

APPENDIX 1

ABERDEEN | *Strategic Development*
CITY AND | *Planning Authority*
SHIRE

DRAFT ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

STATEMENT OF ACCOUNTS 2008/09

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EXPLANATORY FOREWORD BY THE TREASURER

INTRODUCTION

The Aberdeen City & Shire Strategic Development Planning Authority (SDPA) is one of 4 city-region planning authorities in Scotland. The primary role of the Authority is to prepare and maintain a strategic development plan for the area. The impact of the wider economic climate on the Authority's activities is minimal.

Aberdeenshire Council provides the accounting and treasury management services to the Authority and the Head of Finance of Aberdeenshire Council acts as the Authority Treasurer.

The purpose of the annual Statement of Accounts is to demonstrate proper stewardship of the Strategic Development Planning Authority's financial affairs. The Statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

The SORP constitutes proper accounting practice under section 12 of the Local Government (Scotland) Act 2003.

This foreword provides an explanation of the Statement of Accounts and of the most significant matters reported in the Accounts, together with a summary of the financial outturn for the year ended 31 March 2010.

FINANCIAL STATEMENTS

Income and Expenditure Account

The Income and Expenditure Account summarises all of the resources that the Authority has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Authority.

Statement of the Movement on the General Fund Balance

The items of 'income' and 'expenditure' that are required to be credited or charged to the General Fund is determined by statute and non-statutory proper practices rather than being in accordance with UK GAAP.

This Statement allows for the identification of non-statutory items that require to be accounted for in order to calculate the Authority's overall financial outturn for the year which may not have been included in the Income & Expenditure Account but which should be shown against the amount

requisitioned from partner Councils. In 2009/10 there were no adjustments for non-statutory items.

Statement of Total Recognised Gains and Losses

The Statement of Total Recognised Gains and Losses is not presented in the financial statements since all gains and losses for the year will be shown in the Income and Expenditure Account. There are no changes in Net assets in the year arising from revaluations, changes in actuarial assumptions or other factors which would not otherwise be presented in the Income and Expenditure Account.

Balance Sheet

This Statement brings together all the assets and liabilities of the Authority, including balances and reserves and current assets employed in its operations. This statement presents the overall financial position of the Authority on 31 March 2010.

Cash Flow Statement

The Cash Flow Statement provides the details of cash movements arising from transactions for the financial year.

Statement on the System of Internal Financial Control

This Statement acknowledges the responsibility for internal financial control and indicates the main features of the systems in use and the level of assurance that the system of internal financial control can provide.

FINANCIAL PERFORMANCE 2009/10

The results of the Authority's activities for the year are presented below with a comparison against the budget. This presentation is slightly different from Income & Expenditure Statement which discloses Corporate and Democratic Core costs and any Non-Distributed costs separately as required by Best Value Accounting Code of Practice (BVACOP).

Financial Performance 2009/10

Actual 2008/09 £'000		Budget 2009/10 £'000	Actual 2009/10 £'000
147	Employee Costs	234	228
0	Property Costs	13	14
33	Supplies & Services	33	10
2	Transport Costs	5	3
35	Administration Costs	31	17
<u>217</u>	Gross Expenditure	<u>316</u>	<u>272</u>

The budgeted expenditure of the Authority in 2009/10 was £316,000 (2008/09 £374,000) It was clear during the year however that this level of expenditure was unlikely to arise particularly after the secondment of a senior officer to Aberdeen City Council, the use of in-house resources rather than external consultants and sub contractors and reduced need for public notices and press advertisements. The actual expenditure of £272,000 was met by partner Councils. The underspend can be broken down as undernoted.

2008/09 £'000		2009/10 £'000
81	Employee Costs	6
0	Property Costs	(1)
85	Supplies & Services	23
7	Transport Costs	2
(16)	Administration Costs	14
<u>157</u>	Net Underspend against Budget	<u>44</u>

Discussions are taking place to determine the basis on which the accumulated surplus will be returned to the partner Councils.

ACKNOWLEDGEMENTS

The production of the Statement of Accounts is very much a team effort involving many staff from Aberdeenshire Council, Aberdeen City Council and the Strategic Development Planning Authority. I would like to take this opportunity to thank all those involved for their assistance and co-operation.

Derek Yule BCom, CPFA, IRRV
Treasurer
30 April 2010

STATEMENT OF ACCOUNTING POLICIES

The Accounts are prepared using the Historical Cost accounting convention. The general policies adopted in compiling and presenting the Accounts are those recommended by the Code of Practice on Local Authority Accounting in the United Kingdom issued jointly by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). There are no significant departures from those recommendations.

1. Reserves and Provisions

Reserves represent amounts set aside for specific policy purposes, contingencies or earmarked balances.

Provision can also be made for known liabilities that can only be estimated. These liabilities will generally relate to losses on debts and loans due at 31 March 2010.

2. Grants

Grants and subsidies received have been credited to the appropriate accounts and accruals have been made for balances known to be receivable for the period to 31 March 2010.

3. Interest Charges

Interest payable on external borrowings and interest income will be reflected in the Income & Expenditure account on an accruals basis if appropriate.

4. Debtors and Creditors

The Accounts are prepared on an accruals basis in accordance with the Code of Practice and FRS 18. Accordingly, best estimates of amounts due or payable that relate to activities during the year are included whether or not cash has actually been received or paid in the year.

5. Pension Costs

The SDPA is not an admitted body under the Aberdeen City Council Pension Fund and does not employ any staff directly. All staff involved in the Authority are employed by Aberdeenshire Council and seconded to the SDPA which will reimburse the employing Council for all costs, including pension costs, arising.

6. Value Added Tax

Only irrecoverable VAT is included in income and expenditure statements.

7. Corporate and Democratic Core

Costs relating to corporate management of the Authority have been charged to Corporate and Democratic Core in accordance with CIPFA's Best Value Accounting Code of Practice (BVACOP). There have been no democratic representation costs, including Councillor expenses, identified in these statements.

8. Financial Assets & Liabilities

The SDPA relies on the Aberdeenshire Council bank account to process transactions and the balance of any cash held is invested in the Council's Loans Fund. The balance is payable on demand and is shown as an actual cash value in the Authority's Balance Sheet.

The loans and receivables (Debtors) and liabilities (Creditors) as shown in the Balance Sheet are measured at fair value and carried at amortised cost which equates to actual cash value at 31 March 2010.

INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2010

2008/09 £'000		2009/10 £'000	2009/10 £'000
	Expenditure		
147	Employee Costs	228	
0	Property Costs	14	
33	Supplies & Services	10	
2	Transport Costs	3	
30	Administration Costs	13	
5	Corporate & Democratic Core Costs	4	
<u>217</u>		<u>272</u>	272
0	Income		0
<u>217</u>	Net Cost of Services		<u>272</u>
0	Interest & Investment Income		0
<u>217</u>	Net Operating Expenditure		<u>272</u>
(291)	Grant from Partner Councils		(248)
(120)	Grant from Scottish Government		0
0	Other Income - Aberdeen City		(24)
<u>(194)</u>	(Surplus)/Deficit for year		<u>0</u>

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2008/09 £'000		2009/10 £'000
(194)	(Surplus)/deficit for Year on the Income & Expenditure Account	0
0	Amounts in the Income & Expenditure Account required by statute to be excluded when determining the Movement on the General Fund Balance for the year	0
0	Transfers to or from the General Fund Balances that are required to be taken in to account when determining the Movement on the General Fund Balance for the year	0
0	Amount to be returned to Partner Authorities	0
0	General Fund Balances brought forward	(194)
(194)	General Fund Balances carried forward	(194)

Balance Sheet as at 31 March 2010

2008/09 £000's		2009/10 £000's
	Current Assets	
	Investment in Aberdeenshire Council	
69	Loans Fund	(Note 6.3) 235
146	Debtors	(Note 5) 1
215		236
	Current Liabilities	
(21)	Creditors	(Note 5) (42)
194	Assets less Liabilities	194
194	Represented by General Fund	194

Derek Yule BCom, CPFA, IRRV
Treasurer
30 April 2010

CASH FLOW STATEMENT

2008/09 £'000	Revenue Activities	2009/10 £'000
	Cash Outflows	
147	Cash paid to and on behalf of employees	228
49	Other Operating cash payments	58
196		286
	Cash Inflows	
0	Other Income	(24)
	Operating Costs Revenue Grant	
(145)	- Aberdeen City Council	(158)
0	- Aberdeenshire Council	(270)
(120)	- Scottish Government	0
(265)		(452)
	Net Revenue Activities Cash Flow and (Increase)/Decrease in Cash	
(69)		Note 7 (166)

NOTES TO THE CORE FINANCIAL STATEMENTS

The Financial Statements have been prepared using guidance contained within the Accounting Code of Practice (ACOP) and the Best Value Accounting Code of Practice (BVACOP).

Note 1 **Related Party Transactions**

Both of the constituent partners of SDPA, Aberdeenshire Council, Aberdeen City Council, agreed to contribute towards the costs of the organisation on an equal basis. The budget for the Authority was amended during the year and contribution rates adjusted accordingly. Aberdeen City Council is to be refunded the amount overpaid.

Actual (£'000's)	Core Funding	Budget (£'000's)	Actual (£'000's)
2008/09		2009/10	2009/10
146	Aberdeenshire Council	158	124
145	Aberdeen City Council	158	124
120	Scottish Government	0	0
411		316	248

Note 2 **Payments to Authority Members and Officers**

There were no payments to SDPA Board Members in 2009/10

1 officer received emoluments in excess of £50,000 in 2009/10 (Nil in 2008/09).

Note 3 **External Audit Fees**

2008/09	Fees payable in respect of External Audit Services:	2009/10
£		£
4,100	Agreed Audit fee	3,380
400	Notified fixed charge element for the year	500
0	Fees in respect of other works	0
<u>4,500</u>	Total	<u>3,880</u>

Note 4 **Movements in Reserves**

General Fund	£'000
Balance at 31 March 2009	(194)
Movement for Year	0
Balance at 31 March 2010	<u>(194)</u>

Note 5 **Analysis of Year End Debtors and Creditors**

2008/09		2009/10
£'000		£'000
	Debtors	
0	Administration Costs	1
146	Partner Contributions	0
<u>146</u>		<u>1</u>
	Creditors	
0	Partner Contributions	34
16	Administration Costs	5
5	Corporate and Democratic Core Costs	3
<u>21</u>		<u>42</u>

Note 6 **Cash Flow Statements**

Note 6.1 **Increase/(Decrease) in Cash and Cash Equivalents**

The sums identified here are invested in Aberdeenshire Council's Loans Fund

2008/09		2009/10
£'000		£'000
69	Cash	166
<u>69</u>	Total	<u>166</u>

Note 6.2 **Management of Liquid Resources**

Movements in all short-term investments and deposits not repayable on demand are reported under the heading of management of liquid resources. SDPA funds are payable on demand and are presently held in Aberdeenshire Council's Loans Fund.

Note 6.3 **Reconciliation of Surplus/Deficit to Net Cash Flow and Reconciliation of Movement in Cash to Movement in Net Debt**

Reconciliation of Income & Expenditure Account to Net Revenue Activities
Cash Flow

2008/09		2009/10	2009/10
£'000		£'000	£'000
(194)	(Surplus)/Deficit for period to 31 March 2010		0
	Items on an Accruals Basis		
146	Increase/(Decrease) in Debtors	(145)	
<u>(21)</u>	(Increase)/Decrease in Creditors	<u>(21)</u>	<u>(166)</u>
<u>(69)</u>	Net Cashflow from Revenue Activities		<u>(166)</u>
<u>(69)</u>	Represented by (Increase)/Decrease in Cash		<u>(166)</u>

Analysis of Movement in Net Investment

	As at 31 st March 2009	Cash Flows	As at 31 st March 2010
	£'000	£'000	£'000
Net Investment at 31 March 2010	69	166	235
Total	<u>69</u>	<u>166</u>	<u>235</u>

Note 7 **Treasury Management**

The SDPA did not have a separate bank account or banking facilities during 2009/10 and Aberdeenshire Council therefore acted as paymaster for the Authority during the period. All expenditure was paid by the Council from the contributions both it and Aberdeen City made. To assist users of these statements the difference between grants received and payments made in the year is identified as cash due to the Authority held by Aberdeenshire Council on its behalf and lodged in its Loans Fund.

Note 8 **Financial Instruments**

The SDPA's financial instruments comprise investments, debtors and creditors. All of these are measured at fair value and carried at amortised cost which equates to the actual cash value at 31 March 2010.

There are no gains or losses recognised in the Income & Expenditure Account in relation to financial instruments.

Nature and Extent of Risks Arising from Financial Instruments:

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

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

The Authority has reviewed all financial risks and does not believe that it requires to make any provision within the financial statements for any financial risk exposure.

Note 9 **FRS 17 - Pension Costs**

The staff of the Authority is on secondment from Aberdeenshire Council and as such is entitled to be members of the Superannuation Scheme which is administered by the Aberdeen City Council. This provides staff with defined benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

It is neither appropriate nor possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its staff. For the purposes of this statement of accounts it is therefore accounted for per the appropriate SORP as a defined contribution scheme.

In 2009/10, the Authority reimbursed Aberdeenshire Council with £34,212 in respect of superannuation contributions representing 19% of pensionable pay. The employing authority is responsible for all pension payments related to "added years" it has awarded, together with related increases. There are no awards in respect of staff seconded to SDPA. The March 2010 contributions of £2,820 remained payable at the year end.

Note 10 **Authorisation**

The unaudited accounts were issued on 3 May 2010 by Derek Yule BCom, CPFA, IRRV Treasurer, the proper officer of the Authority in accordance with Section 95 of the Local Government (Scotland) Act 1973.

Note 11 **Post Balance Sheet Events**

No events have occurred after the balance sheet date that could be classified as adjusting or non-adjusting events.

GLOSSARY

1. **Accruals:**
The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
2. **Administration Costs:**
Includes telephone, printing, stationery, advertising and postage.
3. **Consistency:**
The concept that the accounting treatment of like items within an accounting period, and from one period to the next, is the same.
4. **Fees and charges:**
Income received for services provided.
5. **Government Grants:**
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.
6. **Premises Costs:**
Includes rent, rates, repairs and maintenance, heating and lighting costs as well as fuel duties, metered water charges, etc.
7. **Revenue Expenditure:**
This is expenditure incurred in providing services in the current year and which benefits that year only.
8. **Staff Costs:**
Includes wages, salaries, bonuses, overtime, employer's National Insurance and Superannuation contributions as well as staff training, travelling and subsistence expenses.
9. **Supplies and Services:**
Includes the cost of purchasing materials, spare parts, food and protective clothing as well as payments to contractors and others for the provision of services.

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the 2009/10 Financial Statements for The Aberdeen City and Shire Strategic Development Planning Authority (SDPA). I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources deployed by the SDPA.

The system of internal financial control can provide only reasonable assurance that assets and other resources are safeguarded, that transactions are authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of financial regulations, regular financial and other management information, appropriate administrative procedures and processes which include segregation of duties, an appropriate management structure and a system of supervision, delegation and accountability. Development and maintenance of the system is undertaken by managers within the SDPA and partner Councils who advise or otherwise assist in the management of the Authority.

The internal financial control system includes:

- comprehensive budgeting systems;
- production of regular financial statements which indicate financial performance against the budgets and appropriate forecasts;
- annual financial reports which indicate actual financial performance against budget;
- clearly defined standing orders.

The SDPA operates the corporate financial systems of Aberdeenshire Council. A Service Level Agreement for this arrangement will be considered for 2010/11. These systems are subject to review by both the Council's internal audit section and the Council's external auditor.

I am satisfied that the SDPA has a sound system of internal financial control in place and at this time there are no material weaknesses or failures identified that could have a material effect on the operations of the SDPA.

Derek Yule, BCom, CPFA, IRRV
Treasurer
30 April 2010

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority is required:

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

The Treasurer's responsibilities:

The Treasurer is responsible for the preparation of the Statement of Accounts of the Authority in accordance with proper practices as set out in the terms of the CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom ("the Code"),

In preparing the Statement of Accounts, the Treasurer has:

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

The Treasurer has also:

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

The balance sheet has been signed by the Treasurer as a representation that the financial statements present a true and fair view of the financial position of the Authority at the accounting date, and its income and expenditure for period ended 31 March 2010.

Derek Yule, BCom, CPFA, IRRV
Treasurer
30 April 2010