

Grampian Joint Fire and Rescue Board
Statement of Accounts 2011/12

Document Revision History

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Introduction by Convener of Grampian Joint Fire and Rescue Board

Audit Scotland's Best Value report on Grampian clearly showed us to be a high performing, low cost organisation that works well with partners protecting communities in the North East of Scotland. Their assessment of our use of public funds and other assets is testament to the efficient and effective services we provide.

As part of our strategic fiscal and business planning we used reserves to reduce the financial burden on our three constituent councils whilst still investing in the Service, its people and its infrastructure. The Joint Board were able to deliver a flat cash (0% rise) budget for 2012-13 in the last year where local elected members will be able to make that decision and return funds to the councils.

In April 2013, together with every other fire and rescue service in Scotland, Grampian will become part of the new single service. The legacy left by this Board and their predecessors working with their respective chief fire officers is something to be proud of and will add real value to the national organisation.

Local elections in May this year saw a number of changes to Board membership. I'd like to pay tribute to Councillor Mike Raeburn who was the Convener for five years up until May and to previous members of the Joint Board. The governance arrangements and working relationships built up over many years worked well both for the Service and, importantly, for those we serve.

As Convener I will represent the Joint Board's and our local communities' best interests in the lead up to the single fire and rescue service next year. I'm grateful to elected member colleagues on the Joint Board and in our constituent councils for their support and to the officers of the Joint Board and the staff of the Service for their help in delivering a high quality protective service to the Grampian area.

**COUNCILLOR SCOTT CARLE
CONVENER
GRAMPIAN JOINT FIRE AND RESCUE BOARD**

Service Outline by Chief Fire Officer

During 2011-12 the Service continued to deliver a high performing service, investing in community safety, reducing risk and developing our staff. I'm pleased that was recognised in Audit Scotland's very positive report on our performance. With the passage of the Police and Fire Reform (Scotland) Bill through Parliament, receiving Royal Assent in the summer of this year, everyone in the Service is preparing for the future, maintaining quality services during the transitional period and contributing at every level to the planning for the new national organisation.

I'm proud of all of the staff in Grampian for their continued professionalism and focus during an uncertain period. It is they who have made us successful and it is they who will take the North East legacy into the new single service in 2013.

Our governance arrangements and excellent partnerships with a range of private, public and third sector organisations means that we remain amongst the most cost effective fire and rescue services in Scotland. Despite financial pressures across the public sector our annual accounts show that we have been prudent, invested wisely and developed our organisation in a highly effective way.

These will be the last annual accounts published whilst Grampian Fire and Rescue Service exists as a separate service and it would be remiss of me not to record a final few words to acknowledge that. The 2012/13 annual accounts for Grampian Fire and Rescue Service will be completed by the new single fire service.

This is a justifiably proud organisation that has protected communities, the economy and the well being of our part of Scotland since 1947. Within a largely unchanged boundary over those 65 years there has been a continuous improvement in our contribution to a stronger and safer Scotland and to our people. To those who have served in any capacity in North Eastern Area or Grampian, my sincere thanks to you as its last Firemaster and Chief Fire Officer.

CHIEF FIRE OFFICER DAVID DALZIEL QFSM MA
GRAMPIAN FIRE AND RESCUE SERVICE

Overview of the Joint Board's Finances by the Treasurer

Introduction

The purpose of the annual Statement of Accounts is to demonstrate proper stewardship of the Joint Board's financial affairs. The Statement has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – Based on International Financial Reporting Standards, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

This overview provides an explanation of the Statement of Accounts and the most significant matters reported in the Statement of Accounts, together with a summary of the financial outturn for the year ended 31 March 2012.

The Joint Board is not required to produce group accounts as required by the Code of Practice. The Joint Board is an associate body of its three constituent authorities and therefore its accounts will be consolidated within the councils' respective financial statements for group accounting purposes.

Changes to the Accounts for 2011/12

The Statement of Accounts has been prepared using International Financial Reporting Standards. The key accounting changes included with the Statement of Accounts are as follows:

- The impact of the adoption of FRS30 Heritage Assets on the financial statements,
- The Related Party disclosures have been amended to reflect the new definitions in relation to related parties and the new guidance in the related party disclosure standards (International Accounting Standard 24).
- Financial Instruments – minor changes have been made to the disclosure on the nature and extent of risks rising from financial instruments.

Financial Outturn

Revenue Expenditure

In 2011/12 the Joint Board's budget was set at £27.916m. This was partly financed (£24.663m) by the 3 constituent authorities of Aberdeen City, Aberdeenshire and Moray and a further £1.000m of reserves held within the General Fund was utilised to fund the budget. The remainder of the budget (£2.253m) was financed by the Scottish Government by way of a grant to cover the cost of the pension's element of the budget. In addition to this a further 'top-up' grant of £1.870m was received by the Scottish Government to fund a predicted shortfall in the Pension Account (further details can be found at Note 33 to the Accounts). The total actual funding received by the Joint Board for 2011/12 amounted to £29.786m.

Performance against the budget is shown in the following table.

Grampian Joint Fire and Rescue Board

Statement of Accounts 2011/12

The net operating expenditure for the year was £26.546m resulting in a surplus against budget of £1.232m (2010/11 £1.432m) and £2.008m (2010/11 £1.848m) to be used to fund the deficit on the Pension Account.

2010/11 ACTUAL £'000		2011/12 BUDGET £'000	2011/12 ACTUAL £'000	2011/12 VARIANCE £'000
18,263	Employee Costs	18,532	18,047	(485)
192	Pension Costs	266	164	(102)
1,999	Property Costs	2,016	2,003	(13)
1,464	Supplies & Services	1,363	1,197	(166)
1,581	Administration Costs	1,440	1,168	(272)
1,020	Transport Costs	1,058	907	(151)
1,157	Repayment of Debt	1,121	1,173	52
25,676	GROSS EXPENDITURE	25,796	24,659	(1,137)
(207)	INCOME	(133)	(228)	(95)
25,469	NET EXPENDITURE	25,663	24,431	(1,232)
	REQUISITIONS FROM CONSTITUENT AUTHORITIES			
(13,296)	Aberdeen City Council	(12,197)	(12,197)	0
(8,992)	Aberdeenshire Council	(8,236)	(8,236)	0
(4,613)	Moray Council	(4,230)	(4,230)	0
<u>(1,432)</u>	(SURPLUS)/DEFICIT ON REQUISITIONS	<u>1,000</u>	<u>(232)</u>	<u>(1,232)</u>
0	Budget to be Funded from Reserves	(1,000)	(1,000)	0
<u>(1,432)</u>	(SURPLUS)/DEFICIT ON REVENUE EXPENDITURE	<u>0</u>	<u>(1,232)</u>	<u>(1,232)</u>
2,191	Pension Expenditure to be met from grant	2,253	2,115	(138)
(4,039)	Pension Grant	(2,253)	(4,123)	(1,870)
<u>(1,848)</u>	(SURPLUS)/DEFICIT ON PENSIONS	<u>0</u>	<u>(2,008)</u>	<u>(2,008)</u>
<u>(3,280)</u>	TOTAL (SURPLUS)/DEFICIT	<u>0</u>	<u>(3,240)</u>	<u>(3,240)</u>

The main variances against budget are as follows:

- Employee Costs

Employee costs were slightly underspent during the year at 97% of budget mainly as a result of lower than anticipated activity in the retained duty system. In addition to this there were a number of vacant support staff posts throughout the year.

- Insurance Costs

The Board's insurance costs were lower than anticipated due to retendering and renegotiation of the contract which resulted in lower premiums being paid. This was mainly due to the Service's low claims history. The total saving on insurance was £0.189m.

- Income

The Service generated extra income of £0.095m in addition to what had been budgeted. This was mainly as a result of higher than budgeted bank interest received and staff secondments.

- Transport Costs

The cost of fuel for the Service's vehicles was higher than anticipated (£0.082m) however; this was compensated by a reduction in the anticipated travel costs for staff (0.079m).

The largest proportion of expenditure is in respect of Employee Costs (73% of Gross Expenditure) e.g. Salaries/Wages, National Insurance. Repayment of debt amounted to £1.172m, being 5% of Gross Expenditure. The income received (£0.228m) comprises bank interest and miscellaneous charges.

The surplus for the year of £3.240m against the budget, shown above does not agree with the deficit of £8.643m shown on the Comprehensive Income and Expenditure Statement on page 20 due to the inclusion of accounting entries for non current assets, pensions and short term employee benefits.

The two amounts can be reconciled as follows:

2010/11 ACTUAL £'000		2011/12 ACTUAL £'000
(3,280)	(Surplus)/Deficit from above	(3,240)
2,354	Depreciation	2,408
0	Budget to be funded from Reserves not required	1,000
943	Revaluation Losses	200
6	Impairment Losses	14
(491)	Loans Fund Repayments	(521)
487	(Gain)/Loss on disposal of fixed assets	5
37	Short Term Employee Benefits	76
(1,510)	Government Grants	(1,670)
1,848	Deficit on Pensions Account	2,008
(231)	Capital Funded from Revenue	(138)
(24)	Donated Assets	0
(5,335)	IAS 19 Pensions	8,269
782	Requisitions to be returned to Constituent Authorities	232
<u>(4,414)</u>	DEFICIT/(SURPLUS)	<u>8,643</u>

These reconciling amounts are non-cash so do not impact on the amount to be funded by the constituent authorities.

General Fund Balance and amount to return to Constituent Authorities

The Police and Fire Services (Finance) (Scotland) Act 2001 makes provision for joint police boards and joint fire boards to carry forward unspent balances from one financial year to the next. The amount carried forward in any year must not exceed 3% of the contributions made by the constituent authorities for that year. In addition the amount of carry forward for a year, when added to the accumulated amount brought forward should not exceed 5% of the constituent authorities' contributions for that year. These unspent balances are held in the General Fund.

The Joint Board's Reserve Strategy is to retain the maximum permitted under the legislation each year. As at 31 March 2012, the maximum permitted carry forward was £1.233m, being 5% of requisitions. During 2010/11 permission was sought from Scottish Ministers to carry forward unspent balances in excess of 5% of requisitions due to financial pressures faced at that time. With the impending move to a single fire service for Scotland there is currently uncertainty surrounding what will happen with reserve balances as at 31st March 2013. A decision has been taken that the Joint Board will decrease its General Fund balance and return amounts over the 5% to the constituent authorities. The table below highlights that £1.164m will be returned to Constituent Authorities leaving a balance on the General Fund as at 31 March 2012 of £1.233m.

The amount to be returned to constituent authorities is calculated as follows:

	£'000
Surplus from Requisitions for the year per previous page	(232)
Less: Net amount of decrease in General Fund	(932)
Amount to be returned to Constituent Authorities	<u><u>(1,164)</u></u>

Further information on the General Fund balances can be found at Note 5 to the Accounts.

IAS 19 Employee Benefits

IAS19 applies to all types of employee benefits paid by the Joint Board. The main principle of the Standard is that an organisation should account for employment and post employment benefits when employees earn them and the Joint Board is committed to providing them, even if the actual provision might be many years into the future.

Employee benefits include the following categories, each of which have different characteristics and, therefore, have separate accounting requirements:

- Short-term benefits such as wages, salaries and short term compensated absences such as holiday pay and sick leave payable within twelve months of the Balance Sheet date. Short-term benefits also include non-monetary benefits e.g. cars,
- Long-term benefits and long-service awards payable more than 12 months after the Balance Sheet date. There are currently no such benefits payable to employees by the Joint Board,
- Termination benefits such as redundancy payments. There are currently no such benefits payable to employees by the Joint Board,
- Post-employment benefits such as pensions.

a. Short Term Benefits

i. Wages and Salaries

There has been no requirement to change the current accounting policy in relation to accounting for wages and salaries as a liability (accrued expense) and an expense is recognised as employees render services to the Joint Board. An accrual has been included for overtime which was worked during 2011/12 but not paid until 2012/13.

ii. Short Term Compensated Absences

Compensated absences are periods during which an employee does not provide services to the employer, but employee benefits continue to be paid. Typical employee benefits include annual leave, sick leave and maternity leave. The Code follows the requirement of IAS 19 in specifying that compensated absences are split into the following two categories:

- Accumulating
- Non-accumulating

Accumulating absences are typically earned by employees as they provide services whereas non-accumulating absences are not related to the rendering of services. Accumulating compensated absences are those that can be carried forward for use in future periods if the current period's entitlements are not used in full. The Code describes annual leave, flexi-time and time in lieu arrangements as usually being accumulating. The impact on the Statement of Accounts for accumulating short term absences for annual leave, flexi-time for support staff and time in lieu for fire staff totals £0.515m (2010/11 £0.439m). There were no non-accumulating absences calculated for 2011/12.

b. Post Employment Benefits

Joint Boards are required by the Code to account for post employment benefits in accordance with IAS 19 Employee Benefits. The purpose of IAS19 is to ensure that organisations account for retirement benefits when they are committed to give them, even if the actual giving will be many years in the future.

The impact on the Balance Sheet is to include an actuarial assessment of the Board's liability in respect of the three pension schemes to which it contributes. Mercer Human Resources Consulting

Ltd, an independent firm of actuaries, has assessed both of the Firefighters' Pension Schemes and the Local Government Pension Scheme liabilities.

The Local Government Pension Scheme, while having assets invested is currently in a net liability position with the liability decreasing by £0.421m from 2011/12. As the Firefighters' Pension Schemes are unfunded, there are no assets invested to cover their liabilities which have increased by £7.575m from 2010/11.

The net liability of the three schemes amounting to £164.594m is balanced by a pension reserve. Although the pension schemes show a significant liability it is still considered appropriate for the Joint Board to adopt a going concern basis for the preparation of the financial statements as the constituent authorities have a legal obligation under the 1995 Combined Area Amalgamation Scheme Order to provide the Joint Board with funding to meet all liabilities as they fall due.

The Employee Statutory Adjustment Account and Other Retirement Benefit Liabilities are included in the Balance Sheet to account for injury benefit liabilities. The liability for injury awards amounts to £6.883m as at 31 March 2012.

Charges and credits in relation to the movement in the pension liability are reflected in the Comprehensive Income and Expenditure Statement within the Financing and Investment Income and Expenditure line. The net impact on this account is balanced by a contribution from the Pensions Reserve and Employee Statutory Adjustment Account, resulting in a nil impact on the amount to be met from constituent authorities.

Further information on the retirement benefits can be found at Note 1(G) and Note 32 to the Accounts.

Capital Expenditure

With effect from 1 April 2004, a new prudential regime for capital financing allowed the Joint Board flexibility in setting its own limits for borrowing in order to finance its capital expenditure providing that its expenditure plans are affordable, sustainable and prudent. However, to date the Scottish Government has given Fire Authorities a capital grant. The Joint Board also continues to have outstanding loans which were taken out to fund capital expenditure prior to the introduction of the regime that are to be repaid over a number of years. A breakdown of the loan repayments is outlined at Note 35(b) to the Accounts.

For 2011/12, the capital grant for the Joint Board amounted to £1.670m. In addition to this £0.060m was carried forward from 2010/11 as a capital grant unapplied and was used to fund the capital expenditure in 2011/12. Full details of how the capital expenditure was funded during 2011/12 are outlined at Note 29 to the Accounts.

Total capital expenditure in 2011/12 was £1.867m and included the following payments:

- £0.345m to upgrade the Headquarters site,

- £0.605m for the purchase of appliances and light vehicles,
- £0.274m for improvements to information technology and communication links across the Service area,
- £0.260m for the purchase of new equipment and protective clothing,
- £0.383m for minor work improvements on the Service's properties.

Provisions and Contingencies

The Joint Board has a provision of £0.316m within its Statement of Accounts to make a payment for sick pay to part time firefighters. More information regarding this can be found at Note 17 to the Accounts.

The Joint Board has a contingent liability for future years in relation to part time workers access to the Firefighters Pension Scheme, backdated to December 2000 where applicable. There is currently no estimate of the financial effect this will have on the Joint Board's finances. More information regarding this can be found at Note 34 to the Accounts.

Financial Economy

During 2011/12 the UK economy continued to be in a period of recession. The global economic climate together with the banking crisis has had an impact on the Service. The continual low level of bank interest rates has had an effect on the amount of income generated from investing our reserves although it has increased slightly in 2011/12 (£0.066m for 2011/12 and £0.030m for 2010/11).

During the preparation of the Statement of Accounts the value of the Joint Board's assets were reviewed for impairments which could have occurred as a result of the economic climate such as decreased property valuations, however, no such impairments were found.

In addition to this a review of debtors was undertaken to establish if the Joint Board was at a higher risk of bad debts as a result of the recession. However, as the level of income generated by the Joint Board is low it was felt that an increase in the provision for bad debts was not required.

Financial Statements

The ***Movement in Reserves Statement*** shows the movement in the year on the different reserves held by the Joint Board, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Joint Board's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance.

The **Comprehensive Income and Expenditure Statement** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded by the Constituent Authorities. The income and expenditure of the Joint Board has been prepared on an accruals basis, i.e. income and expenditure is included as it is earned or incurred, rather than when monies are received or paid.

The **Balance Sheet** shows the value as at the balance sheet date of the assets and liabilities recognised by the Joint Board. The net assets (assets less liabilities) are matched by the reserves held by the Joint Board. Reserves are reported into two categories. The first category of reserves are usable reserves, i.e. those reserves that the Joint 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 or repay debt). The second category of reserves is those that the Joint Board is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts 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'.

The **Cash Flow Statement** shows the changes in cash and cash equivalents of the Joint Board during the reporting period. The statement shows how the Joint 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 Joint Board are funded by the constituent authorities or from recipients of services provided by the Joint Board. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Joint Board's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash inflows by providers of capital (i.e. borrowing) to the authority.

The **Statement of Accounting Policies** indicates the basis on which the accounts have been prepared. The policies that have been adopted are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – based on International Financial Reporting Standards.

The **Statement of Assurance on the System of Internal Financial Control** sets out the framework within which financial control is managed and reviewed, and the main components of the system, including the arrangements for internal audit.

Acknowledgement

The production of the Statement of Accounts is a team effort with the employees of Grampian Fire and Rescue Service and I would like to take this opportunity to thank them for their help and co-operation.



ALAN WOOD MA (Hons), CPFA
TREASURER,
8 JUNE 2012

Statement of Responsibilities

The Joint Board's Responsibilities

The Joint Board is required to:

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

The Treasurer's Responsibilities:

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

The Treasurer has also:

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

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



ALAN WOOD MA (Hons), CPFA
TREASURER
8 JUNE 2012

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Joint 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 Joint Board's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. A breakdown of the 'Adjustments between accounting basis and funding basis under regulation' can be found at Note 5 to the Accounts.

Movement in reserves during 2011/12

	Useable Reserves				Total Unusable Reserves £'000	Total Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000		
Balance as at 31 March 2011	2,165	256	60	2,481	(113,854)	(111,373)
Movements in Reserves during 2011/12						
Deficit on provision of services	(8,643)	0	0	(8,643)	0	(8,643)
Other Comprehensive Expenditure and Income	0	0	0	0	40	40
Total Comprehensive Expenditure and Income	(8,643)	0	0	(8,643)	40	(8,603)
Adjustments between accounting basis and funding basis under regulation (Note 5)	8,643	54	(60)	8,637	(8,637)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	0	54	(60)	(6)	(8,597)	(8,603)
Reduction in Reserves to return surpluses to Constituent Authorities	(932)	0	0	(932)	0	(932)
Increase/(Decrease) in 2011/12	(932)	54	(60)	(938)	(8,597)	(9,535)
Balance as at 31 March 2012 carried forward	1,233	310	0	1,543	(122,451)	(120,908)

Movement in Reserves Statement (Cont'd)

Movement in reserves during 2010/11

	Useable Reserves				Total Unusable Reserves £'000	Total Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000		
Balance as at 31 March 2010	1,515	188	0	1,703	(121,447)	(119,744)
Movement in reserves during 2010/11						
Surplus on provision of services	4,414	0	0	4,414	0	4,414
Other Comprehensive Expenditure and Income	0	0	0	0	3,957	3,957
Total Comprehensive Expenditure and Income	4,414	0	0	4,414	3,957	8,371
Adjustments between accounting basis and funding basis under regulation (Note 5)	(3,764)	68	60	(3,636)	3,636	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	650	68	60	778	7,593	8,371
Increase/(Decrease) in 2010/11	650	68	60	778	7,593	8,371
Balance as at 31 March 2011 carried forward	2,165	256	60	2,481	(113,854)	(111,373)

Balance Sheet as at 31 March 2012

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Joint Board. The net assets of the Joint Board (assets less liabilities) are matched by the reserves held by the Joint Board. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Joint 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 or repay debt). The second category of reserves is those that the Joint Board is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2010 Restated £'000	31 March 2011 Restated £'000	Notes		31 March 2012 £'000
242	209	11	Intangible Assets	77
			Property, Plant and Equipment	
52,802	52,023	10	Other land and buildings	50,791
7,824	7,825	10	Vehicles, plant, furniture and equipment	7,825
60,868	60,057		Total Property, Plant and Equipment	58,693
0	0		Long-term debtors	0
60,868	60,057		Total Long-Term Assets	58,693
			Current Assets	
195	183	13	Inventories	191
650	514	14	Short-term debtors (net of impairment)	765
6,214	6,638	15	Cash and cash equivalents	6,185
67,927	67,392		Total Assets	65,834
			Current Liabilities	
(174)	0		Short-term borrowing	0
(5,269)	(4,550)	16	Short-term creditors	(4,737)
0	0	17	Provisions	(316)
62,484	62,842		Total assets less current liabilities	60,781
			Long Term Liabilities	
(10,200)	(10,200)	35	Long-term borrowing	(10,200)
0	(16)	30	Long-term creditor	(12)
(20)	0		Capital grant receipts in advance	0
(164,630)	(157,440)	32	Liability related to defined benefits pension scheme	(164,594)
(7,134)	(6,348)	32	Other Retirement Benefit Liabilities	(6,883)
(244)	(211)	17	Provisions	0
(119,744)	(111,373)		TOTAL ASSETS LESS LIABILITIES	(120,908)

Balance Sheet as at 31 March 2012 (Cont'd)

31 March 2010 Restated £'000	31 March 2011 Restated £'000	Notes		31 March 2012 £'000
Financed by:				
Usable Reserves				
188	256	18	Capital Receipts Reserve	310
1,515	2,165	18	General Fund Balance	1,233
0	60	18	Capital Grants Unapplied Account	0
<u>1,703</u>	<u>2,481</u>			<u>1,543</u>
Unusable Reserves				
13,112	14,184	2, 19	Revaluation Reserve	13,392
37,607	36,189	2, 19	Capital Adjustment Account	36,149
(164,630)	(157,440)	19, 32	Pensions Reserve	(164,594)
(7,134)	(6,348)	19, 32	Employee Statutory Adjustment Account	(6,883)
(402)	(439)	19	Accumulated Absences Account	(515)
<u>(121,447)</u>	<u>(113,854)</u>			<u>(122,451)</u>
<u>(119,744)</u>	<u>(111,373)</u>		TOTAL RESERVES	<u>(120,908)</u>

The unaudited accounts were issued on 8 June 2012 and the audited accounts were authorised for issue on 29 August 2012.



ALAN WOOD MA (Hons), CPFA
TREASURER
8 JUNE 2012

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Joint Board during the reporting period. The statement shows how the Joint 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 Joint Board are funded by way of requisitions and grant income or from recipients of services provided by the Joint Board. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Joint 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 Joint Board.

31 March 2011 £'000	Notes	31 March 2012 £'000
(4,414)	Net (surplus) or deficit on provision of services	8,643
795	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(12,855)
2,212	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,820
<u>(1,407)</u>	20 Net cash flows from Operating Activities	<u>(2,392)</u>
1,591	21 Investing Activities	1,737
(608)	22 Financing Activities	1,108
<u>(424)</u>	Net (increase) or decrease in cash and cash equivalents	<u>453</u>
6,214	Cash and cash equivalents at the beginning of the reporting period	6,638
<u><u>6,638</u></u>	15 Cash and cash equivalents at the end of the reporting period	<u><u>6,185</u></u>

Notes to the Accounts

1 Accounting Policies

A. General Principles

The Statement of Accounts summarises the Joint Board's transactions for the 2011/12 financial year and its position at the year end of 31 March 2012. The Joint Board is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985, which section 12 of the Local Government in Scotland Act 2003 require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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 Joint Board transfers 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 Joint Board.
- Revenue from the provision of services is recognised when the Joint 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 Joint 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 services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract,
- Where income and expenditure have been recognised but cash has not been received or paid out, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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 are highly liquid 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 or 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 Joint Board's cash management.

D. Exceptional Items

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 the Joint Board's financial performance.

E. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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 the Joint 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.

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

F. Charges to Revenue for Non-Current Assets

Departments are 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 department,
- Revaluation and impairment losses on assets used by the department where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off,
- Amortisation of intangible assets attributable to the department.

The Joint Board is not required to requisition the constituent authorities to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement or loans fund principal charges. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the amount chargeable to the General Fund Balance under the regulations, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

G. Employee Benefits

(a) Benefits Payable during Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense in the year in which employees render service to the Joint Board. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) 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 wage and salary rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

(b) Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Joint 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 the debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

(c) Post Employment Benefits

Employees of the Joint Board are members of three separate pension schemes. The Local Government Pension Scheme administered by Aberdeen City Council provides pension benefits for control and support staff. Uniformed personnel participate in two unfunded schemes. The schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The liabilities of the three schemes attributable to the Joint 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 projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.1%.

The assets of the Local Government Pension Scheme attributable to the Joint Board are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – average of bid and offer rates
- property – market value

The change in the net pension liability for the three schemes is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned this year are allocated in the Comprehensive Income and Expenditure Statement.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years are debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs,
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. The increase is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected return on assets – the annual investment return on the fund assets attributable to the Joint Board, based on an average of the expected long term return is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- Gains or losses on settlement and curtailments – the result of actions to relieve the Joint Board of liabilities or events that reduce the expected future service or accrual of benefits to employees. The amount is debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs,
- Actuarial gains and losses – changes in the net pension's liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. The amount is debited to the Pensions Reserve,
- Contributions paid to the pension funds – cash paid as employer's contributions to the pension funds in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Joint 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 Pension 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 Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits that are earned by employees.

Discretionary Benefits

The Joint 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. The Joint Board also has powers to make discretionary awards in relation to injury awards. The liability in relation to injury awards is disclosed separately in the Statement of Annual Accounts.

H. Events After the Reporting Period

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

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

I. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Joint Board becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the Joint Board's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

For accounting periods commencing prior to 1 April 2004 the Joint Board financed its capital expenditure by borrowing directly from the Public Works Loan Board (PWLB). However, for accounting periods commencing on or after 1 April 2004 no borrowing has been undertaken by the Joint Board and all capital expenditure has been financed by way of a capital grant receivable on an annual basis from the Scottish Government. There is no charge for this funding. The Joint Board

requisitions the constituent authorities for amounts due each year in respect of principal repayments, interest and debt management expenses on the loans outstanding.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables which are assets that have fixed or determinable payments but are not quoted in an active market.
- Available for sale assets which are assets that have quoted market price and/or do not have fixed or determinable payments.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

The Joint Board do not have any available for sale assets.

J. Government Grants

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

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

Amounts recognised as due to the Joint Board are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of 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 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 service line (attributable revenue grants and contributions) or Non-Specific Grant Income (all capital grants) 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 Fund 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 Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The Joint Board has been in receipt of capital grants from the Scottish Government since 1 April 2004 following the introduction of the Prudential Code for Capital Finance in Local Authorities.

K. Heritage Assets

The Joint Board's heritage assets are held in trust by the North East Scotland Fire Heritage Trust which has the purpose of providing for the acquisition and preservation of fire appliances and materials reflecting the origins and evolution of the fire service in the Grampian area.

Heritage assets are recognised and measured in accordance with the Board's accounting policies on property, plant and equipment. A de-minimus level of £0.050m has been set for the measurement of heritage assets for inclusion in the Statement of Accounts.

The Trust's assets have been reviewed and there are currently no heritage assets above the de-minimus level.

L. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Joint Board as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Joint Board.

Intangible assets are measured initially at cost. Amounts are not revalued where the fair value of the assets held by the Joint Board cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

M. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Stock which has been returned to stores and re-issued is reviewed and if required is depreciated to take account of its reduced value.

N. 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.

(a) **The Joint Board as Lessee**

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Joint Board are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property – 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 policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

The Joint Board is not required to requisition the Constituent Authorities to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. 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. there is a rent free period at the commencement of the lease).

(b) **The Joint Board as Lessor**

Operating Leases

Where the Joint Board grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if it does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). 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.

O. Overheads and Support Services

The cost of overheads and support services are charged out to departments in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2011/12 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are charged to departments on the basis of employee numbers, with the exception of:

- Corporate and democratic core – costs relating to the Joint Board's status as a democratic organisation,
- Non distributed costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on Assets Held for Sale.

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

P. 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.

(a) 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 associated with the item will flow to the Joint Board and the cost of the item can be measured reliably. The main principle of the method of accounting for capital expenditure is that capital expenditure is held as a fixed asset, provided it yields benefit to the Joint Board for more than one year and exceeds the de minimis level of £6,000. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits (i.e. repairs and maintenance) is charged as an expense when it is incurred.

(b) 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.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the 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 Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into groupings required by the Code of Practice. Assets have been valued on the following bases:

- Specialist operational properties are included in the balance sheet at depreciated replacement cost,
- Non-specialised operational properties such as radio masts are valued in the balance sheet at existing use value,
- Operational assets such as vehicles and plant are included in the balance sheet at market value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to the revenue account.

Where decreases in value 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 the balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Account.

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.

(c) 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, the carrying amount of the asset is written down in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service(s) line in 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, with any additional reversal taken to the Revaluation Reserve.

(d) 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 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 charged to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are 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 of 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 are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against requisitions, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

(e) Depreciation

Depreciation is provided on all Property, Plant and Equipment assets, with the exception of land, which have a finite useful life, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. They are depreciated over their useful economic lives using the straight-line method of depreciation. No depreciation is calculated on the asset in the year of acquisition.

Where an item of Property, Plant and Equipment 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.

Q. Provisions, Contingent Liabilities and Contingent Assets**(a) Provisions**

Provisions are made where an event has taken place that gives the Joint Board a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, and a reliable estimate can be made of the amount of the obligation, but where the timing of the transfer is uncertain.

Provisions are charged as an expense in the Comprehensive Income and Expenditure Statement in the year that the Joint 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 not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

(b) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Joint 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 Joint 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 disclosed in a note to the accounts.

(c) Contingent Assets

A contingent asset arises where an event has taken place that gives the Joint 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 Joint Board.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits.

R. General Fund

The Joint Board is entitled to carry forward a cumulative under spend on requisitions not exceeding 5% of the requisition level in the year. The General Fund can be used to supplement revenue expenditure in future years in accordance with the Board's Revenue Reserve Strategy.

The Revenue Reserve Strategy details the circumstances where the General Fund Balance can be used to fund unforeseen expenditure. The Joint Board requires to hold a level of reserves to deal with issues such as applying nationally agreed pay awards greater than local forecasts; volatility in retained pay costs; single status and equal pay issues; unforeseen critical business continuity arrangements and the costs of covering a major local incident.

S. Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate department in that year to score against the Surplus or Deficit on the Provision of Service in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back to the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against requisitions for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Joint Board – these reserves are explained in the relevant policies.

T. 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 Prior Year Adjustment

During the preparation of the 2011/12 Statement of Accounts it has come to light that the accounting entries made in the Revaluation Reserve for 2007/08 require to be changed. At that time a downward revaluation in buildings was netted off against an upward revaluation in land. Due to the changes introduced by the International Financial Reporting Standards (IFRS) in 2010/11 these entries require to be adjusted as any downward revaluation should have been charged to the Comprehensive Income and Expenditure Statement in the year. The amount involved is £0.527m which has led to a prior year adjustment being made to the opening balances as follows:

Audited Figures		Balance Sheet Restatement	Restated	
2009/10 £'000	2010/11 £'000		2009/10 £'000	2010/11 £'000
12,585	13,657	Revaluation Reserve	13,112	14,184
38,134	36,716	Capital Adjustment Account	37,607	36,189

As the transaction relates to 2007/08 there would be no impact on the 2010/11 comparative figure in the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement so the adjustment only impacts on the classification in the Balance Sheet, with no impact on the total reserves.

3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Joint Board has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The balance sheet as at 31 March 2012 shows a net liability of £120.908m (2010/11 £111.373m). This net liability position reflects the inclusion of net pension liabilities of £171.477m (2010/11 £163.788m) falling due in future years and arising from the application of IAS 19 (Employee Benefits). It is appropriate to adopt a going concern basis for the preparation of the financial statements as the constituent authorities have a legal obligation under the 1995 Combined Area Amalgamation Scheme Order to provide the Joint Board with funding to meet all liabilities as they fall due.
- The Scottish Government announced in September 2011 that the Fire and Rescue Service in Scotland would be delivered by a single Fire and Rescue Service from 1st April 2013 as opposed to the current eight Services. This will bring about considerable changes in the way the Service is governed and delivered in the future. Grampian Fire and Rescue Service are working with the other seven Services and the Service Design Board (set up to implement Fire Reform in Scotland) to ensure a smooth transition. Grampian Joint Fire and Rescue Board will cease to exist from 1st April 2013. Although these changes are imminent it is still appropriate to adopt a going concern basis for the preparation of the financial statements due to the change being a transfer to another public body which is classified as a machinery of government change.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Joint 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 Joint Board's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level or repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Joint Board's will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.053m (2010/11 £0.037m) for every year that useful lives had to be reduced. This increase in depreciation would have a nil effect on the general fund.

5 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 Joint Board in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Joint Board to meet future capital and revenue expenditure.

The following sets out a description of the resources that the adjustments are made against.

General Fund Balance

The Police and Fire Services (Finance) (Scotland) Act 2001 makes provision for joint police boards and joint fire boards to carry forward unspent balances from one financial year to the next. These unspent balances are held in the General Fund.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Joint Board has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

5 Adjustments between Accounting Basis and Funding Basis under Regulations (Cont'd)

2011/12 Figures

	Useable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation of non-current assets	2,275	0	0	(2,275)
Charges for impairment of non-current assets	15	0	0	(15)
Revaluation losses on Property, Plant and Equipment	200	0	0	(200)
Amortisation of intangible assets	132	0	0	(132)
Capital grants and contributions that have been applied to capital financing	(1,670)	0	0	1,670
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	(521)	0	0	521
Capital expenditure charged against the General Fund	(138)	0	0	138

5 Adjustments between Accounting Basis and Funding Basis under Regulations (Cont'd)

2011/12 Figures

	Useable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	(60)	60
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	5	54	0	(59)
Adjustments involving the Pensions Reserve:				
Employer's pensions contributions and direct payments to pensioners payable in the year	8,269	0	0	(8,269)
Adjustments 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 adjustments	76	0	0	(76)
Total Adjustments	8,643	54	(60)	(8,637)

5 Adjustments between Accounting Basis and Funding Basis under Regulations (Cont'd)

2010/11 Comparative Figures

	Useable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation of non-current assets	2,235	0	0	(2,235)
Charges for impairment of non-current assets	7	0	0	(7)
Revaluation losses on Property, Plant and Equipment	942	0	0	(942)
Amortisation of intangible assets	119	0	0	(119)
Capital grants and contributions that have been applied to capital financing	(1,450)	0	0	1,450
Movement in the Donated Assets Account	(24)	0	0	24
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				
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment	(491)	0	0	491
Capital expenditure charged against the General Fund	(231)	0	0	231

5 Adjustments between Accounting Basis and Funding Basis under Regulations (Cont'd)

2010/11 Comparative Figures

	Useable Reserves			Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied Account	Movement in Unusable Reserves
	£000	£000	£000	£000
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(60)	0	60	0
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	487	68	0	(555)
Adjustments involving the Pensions Reserve:				
Employer's pensions contributions and direct payments to pensioners payable in the year	(5,335)	0	0	5,335
Adjustments 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 adjustments	37	0	0	(37)
Total Adjustments	(3,764)	68	60	3,636

6 Material Items of Income and Expenditure

Although there were no material items of income and expenditure identified during the preparation of the 2011/12 Statement of Accounts there is a comparative amount from 2010/11 which is material to the understanding of the Board's financial position for the two financial years.

In 2010/11 there was a change in the measurement of retirement benefits from Retail Price Index to Consumer Price Index. The result of this change had a positive effect on the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement totalling £14.497m resulting in a surplus for the year of £4.414m.

As this change was imbedded in the Statement of Accounts for 2010/11 there was no such amount in 2011/12 resulting in a nil charge to the Non Distributed Costs line. The effect of this has changed the surplus for 2010/11 into a deficit for 2011/12 totalling £8.643m.

7 Comprehensive Income and Expenditure Statement - Other Operating Expenditure

2010/11 £'000		2011/12 £'000
487	(Gains)/Losses on the disposal of non current assets	5
487	Total	5

8 Comprehensive Income and Expenditure Statement - Financing and Investment Income and Expenditure

2010/11 £'000		2011/12 £'000
667	Interest payable and similar charges	653
10,348	Pensions interest cost	9,631
(675)	Expected return on pension assets	(789)
(30)	Interest receivable and similar income	(66)
10,310	Total	9,429

9 Non-Specific Grant Income

2010/11 £'000		2011/12 £'000
(1,510)	Capital Grants and Contributions	(1,670)
(1,510)	Total	(1,670)

10 Property, Plant and Equipment

Movements on Balances in 2011/12

	Property, Plant & Equipment		
	Operational Land & Buildings £'000	Operational Vehicles, Plant & Equipment £'000	Total £'000
Cost or Valuation			
Gross Book Value at 1 April 2011	53,933	17,866	71,799
Additions	728	1,139	1,867
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,266)	0	(1,266)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,334)	0	(1,334)
Transfers to and from Stock	0	(10)	(10)
Derecognition - Disposals	0	(595)	(595)
Gross Book Value at 31 March 2012	52,061	18,400	70,461
Accumulated Depreciation and Impairment			
at 1 April 2011	(1,910)	(10,041)	(11,951)
Depreciation charge	(1,220)	(1,055)	(2,275)
Depreciation written out to the Revaluation Reserve	1,860		1,860
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Service	0	(6)	(6)
Derecognition - Disposals	0	527	527
Depreciation and Impairments at 31 March 2012	(1,270)	(10,575)	(11,845)
Net Book Value at 31 March 2012	50,791	7,825	58,616
Net Book Value at 31 March 2011	52,023	7,825	59,848

10 Property, Plant and Equipment Cont'd

Comparative Movements in 2010/11

	Property, Plant & Equipment		
	Operational Land & Buildings £'000	Operational Vehicles, Plant & Equipment £'000	Total £'000
Cost or Valuation			
Gross Book Value at 1 April 2010	54,309	17,304	71,613
Additions	414	1,355	1,769
Donations	0	24	24
Revaluation increases/(decreases) recognised in the Revaluation Reserve	621	0	621
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(942)	0	(942)
Transfers to and from Stock	0	11	11
Derecognition - Other	0	(8)	(8)
Derecognition - Disposals	(469)	(820)	(1,289)
Gross Book Value at 31 March 2011	53,933	17,866	71,799
Accumulated Depreciation and Impairment			
at 1 April 2010	(1,507)	(9,480)	(10,987)
Depreciation charge	(1,102)	(1,133)	(2,235)
Depreciation written out to the Revaluation Reserve	695	0	695
Depreciation written out to the Surplus/Deficit on the Provision of Services	(1)	0	(1)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Service		(5)	(5)
Derecognition - Disposals	5	577	582
Depreciation and Impairments at 31 March 2011	(1,910)	(10,041)	(11,951)
Net Book Value at 31 March 2011	52,023	7,825	59,848
Net Book Value at 31 March 2010	52,802	7,824	60,626

Depreciation

All assets are depreciated on a straight line basis with the exception of land which is not depreciated.

The classes of non-current assets are depreciated over the following periods:

Useful economic life:	Buildings	20 - 40 yrs
	Vehicles and Plant	3 – 20 yrs

Capital Commitment

As at 31 March 2012, the Board was committed to paying £0.008m for retention costs in relation to the Headquarters site work which commenced in 2011/12.

Revaluations

Operational Land and Buildings

The Service's premises which are subject to valuation as part of a 5 year rolling programme were independently valued at 31 March 2012 by J & E Shepherd, Chartered Surveyors, in accordance with the principles and guidance notes issued by RICS (Royal Institute of Chartered Surveyors).

Most of the Operational Assets are classed as Specialised Assets and are held, occupied and consumed by Grampian Fire and Rescue Service in the direct delivery of those services for which it has either a statutory or discretionary responsibility. These assets have been valued using Depreciated Replacement Cost (DRC). DRC is the aggregate amount of the value of the land for the existing use and the gross replacement cost of the buildings, from which an appropriate deduction is made for the age, condition, economic or functional obsolescence.

Total net realisable value of these buildings, at 31 March 2012 has been calculated as £50.791m (£52.023m in 2010/11).

Operational Vehicles, Plant and Equipment

The Service's fleet of Heavy and Light Vehicles are reviewed annually for their current market value by the Service's Transport Manager.

The net realisable value of the operational vehicles, plant and equipment as at 31 March 2012 is £7.825m (£7.825m in 2010/11).

The valuations were carried out by J & E Shepherd Chartered Surveyors (prior to 2007/08 by Aberdeenshire Councils Estate's Manager) and also the Service's Transport and ICT Managers. The basis for valuation is set out at Note 1(N) to the Accounts. The following statement shows the progress of the Joint Board's rolling programme for the revaluation of non-current assets.

	Operational Land & Buildings £'000
Valued at Fair Value as at:	
31 March 2008	43,744
31 March 2009	7,291
31 March 2010	592
31 March 2011	396
31 March 2012	(1,232)
Total Cost or Valuation	50,791

11 Intangible Assets

The Joint Board accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Joint Board. The useful lives assigned to the major software suites used by the Joint Board are:

5 years - Miquest (Asset Management System)

7 years - Fortek Vision (Command and Control System) and Exchequer (Financial System)

5 – 10 years Other Intangible Assets

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.132m charged to revenue in 2011/12 was charged to the Headquarters cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

The movement on Intangible Assets balance during the year is as follows:

	Intangible Assets 2011/12 £'000	Intangible Assets 2010/11 £'000
Cost or Valuation		
Gross Book Value at 1 April 2011	889	803
Additions	0	86
Gross Book Value at 31 March 2012	889	889
Accumulated Amortisation		
at 1 April 2011	(680)	(561)
Amortisation for the period	(132)	(119)
Amortisation at 31 March 2012	(812)	(680)
Net Book Value at 31 March 2012	77	209
Net Book Value at 31 March 2011	209	242

12 Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term	Current	Long Term	Current
	2011/12 £'000	2011/12 £'000	2010/11 £'000	2010/11 £'000
Debtors				
Loans and receivables	0	765	0	514
Financial assets carried at contract amounts	0	6,185	0	6,638
Total Debtors	0	6,950	0	7,152

Borrowings				
Financial liabilities at amortised cost	(10,200)	0	(10,200)	0
Total Borrowings	(10,200)	0	(10,200)	0

Creditors				
Financial liabilities at amortised cost	(12)	(4,737)	(16)	(4,550)
Total Creditors	(12)	(4,737)	(16)	(4,550)

Income, Expense, Gains and Losses

	2011/12		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and Receivables £'000	Total £'000
Interest expense	(653)	0	(653)
Total Interest payable and similar charges	(653)	0	(653)
Interest income	0	66	66
Total Interest and investment income	0	66	66
Net gain/(loss) for the year	(653)	66	(587)

	2010/11		
	Financial Liabilities	Financial Assets	
	Liabilities measured at amortised cost £'000	Loans and Receivables £'000	Total £'000
Interest expense	(667)	0	(667)
Total Interest payable and similar charges	(667)	0	(667)
Interest income	0	30	30
Total Interest and investment income	0	30	30
Net gain/(loss) for the year	(667)	30	(637)

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of cash flows that will take place over the remaining term of the instrument, using the following assumptions:

- estimated ranges of interest rates at 31 March 2012 of 1.28% to 4.42% for loans from the PWLB based on new lending rates for equivalent loans at that date,
- no early repayment or impairment is recognised,
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value,
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2012		31 March 2011	
	Carrying Amount £'000	Fair value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	14,937	18,144	14,750	16,790
Long Term Creditors	12	12	16	16

The fair value of the liabilities is higher than the carrying amount because the Joint Board's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders above the current market rates.

	31 March 2012		31 March 2011	
	Carrying Amount £'000	Fair value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets	6,950	6,950	7,152	7,152

The fair value is equal to the carrying amount because the authority's portfolio of loans includes very liquid investments.

13 Inventories

2010/11 £'000	Consumable Stores	2011/12 £'000
195	Balance outstanding at start of year	183
142	Transfer of PPE from non current assets	152
300	Purchases	311
(305)	Recognised as an expense in the year	(315)
3	Written off balances	3
(152)	Transfer of PPE Stock to non current assets	(143)
183	Balance outstanding at end of year	191

14 Debtors

2010/11 £'000	Debtors	2011/12 £'000
439	Central government bodies	577
36	Other local authorities & Fire and Rescue Services	36
39	Other entities and individuals	152
514	Total	765

Debtors Provisions

A provision for bad debts has been created for debts, which have been outstanding for over 6 months. The amount of the provision is £83 (2010/11 - £1,536).

15 Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

2010/11 £'000		2011/12 £'000
2	Cash held by the Joint Board	2
16	Bank current accounts	3
6,620	Short Term deposits with building societies	6,180
6,638	Total cash and cash equivalents	6,185

16 Creditors

2010/11 £'000	Creditors	2011/12 £'000
(461)	Central government bodies	(479)
(1,726)	Other local authorities	(1,736)
(206)	Public corporation and trading funds	(133)
(2,157)	Other entities and individuals	(2,389)
(4,550)	Total	(4,737)

17 Provisions

	Outstanding Legal Cases 2011/12 £'000	Outstanding Legal Cases 2010/11 £'000
Balance at 1 April	211	244
Additional provisions made	105	0
Unused amounts reversed	0	(33)
Balance outstanding at year end	316	211

Outstanding Legal Cases

A provision has been created following a ruling made by the House of Lords in relation to The Part Time Workers (Less Favourable Treatment) Regulations 2000 which indicated that sick pay would be payable to retained firefighters. The detail has almost been finalised and the Joint Board now has a legal obligation to make a payment for sick pay. The provision created in 2008/09 has been reviewed and increased to £0.316m (2010/11 - £0.211m) to cover the anticipated cost.

18 Usable Reserves

Movements in the Joint Board's usable reserves are detailed in the Movement of Reserves Statement and Note 5 to the Accounts.

2010/11 £'000		2011/12 £'000
256	Capital Receipts Reserve	310
2,165	General Fund Balance	1,233
60	Capital Grants Unapplied Account	0
2,481	Total Usable Reserves	1,543

19 Unusable Reserves

2010/11 Restated £'000		2011/12 £'000
14,184	Revaluation Reserve	13,392
36,189	Capital Adjustment Account	36,149
(157,440)	Pensions Reserve	(164,594)
(6,348)	Employee Statutory Adjustment Account	(6,883)
(439)	Accumulated Absences Account	(515)
(113,854)	Total Unusable Reserves	(122,451)

The amounts in the revaluation reserve and capital adjustment account for 2010/11 have been restated. Details of the prior year adjustment can be found at note 2 to the Statement of Accounts.

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Joint Board arising from increases in the value of its Property, Plant and Equipment and Intangible Assets.

The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains 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 considered into the balance on the Capital Adjustment Account.

2010/11 Restated £'000		2011/12 £'000
12,585	Balance at 1 April	14,184
527	Prior year adjustment	0
1,316	Upward revaluation of assets	0
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(540)
1,843	Surplus or (deficit) on revaluation of non-current assets not posted to the surplus or deficit on the Provision of Services	(540)
(244)	Difference between the fair value depreciation and historical cost depreciation	(252)
(244)		(252)
0	Amount written off to the Capital Adjustment Account	0
14,184	Balance at 31 March	13,392

The opening balance on the revaluation reserve for 2010/11 have been restated. Details of the prior year adjustment can be found at note 2 to the Statement of Accounts.

Capital Adjustment Account

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

The Account contains accumulated gains recognised on donated assets that have yet to be consumed by the Joint 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 5 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Capital Adjustment Account

2010/11 Restated £'000		2011/12 £'000
38,134	Balance at 1 April	36,189
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account	
(2,242)	Charges for depreciation and impairment of non-current assets	(2,290)
(942)	Revaluation losses on Property, Plant and Equipment	(200)
(527)	Prior year adjustment	0
(119)	Amortisation of Intangible Assets	(132)
(555)	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 Account	(59)
33,749		33,508
244	Adjusting amounts written out of the Revaluation Reserve	252
244		252
	Capital financing applied in the year:	
1,450	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	1,670
0	Application of grants to capital financing from the Capital Grants Unapplied Account	60
491	Statutory provision for the financing of capital investment charged against the General Fund	521
231	Capital Expenditure charged against the General Fund	138
2,172		2,389
24	Movement in the donated assets credited to the Comprehensive Income and Expenditure Statement	0
36,189	Balance at 31 March	36,149

Pension 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 Joint 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 Joint Board makes employer's contributions to pension funds or eventually pays any pension 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 Joint Board has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010/11 £'000		2011/12 £'000
(164,630)	Balance as at 1 April	(157,440)
1,797	Actuarial gains or losses on the pension assets and liabilities	580
850	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	(12,362)
4,543	Employer's pension contributions and direct payments to pensioners payable in the year	4,628
(157,440)	Balance as at 31 March	(164,594)

Employee Statutory Adjustment Account

The Employee Statutory Account was established to account for the injury benefit liability of the Joint Board. It was identified in the Annual Accounts for 2009/10 that injury benefits no longer formed part of the statutory pension arrangements as the benefits payable are available to all fire employees, and not only those employees who are members of the pension scheme. As injury awards were no longer part of the statutory pension scheme there was no statutory basis for them to be charged to the Pension Reserve instead of the General Fund.

The debit balance on the Employee Statutory Adjustment Account therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Joint Board has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010/11 £'000		2011/12 £'000
(7,134)	Balance as at 1 April	(6,348)
844	Actuarial (gains) or losses on the pension assets and liabilities	0
(227)	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	(672)
169	Employer's pension contributions and direct payments to pensioners payable in the year	137
(6,348)	Balance as at 31 March	(6,883)

Accumulated Absences Account

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

2010/11 £'000		2011/12 £'000
402	Balance as at 1 April	439
(402)	Settlement or cancellation of accrual made at the end of the preceding year	(439)
439	Amounts accrued at the end of the current year	515
37	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	76
439	Balance as at 31 March	515

20 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2010/11 £'000		2011/12 £'000
(30)	Interest received	(66)
667	Interest paid	653

21 Cash Flow Statement – Investing Activities

2010/11 £'000		2011/12 £'000
1,659	Purchase of property, plant and equipment and intangible assets	1,791
(68)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(54)
1,591	Net cash flows from investing activities	1,737

22 Cash Flow Statement – Financing Activities

2010/11 £'000		2011/12 £'000
0	Cash receipts of short-term and long-term borrowing	(66)
0	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2
0	Repayments of short-term and long-term borrowing	521
0	Other payments for financing activities	651
0	Net cash flows from financing activities	1,108

23 Amounts Reported for Resource Allocation

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions with regards to the Joint Board's expenditure are taken on the basis of budget monitoring reports analysed under different income and expenditure headings. The budget monitoring reports are prepared on a different basis from the accounting policies used in financial statements. In particular:

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

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

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

2010/11 £'000		2011/12 £'000
27,660	Net Expenditure reported to the Joint Board	26,546
(9,845)	Add amounts in the Comprehensive Income and Expenditure Statement not included in reports to the Board	4,132
(231)	Less amounts reported to Management but not reported in Net Cost of Services	(138)
17,584	Cost of Services in Comprehensive Income and Expenditure Statement	30,540

This reconciliation shows how the figures in the analysis of the Joint Board's income and expenditure relate to a subjective analysis of the Surplus or Deficit in the Provision of Services included in the Comprehensive Income and Expenditure Statement.

Subjective Analysis 2011/12

	Budget Monitoring Analysis £'000	Amounts not reported to the Joint Board £'000	Amounts not included in I&E £'000	Amounts not included in Net Cost of Services £'000	Net Cost of Services £'000	Corporate Amount £'000	Total £'000
Fees, charges & other service income	(162)	0	0	0	(162)	0	(162)
Interest and Investment Income	(66)	0	0	66	0	(66)	(66)
Donated assets	0	0	0	0	0	0	0
Government grants and contributions	0	0	0	0	0	(5,793)	(5,793)
Requisitions	0	0	0	0	0	(24,431)	(24,431)
Non Distributed Costs	0	0	0	0	0	0	0
Total Income	(228)	0	0	66	(162)	(30,290)	(30,452)
Employee Costs	18,047	0	0	0	18,047	0	18,047
Pension Costs	2,279	2,008	0	0	4,287	0	4,287
Property Costs	2,003	0	0	0	2,003	0	2,003
Administration Costs	1,168	0	0	0	1,168	0	1,168
Transport Costs	907	0	(138)	0	769	0	769
Supplies and Services	1,197	0	0	0	1,197	0	1,197
Repayment of Debt	1,173	0	0	(1,173)	0	653	653
Depreciation, Amortisation and Impairment	0	2,422	0	0	2,422	0	2,422
Revaluation Losses	0	200	0	0	200	0	200
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	5	5
IAS 19 Holiday Pay Accrual	0	76	0	0	76	0	76
Pension Interest Cost and Expected Return on Pension Assets	0	0	0	0	0	8,842	8,842
Net charges for retirement benefits	0	(574)	0	0	(574)	0	(574)
Total Operating Expenses	26,774	4,132	(138)	(1,173)	29,595	9,500	39,095
Surplus or deficit on the provision of services	26,546	4,132	(138)	(1,107)	29,433	(20,790)	8,643

Subjective Analysis 2010/11

	Budget Monitoring Analysis £'000	Amounts not reported to the Joint Board £'000	Amounts not included in I&E £'000	Amounts not included in Net Cost of Services £'000	Net Cost of Services £'000	Corporate Amount £'000	Total £'000
Fees, charges & other service income	(177)	0	0	0	(177)	0	(177)
Interest and Investment Income	(30)	0	0	30	0	(30)	(30)
Donated assets	0	(24)	0	0	(24)	0	(24)
Government grants and contributions	0	0	0	0	0	(5,549)	(5,549)
Requisitions	0	0	0	0	0	(26,119)	(26,119)
Non Distributed Costs	0	(14,497)	0	0	(14,497)	0	(14,497)
Total Income	(207)	(14,521)	0	30	(14,698)	(31,698)	(46,396)
Employee Costs	18,263	0	0	0	18,263	0	18,263
Pension Costs	2,383	1,848	0	0	4,231	0	4,231
Property Costs	1,999	0	0	0	1,999	0	1,999
Administration Costs	1,581	0	0	0	1,581	0	1,581
Transport Costs	1,020	0	(198)	0	822	0	822
Supplies and Services	1,464	0	(33)	0	1,431	0	1,431
Repayment of Debt	1,157	0	0	(1,157)	0	667	667
Depreciation, Amortisation and Impairment	0	2,360	0	0	2,360	0	2,360
Revaluation Losses	0	943	0	0	943	0	943
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	0	487	487
IAS 19 Holiday Pay Accrual	0	37	0	0	37	0	37
Pension Interest Cost and Expected Return on Pension Assets	0	0	0	0	0	9,673	9,673
Net charges for retirement benefits	0	(512)	0	0	(512)	0	(512)
Total Operating Expenses	27,867	4,676	(231)	(1,157)	31,155	10,827	41,982
Surplus or deficit on the provision of services	27,660	(9,845)	(231)	(1,127)	16,457	(20,871)	(4,414)

24 Members Expenses

The Service paid the following amounts to members of the Joint Board during the year.

	2011/12 £'000	2010/11 £'000
Allowances	23	22
Expenses	1	1
Total	24	23

25 Officers' Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 was:

Range	2011/12	2010/11
£50,000 - £54,999	6	3
£55,000 - £59,999	10	17
£60,000 - £64,999	8	9
£65,999 - £69,999	1	0
£70,000 - £74,999	2	1
£75,000 - £79,999	0	1
£80,000 - £84,999	0	0
£85,000 - £89,999	1	1
£90,000 - £94,999	1	0
£95,000 - £99,999	0	1
£100,000 - £104,999	0	0
£105,000 - £109,999	0	0
£110,000 - £114,999	1	0
£115,000 - £119,999	0	1
TOTAL	30	34

26 External Audit Costs

In 2011/12 the total fees payable to Audit Scotland in respect of external audit services undertaken by Deloitte LLP in accordance with the Code of Audit Practice are £31,250 (2010/11 £30,900). There were no fees payable in respect of any services provided by the appointed auditor over and above the duties undertaken in accordance with the Code of Audit Practice.

27 Requisition and Grant Income

The Joint Board has credited the following grants, contributions, and donations to the Comprehensive Income and Expenditure Statement.

2010/11 £'000		2011/12 £'000
	Credited to Requisitions	
(13,296)	Requisitions from Aberdeen City Council	(12,197)
(8,992)	Requisitions from Aberdeenshire Council	(8,236)
(4,613)	Requisitions from Moray Council	(4,230)
	Surplus Requisitions to be Returned	
387	Returned to Aberdeen City Council	115
267	Returned to Aberdeenshire Council	79
128	Returned to Moray Council	38
(26,119)	Total	(24,431)
	Credited to Non-Specific Grants	
(1,490)	Capital Grant	(1,670)
0	Capital Grants Unapplied	0
0	Donated Assets	0
(20)	Capital Grants Received in Advance	0
(1,510)	Total	(1,670)

28 Related Party Payments

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

The main items of income and expenditure of this nature were as follows:

2010/11 £'000	Expenditure	Authority	2011/12 £'000
73	Finance	Aberdeenshire Council	73
23	Pensions Administration	Aberdeen City Council	20
	Employer's Contribution to Local Government Pension Scheme	Aberdeen City Council	506
504			
28	Property Services	Aberdeenshire Council	6
4	Legal Services	Aberdeen City Council	4
632	TOTAL		609

2010/11 £'000	Income	Authority	2011/12 £'000
95	Secondment	Fire Service College	78
95	TOTAL		78

In addition to the income shown in the table above the Joint Board also received requisition income from the three Constituent Authorities, details of which can be found at Note 27 to the Accounts.

Included within the total amounts shown above the following income and expenditure were due to be paid as at 31st March 2012.

Finance - £0.060m for payroll and treasury management services (2010/11 £0.063m)

Employer's Contribution to Local Government Pension Scheme - £0.056m (2010/11 £0.056m)

Legal Service - £0.003m (2010/11 - £0.004m)

Income due from Fire Service College - £0.002m (2010/11 £0.017m)

29 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. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Joint Board, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2011/12 £'000	2010/11 £'000
Opening Capital Financing Requirement	0	0
Capital Investment		
Property, Plant and Equipment	1,867	1,615
Intangible Assets	0	86
Sources of Finance		
Government Grants and other contributions	(1,867)	(1,681)
Closing Capital Financing Requirement	0	20
Explanation of movements in year		
Assets acquired under finance leases	0	20
Increase/(decrease) in Capital Financing Requirement	0	20

30 Leases

Authority as Lessee - Finance Leases

The Joint Board has acquired a number of photocopiers under finance leases. The assets acquired under the lease are carried as Property, Plant and Equipment in the Balance Sheet at the following amounts:

2010/11 £'000		2011/12 £'000
20	Vehicles, Plant, Furniture and Equipment	16
20	Total	16

The Joint Board is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset acquired by the Joint Board and finance costs that will be payable by the Joint Board in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2010/11 £'000		2011/12 £'000
	Finance lease liabilities (net present value of minimum lease payments):	
4	Current	4
16	Non-Current	12
3	Finance costs payable in future years	2
23	Minimum Lease Payments	18

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Costs	
	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000
Not later than one year	4	4	1	1
Later than one year and not later than 5 years	12	16	1	2
Later than 5 years	0	0		0
Total	16	20	2	3

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 there were no contingent rents payable by the Joint Board.

Authority as Lessee - Operating leases

Land and Buildings – the Joint Board leases radio masts at Bervie Brow and Tomintoul. The rentals payable in 2011/12 were £8,764 (2010/11 £8,764). It is envisaged that these leases will cease during 2012/13 as a result of all radio masts within the Service being decommissioned. In addition to this the land at Altens fire station is leased from Aberdeen City Council. A grassum payment of £58,400 was paid at the time the lease was signed in 1980 and rental payments are £0.01p per annum, if asked. The lease of the land will continue indefinitely.

The Service currently operates leases under the salary sacrifice schemes. The schemes are a tax incentive for employees as they have the opportunity to pay for leased equipment from their gross pay thus reducing their tax liability. The lease payments are collected from employees' salaries each month and paid over to the lessor on a monthly basis. During 2011/12 a lease was entered into by the Service with Cycle to Work to supply bicycle equipment to employees. This lease is for an 18-month period and will cease in 2012/13.

Authority as Lessor – Operating Leases

The Joint Board leases out property and equipment under operating leases for the following purposes:

- radio masts are leased to Scottish and Southern Energy, Scottish Ambulance and Moray Roads,
- accommodation to the Driving Standards Agency at Ballater, Buckie and Huntly fire stations,
- surplus land at the Development Centre, Portlethen,
- accommodation to the Scottish Ambulance Service at Fraserburgh fire station.

All of the above leases can be cancelled at any time by the Joint Board and therefore no future lease payments can be guaranteed after 2011/12. In addition to this there were no contingent rents, such as adjustments following rent reviews, receivable by the Joint Board in 2012/13.

31 Impairment Losses

During 2011/12, the Joint Board has recognised an impairment loss of £14,192 in relation to its light vehicles. The recoverable amount has been reduced to reflect the age of the vehicles and the current estimated market value.

32 Defined Benefit Pension Schemes

(a) Participation in Pension Schemes

As part of the terms and conditions of employment of its employees, the Joint Board offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Joint Board has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Joint Board participates in three defined benefits pension schemes:

- Two Firefighters' Pension Schemes for uniformed personnel. These are unfunded schemes, meaning that there is no investment assets built up to meet pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due,
- Subject to certain qualifying criteria, control personnel and support staff are eligible to join the Local Government Pension Scheme, a defined benefits scheme. The Joint Board is a scheduled body in the North East Scotland Pension Fund. This is a funded scheme, meaning that the Joint Board and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

(b) Transactions Relating to Retirement Benefits

The cost of retirement benefits is recognised in the Comprehensive Income and Expenditure Statement under Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made to constituent authorities is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Firefighters' Pension Schemes		Total Pension Schemes		Injury Retirement Benefit Scheme	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Comprehensive Income and Expenditure Statement								
Cost of Services:								
Current service cost	573	545	3,301	3,329	3,874	3,874	318	327
Past service costs	0	(1,171)	0	(12,815)	0	(13,986)	0	(511)
Financing and Investment Income and Expenditure								
Interest cost	881	854	8,396	9,083	9,277	9,937	354	411
Expected return on assets in the scheme	(789)	(675)	0	0	(789)	(675)	0	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	665	(447)	11,697	(403)	12,362	(850)	672	227
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement								
Actuarial (gains) and losses	(582)	409	0	(2,206)	(582)	(1,797)	0	(844)
Movement in Reserves Statement								
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(159)	951	(7,575)	4,442	(7,734)	5,393	(535)	(58)
Actual amount charged against requisitions for pensions for the year								
Employers' contributions payable to scheme	506	504	0	0	506	504	0	0
Retirement benefits payable to pensioners	0	0	4,122	4,039	4,122	4,039	137	169

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a gain of £0.580m.

(c) Assets and Liabilities in relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Firefighters' Pension Schemes		Injury Retirement Benefit Schemes	
	31 March		31 March		31 March	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000	2012 £'000	2011 £'000
1 April	15,793	14,616	153,058	159,706	6,348	7,134
Current Service Cost	573	545	3,301	3,329	318	327
Interest Cost	881	854	8,396	9,083	354	411
Contributions by scheme participants	169	172	1,144	1,175	0	0
Actuarial (gains) and losses	(2,160)	777	0	(2,206)	0	(844)
Benefits paid	(299)	0	(5,266)	(5,214)	(137)	(169)
Past Service Costs (Gain)	0	(1,171)	0	(12,815)	0	(511)
31 March	14,957	15,793	160,633	153,058	6,883	6,348

Reconciliation of fair value of the scheme assets:

	Local Government Pension Scheme	
	31 March	
	2012 £'000	2011 £'000
1 April	11,411	9,692
Expected rate of return	789	675
Actuarial gains and (losses)	(1,580)	368
Employer contribution	506	504
Contributions by scheme participants	169	172
Benefits paid	(299)	0
31 March	10,996	11,411

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 £0.151m (£1.044m for 2010/11).

(d) Scheme History

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000
Present value of liabilities:					
Local Government Pension Scheme	(14,957)	(15,793)	(14,616)	(8,899)	(11,034)
Fire Pension Scheme	(160,633)	(153,058)	(159,706)	(111,812)	(135,077)
Fire Pension Injury Benefits	(6,883)	(6,348)	(7,134)	(4,459)	(5,426)
Fair value of assets in the Local Government Pension Scheme	10,996	11,411	9,692	6,431	7,797
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(3,961)	(4,382)	(4,924)	(2,468)	(3,237)
Fire Pension Scheme	(160,633)	(153,058)	(159,706)	(111,812)	(135,077)
Fire Pension Injury Benefits	(6,883)	(6,348)	(7,134)	(4,459)	(5,426)
Total	(171,477)	(163,788)	(171,764)	(118,739)	(143,740)

The liabilities show the underlying commitments that the Joint Board has in the long run to pay retirement and injury benefits. The total liability of £171.477m has a substantial impact on the net worth of the Joint Board as recorded in the Balance Sheet, resulting in a negative overall balance of £120.800m.

However, statutory arrangements for funding the deficit mean that the financial position of the Joint Board remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme's actuary,
- Finance will only be required to be raised to cover the firefighters' pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Joint Board in the year to 31 March 2013 is £0.557m. Expected contributions for the Firefighters' Pension Schemes in the year to 31 March 2013 are £2.253m as a result of the new funding arrangements.

(e) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using projected unit method, an estimate of pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Firefighters' Pension Schemes and the Local Government Pension Scheme have been assessed by Mercer, an independent firm of actuaries, estimates for the latter being based on the latest full valuation of the scheme as at 31 March 2011.

The principal assumptions used by the actuary have been:

Assumption	Local Government Pension Scheme		Firefighter's Pension Schemes	
	2011/12	2010/11	2011/12	2010/11
Long-term expected rate of return on assets in the scheme:				
Equity investments	7.00%	7.50%		
Government Bonds	3.10%	4.40%		
Other Bonds	4.10%	5.10%		
Property	6.00%	6.50%		
Cash/Liquidity	0.50%	0.50%		
Other Assets	7.00%	7.50%		
Longevity at 60 for current pensioners:				
Men			26.9	26.8
Women			29.1	29.1
Longevity at 60 for future pensioners:				
Men			28.5	28.4
Women			30.8	30.7
Longevity at 65 for current pensioners:				
Men	22.3	22.2		
Women	25.3	24.2		
Longevity at 65 for future pensioners:				
Men	24.6	23.2		
Women	27.7	25.1		
Rate of CPI inflation	2.60%	3.00%	2.60%	3.00%
Rate of increase in salaries	4.35%	5.25%	4.35%	4.75%
Rate of increase in pensions	2.60%	3.00%	2.60%	3.00%
Rate for discounting scheme liabilities	5.10%	5.50%	5.10%	5.50%
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%	50.0%	50.0%

The Firefighters' Pension Schemes have no assets to cover their liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Asset	31 March 2012 %	31 March 2011 %
Equity Investments	81.5%	79.6%
Government Bonds	7.0%	4.8%
Other Bonds	2.9%	3.0%
Property	6.4%	5.6%
Cash/Liquidity	2.2%	2.7%
Other assets, net of liabilities	0.0%	4.3%
TOTAL	100%	100%

(f) History of Experience Gains & Losses

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

Local Government Pension Scheme					
Narrative	2011/12	2010/11	2009/10	2008/09	2007/08
	%	%	%	%	%
Differences between the expected and actual return on assets	14.40%	3.20%	22.20%	38.90%	9.50%
Experience gains and losses on liabilities	11.40%	0.00%	0.00%	4.10%	0.00%

Firefighters' Pension Schemes					
Narrative	2011/12	2010/11	2009/10	2008/09	2007/08
	%	%	%	%	%
Differences between the expected and actual return on assets	0.00%	0.00%	0.00%	0.00%	0.00%
Experience gains and losses on liabilities - 1992 Scheme	0.00%	1.40%	0.00%	0.00%	0.10%
Experience gains and losses on liabilities - 2006 Scheme	0.00%	37.00%	0.00%	0.00%	1.00%
Experience gains and losses on liabilities - Injury Benefits	0.00%	19.80%	0.00%	0.00%	0.00%

33 Pension Account

As from 1 April 2010, the Scottish Government has introduced a requirement for each Joint Board to maintain a Firefighters' Pension Account in respect of firefighters' pension schemes. The regulations specify that a Pension Account must be maintained to record payments made and income received in respect of firefighters' pensions.

Where the Pension Account is in surplus for the year:

- the Joint Board must transfer the surplus from the Pension Account to the Operating Account,
- a deficit on the Pension Account will be treated as a debtor in the Balance Sheet as funding due from the Scottish Government.

	2011/12 £'000s	2011/12 £'000s	2010/11 £'000s	2010/11 £'000s
Contributions Receivable:				
Fire & Rescue Authority:				
Contributions based on pensionable pay	(2,115)		(2,191)	
Early Retirement	0		0	
Other	0		0	
Officer's Contributions	(1,148)		(1,180)	
		(3,263)		(3,371)
Transfers in from other Fire & Rescue Authorities		(225)		(96)
Benefits Payable:				
Pensions	4,345		4,137	
Commutation and lump sum retirement benefits	827		899	
Lump sum death benefits	0		56	
		5,172		5,092
Payments to and on account of leavers:				
Transfer values paid	324		224	
Refund of contributions to employees	0			
		324		224
Sub-total for the year before transfer from the Firefighters' Operating Account of an amount equal to the deficit		2,008		1,849
Additional funding payable by the Firefighter's Operating Account to meet the deficit		(1,870)		(1,719)
Net amount (payable)/receivable for the year		138		130

34 Contingent Liabilities

Following a successful claim by part-time uniformed firefighters, these members of staff now have access to the Firefighter's Pension Scheme, backdated to December 2000 where applicable. This change has yet to be implemented on a nationwide basis and the financial effects are not currently known, however there will be an impact on the pension figures required by IAS19.

In previous years it had been reported that the Joint Board had a contingent liability for equal pay legislation for future years. With the introduction of a single Fire and Rescue Service for Scotland this liability will no longer apply to Grampian Joint Fire and Rescue Board.

35 Nature and Extent of Risks Arising from Financial Instruments

The Joint Board's activities expose it to a variety of financial risk:

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

On behalf of the Joint Board, Aberdeenshire Council actively works to minimise the exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. Risk management is carried out by Aberdeenshire Council's treasury team, under policies approved by the Joint Board in the annual Treasury Management Strategy Statement.

(a) Credit Risk

Credit risk arises from deposits with banks, financial institutions and other local authorities as well as credit exposures to the Joint Board's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they are rated independently with a "very small risk" classification, specifically a member of the EU, a rating of P-1 (or better) from Moody's or a rating of F-1 (or better) from Fitch, and has a Moody's Financial Strength Rating of 'C' or greater. The Joint Board has a policy of not lending more than £1.5 million of its surplus balances to one institution.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Joint Board.

The Joint Board's maximum exposure to credit risk in relation to its investments in banks and building societies of £6.180m cannot be assessed generally as the risk of any institution failing to make interest

payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Joint Board's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

The following analysis summarises the Joint Board's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2012 £'000	Historical experience of default %	Historical Experience adjusted for Market Conditions as at 31 March 2012 %	Estimated maximum exposure to default and uncollectability £'000	Estimated maximum exposure at 31 March 2011 £'000
Customers	54	0	0	0	1

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Joint Board does not generally allow credit for customers, such that £0.001m of the £0.054m (2010/11 £0.001m of the £0.025m) balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2012 £'000	31 March 2011 £'000
Less than three months	2	0
Three to six months	0	0
Six months to one year	0	0
More than one year	0	1
	2	1

(b) Liquidity Risk

The Joint Board has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Joint Board has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Joint Board will be bound to replenish a significant proportion of its borrowings at a time

of unfavourable interest rates. The Joint Board sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure that no more than 60% of loans are due to mature within any rolling two-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	31 March 2012 £'000	31 March 2011 £'000
Less than one year	0	0
Between one and two years	209	0
Between two and five years	1,510	1,252
Between five and ten years	3,369	2,836
More than ten years	5,112	6,112
	10,200	10,200

All trade and other payables are due to be paid in less than one year.

(c) Market Risk

(i) Interest Rate Risk

The Joint Board is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Joint Board. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall;
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Joint Board has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and

where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Joint Board's cost of borrowing and provide compensation for a proportion of any higher costs. Aberdeenshire Council's treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2012 £'000	31 March 2011 £'000
Increase in interest rate receivable on variable rate investments	62	71
Impact on Surplus or Deficit on the Provision of Services	62	71
Decrease in fair value of fixed rate borrowing liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	962	869

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

(ii) Price Risk

The Joint Board does not hold any investments for sale and therefore is not exposed to price risk.

(iii) Foreign Exchange Risk

The Joint Board holds a small petty cash float in dollars for situations when the International Search and Rescue Team are called to travel abroad at short notice. The amount of foreign currency held is so small that the exposure to any loss arising from movements in exchange rates is very minimal.

36 Authorisation

The unaudited Accounts were issued on 8 June 2012 and the audited accounts were authorised for issue on 29 August 2012 by Alan Wood, MA (Hons), CPFA, Treasurer, who is the proper officer of the Joint Board in accordance with Section 95 of the Local Government (Scotland) Act 1973.

Events after the date of the Balance Sheet (31 March 2012) up to the date of signing have been considered in the preparation of the 2011/12 Statement of Accounts.

Statement of Assurance on the System of Internal Financial Control

This statement is given in respect of the accounts of Grampian Joint Fire and Rescue Board for the year to 31 March 2012.

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 managers within the Service.

In particular the system includes:-

- Comprehensive budgeting systems,
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts,
- Setting targets to measure financial and other performance,
- The preparation of regular financial reports which indicate actual expenditure against the forecasts,
- Clearly defined capital expenditure guidelines, and,
- As appropriate, formal project management disciplines.

The Chief Internal Auditor of Aberdeenshire Council provides an independent opinion on the adequacy and effectiveness of the system of internal financial control. Aberdeenshire Council's Internal Audit Service operates to best practice guidelines as set out in CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom. The Service has agreed to a five year rolling audit plan. The audit plan is based on a risk assessment process which is revised on an ongoing basis to reflect evolving risks and changes within the Service.

In addition, the Service has concluded work on the Action Point which arose from the External Auditor's report on the 2010/11 audit, which identified a risk regarding financial planning for 2012/13. During 2011/12 the Service actively worked with constituent authorities to put in place a sustainable budget for 2012/13 which would allow it to continue to deliver against agreed response standards. The Service recognises the importance of the External Auditor's Action Plan and has reacted positively and constructively in implementing the Planned Management Actions.

All internal audit reports are issued to the Chief Fire Officer, Treasurer and Head of Finance. Summaries of the main audit findings are also reported to the Joint Board Scrutiny Committee.

The Joint Board receives copies of all internal and external audit reports and has powers to request further explanations and analysis of issues identified in these reports.

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

- The work of the Finance Department within the Service,
- The work of internal audit as described above,
- The Joint Board's external auditors in their annual audit letter and other reports.

The Head of Finance for the Service is a key member of the Corporate Management Team, and is actively involved in the making of key business decisions. The Head of Finance leads on and promotes good financial management and also directs the Service's finance function.

It is my opinion, based on the above, that reasonable assurance can be placed on the adequacy and effectiveness of the Joint Board's Internal Control System in the year to 31 March 2012.



ALAN WOOD MA (Hons), CPFA

TREASURER

8 JUNE 2012

Remuneration Report

The Local Authority Accounts (Scotland) Amendment Regulations 2011 requires Local Authorities and Joint Boards in Scotland to prepare a Remuneration Report as part of the annual statutory accounts.

The Remuneration Report provides details of the Joint Board's remuneration policy for its senior employees, being the Brigade Managers, senior councillors being the Convenor and Vice-Convenor of the Joint Board and senior officers being the Treasurer and Clerk of the Joint Board.

Remuneration Policy

- The Convenor and Vice-Convenor of the Joint Board are remunerated by the Council of which they are a council member. For 2011/12 the Convenor was a member of Aberdeenshire Council and the Vice-Convenor was a member of Aberdeen City Council.

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Civic Head, senior councillors or councillors. These Regulations also set out the amounts a councillor may be paid for being a convenor or vice-convenor of a Joint Board. This is inclusive of any amount payable to them as either a councillor or senior councillor.

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

- The salary of senior employees is set by reference to the following national arrangements:

The National Joint Council for Brigade Managers of Local Authority Fire and Rescue Services – Scheme of Conditions of Service (Gold Book). The Brigade Managers for the Service include the Chief Fire Officer, the Deputy Chief Fire Officer and the Assistant Chief Fire Officer.

Other benefits received by Brigade Managers include the provision of a modified emergency vehicle which is made available for their private use.
- The Treasurer and Clerk to the Joint Fire Board are not remunerated by the Service. Their services are paid for directly to Aberdeenshire Council but details are provided below for information purposes.

Remuneration

The salary and benefits in kind for the senior employees within the Service for the year to 31 March 2012 which are reflected in the accounts of the Joint Board are shown in the tables below.

Salary

Name	Role	Salary, fees and allowances 2011/12	Salary, fees and allowances 2010/11
David Dalziel	Chief Fire Officer	111,124	111,184
Richard Haigh	Deputy Chief Fire Officer	89,165	89,496
Peter Murray	Assistant Chief Fire Officer	83,791	83,481

Benefits in Kind

Name	Role	Benefits Received 2011/12	Benefits Received 2010/11
David Dalziel	Chief Fire Officer	2,984	4,002
Richard Haigh	Deputy Chief Fire Officer	5,663	6,245
Peter Murray	Assistant Chief Fire Officer	2,223	4,150

Allowance

Name	Role	Allowances 2011/12	Allowances 2010/11
Michael Raeburn	Convenor (to May 2012)	16,611	15,275
Mark McDonald	Vice-Convenor (April to Sept)	3,163	6,411
Wendy Stuart	Vice-Convenor (Sept to March)	3,181	-

Salary

Name	Role	Salary 2011/12	Salary 2010/11
Karen Wiles	Clerk to the Fire Board	80,604	80,604
Derek Yule	Treasurer to the Fire Board (until 30 October 2011)	47,325	80,604
Alan Wood	Treasurer to the Fire Board (from 31 October 2011)	37,893	-

Pension Benefits

Pension benefits for fire employees are provided by two Firefighters' Pension Schemes. For employees who joined the scheme prior to 1st April 2006 this is a final salary pension scheme which means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. The scheme's normal retirement age for employees is 50 provided they have accrued 30 years service. Employees contribute 11% of their salary into the Scheme. Due to the length of service accrued by the Chief Fire Officer he no longer contributes to the pension scheme.

There is no automatic entitlement to a lump sum with this scheme and employees have the option to commute part of their pension benefits for a lump sum payment on retiral.

These are unfunded schemes, meaning that there is no investment assets built up to meet pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The value of the accrued benefits has been calculated on the basis of the ages at which the person first became entitled to receive 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 adjustments for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their length of service, and not just their current appointment.

For employees who joined after 1st April 2006 they are eligible to join a new pension scheme. None of the senior employees of the Service are members of the new pension scheme.

Pension Benefits

Name	Role	Employer's Contribution to Pension Scheme 2011/12	Accrued Pension Benefits at 31 March 2012	Accrued Pension Benefits at 31 March 2011
David Dalziel	Chief Fire Officer	0	83,961	80,430
Richard Haigh	Deputy Chief Fire Officer	21.80%	53,935	50,970
Peter Murray	Assistant Chief Fire Officer	21.80%	44,772	41,994

All information disclosed in the tables above in this Remuneration Report has been audited by Deloitte LLP, the Joint Board's External Auditors.



ALAN WOOD, MA (Hons), CPFA
TREASURER
8 JUNE 2012

Independent Auditor's Report to the Members of Grampian Fire and Rescue Joint Board and the Accounts Commission for Scotland

We have audited the financial statements of Grampian Fire and Rescue Joint Board for the year ended 31 March 2012 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash-Flow Statement, and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 2011/12 Code).

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

Respective responsibilities of the Responsible Financial Officer and auditor

As explained more fully in the Statement of Responsibilities set out on page 17, the Responsible Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Responsible Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 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 2011/12 Code of the state of the affairs of the body as at 31 March 2012 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 2011/12 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 Overview of the Joint Boards Finances by the Treasurer 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 2011/12 Code; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.



Deloitte LLP
Appointed Auditor
Glasgow
29 August 2012

Glossary of Terms

1 Statutory Inspection and Certification

Includes the costs of fire safety inspections, inspecting and issuing licences to premises where petroleum or explosives are stored and giving advice to planning and licensing authorities on matters of fire safety.

2 Community Fire Safety - Prevention and Education

Includes the costs of giving free fire prevention advice, community fire safety officers, schools liaison, joint fire safety initiatives with voluntary bodies and the production and distribution of fire safety literature.

3 Operational Response

Includes the costs of attending all types of incidents, e.g. primary/secondary/chimney fires, road traffic collisions, spills, pumping out floods, false alarms and malicious calls.

4 Communications and Mobilising

Includes the costs of handling emergency calls, the dispatch of resources, ongoing incident management and the provision of information about incidents.

5 Securing Water Supplies

Includes the costs associated with securing water supplies and of fitting and maintaining fire hydrants.

6 Corporate and Democratic Core and Non Distributed Costs

The Corporate and Democratic Core (CDC) is defined as comprising two divisions of service: Democratic Representation and Management (DRM) and Corporate Management (CM). DRM concerns corporate policy making and all other member based activities. CM concerns those activities and costs that relate to the general running of the Joint Board. Non distributed costs are overheads from which no user benefits and are not apportioned to services e.g. excess pension costs and long term unused but unrealised assets.

7 Staff Costs

Includes wages, salaries, overtime, employer's national insurance costs and pension contributions.

8 Premises Costs

Includes rent, rates, repairs and maintenance, heating and lighting costs as well as feu duties, water charges, etc.

9 Administration Costs

Includes telephone, printing, stationery, advertising and postages.

10 Transport Costs

Includes the cost of providing and maintaining all vehicles and plant including fuel, tyres, repairs, insurance, etc. Also included are travel and subsistence expenses.

11 Supplies and Services

Includes the cost of radio communications, purchasing materials, spare parts, protective clothing and payments to contractors and others for the provision of services.

12 Investment Income

Represents the interest earned by the Joint Board through its temporary investments on the Money Market.

13 Other Income

Includes recoveries for seconded personnel, rents, radio maintenance recharges etc.

14 Revenue Expenditure

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

15 Capital Expenditure

Expenditure incurred in creating, acquiring or improving assets where the expenditure is financed by Government Grants, or utilising the income from the sale of existing assets.

16 Prior Year Adjustment

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is such significant as to undermine the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

17 Public Works Loans Board (PWLB)

A Government Agency that provides long term loans to the Joint Board.

18 CIPFA

Chartered Institute of Public Finance and Accountancy

19 IFRS

International Financial Reporting Standard

20 LASAAC

Local Authority (Scotland) Accounts Advisory Committee

21 UKGAPP

UK Generally Accepted Accounting Practice