March 2015

24 August 2015



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The contacts at KPMG
in connection with this
report are:

Andy Shaw

Director, KPMG LLP

Tel: 0131 527 6673

Fax: 0131 527 6666

andrew.shaw@kpmg.co.uk

Carol Alderson

Engagement Manager,

KPMG LLP

Tel: 0141 309 2502

Fax: 0141 204 1584

carol.alderson@kpmg.co.uk

Ross Clarke

Audit In-Charge, KPMG LLP

Tel: 0141 300 5521

Fax: 0141 204 1584

ross.clarke@kpmg.co.uk

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About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's Code of Audit Practice ("the Code").

This report is for the benefit of the Tay Road Bridge Joint Board and is made available to Audit Scotland and the Accounts Commission for Scotland (together "the beneficiaries"), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the circumstances set out in the executive summary: scope and responsibilities.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.



Executive summary Headlines

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Area	Summary observations	Analysis
Strategic overview		
Financial position	For the year ended 31 March 2015 the Joint Board reported a cost of services of £3.745 million. The outturn represents a £0.012 million underspend on the 2014-15 budget approved by the Joint Board.	Pages 6-7
Financial statements and accounting		
Audit conclusions	We expect to issue unqualified audit opinions on the 2014-15 financial statements, following their approval by the Joint Board on 7 September 2015. The financial statements, 'management commentary, directors' report, governance statement and remuneration report were received by the start of audit fieldwork and were supported by high quality working papers. The areas highlighted below are the specific audit focus areas identified within our audit strategy: <ul style="list-style-type: none"> management override of controls fraud risk. fraudulent revenue recognition property, plant and equipment; and pension liability. 	Page 9
Significant risks and audit focus areas	Audit work has been completed to satisfy the requirements of ISA 330 'The auditor's procedures in response to assessed risks', including tests of key financial controls. In respect of each matter, we are content with management's judgements and accounting treatment.	Page 10
Going concern	The Joint Board had net assets of £73.95 million as at 31 March 2015. The financial statements are prepared on a going concern basis, and the funding in respect of 2015-16 was agreed in advance of approving the budget.	Page 12
Accounting policies	There have been no changes to accounting policies applied by Joint Board in 2014-15. No newly effective accounting standards are expected to have a material impact on the 2015-16 financial statements.	Page 12

Our audit work is undertaken in accordance with Audit Scotland's Code of Audit Practice ("the Code"). This specifies a number of objectives for the audit.

In accordance with ISA (UK and Ireland) 260:

Communication with those charged with governance, this report summarises our work in relation to the financial statements for the year ended 31 March 2015.

We wish to record our appreciation of the continued co-operation and assistance extended to us during the course of our work.



Executive summary Headlines (continued)

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Area	Summary observations	Analysis
Financial statements and accounting (continued)		
Governance and narrative reporting		
Governance	Over-arching and supporting corporate governance arrangements remain primarily unchanged and provide a sound framework for organisational decision-making.	Pages 14-16
Internal controls	Testing of the design and operation of financial controls over significant risk points was undertaken as part of our testing. Our work concluded that controls relating to financial systems and procedures are designed appropriately and operating effectively.	Page 15
Performance management		
Performance management	Our work has identified that the Joint Board's performance management arrangements are generally appropriate to its business objectives.	Page 18

Executive summary

Scope and responsibilities

Purpose of this report

The Auditor General for Scotland ("the Auditor General") has appointed KPMG LLP as auditor of Tay Road Bridge Joint Board ("the Joint Board") under the Public Finance and Accountability (Scotland) Act 2000 ("the Act"). The period of appointment is 2011-12 to 2015-16, inclusive.

Our annual audit report is designed to summarise our opinion and conclusions on significant issues arising from our audit. It is addressed to both those charged with governance at the Joint Board and the Controller of the Audit. The scope and nature of our audit were set out in our audit strategy document which was presented to the Joint Board at the outset of our audit.

The Code sets out the wider dimensions of public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance.

Accountable officer responsibilities

Audit Scotland's *Code of Audit Practice* ("the Code") sets out the Joint Board's responsibilities in respect of:

- preparation of financial statements that show a true and fair view;
- systems of internal control;
- prevention and detection of fraud and irregularities;
- standards of conduct and arrangements for the prevention and detection of bribery and corruption;
- financial position; and
- Best Value.

Auditor responsibilities

This report reflects our overall responsibility to carry out an audit in accordance with our statutory responsibilities under the Act and in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Code.

Scope

An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance.

Weaknesses or risks identified are only those which have come to our attention during our normal audit work in accordance with the Code, and may not be all that exist.

Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Under the requirements of International Standard on Auditing (UK and Ireland) ("ISA") 260 *Communication with those charged with governance*, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity.

This annual audit report to members and our presentation to the audit and risk committee, together with previous reports to the Joint Board throughout the year, discharges the requirements of ISA 260.

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Strategic overview

Our perspective on key business issues and financial position



Strategic overview Financial position

In the year ended 31 March

2015 the Joint Board

reported an outturn of £1.156 million deficit, before I&A19 and revaluation adjustments, which represents a £17,000 overspend on the budget approved for 2014-15 by the Joint Board.

Comprehensive income and expenditure statement

In the year ended 31 March 2015 the Joint Board reported a cost of services of £3,745,000 and deficit on provision of services of £1,156,000.

The outturn represents a £17,000 overspend on the budget approved for 2014-15 by the Joint Board, which formed the basis for the grants received the Scottish Government. The overspend is primarily due to a lower than budgeted non-specific grant income. The budget incorporated a 1% pay award.

2015-16 budget

The 2015-16 budget incorporates a break-even position, resulting in no change to the general fund positions. The revenue funding from the Scottish Government is forecast to remain at £1,700,000. The capital programme for 2015-16 shows capital expenditure of £925,000 funded by £500,000 grant funding and £425,000 capital grants carried forward from previous years.

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Comprehensive income and expenditure statement

	Revised budget £'000	2014-15 £'000	(Under)/Over spend £'000
Cost of services	3,757	3,745	(12)
Other operating income	33	33	-
Financing & investment expenditure	82	78	(4)
Taxation & non specific grant income	(2,733)	(2,700)	33
Deficit on provisions of services	1,139	1,156	17
Surplus on revaluation of PPE*	(192)	(192)	-
Actuarial gain on pension assets/liabilities*	(640)	(640)	-
Total comprehensive income and expenditure	307	324	17

Source: Draft 2014-15 financial statements

*Actual revaluations and actuarial movements are incorporated into the revised budget.

Strategic overview

Financial position (continued)

DRAFT

During the year to 31 March 2015, the net asset position reduced by £0.324 million to £73.95 million.

Balance Sheet

The Joint Board had net assets as at 31 March 2015 of £73,950,000 (2013-14: net assets of £74,274,000).

Property, Plant & Equipment decreased by £226,000 from 2013-14, primarily a result of additions of £1,341,000, upwards revaluations of £239,000 and offset by a depreciation charge of £1,766,000. Total short term debtors remained broadly in line with prior year with a small increase of £1,000.

The cash balance decreased by £354,000 from the prior year, and the Joint Board's total assets decreased by £633,000.

Liabilities

There was a decrease in liabilities of £279,000 during 2014-15, which is attributed to the £293,000 decrease in net pension liability, as set out on page 23. Short term creditors remained relatively consistent, with an increase of £14,000 from the prior year.

Reserves

The general fund reserve decreased by £280,000 to £2,056,000 as at 31 March 2015. The general fund balance is in excess of the previously identified £800,000 prudent level of reserves to be held.

This is within the limits set out within The Tay Road Bridge Conformation Act 1991, Part V 39(3).

Balance Sheet		
	2015 £'000	2014 £'000
Property, Plant & Equipment	73,829	74,055
Investment Property	62	62
Total long term asset	73,891	74,117
Inventories	63	67
Short term debtors	20	19
Cash & cash equivalents	2,709	3,083
Total current assets	2,792	3,169
Total assets	76,683	77,286
Short term creditors	(798)	(784)
Total current liabilities	(798)	(784)
Net pension liabilities	(1,935)	(2,228)
Total long term liabilities	(1,935)	(2,228)
Total liabilities	2,733	3,012
Net assets	73,950	74,274

Source: Draft financial statements 2014-15

Financial statements and accounting

Our perspective on the preparation of the
financial statements and key accounting
judgements made by management



Financial statements and accounting Audit conclusions

DRAFT

We expect to issue an unqualified audit opinion on the financial statements.

The financial statements, including the governance statement, treasurer's report and bridge manager's report, were made available on a timely basis and were accompanied by high quality working papers.

Audit conclusions

Our audit work is complete following receipt of management's representations and update of subsequent events. Following approval of the financial statements by the Treasurer we expect to issue an unqualified opinion on the truth and fairness of the state Joint Board's affairs as at 31 March 2015, and of Joint Board's deficit for the year then ended. There are no matters identified on which we are required to report by exception.

In gathering the evidence for our opinion we have:

- performed controls testing and substantive procedures to ensure that key risks to the financial statements have been covered;
- we reviewed internal audit reports as issued to the Joint Board to ensure all key risk areas which may be viewed to have an impact on the financial statements have been considered;
- reviewed estimates and accounting judgements made by management and considered these for appropriateness;
- considered the potential effect of fraud on the financial statements through discussions with senior management to gain a better understanding of the work performed in relation to prevention and detection of fraud; and
- attended the Joint Board meeting to communicate our findings to those charged with governance, and to update our understanding of the key governance processes.

Financial statements preparation

- High quality working papers and draft financial statements were provided at the start of the audit fieldwork on 29 June 2015. This included the bridge manager's report, remuneration report, treasurer's report and governance statement.
- Reflective of the long standing working relationship the standard of documentation was good and there was evidence of accountability and ownership of working papers across the finance department.
- There were no significant issues with respect to compliance with the Code. We provided feedback to management on the content of the financial statements, annual report, governance statement and remuneration report and we are pleased to report that these were prepared appropriately.
- There are no significant matters in respect of (i) audit differences; (ii) auditor independence and non-audit fees; and (iii) management representation letter content, as reported in appendix one.
- We consider that management has maintained a robust control environment.



Financial statements and accounting Significant risks and audit focus areas

DRAFT

The significant areas of risk identified in our audit strategy were in respect of:

- management override of controls fraud risk, and other focus areas of:
- fraudulent revenue recognition;
- pension liability; and
- property, plant and equipment.

We summarise below the risks of material misstatement as reported within the audit strategy document. We set out the key audit procedures to address those risks and our findings from those procedures, in order that the Joint Board may better understand the process by which we arrived at our audit opinion.

We have no changes to the risk or our approach to addressing the assumed ISA risks of fraud in management override of controls and risks of fraud in revenue recognition. We do not have findings to bring to your attention in relation to these matters. No control overrides were identified.

Audit focus area	Our response	Audit findings
Pension liability The Joint Board accounts for its participation in the Local Government Pension Fund in accordance with IAS 19 Retirement benefits, using a valuation report prepared by actuarial consultants. The Joint Board's actuaries use membership data and a number of assumptions in their calculations based on market conditions at the year end, including a discount rate to derive the anticipated future liabilities back to the year end date and assumptions on future salary increases. IAS 19 requires the discount rate to be set by reference to yields on high quality (i.e. AA) corporate bonds of equivalent term to the liabilities. The determination of the retirement benefit obligation is inherently judgemental and there is a financial statement risk as a result.	Our audit work consisted of: <ul style="list-style-type: none"> ■ KPMG specialists reviewing the financial assumptions underlying actuarial calculations and comparison to our central benchmarks, the result of which are on page 23; ■ testing the scheme assets and rolled-forward liabilities; ■ testing the level of contributions used by the actuary to those actually paid during the year; and ■ agreeing actuarial reports to financial statement disclosures. 	We are satisfied that the pension liability: <ul style="list-style-type: none"> ■ is correctly stated in the balance sheet as at 31 March 2015; ■ has been accounted for and disclosed correctly in line with IAS19 <i>Retirement benefits</i>; and ■ assumptions used in calculating this estimate and managements judgements are appropriate and within the acceptable KPMG range. We set out further information in respect of the pension liability on pages 23 and 24.

Financial statements and accounting Significant risks and audit focus areas (continued)

DRAFT

Audit focus area	Our response	Audit findings
<p>Property, plant and equipment</p> <p>Under the Code, property, plant and equipment ("PPE") is required to be held on the balance sheet at fair value.</p> <p>The property, plant and equipment balance comprises the majority of the Joint Board's assets and there was a revaluation in the year.</p> <p>During the year the Joint Board acquired fixed assets of £1,341,000.</p>	<p>Our audit work consisted of:</p> <ul style="list-style-type: none"> ■ testing a sample of additions to ensure that the amounts added to the fixed asset register were accurate and that the additions were appropriate to capitalise; ■ performing substantive analytical procedures over the depreciation balance to assess whether the amount was in line with the expectation set by KPMG; and ■ understanding the revaluation process and assumptions, and confirming it is in line with expectations. 	<p>We are satisfied that the property, plant and equipment balance:</p> <ul style="list-style-type: none"> ■ is correctly stated in the balance sheet as at 31 March 2015; and ■ has been accounted for and disclosed correctly in line with IAS 16 <i>Property, plant and equipment</i>.



Financial statements and accounting Accounting policies

DRAFT

The financial statements have been appropriately prepared on a going concern basis, having due consideration of the agreement of funding in respect of 2015-16.

Accounting framework and application of accounting policies		
Area	Summary observations	Audit findings
Accounting policies and financial reporting framework	<p>The Joint Board prepared its financial statements in accordance with the Code of Practice which is based upon International Financial Reporting Standards ("IFRS").</p> <p>There have been no significant changes in financial reporting requirements, and consequently there are no other substantive changes to the Joint Board's accounting policies. We are satisfied that the accounting policies adopted remain appropriate.</p> <p>No newly effective accounting standards are considered likely to have a material impact on the Joint Board's financial statements in the coming year.</p>	<p>We are satisfied that the accounting policies adopted remain appropriate to Tay Road Bridge Joint Board.</p> <p>The accounting policies are in line with the Code of Practice and are applied consistently.</p>
Going concern	<p>The Joint Committee's balance sheet as at 31 March 2015 shows a net asset position of £73.950 million and net current assets of £1.995 million. The financial statements have been prepared on a going concern basis in view of this position and forecast funding income.</p>	<p>We concur with management's view that the going concern assumption remains appropriate for the reasons noted.</p> <p>We are satisfied that the going concern disclosure remains appropriate.</p>
Annual report, including the bridge manager's and treasurer's reports	<p>The financial statements form part of the annual report of the Joint Board for the year ended 31 March 2015. We reviewed the contents of the bridge manager's and treasurer's reports and are content with the proposed reports.</p> <p>The Joint Board did not make changes in response to the new management commentary requirements, as a result of the relative simplicity of the Joint Board's operations. The management commentary will be further considered by management for 2015-16.</p>	<p>We are required to consider the explanatory foreword and governance statement, and provide our opinion on the consistency of it with the financial statements. We are satisfied that the information contained within the bridge manager's and treasurer's reports, governance statement and remuneration report is consistent with the financial statements.</p>
Remuneration report	<p>The remuneration report was included within the draft financial statements and supported by good quality information and working papers.</p>	<p>We are satisfied that the information contained within the remuneration report is consistent with the underlying records and the financial statements.</p>

Governance and narrative reporting

Our overall perspective on the narrative reporting, including the annual governance statement.

Update on controls findings from our audit



Governance and narrative reporting Corporate governance arrangements

DRAFT

Over-arching and supporting corporate governance arrangements remain primarily unchanged and provide a sound framework for organisational decision-making.

Area	Summary observations	Audit findings
Annual governance statement and governance arrangements	<p>The statement for 2014-15 outlines the corporate governance and risk management arrangements in operation in the financial year. It provides detail on Joint Board's governance framework, operated internal controls, the work of internal audit, internal financial controls and risk management arrangements and analyses the efficiency and effectiveness of these elements of the framework.</p> <p>The Joint Board operates a local code of corporate governance, drawing on all aspects of its governance arrangements, to consolidate these into a framework which is in line with the principles of the CIPFA / SOLACE publication Delivering Good Governance in Local Government. The local code of corporate governance focuses on four key areas of Joint Committee activity, namely structures and governance; service delivery arrangements; internal control and risk management; and stakeholder focus.</p> <p>The revenue and capital budgets for the year are approved by the Joint Board, which also receive regular monitoring reports at each meeting throughout the financial year to allow them to exercise and demonstrate stewardship and accountability for the use of their resources. Standing orders, financial regulations and tender procedures are approved, and have been published on the Joint Board's website to demonstrate openness and transparency of arrangements.</p>	<p>We consider the governance framework and annual governance statement to be appropriate for Joint Board and that the governance statement is in accordance with guidance and reflects our understanding of the organisation.</p>



Governance and narrative reporting Corporate governance arrangements (continued)

DRAFT

Area	Summary observations	Audit findings
Internal controls	<p>The Joint Board is responsible for designing and implementing appropriate internal control systems to ensure a true and fair view of operations within the financial statements. Our testing of the design and operation of financial controls over significant risk points confirms that controls relating to financial systems and procedures are designed appropriately and operating effectively.</p> <p>The findings of our controls testing relate only to those matters identified during our normal audit work, in accordance with the Code, and there may still be weaknesses or risks within the control environment which have not been identified through this work. KPMG's identification of weaknesses, where applicable, does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.</p>	<p>Our work concluded that that controls relating to financial systems and procedures are designed appropriately and operating effectively.</p>
Prevention and detection of fraud	<p>No material fraud or other irregularities were identified during the year. The arrangements include policies and codes of conduct for staff and board members, supported by a fraud prevention policy and response plan.</p>	<p>We consider that the Joint Board has appropriate arrangements to prevent and detect fraud.</p>
Arrangements for maintaining standards of conduct and the prevention and detection of corruption	<p>The Joint Board has arrangements including policies and codes of conduct for staff and board members, supported by a whistleblowing policy. Board members are responsible for setting the 'tone at the top' and are responsible for abiding by the code of conduct and disclosing interests which may be of importance, material or otherwise, to their work at Tay Road Bridge Joint Board.</p> <p>The members of the Joint Board are drawn from the three constituent councils, and as such are bound by the respective codes of conduct of those councils. Administration of the financial records of the Joint Board is undertaken by Dundee City Council staff who are subject to that Council's policies on standards of conduct, fraud and corruption.</p>	<p>We consider that Joint Board has appropriate arrangements to prevent and detect inappropriate conduct and corruption.</p>



Governance and narrative reporting Corporate governance arrangements (continued)

DRAFT

Area	Summary observations	Audit findings
Internal audit	<p>Internal audit is provided by Henderson Logie, an outsourced internal audit provider and supports management in maintaining sound corporate governance and internal controls through the independent examination and evaluation of control systems and the reporting of any weaknesses to management for action.</p> <p>Audit Scotland's Code of Audit Practice sets out the wider dimension of public sector audit. It requires external auditors to perform an annual assessment of the adequacy of the internal audit function. We considered the activities of internal audit against the requirements of Public Sector Internal Audit Standards ('PSIAS'), focusing our review on the public sector requirements of the attribute and performance standards contained within PSIAS. This included a review of the internal audit charter, reporting lines, independence, objectivity and proficiency and the range of work carried out by internal audit.</p> <p>From this assessment, and considering the requirements of International Standard on Auditing 610 (<i>Considering the Work of Internal Audit</i>), we can apply internal audit's work to inform our procedures, where relevant. The review of internal audit reports and conclusions did not indicate additional risks and there is no impact on our planned substantive testing.</p> <p>Internal audit has completed its agreed plan for the year ended 31 March 2015, and the annual report states that "in our opinion the Organisation has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during the current and previous financial years".</p>	<p>We have concluded that the internal audit service operates in accordance with Public Sector Internal Audit Standards.</p> <p>Internal audit has concluded that the Joint Board has a framework which supports management of key risks.</p>

Performance management

Our perspective on the performance
management arrangements, including follow
up work on Audit Scotland reports



Performance management Performance management

DRAFT

Our work has identified that Joint Board's Best Value and performance management arrangements are generally robust.

Area	Summary observations	Audit findings
Performance management and best value	<p>Scottish Government guidance on Best Value in public services requires a systematic approach to self-evaluation and continuous improvement. The guidance identifies the themes an organisation needs to focus on in order to deliver the duty of Best Value, but notes that implementation should be appropriate and proportionate to the priorities, operating environment, scale and nature of the body's business.</p> <p>We note that in working towards achieving best value, the Joint Board participates in the Tayside Purchasing Consortium, as well as having access to a number of national procurement programmes in which Dundee City Council participates.</p> <p>The Joint Board measures its performance through key performance indicators in respect of the maintenance and enhancement of the road bridge. Details of these are made available to the public through the Joint Board website.</p>	<p>We consider that Joint Board has appropriate arrangements to effectively manage performance.</p>
Financial capacity in public bodies	<p>Through the process of feedback through Annual Audit Reports, current issues reports and sector meetings, Audit Scotland has identified, that overall reductions in staff numbers in public bodies may be affecting the capacity of back-office functions and specifically finance.</p> <p>Audit Scotland has requested the collation of baseline data across the public sector to inform sector specific overview reports and may inform a follow-up to the joint report on the public sector workforce which was published in November 2013 or support the development of the future performance audit programme.</p> <p>Due to the nature and size of the entity, the responsibility lies with a single accountant and the Proper Officer is responsible for Dundee City Council, and the other subsidiaries. Therefore, we are content with the financial capacity of the Joint Board.</p>	<p>We consider that the Joint Board has appropriate financial capacity to effectively manage the organisation.</p>

Appendices



Appendix one Mandatory communications

DRAFT

There were no changes to the core financial statement and there are no unadjusted audit differences

Area	Key content	Reference
Adjusted audit differences Adjustments made as a result of our audit	There were no audit adjustments required to the draft financial statements which impacted on the net assets or net operating cost for the year. A small number of minor numerical and presentational adjustments were required to some of the financial statement notes.	-
Unadjusted audit differences Audit differences identified that we do not consider material to our audit opinion	We are required by ISA (UK and Ireland) 260 to communicate all uncorrected misstatements, other than those which are trivial. There are no unadjusted audit differences.	-
Confirmation of Independence Letter issued to the Joint Board	We have considered and confirmed our independence as auditors and our quality procedures, together with the objectivity of our Audit Director and audit staff.	Appendix two
Schedule of Fees Fees charged by KPMG for non-audit services	No non audit fees have been charged by KPMG.	-
Draft management representation letter Proposed draft of letter to be issued by the Joint Board to KPMG	There are no changes to the standard representations required for our audit from last year.	-
Materiality The materiality applied to audit testing.	We assessed materiality based on our knowledge and understanding of the Joint Board's risk profile and financial statements balances. Materiality was determined at £1,500,000; approximately 2% of total expenditure, and is broadly consistent with the materiality identified in our audit strategy. We designed our audit procedures to detect errors at a lower level of precision, i.e. £1,125,000. We report identified errors greater than £75,000 to the Joint Board.	-



Appendix two Auditor independence

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Auditing standards require us to consider and confirm formally our independence and related matters in our dealings with the Joint Board.

We have appropriate procedures and safeguards in place to enable us to make the formal confirmation in our letter included opposite.

Auditor independence

Professional ethical standards require us to provide to you at the conclusion of an audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed. This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence.

We have considered the fees paid to us by the Tay Road Bridge Joint Board and its related entities for professional services provided by us during the reporting period. We are satisfied that our general procedures support our independence and objectivity.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Regular communications
- Internal accountability
- Risk management
- Independent reviews

Please inform us if you would like to discuss any of these aspects of our procedures in more detail.

There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the board of directors.

Confirmation of audit independence

We confirm that as of 24 August 2015, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Audit Director and audit staff is not impaired.

This letter is intended solely for the information of the audit committee and should not be used for any other purpose.

Yours faithfully

KPMG LLP



Appendix three

Defined benefit obligations

We set out below the assumptions in respect of employee benefits.

DRAFT

In respect of employee benefits, each of the assumptions used to value the Joint Board's net pension deficit are within an acceptable range of KPMG's expectations.

We are of the view that this therefore represents a reasonable and balanced approach, in accordance with the requirements of IAS 19.

Defined benefit pension liability			
2015 £'000	2014 £'000	KPMG comment	
(1,935)	(2,228)	In line with our established practice and in advance of the audit fieldwork, our actuarial specialists reviewed the approach and methodology of the actuarial assumptions used in the IAS19 pension scheme valuation.	
		Details of key actuarial assumptions are included in the table, along with our commentary.	
Assumption	Joint Board	KPMG central	Comment
Discount rate (duration dependent)	3.1%	3.2%	The proposed discount rate is slightly more prudent (higher liability) than KPMG's central rate as at 31 March 2015, but lies within an acceptable range for IAS 19 purposes. The proposed discount rate has been derived from the Merrill Lynch AA Corporate bond yield curve taking into account the Employer's weighted average duration of the liabilities.
CPI inflation	RPI less 0.8% (2.3%)	RPI less 1.0% (2.15%)	The proposed CPI assumption is more prudent (higher liability) than KPMG's central rate as at 31 March 2015, but lies within an acceptable range for IAS 19 purposes. Following the outcome of the ONS consultation on 10 January 2013, KPMG's view is that the differential between RPI and CPI should be higher and closer to 1% and we are seeing most companies adopt an assumption of around 1% for this differential.
Net discount rate (discount rate – CPI)	0.8%	1.0%	The proposed assumption is more prudent (higher liability) than KPMG's central rate as at 31 March 2015. However, the proposed assumption is within an acceptable range of KPMG's central rate and therefore acceptable for IAS 19 purposes.
Salary growth	RPI plus 1.0%	Typically 0%-1.5% above RPI	We note that the gap above RPI has reduced compared to last year, from 1.4% to 1%. Also, salaries are assumed to increase at a lower rate (in line with CPI) up to 31 March 2016, before reverting to the RPI + 1% long-term assumption The proposed assumption is acceptable under IAS 19 provided it is in line with the Directors' best estimate view on future remuneration.
		The overall assumptions applied by management are considered to be reasonably balanced for a scheme with a liability duration of between 16 years. The closing deficit decreased by £293,000 compared to 2013-14. A reconciliation from opening to closing deficit is included on the next page.	

Appendix three Defined benefit obligations (continued)

DRAFT

The table opposite shows the reconciliation of the movement in the Balance Sheet.

£'000	Deficit / loss	Surplus / gain	Impact	Commentary
Opening pension scheme deficit			2,228	The opening IAS19 deficit at 31 March 2015 for the Scheme was £2,228 million (consisting of assets of £9,066 million and defined benefit obligation of £6,838 million).
Service cost			398	The Scheme remains open to accrual. The employer's share of the cost of benefits accruing over the year is £0.398 million.
Net interest			98	This is the interest on the opening deficit of £2,228 million, adjusted for contributions paid during the period, including administration expenses.
Contributions			149	The Company made cash contributions over the year of £0.149 million, which is broadly in line with contributions made last year, allowing for assumed salary increases.
CIES				
Actuarial gain – financial assumptions			257	There was an actuarial gain on the financial assumptions of £0.257 million. This is the changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This balance consists of changes in financial assumptions having a negative impact of £1.127 million. In addition, changes in demographic assumptions, and experience gain on the defined benefit obligation had a positive impact of £0.075 million and £0.795 million.
Actuarial gain – other adjustments			230	There was an actuarial gain of £0.23 million, as a result of better than expected experience between the 2011 and 2014 triennial valuations in respect of mortality, salary growth, and member movements.
Return on assets			667	The return on Plan assets, excluding interest of £0.3 million, was £0.667 million.
Closing pension scheme deficit			1,935	The closing IAS19 deficit for the Scheme at 31 March 2015 is £1,935 million (consisting of assets of £7,984 million and defined benefit obligation of £9,919 million).

I&E – impacts on surplus / (deficit) within statement of comprehensive net expenditure
Cash – cash-flow impact
OCI – charged through other comprehensive income



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