



*EAST OF
SCOTLAND
EUROPEAN
CONSORTIUM*

**FINANCIAL REPORT AND ACCOUNTS
2010/11**

East of Scotland European Consortium

Statement of Accounts for the financial year 2010/2011 (Subject to audit)

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East of Scotland European Consortium

MEMBERS AND OFFICIALS

CHAIR

Councillor Kate Dean – Aberdeen City Council

VICE CHAIR

Councillor Scott Farmer – Stirling Council

Councillor Mark Salmond – Angus Council

TREASURER

Susan Cooper, City Chamberlain – Aberdeen City Council (Resigned 10th May 2010)

Barry Jenkins, Head of Finance – Aberdeen City Council (Appointed 10th May 2010)

Appointed Members:-

Councillor Kate Dean – Aberdeen City Council

Councillor Mike Sullivan – Aberdeenshire Council

Councillor Mark Salmond – Angus Council

Councillor John Letford – Dundee City Council (interim)

Councillor David Berry – East Lothian Council (Resigned 31 March 2011)

Councillor William Buchanan – Falkirk Council

Councillor Elizabeth Riches – Fife Council

Councillor John Russell – Moray Council

Councillor John Kellas – Perth and Kinross Council

Councillor Scott Farmer – Stirling Council

Councillor Jim Dickson – West Lothian Council (Resigned 31 March 2011)



Chairman's Report 2010-11

After losing a number of members at the end of last financial year, the Policy Board met in Dundee for a facilitated session which resulted in agreement that ESEC should have an increased role in project development. As a result we have now consciously split our work into two areas of expertise; EU funding and EU policy services.

Funding Support

This renewed focus on EU project development for ESEC relates primarily to facilitating projects between members domestically and helping members' access transnational projects.

To this end we continued to host the **Scottish Transnational European Programmes Forum** and undertook two profile raising events under this banner this year: one on the Intelligent Energy Europe Programme in March and the other on the Territorial Cooperation Programmes in October.

As a direct result of the IEE event, we helped support an application to the Intelligent Energy Europe Programme with Aberdeen City Council as lead partner which sought funds to help improve **energy efficiency in historic buildings**, building a fantastic partnership with leading research institutions and energy agencies across the EU.

Domestically we helped coordinate two applications between members under the Lowland and Upland Scotland ERDF Programme within the rural priority which has been under threat for virement to the Programme's more successful priorities,

given lack of projects coming forward from rural areas.

One of the projects focuses on **Rural Tourism Business Support** and takes a sectoral approach with Golf, Food & Drink, Outdoor Tourism and Ancestral Tourism the key sectors. This project involves a number of our local authorities and Destination Management Organisations along the east coast as well as Scottish Enterprise. It will be led by Angus Council.

The other project which is a collaboration of local authorities with a rural interest within the East of Scotland Renewables Alliance focuses on **supply-chain development of the renewable energy sector** in rural areas. This project will be led by Perth & Kinross Council. Cumulatively both projects are worth just over £1m in ERDF to our members.

We have also been working with our two city authorities on the prospect of the **EU Smart City and Communities Initiative** which is about accelerating large scale deployment of energy efficiency and innovative low carbon technology solutions in Europe's cities. We took a small delegation of senior officers out to Brussels to talk to the Commission about its

development and will continue to work with members' on this in the year ahead.

ESEC has continued to support members when it comes to **influencing the management of the Programmes** and addressing issues and concerns therein. We worked with members on the new skills pipeline approach for LUPS ESF, helped resolve and draft a framework for Business Gateway type support for ERDF and held an event on the subject for would be applicants, as well as ongoing tracking of progress within the JESSICA initiative. I remain in my position as a representative on the LUPS Programme Management Committee and have been joined by Cllr Rob Murray from Angus Council in place of Cllr Dave Berry.

The Board also helped to put pressure on the Scottish Government Fisheries Directorate to finally get **Axis 4 for fisheries communities** open for applications this year.

ESEC's Policy Officer took up a new nomination from UK Government to sit on the Steering Committee of the North Sea Programme which makes recommendation on project awards. This together with sitting on the Regional European Spatial Planning Group has been a useful insight into knowing what is happening in the world of INTERREG, especially as thoughts are now beginning to shift to the future of EU funding.

Policy Support

As eluded to above, the **future of the EU Cohesion policy** and thus the regional programmes has once again been a subject of much work with the publication of the Fifth Cohesion report. This report has given stakeholders a first insight of the European Commission's thinking on the future of these important funds and chance to share their ideas on how it should look.

ESEC along with hundreds of other regions has started its work on this subject area which will continue for the next couple of years.

This policy development has also coincided with a number of other large discussions which the Policy Board engaged with.

The **Europe 2020 strategy** is the EU's economic development strategy and to which all other policies will need to dovetail. With a very limited consultation period scheduled over the festive period we argued that care should be taken not to "throw the baby out with the bath water" by overlooking the successful approaches to economic development undertaken through the auspices of regional development. We welcomed what appears to be a genuine move towards an integrated "sustainable" economic development approach and as such an improvement on its predecessor the Lisbon Strategy.

The Policy Board continued to monitor development with the **EU Budget** discussions on the future multi-annual financial perspective (2014-2020), whilst appreciating this is not an area ESEC could exert any influence over.

Intrinsically linked to the budget discussions is the review of the **Common Agricultural Policy** which we undertook work with COSLA and others to argue for greater prioritisation to rural development agenda (pillar 2).

The Board also took an interest in a range of policy developments under the auspices of the **EU Energy Strategy for 2010-2020** which has important implications and opportunities for local government in the east coast of Scotland and the communities which they serve. This has been a major growth area of work for ESEC during this year as the EU appetite for developing

strategies in this wide reaching area showed no signs of relenting.

One policy area which really did capture our imagination was the newly introduced **European Citizens' Initiative** which gives citizens the right to ask the European Commission to create new legislation based on petition numbers and geographical spread of this shared area of concern. This is a form of transnational direct democracy within the EU 27 which we were highly supportive of.

We delivered two events out in Brussels as part of consortia for the Committee of the Regions Open Days in October. I attended both these events, one on the prospect of a North Sea Strategy which could have big implications for the way future EU funds are used and the other on supporting the development of offshore renewable energy deployment. We complimented these events by delivering two local events under the auspices of 'Europe in our Region' linked to the COR Open Days. Both local events took place in Aberdeen.

The **North Sea Strategy** local event was held in partnership with the North Sea Commission and led to a collaboration between ESEC and one of the Speakers – Professor Mike Danson of the University of the West of Scotland - on a joint research paper which was presented to the European Commission and Regional Studies Association Conference on the future of regional policy in Slovenia in March 2011.

The second event, delivered in partnership with Scotland Europa, explored the needs and ways forward to develop the necessary skills base for a **competitive offshore renewables industry** in Scotland, and for Europe and the transferability of skills between the conventional offshore energy sector and the new, renewable technologies.

Finally, we supported the Scottish Government and Scotland Europa in organising an Aberdeen event when they took the issue of the **future EU innovation policy** on a Scottish roadshow in March. This was an excellent opportunity not only to influence their thinking on the subject but also to speak with local businesses and universities.

Membership

As you can read from the above activity, we remained members of **Scotland Europa** and have maintained a strong working relationship with them in delivering many of our events and engagement in Brussels. We have also remained members of the **Economic Development Association for Scotland**.



Clr Kate Dean
Chair of ESEC

East of Scotland European Consortium Statement of Accounts

Explanatory foreword

The East of Scotland European Consortium was formed in 1991.

The purpose of the Statement of Accounts is to present a summary of the financial activities of the East of Scotland European Consortium for the benefit of members and officers of the constituent authorities and the general public, to report on the stewardship of funds for the financial year 2010/2011, and explain in overall terms the Consortium's financial position.

The adoption of International Financial Reporting Standards (IFRS) represents a major change in the way in which the financial statements are presented.

Accounting Policies

The purpose of this statement is to explain the basis of the figures in the accounts and to outline the accounting policies adopted in compiling the 2010/2011 accounts.

Movement in Reserves Statement

This statement shows the movement in the year on the reserves held by ESEC.

Comprehensive Income and Expenditure Statement

This statement reports on the net cost for the year of the functions undertaken by ESEC, and demonstrates how the cost has been financed.

Balance Sheet

This statement sets out the financial position of the Consortium as at the 31 March 2011, and includes all assets and liabilities in respect of all the activities undertaken.

System of Internal Financial Control

This statement sets out the framework within which the financial control is managed and reviewed and the main components of the system, including the arrangements for Internal Audit.

Remuneration Report

The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No. 2011/64) amend the Local Authority Accounts (Scotland) Regulations 1985 and require local authorities in Scotland to prepare a Remuneration Report as part of the Financial Statements.

In accordance with the Regulations, and the relevant definition of individuals that are to be disclosed in this report, ESEC has no employees that require to be disclosed.

ESEC makes no payment of salary, allowances or pension contributions to any of the councillors who are appointed members of the Consortium.

Financial Performance

There are now 11 authorities that form the membership of ESEC. This ensures a total subscription during the 10/11 financial year of £74,250.

Expenditure for the 10/11 financial year was less than in 09/10 due to cost efficiencies in supplies and services.

The net position for the 10/11 financial year shows £7,050 underspend. This sum has been added to the surplus carried forward from 09/10. There is therefore a total surplus of £78,618 carried forward to the 11/12 financial year.

East of Scotland European Consortium Statement of Accounts

Statement of responsibilities for the Statement of Accounts

The East of Scotland European Consortium's responsibilities

The Consortium is required:-

- (1) to make arrangements for the proper administration of its financial affairs, and to ensure that one of its officers has responsibility for the administration of those affairs. In respect of the East of Scotland European Consortium that officer is the Treasurer. As Aberdeen City Council is the host authority for the 10/11 financial year this post is held by Barry Jenkins, Head of Finance, Aberdeen City Council.
- (2) 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 ESEC Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Treasurer has:

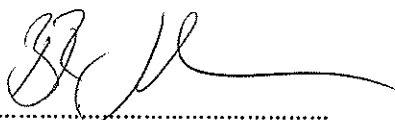
- (1) selected suitable accounting policies and then applied them consistently;
- (2) made judgements and estimates that were reasonable and prudent;
- (3) complied with the Code of Practice.

The Treasurer has also:

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

Statement by the Treasurer

I confirm that the Statement of Accounts presents a true and fair view of the financial position of the East of Scotland European Consortium as at 31 March 2011 and its income and expenditure for the year ended 31 March 2011.



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Barry R Jenkins, B.Acc, CPFA, MBA
Treasurer

30 September 2011

Independent auditors' report to the members of the East of Scotland European Consortium and the Accounts Commission for Scotland

We certify that we have audited the financial statements of the East of Scotland European Consortium for the year ended 31 March 2011 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash Flow Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010/11 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, 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 set out on page 7, the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 consortium'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 annual statement of accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2010/11 Code of the state of the affairs of the Consortium as at 31 March 2011 and of the income and expenditure of the Consortium for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code; and

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

Opinion on other prescribed matters

In our opinion:

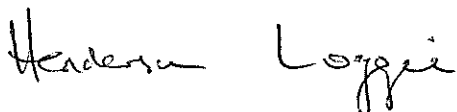
- the part of the remuneration report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Statement on the System of Internal Financial Control does not comply with the 2010/11 Code or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.



Henderson Loggie
Chartered Accountants
Registered Auditors
48 Queens Road
Aberdeen
AB15 4YE

30 September 2011

East of Scotland European Consortium

Statement of Accounts

Accounting Policies

The following policies have been adopted in compiling the Financial Statements for 2010/2011:-

1. General

The financial statements are prepared under the historical cost convention. The financial statements for the year ended 31 March 2011 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, based on International Financial Reporting Standards (the Code).

2. 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 provision of services is recognised when ESEC 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 ESEC.
- Supplies are recorded as expenditure when they are consumed.
- Expenses in relation to services received including those rendered by Officers are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than cash flows fixed or determined by the contract.
- 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 if debtors is written down and a charge made to revenue for the income that might not be collected.

3. Employee Benefits

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 for current employees, are recognised as an expense in the year in which employees render service to the Consortium. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absence Adjustment Account in the Movement in Reserves Statement.

4. 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 twenty four hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

5. Events after the Reporting Period

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

- Those which provide evidence of conditions that existed at the end of the reporting period – the Statement of accounts is adjusted to reflect such items
- Those that are indicative of conditions that arose after the reporting period – the Statement of accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

6. Financial Liabilities

Financial liabilities and asset instruments are classified according to the substance of the contractual arrangements entered into. Finance costs and gains or losses relating to financial liabilities and foreign exchange transactions are included in the Comprehensive Income and Expenditure Statement.

7. Exceptional Items and Prior Period Adjustments

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of ESEC's financial performance.

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

8. Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

9 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.

The figures in the accounts are shown net of VAT. ESEC is administered by Aberdeen City Council so all VAT transactions relating to ESEC are recovered by the Council.

East of Scotland European Consortium
Movement in Reserves Statement

	General Fund Balance	Usable Reserves	Total Reserves	Total Unusable Reserves	Total Reserves of the Organisation
	£,000	£,000	£,000	£,000	£,000
Balance as At 1 April 2009	(50,140)	(50,140)	1,115	(49,025)	
Movement in reserves during the year					
(Surplus) or deficit on the provision of services	(21,428)	(21,428)	0	(21,428)	
Other Comprehensive Income and Expenditure	0	0	0	0	
Total Comprehensive Income and Expenditure	(21,428)	(21,428)	0	(21,428)	
Adjustments between accounting basis & funding basis under regulations	0	0	0	0	
Net Increase/Decrease before Transfers to Earmarked Reserves and Statutory and Other Reserves	(21,428)	(21,428)	0	(21,428)	
Transfers to or from earmarked reserves and Statutory and Other Reserves	0	0	0	0	
Increase/Decrease in Year	(21,428)	(21,428)	0	(21,428)	
Balance as at 31 March 2010	(71,568)	(71,568)	1,115	(70,453)	
Movement in reserves during the year					
(Surplus) or deficit on provision of services	(7,365)	(7,365)	0	(7,365)	
Other Comprehensive Income and Expenditure	0	0	0	0	
Total Comprehensive Income and Expenditure	(7,365)	(7,365)	0	(7,365)	
Adjustments between accounting basis & funding basis under regulations					
- Adjustment in relation to Accumulating Account - Note 1	315	315	(315)	0	
Net Increase/Decrease before Transfers to Earmarked Reserves and Statutory and Other Reserves	(7,050)	(7,050)	(315)	(7,365)	
Transfers to or from earmarked reserves and Statutory and Other Reserves	0	0	0	0	
Increase/Decrease in Year	(7,050)	(7,050)	(315)	(7,365)	
Balance As At 31 March 2011	(78,618)	(78,618)	800	(77,818)	

East of Scotland European Consortium
 Comprehensive Income and Expenditure Statement for the year ended 31 March 2011

Notes

	31/03/10		31/03/11		Net
	Expenditure	Income	Expenditure	Income	
	£	£	£	£	£
	45,117	0	44,141	0	44,141
	6,219	0	7,811	0	7,811
	18,659	0	11,078	0	11,078
	6,077	0	4,952	0	4,952
	0	(97,500)	0	(74,250)	(74,250)
	76,072	(97,500)	67,982	(74,250)	(6,268)
Staff Costs					
Transport Costs					
Supplies and Services					
Third Party Payments					
Subscription Income					
Surplus/Deficit on Continuing Operations					
Financing and Investment Income and Expenditure					
- Interest receivable and similar income		0		(1,097)	(1,097)
(Surplus) or Deficit on Provision of Services		(21,428)			(7,365)
Other Comprehensive Income and Expenditure		0			0
Total Comprehensive Income and Expenditure		(21,428)			(7,365)

East of Scotland European Consortium
Balance Sheet As At 31 March 2011

	1 April 2009	31 March 2010	31 March 2011	Notes
	£	£	£	
Short Term Debtors Cash and Cash Equivalents - Short Term Deposit with ACC Loans Fund	5,978	0	0	
Current Assets	46,996	80,000	88,140	
	52,974	80,000	88,140	
Short Term Creditors Other Short Term Liabilities	(2,834) (1,115)	(8,432) (1,115)	(9,522) (800)	6
Current Liabilities	(3,949)	(9,547)	(10,322)	
Net Assets	49,025	70,453	77,818	
Usable reserves - General Fund Unusable Reserves - Accumulating Compensating Absences Adjustment Account	(50,140)	(71,568)	(78,618)	5
Total Reserves	1,115	1,115	800	5
	(49,025)	(70,453)	(77,818)	


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Barry R-Jenkins, B.Acc, CPFA, MBA
Treasurer

The unaudited accounts were issued on the 10 June 2011
and audited accounts were authorised for issue on 30 September 2011.

East of Scotland European Consortium
Cash Flow Statement at 31 March 2011

2009/10	2010/11
£	£
(21,428)	(7,365)
(5,598)	(775)
(5,978)	0
<u>0</u>	<u>1,097</u>
(33,004)	(7,043)
0	0
<u>0</u>	<u>(1,097)</u>
(33,004)	(8,140)
(46,996)	(80,000)
<u>(80,000)</u>	<u>(88,140)</u>

Movement in Reserves Statement - Adjustments between

1 Accounting Basis and Funding Basis under Regulations

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

	2009/10 £	2010/11 £
Balance at 1 April	1,115	1,115
Settlement or cancellation of accrual made at the end of the preceding year	(1,115)	(1,115)
Amounts accrued at the end of the current year	<u>1,115</u>	<u>800</u>
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.	<u>0</u>	<u>(315)</u>
Balance at 31 March	<u><u>1,115</u></u>	<u><u>800</u></u>

2 Comprehensive Income and Expenditure Statement - Council Contributions

	2009/10 £	2010/11 £
Aberdeen City Council	7,500	6,750
Aberdeenshire Council	7,500	6,750
Angus Council	7,500	6,750
Clackmannanshire Council	7,500	-
Dundee City Council	7,500	6,750
East Lothian Council	7,500	6,750
Falkirk Council	7,500	6,750
Fife Council	7,500	6,750
Midlothian Council	7,500	-
Moray Council	7,500	6,750
Perth and Kinross Council	7,500	6,750
Stirling Council	7,500	6,750
West Lothian Council	7,500	6,750
	<u><u>97,500</u></u>	<u><u>74,250</u></u>

3 Comprehensive Income and Expenditure Statement - Central Support Charges

Aberdeen City Council as host authority made no charge to ESEC for support costs.

4 Comprehensive Income and Expenditure Statement - Disclosure of Audit Costs

	2009/10 £	2010/11 £
Fee payable to Audit Scotland	<u>3,925</u>	<u>3,590</u>

East of Scotland European Consortium
Notes to the Accounts for the Year Ended 31 March 2011

5 Balance Sheet - Reserves

Movements in ESEC's usable reserves are detailed in the Movement in Reserves Statement.

Movements in ESEC's unusable reserves are detailed in the Movement in Reserves Statement and in note 1.

6 Balance Sheet - Short Term Creditors

	2009/10	2010/11
	£	£
Central Government Body	4,540	2,907
Local Authority	-	5,745
Other Entities and Individuals	<u>3,892</u>	<u>870</u>
	<u><u>8,432</u></u>	<u><u>9,522</u></u>

7 Prior Period Adjustment

There has been a prior period adjustment to amend the expenditure in third party payments for 2009/10 by £837 as an accrual was required for that year. This affects the Short Term Creditors line in the Balance Sheet.

8 Amounts Reported for Resource Allocation Decisions

The amounts reported to the Policy Board for the purposes of resource allocation decisions during the year is similar to that contained within the accounts. Further disclosure is therefore not required.

9 Pension Costs (IAS 19)

Staff are employed by Aberdeen City Council and the resulting net pension liability is included in the Balance Sheet of Aberdeen City Council.

10 Related Party Transactions

ESEC is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence ESEC or to be controlled or influenced by ESEC. Disclosure of these transactions allows readers to assess the extent to which ESEC 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 ESEC.

Aberdeen City Council has recovered VAT on behalf of ESEC as has been the process in previous authorities. This amounts to £748 for 2011 (£356 - 2010). This has been retained as a payment towards the costs of accountancy services.

11 IFRS 1 First Time Adoption of International Financial Reporting Standards

These financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11. The code requires that for the first time Local Authority accounts in 2010/11 should be prepared in accordance with International Financial Reporting Standards (except in instances where the Code allows departures), and the comparative figures for the 2008/09 and 2009/10 Balance Sheets as well as the 2009/10 Comprehensive Income and Expenditure Statement should be restated from UK Generally Accepted Accounting Principles (UK GAAP) where required. The reconciliation to IFRS from the previous UK GAAP accounts is summarised in the tables below.

Restatement of ESEC's 2008/09 UK GAAP Balance Sheet on an IFRS basis

	2008/09 UK GAAP Balance Sheet	IAS 19 Employee Benefits	IFRS Based Balance Sheet on 1 April 2009
	£		£
Accumulating Compensated Absences Adjustment Account	0	1,115	1,115
Other Short Term Liabilities	0	(1,115)	(1,115)

IAS 19 Employee Benefits - Under this IFRS accounting standard, ESEC are required to recognise a liability for all holiday pay entitlement that employees had accrued at the financial year end. This liability reflects the difference between the holiday entitlement earned at 31 March and the actual amount of holidays taken. At ESEC the excess of holiday entitlement earned over the holidays actually taken by 31 March has resulted in a liability of £1,115. The Scottish Government has introduced statutory mitigation for this additional cost so that its negative impact can be removed from the General Fund and transferred to a new Accumulating Compensated Absences Adjustment Account. This has been reflected in the adjustment above.

As there is no movement in the amount accrued for holiday pay in 2009/10, no adjustment under IFRS is required.

Reconciliation of ESEC's 1 April 2009 IFRS Balance Sheet to the 2009/10 Balance Sheet

	1 April 2009 IFRS Balance Sheet	UK GAAP in- year balance sheet movements	IFRS based balance sheet on 31 March 2010
	£		£
General Fund	(50,140)	(21,428)	(71,568)
Accumulating Compensated Absences Adjustment Account	1,115	0	1,115
Other Short Term Liabilities	(1,115)	0	(1,115)

East of Scotland European Consortium Statement of Accounts

Statement on the System of Internal Financial Control

This statement is given in respect of the 2010/11 Statement of Accounts for the East of Scotland European Consortium. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

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

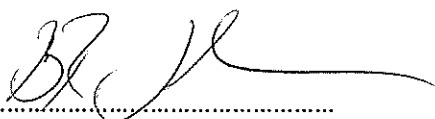
The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by officers within ESEC. In particular, the system includes:

- regular reviews of periodic financial reports;
- the preparation of regular financial reports which indicate actual expenditure against targets.

During the year to 31 March 2011 no reviews or investigations were carried out by either internal or external auditors.

My review of the effectiveness of the system of internal financial control is informed by the work of the Members and Officers of ESEC.

Having reviewed this work, it is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of ESEC's internal control system.



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Barry R Jenkins, B.Acc, CPFA, MBA
Treasurer

30 September 2011

East of Scotland European Consortium Glossary of Terms

Revenue Expenditure : This is expenditure incurred in providing services in the current year and which benefits that year only.

Capital Expenditure : This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing over a period of years, or utilising income from the sale of existing assets.

CIPFA : The Chartered Institute of Public Finance and Accountancy.

LASAAC : The Local Authority (Scotland) Accounts Advisory Committee.

BVACOP : CIPFA's Best Value Accounting Code of Practice 2010/11.

IFRS : International Financial Reporting Standards.

IAS : International Accounting Standard.

