# TAYSIDE FIRE AND RESCUE BOARD

Statement of Accounts
for the year ended 31 March 2012

**TAYSIDE FIRE AND RESCUE BOARD**

**STATEMENT OF ACCOUNTS**

**FOR THE YEAR ENDED 31 MARCH 2012**

## Contents

# TAYSIDE FIRE AND RESCUE BOARD

# EXPLANATORY FOREWORD

**Introduction**

The following Statement of Accounts explains the Board's finances during the financial year to 31 March 2012 and its financial position at the end of that year. It follows approved international accounting standards and is necessarily technical in parts. This foreword explains the financial facts in an understandable way.

The Board's financial performance for the year ended 31 March 2012 is set out in the Comprehensive Income & Expenditure Statement and its financial position as at 31 March 2012 is set out in the Balance Sheet and Cash Flow Statement.

The Statement of Accounts has been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) and subsequent published updates to the Code.

**The Financial Statements**

The primary financial statements presented within the Statement of Accounts are as follows:

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

The **Comprehensive Income and Expenditure Statement (CIES)** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from constituent council requisitions. The Board requisitions amounts from its constituent councils to cover expenditure in accordance with regulations; this may differ from the accounting cost.

The **Balance Sheet** shows the value at the Balance Sheet date of the assets and liabilities recognised by the Board. The net assets of the Board (assets less liabilities) are matched by the reserves held by the Board. The first category of reserves are usable reserves, i.e. those reserves that the Board may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Board is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

The **Cash Flow Statement** shows the changes in cash and cash equivalents of the Board during the reporting period. The statement shows how the Board generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Board are funded by way of constituent council requisitions and grant income, or from the recipients of services provided by the Board. Investing activities represent the extent to which cash outflows have been made from resources which are intended to contribute to the Board's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Board.

## Financial Report

### Revenue Expenditure

The Board’s General Fund balance reduced from £1.306m to £0.566m during the year to 31 March 2012, a fall of £0.740m. This reflects a risk-based review by the Board of its General Reserves Strategy and agreement to retain a minimum operational contingency equivalent to 2% of the Board’s constituent council requisition in 2011/12. The Board accordingly agreed to apply the remaining balance of reserves of £0.738m in support of preventative spending in 2011/12. In addition a minor overspend of £0.002m was incurred on the delivery of day-to-day services. This was also funded from the General Fund balance.

Included within revenue expenditure was £0.726m spent on the construction of a modern training facility at Kingsway East Fire Station, Dundee.

### Capital Expenditure

The Scottish Government provides an annual capital grant to the Board. In addition the Prudential Code for Capital Finance in Local Authorities allows the Board to set its own borrowing limit and borrow additional resources from the money markets if required. However, additional borrowing via the Prudential Code may incur substantial additional costs in meeting and servicing repayments. Therefore the Board operates strictly within the Scottish Government grant funding available and actively avoids the requirement to borrow additional amounts from the money markets.

The capital grant funding applied to fund capital expenditure during 2011/12 was £1.357m. The Board also disposed of some older vehicles on the open market and raised an additional £0.182m in capital receipts. These funds (£1.539m in total) were then applied to fund the capital expenditure plan during the year. The most significant spends were on the provision and construction of new frontline fire appliances/fire support vehicles (£1.002m), property enhancements carried out to reduce the Board’s carbon emissions (£0.055m), and investments in operational equipment and ICT hardware (£0.095m).

£0.387m was also spent on the provision of a modern training facility annex at Kingsway East Fire Station, Dundee (a project jointly funded from revenue expenditure – see above). The total spend on the construction of this annex from all sources during 2011/12 was £1.113m. The annex will be completed in 2012/13 and is expected to cost another £0.843m which is being funded from the 2012/13 capital grant award.

Capital expenditure incurred prior to the introduction of the Prudential Code in April 2004 was funded by external borrowing and is still being repaid. This is called the Capital Financing Requirement (CFR). At 31 March 2012 the Board has an outstanding CFR of £5.9m (31 March 2011: £6.3m) and this requires to be refinanced from future borrowing, or else provision made from other sources when the repayments fall due. However, the external debt supporting the day-to-day operation of the Board only totals £5.1m at 31 March 2012, or 86% of the CFR (31 March 2011: £3.9m, or 62% External Debt to CFR ratio). This means that the Board's finances are being managed effectively and the CFR is affordable under the Board's current economic position

### Detailed Variance Analysis

Note 7 to the accounts presents the Board's financial position as at 31 March 2012 using a format similar to that adopted by the Board in its internal reports for decision making. These figures can be compared to the approved budget to provide an analysis of the Board's financial performance compared to how it planned to use its funding at the time the budget was originally set.

| Expenditure | 2011/12 Budget £000 | 2011/12 Actual £000 | Variance £000 |
|---|---|---|---|
| Employee Costs | 21,887 | 21,741 | (146) |
| Increase in Provision | 0 | 71 | 71 |
| Other Service Expenditure | 4,610 | 4,759 | 149 |
| Interest Payable | 152 | 156 | 4 |
| Loan Principal Repayments | 475 | 475 | 0 |
| **Income** | | | |
| Fees, charges & other Service Income | (321) | (405) | (84) |
| Interest Income | (7) | (4) | 3 |
| Government Grants | (2,656) | (2,647) | 9 |
| **Net Cost of Services** | **24,140** | **24,146** | **6** |

## Commentary on the Variances

Operational financial management is delegated by the Board to the Chief Fire Officer and Management Team, and the financial position of the service is monitored and reported to each full meeting of the Board. A significant underspend developed within employee costs during the course of 2011/12. This was mainly due to improved attendance management and vacancy management strategies. Additional income was also received from recharges the Board makes to various third parties for the provision of staff resources.

The Board's Management Team noted the savings being forecast and authorised further spending in priority areas. The Board, therefore, embarked on a series of planned overspends on other service expenditure headings, mainly through additional investment in its property, plant, protective clothing and equipment.

The final position reported to the Board for the year was a deficit of £0.006m. This represents a variance from the previously anticipated underspend of £0.055m reported to the Board in March. The main reason for this movement was an unexpected HMRC ruling in late March 2012 regarding the taxation treatment of planned compensation payments to Retained Firefighters. This ruling meant that it was necessary to increase the existing provision for this settlement by £0.071m, resulting in the planned surplus being completely extinguished. Minor underspends in other areas saved around £0.010m, meaning that the resultant deficit was restricted to £0.006m. It was reported to the Board that this deficit would be funded from the Board's General Fund balance.

As part of the review of the Reserves Strategy the Board agreed to apply usable reserves in support of preventative spending, resulting in a corresponding £0.738m rebate in the requisition to the constituent councils. This rebate was applied over the period January to March 2012. In addition the year-end IFRS accounting requirements for the treatment of revenue grants resulted in £0.004m being added to reportable income, reducing the final deficit for the year to only £0.002m. The overall decrease to the General Fund balance during 2011/12 was therefore £0.740m.

## Pension Liability

The Balance Sheet at 31 March 2012 shows a long-term pension liability of £215.531m, matched by a pension reserve deficit and employee benefit account deficit totalling the same amount. The significance of this liability is that it represents an independent actuarial estimate of the Board's overall commitment to pay the accumulated retirement benefits built up by its employees in occupational pension schemes and retirement benefit schemes up to and including the Balance Sheet date.

In reality the Board is only liable to pay these benefits at the time when individual employees actually retire from the service, at which point the annual costs of retirement benefits are estimated, budgeted for, and funded as part of the annual budget setting exercise.

Despite the size of the pension liability disclosed in the Balance Sheet the Board is assumed to remain a "going concern" and be able to continue operating unhindered by this deficit. This is because not only do the constituent authorities have a legal obligation under the 1995 Combined Area Amalgamation Scheme Order to provide the Board with the funding it needs to meet all liabilities as and when they fall due, but the Scottish Government has also agreed to underwrite the pensions liability on an annual basis.

**The Pensions Account**

The Board is required to maintain a Firefighters' Pension Account into which all Firefighters' pension transactions are required to pass. The main income to the Pension Account comes from combined employer's and employees' pension contributions. These contributions, along with other pension income, are used to settle pension costs as and when they fall due.

The Board's contribution to the Firefighters' Pension Account is based on the amount of pensionable pay it expends during the year. The Board receives funding from Scottish Government specific grant to allow it to make this contribution. Any excess in funding that the Board receives from the Scottish Government is reflected in the Statement of Accounts as a creditor in favour of the Scottish Government at the year end, indicating that the excess funding is repayable to the Scottish Government on demand.

In the year to 31 March 2012 the Board received £2.656m from the Scottish Government for pension specific grant. This was added to the £0.103m excess funding carried forward from the year to 31 March 2011 and resulted in a total of £2.759m available funding. The Board used £2.647m of this to make contributions to the Firefighters' Pension Account in 2011/12, based on the pensionable pay expended during the year. The remaining £0.112m was charged to the Cost of Services within the CIES, and matched with a creditor being created in the Balance Sheet to recognise the grant repayable to the Scottish Government during the forthcoming year.

As part of the new funding arrangements the Scottish Government assumes that the costs of pensions being paid from the account will usually be greater than the Board contributions being paid into it. The Government pay the Board a Top-up Grant to "top up" any pension shortfall arising from these assumptions. If, as a result of receiving this grant, a surplus arises on the Firefighters' Pensions Account at the Balance Sheet date the grant income must be reduced within the Board's CIES and matched by the creation of a liability to pay back this grant to the Scottish Government (a creditor) in the Balance Sheet. The Scottish Government will then reduce the grant payable in the next financial year to recognise the overpayment they have already made.

However, if, as a result of receiving this grant, pension costs still exceed income, leading to a deficit on the Firefighters' Pensions Account at the Balance Sheet date, the Scottish Government undertake to make good the deficit through increased funding during the next financial year. The grant income must be increased within the Board's CIES and matched by the creation of a debtor to represent the grant receivable from the Scottish Government during the forthcoming year.

As at 31 March 2012 pension costs exceeded pension income by £0.682m. This was credited to the Cost of Services within the CIES, matched with a debtor being created in the Balance Sheet to recognise the increased grant receivable from the Scottish Government in the forthcoming year.

Please refer to Note 38 for a full breakdown of the transactions within the Firefighters' Pension Account during the year to 31 March 2012.

## Changes in Accounting Policies

**Heritage Assets -** The 2012 Code introduced a change to the accounting treatment for heritage assets. Where a valuation is available, or can be obtained at a cost which is commensurate with the benefits to users of the financial statements, the Code now requires such assets to be carried in the Balance Sheet at that valuation.

In applying the new accounting policy the Board has identified two historic, steam-powered fire tenders which are displayed at Blackness Road Fire Station and Forfar Fire Station respectively. The valuation of these steam tenders is unknown. The Board has taken the view that the cost of obtaining a valuation for these tenders would not be commensurate with the benefits to users of the financial statements. This approach is permitted by Section 4.10.2.6 of the Code. Therefore, these assets are not recognised in either the current year's Balance Sheet or any corresponding years' figures.

## Material Events after the Reporting Date

There were no material events that took place after the reporting date that would have had any effect on the figures or statements presented in the Statement of Accounts.

However, it should be noted that Mr Stephen Hunter, Chief Fire Officer, retired from his post on 31 March 2012 and Mr Alasdair Hay, Deputy Chief Fire Office, was appointed Acting Chief Fire Officer on 1 April 2012. Mr David Boyle, Assistant Chief Fire Officer, was appointed Acting Deputy Chief Fire Officer on the same date.

It should also be noted that the arrangements whereby the Board appointed Mr Stewart MacKenzie as Acting Treasurer will conclude in July and the Board will be asked to consider the re-appointment of Mr John Symon as Treasurer to the Board following his return from a career break.

## Future Changes to the Delivery of Fire and Rescue Services in Scotland

On 7 September 2011, in the Scottish Parliament, the First Minister delivered a statement on the Scottish Government's Legislative Programme, which included the Police and Fire Reform Bill. On 8 September 2011 the Cabinet Secretary for Justice delivered a statement to Parliament which provided further information on the reform of police and fire and rescue authorities (FRAs) in Scotland, specifically that the number of FRAs in Scotland would be reduced from eight to one and that work would commence as soon as possible to ensure an effective and efficient transition to a single service. The reform of the fire and rescue service in Scotland is being carried out to ensure the maintenance of high quality fire and rescue services at a time of reducing levels of public sector funding. It is the intention of the Scottish Government that all existing Fire and Rescue Joint Boards in Scotland will be replaced by the new Scottish Fire and Rescue Service on 1 April 2013.

Tayside Fire and Rescue Board determined its Revenue Budget for 2012/13 at the Board meeting on 30 January 2012 and its Capital Budget for 2012/13 at the Board meeting on 26 March 2012, following the notification of Capital Grant funding by the Scottish Government. In determining the budget and budgetary priorities for the coming year, Board Members have sought to ensure the continuation of high levels of service delivery in the lead up to the reform of fire and rescue services in Scotland, and to ensure the completion of on-going programmes of capital investment in fire and rescue services within the Tayside area. The future year's budget has, however, required to be prepared in an on-going climate of significant public sector financial constraint. The Board accordingly agreed a Revenue Budget for 2012/13 of £23.584m which represents a reduction of £0.556m (2.3%) on the Board's Revenue Budget for 2011/12. This was achieved through the identification of efficiency savings.

**Revenue Reserves and Reserves Strategy**

In accordance with the existing statutory and regulatory framework the Treasurer as Responsible Financial Officer (or "Proper Officer") is responsible for advising the Board on the level of reserves it should hold. CIPFA Local Authority Advisory Panel Bulletin 77 published in November 2008 provides guidance to local authority finance directors on the establishment and maintenance of reserves and balances. This guidance represents good financial management practice and has informed the actions of the Board.

Accordingly, the Board has adopted a Reserves Strategy to ensure that, where available, funding is put aside within the General Fund, subject to statutory limits, to provide:

i) a working balance to help cushion the impact of uneven cash flows in the years to come.
ii) a working balance to provide funds which will avoid the need for future temporary borrowing.
iii) a contingency to cushion the impact of unexpected events or emergencies.
iv) a means to build up funds to meet known or predicted liabilities.

Existing statute allows Fire and Rescue Boards to make a contribution to their General Fund of 3% of actual constituent council funding received in any given year; and to carry forward an uncommitted balance on their general fund of 5% of the same total. The Board's total requisition income received from the constituent councils during 2011/12 was £24.140m.

In financial year 2011/12 the Board reviewed its Reserves Strategy to take account of the strategic, operational and financial risks facing the Board pending the formation of the new Scottish Fire and Rescue Service on 1 April 2013. The Board accordingly agreed to retain, as an operational contingency, a minimum level of uncommitted General Fund equivalent to 2% of the total constituent council requisition in 2011/12. This position is subject to review and assumes that all of the liabilities pertaining to Tayside Fire and Rescue Board will transfer to the new Scottish Fire and Rescue Services on 1 April 2013. Note 8 shows the amount the Board retained within its General Fund at 31 March 2012 was £0.566m, of which £0.024m is committed to meet known future liabilities, leaving £0.542m available for any unknown events or emergencies in the future. This represents 2.2% of the constituent council funding received in 2011/12.

The corresponding position at 31 March 2011 was a general fund balance of £1.306m of which £0.085m was committed. This left an uncommitted balance of £1.221m, or 4.9% of constituent council funding received that year.

Overall, as a result of these movements, the Board's General Fund balance decreased by 56.6% (£0.740m) during 2011/12.

J Symon ACA
Treasurer
14 September 2012

## TAYSIDE FIRE AND RESCUE BOARD

## STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the Statement of Accounts for Tayside Fire and Rescue Board. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources of the Board.

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. Managers within the Board undertake development and maintenance of the system. In particular, the system includes:

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

A key financial control is the existence of an internal audit service. The Board utilises the services of Perth & Kinross Council's internal audit section who work to defined standards which are governed by their own Code of Practice. The Chief Internal Auditor carries out independent reviews and submits them to the Performance Monitoring Sub-Committee of Tayside Fire and Rescue Board.

In the Chief Internal Auditor's opinion, and on the basis of a review of policies and procedures in place and the work completed during 2011/12, including a review of the Board's implementation of agreed actions from previous years' audits, reasonable reliance can be placed on the Board's system of overall internal financial control.

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

- The work of managers within the Board;
- The work of internal auditors as described above; and
- External auditors in their annual audit letter and other reports.

Currently no material weaknesses that require to be addressed have been identified; however, any recommendations made by both internal and external audit as a result of audits carried out in 2011/12 will be implemented under the normal business of the Board.

The Board's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

J Symon ACA
Treasurer
14 September 2012

## TAYSIDE FIRE AND RESCUE BOARD

## REMUNERATION REPORT

The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI 2011/64) introduced the requirement for Scottish local authorities to produce a Remuneration Report as a part of the statutory accounts. Tayside Fire and Rescue Board is governed by these regulations.

All information disclosed within the tables in this Remuneration Report is audited by the appointed auditors to the Board, Audit Scotland. The other sections of the Remuneration Report, including the statement on exit packages, are reviewed by Audit Scotland to ensure they are consistent with the financial statements.

**Remuneration of Board Members**

The Convener, Vice-Convenors and other members of the Board are remunerated by the individual councils of which they are elected members. The Board do not pay any salaries or other remuneration to its members for the services they provide.

**Remuneration of the Treasurer and Clerk to the Board**

The Board has two officials who undertake tasks within their specialised areas and earn in excess of £50,000 per annum, these being the Treasurer to the Board and the Clerk to the Board. However these officers are employed and remunerated by Perth & Kinross Council and are not included within the Board's Remuneration Report.

**Remuneration of Senior Employees**

The National Joint Council (NJC) for Brigade Managers of Local Authority Fire and Rescue Services sets minimum salaries for Chief Fire Officers (CFOs) in the United Kingdom. However, a two-track approach exists and the NJC encourage individual Fire and Rescue services to regularly review their CFO's salary in line with local needs and conditions. The last such review was carried out by the Board in 2005 and the resultant increase has ensured that the CFO's salary has remained in line with local market levels since that date.

The salaries of Deputy Chief Fire Officers and Assistant Chief Fire Officers are based as a fixed percentage of the Chief Fire Officer's salary. The Deputy Chief Fire Officer receives 80% of the salary of the Chief Fire Officer and the Assistant Chief Fire Officer receives 75% of the CFO's salary. These arrangements were agreed by the NJC many years ago and are still adopted by the Board.

Other benefits received by Brigade Managers include a provided car and access to an occupational pension scheme.

The NJC for Local Authority Fire and Rescue Services also sets the salaries for firefighters and fire control staff on a national basis. Senior uniformed managers are remunerated under the terms of this agreement. Other benefits received by senior uniformed managers include enhanced pay for being on continuous emergency call, provision of a leased car and access to an occupational pension scheme.

The salaries of non-uniformed employees are set by reference to the Single Status agreement reached with the Board in 2008. Other benefits received by other senior non-uniformed managers comprise the provision of a leased car and access to an occupational pension scheme.

## Remuneration

The senior employees of the Board include any employee:

- who has responsibility for management of the Board's services to the extent that the person has power to direct or control the major activities of the Board (including activities involving the expenditure of money), during the year to which the report relates, whether solely or collectively with other persons; or
- who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of the Local Government and Housing Act 1989.The following tables provide details of the remuneration paid to the Board's senior employees during 2011/12.

The following employees fall in to these categories:

| | | **Comprising:** | | | | |
|---|---|---|---|---|---|---|
| **Name and Post Title** | **Total Remun-eration 2011/12** | **Salary, Fees & Allowances** | **Taxable Expenses** | **Benefits other than in Cash** | | **Previous Year's Remun-eration** |
| | **£** | **£** | **£** | **£** | | **£** |
| Stephen Hunter: Chief Fire Officer | **116,715** | 110,666 | 0 | 6,049 | | **116,799** |
| Alasdair Hay: Deputy Chief Fire Officer # | **102,618** | 95,553 | 0 | 7,065 | | **93,758** |
| David Boyle: Assistant Chief Fire Officer | **93,027** | 86,604 | 0 | 6,423 | | **88,481** |
| John Iannetta: Head of Corporate Services | **55,322** | 51,131 | 0 | 4,191 | | **55,023** |
| Kenneth Fraser: Head of Community Safety | **71,064** | 65,346 | 206 | 5,512 | | **69,829** |
| David Stapley: Head of Risk Management | **66,774** | 59,034 | 123 | 7,617 | | **65,072** |
| Stephen Herron: Head of Personnel (retired 30 September 2011 | **0** | 0 | 0 | 0 | | **32,905** |
| Stewart Edgar ^ Head of Personnel until 31 January 2012, then seconded to Highlands & Islands Fire and Rescue Service from 1 February 2012 | **76,452** | 69,861 | 410 | 6,181 | | **71,120** |
| Andrew Hermiston * Head of Technical Services, and appointed Head of Personnel from 1 February 2012 | **64,641** | 59,034 | 180 | 5,427 | | **30,265** |
| Ross Haggart * Area Manager from 1 February 2012 | **13,060** | 9,132 | 26 | 3,902 | | **0** |

# Alasdair Hay was seconded to the Scottish Government from 16 May 2011 until 4 January 2012 on a salary of £99,507 per annum pro-rata. The Deputy Chief Fire Officer's normal salary is £88,623 p.a. The Board continued to pay Mr Hay during his secondment, recharging the Scottish Government for the additional costs incurred. The figures disclosed throughout the Remuneration Report include the enhancement to Mr Hay's salary.

Mr Hay was appointed Acting Chief Fire Officer on 1 April 2012 on a salary of £110,487 p.a. This followed Mr Stephen Hunter's retiral from the post on 31 March 2012.

^ Stewart Edgar was seconded to Highlands & Islands Fire and Rescue Service on 1 February 2012 as Deputy Chief Fire Officer on a salary of £92,474 p.a. Tayside Fire and Rescue Board continue to employ and pay Mr Edgar, recharging Highlands & Islands Fire and Rescue Service for the costs incurred. The figures disclosed throughout the Remuneration Report include the enhancement to Mr Edgar's salary.

* Andrew Hermiston took on the joint role of Heads of Technical Services and Personnel on the 1 February 2012. Ross Haggart was appointed to the Management Team as an acting Area Manager on the same date. The full time equivalent salary for these posts per published pay scales is:

- Head of Personnel £64,721 p.a.
- Area Manager £64,721 p.a.

No employees of the Board receive annual remuneration of £150,000 per annum or more.

**Employees' Remuneration by Pay Band**

The number of employees (including those named above) whose remuneration was £50,000 or more in bands of £5,000 were:

| Remuneration band | Number of Employees | |
|---|---|---|
| | 2010/11 | 2011/12 |
| £50,000 – £54,999 | 8 | 8 |
| £55,000 – £59,999 | 3 | 4 |
| £60,000 - £64,999 | 6 | 6 |
| £65,000 - £69,999 | 2 | 1 |
| £70,000 - £74,999 | 1 | 1 |
| £75,000 - £79,999 | - | 1 |
| £80,000 – £84,999 | - | - |
| £85,000 – £89,999 | 1 | - |
| £90,000 - £94,999 | 1 | 1 |
| £95,000 - £99,999 | - | - |
| £100,000 - £104,999 | - | 1 |
| £105,000 - £109,999 | - | - |
| £110,000 - £114,999 | - | - |
| £115,000 - £119,999 | 1 | 1 |
| **Total** | **23** | **24** |

**Pension Benefits**

Pension benefits for firefighters are provided through either the 1992 Firefighters Pension Scheme or the 2006 Firefighters Pension Scheme, dependent on the employee's date of entry to the service. All of the Board's senior uniformed employees are members of the 1992 Scheme.

The 1992 Scheme is a final salary scheme. This means that pension benefits are based on the best of the final three year's pay and the number of years that person has been a member of the scheme. The normal retirement age is 55, though members can retire at 50, or any age thereafter, if and when they achieve 30 years qualifying service.

Contributions from scheme members to the 1992 scheme are 11.0% of pensionable pay. The employer's contribution rate is 21.8% of pensionable pay. There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the 1992 Firefighters Pension Scheme regulations. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service.

Pension benefits for non-uniformed employees and control staff are provided through the Local Government Pension Scheme (LGPS). This is a final salary scheme. This 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 LGPS normal retirement age is 65. The employer's contribution rate is 18.5% of pensionable pay in 2011/12 (18.5% in 2010/11).

Contributions from scheme members are based on a tiered system as follows:

| **Contribution Rate** | | **Whole-time Pay 2011/12** | **Whole-time Pay 2010/11** |
|---|---|---|---|
| 5.5% | On all earnings up to and including | £18,500 | £18,000 |
| 7.25% | On all earnings between | £18,501 - £22,600 | £18,001 - £22,000 |
| 8.5% | On all earnings between | £22,601 - £30,900 | £22,001 - £30,000 |
| 9.5% | On all earnings between | £30,901 - £41,200 | £30,001 - £40,000 |
| 12.5% | On all earnings above | £41,200 | £40,000 |

If a person works part-time their contribution rate is worked out on the whole-time pay rate for their role, with actual contributions paid on actual pensionable pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service.

**Accrued Pension Benefits**

The value of the accrued benefits below have been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension entitlements of Senior Employees for the year to 31 March 2012 are shown in the table below, together with the contributions made to the pension schemes during the year. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total service, and not just their current appointment.

| | **In-year pension contributions** | | | **Accrued pension benefits** | |
|---|---|---|---|---|---|
| **Name and Post Title** | **Year to 31/03/2011** | **Year to 31/03/2012** | | **As at 31/03/12** | **Increase from 31/03/11** |
| | **£** | **£** | | **£** | **£** |
| Stephen Hunter: Chief Fire | 24,083 | 24,083 | | 74,052 | 408 |
| Alasdair Hay: Deputy Chief Fire Officer | 19,267 | 20,788 | | 59,070 | 4,903 |
| David Boyle: Assistant Chief Fire Officer | 18,063 | 18,063 | | 48,152 | 1,849 |
| John Iannetta: Head of Corporate Services | 9,459 | 9,459 | | 20,689 | 362 |
| Kenneth Fraser: Head of Community Safety | 14,006 | 14,203 | | 35,116 | 2,638 |
| David Stapley: Head of Risk Management | 12,827 | 12,827 | | 35,930 | 1,314 |
| Stephen Herron: Head of Personnel (retired 30 September 2011) | 6,765 | n/a | | n/a | n/a |
| Stewart Edgar: Head of Personal until 31 January 2012, then seconded to Highlands & Islands Fire and Rescue Service from 1 February 2012 | 14,070 | 15,230 | | 31,509 | 3,839 |
| Andrew Hermiston: Head of Technical Services, and appointed Head of Personnel from 1 February 2012 | 12,462 | 12,827 | | 25,513 | 2,000 |
| Ross Haggart: Area Manager from 1 February 2012 | 12,112 | 12,327 | | 21,992 | 1,618 |

All senior employees shown in the preceding tables with the exception of John Iannetta are members of the 1992 Firefighters Pension Scheme. Mr Iannetta is a member of the Local Government Pension Scheme.

There is no automatic entitlement to a lump sum payment on retiral under the 1992 Scheme. In contrast, the LGPS offers an automatic entitlement to a lump sum on retiral for members who joined the scheme pre-2009. As a pre-2009 member of the LGPS, Mr Iannetta's automatic lump sum entitlement at 31 March 2012 was £54,397, a decrease of £1,343 from 31 March 2011.

**Exit Packages**

No exit packages, voluntary redundancy packages, or other incentives to leave or retire, either legal, contractual or constructive, were agree with any employee of the Board in the year to 31 March 2012. All leavers from the Board’s employment ceased employment under the relevant contractual arrangements.

**Mr A Hay**
**Acting Chief Fire Officer**
**Tayside Fire and Rescue**
**13 September 2012**

**Councillor Paul Valentine**
**Convenor**
**Tayside Fire and Rescue Board**
**13 September 2012**

## TAYSIDE FIRE AND RESCUE BOARD

## STATEMENT OF THE BOARD'S AND TREASURER'S RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### THE BOARD'S RESPONSIBILITIES

The Board is required:

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

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

In preparing this Statement of Accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- 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.

### CERTIFICATE OF THE TREASURER TO THE FIRE AND RESCUE BOARD

I certify that:

a) the Statement of Accounts for the year ended 31 March 2012 on pages 10 to 75 has been prepared in the form directed by the Code of Practice and under the accounting policies set out on pages 21 to 31.

b) in my opinion the Statement of Accounts gives a true and fair view of the financial position of the Board at the 31 March 2012 and of its expenditure and income for the year ended 31 March 2012.

J Symon ACA
Treasurer
14 September 2012

## TAYSIDE FIRE AND RESCUE BOARD

## MOVEMENT IN RESERVES STATEMENT
## FOR THE YEAR ENDED 31 MARCH 2012

This statement shows the movement in the year on the different reserves held by the Board, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and unusable reserves. The Deficit on the Provision of Services line shows the true economic cost of providing the Board's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance.

| | General Fund Balance £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Total Unusable Reserves £000 | Total Reserves of the Board £000 |
|---|---|---|---|---|---|
| **Balance at 1 April 2011** | **1,306** | **59** | **1,365** | **(171,246)** | **(169,881)** |
| **Movement in Reserves during 2011/12** | | | | | |
| Surplus or (deficit) on the provision of services | (9,703) | | **(9,703)** | | **(9,703)** |
| Other Comprehensive Income and Expenditure | | | **0** | (7,142) | **(7,142)** |
| **Total Comprehensive Income and Expenditure** | **(9,703)** | **0** | **(9,703)** | **(7,142)** | **(16,845)** |
| Adjustment between accounting basis & funding basis under regulations (Note 11) | 8,963 | (26) | **8,937** | (8,938) | **(1)** |
| **Increase/Decrease in Year** | **(740)** | **(26)** | **(766)** | **(16,080)** | **(16,846)** |
| **Balance at 31 March 2012** | **566** | **33** | **599** | **(187,326)** | **(186,727)** |
| | | | | | |
| **Comparative Figures** | | | | | |
| **Balance at 1 April 2010** | **1,274** | **37** | **1,311** | **(199,965)** | **(198,654)** |
| **Movement in Reserves during 2010/11** | | | | | |
| Surplus or (deficit) on the provision of services | 7,155 | | **7,155** | | **7,155** |
| Other Comprehensive Income and Expenditure | | | **0** | 21,619 | **21,619** |
| **Total Comprehensive Income and Expenditure** | **7,155** | **0** | **7,155** | **21,619** | **28,774** |
| Adjustment between accounting basis and funding basis under regulations (Note 11) | (7,123) | 22 | **(7,101)** | 7,101 | **0** |
| **Increase/Decrease in Year** | **32** | **22** | **54** | **28,720** | **28,774** |
| **Balance at 31 March 2011** | **1,306** | **59** | **1,365** | **(171,246)** | **(169,881)** |

## TAYSIDE FIRE AND RESCUE BOARD

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
## FOR THE YEAR ENDED 31 MARCH 2012

This 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 from council requisitions. The Board receives funding from its constituent councils and this is used to cover expenditure in accordance with regulations; this may be different from the accounting cost.

| 31/03/11 Net Expend. £000 | | Notes | Gross Expend. £000 | Gross Income £000 | 31/03/12 Net Expend. £000 |
|---|---|---|---|---|---|
| 1,249 | Community Fire Safety | | 1,261 | (5) | 1,256 |
| 24,334 | Fire Fighting and Rescue Operations | | 23,649 | (1,551) | 22,098 |
| 165 | Fire Service Emergency Planning and Civil Defence | | 323 | 0 | 323 |
| 0 | Firefighters Pensions | | 7,774 | (7,774) | 0 |
| 139 | Corporate and Democratic Core | | 122 | 0 | 122 |
| (18,819) | Non Distributed Costs | | 0 | 0 | 0 |
| **7,068** | **Net Cost of Services** | | **33,129** | **(9,330)** | **23,799** |
| (48) | Other Operating Expenditure | **12** | | | (128) |
| 12,478 | Financing and Investment Income and Expenditure | **13** | | | 10,765 |
| (26,653) | Requisition Income and Non-Specific Grant Income | **14** | | | (24,733) |
| **(7,155)** | **(Surplus) or Deficit on Provision of Services** | | | | **9,703** |
| (21,623) | Actuarial (gains)/losses on Pension Assets/Liabilities | **31** | | | 7,142 |
| 4 | Other unrealised (gains) / losses | **31** | | | 0 |
| **(21,619)** | **Other Comprehensive Income and Expenditure** | | | | **7,142** |
| **(28,774)** | **Total Comprehensive Income and Expenditure** | | | | **16,845** |

## TAYSIDE FIRE AND RESCUE BOARD

## 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 Board. The net liabilities of the Board (liabilities less assets) are matched by the reserves held by the Board.

| 31st March 2011 £000 | | Notes | 31st March 2012 £000 |
|---|---|---|---|
| 34,646 | Property, Plant & Equipment | **15** | 34,647 |
| 25 | Long Term Debtors | **20** | 0 |
| **34,671** | **Long Term Assets** | | **34,647** |
| 130 | Inventories | **22** | 122 |
| 1,573 | Short Term Debtors | **20** | 2,086 |
| 0 | Cash and Cash Equivalents | **24** | 239 |
| 8 | Assets Held for Sale | **18** | 7 |
| **1,711** | **Current Assets** | | **2,454** |
| 662 | Cash and Cash Equivalents | **24** | 0 |
| 825 | Short Term Borrowing | **32** | 2,818 |
| 2,481 | Short Term Creditors | **21** | 2,890 |
| 187 | Provisions | **25** | 258 |
| **4,155** | **Current Liabilities** | | **5,966** |
| 3,132 | Long Term Borrowing | **32** | 2,331 |
| 198,976 | Other Long Term Liabilities | **32** | 215,531 |
| **202,108** | **Long Term Liabilities** | | **217,862** |
| **(169,881)** | **Net Liabilities** | | **(186,727)** |
| 1,365 | Usable Reserves | **8/9** | 599 |
| (171,246) | Unusable Reserves | **10** | (187,326) |
| **(169,881)** | **Total Reserves** | | **(186,727)** |

**The unaudited accounts were issued on 27 June 2012 and the audited accounts were authorised for issue on 14 September 2012.**

**J Symon ACA**
**Treasurer**
**14 September 2012**

## TAYSIDE FIRE AND RESCUE BOARD

## CASH FLOW STATEMENT
## AT 31 MARCH 2012

The Cash Flow Statement shows the changes in cash and cash equivalents of the Board during the reporting period. The statement shows how the Board generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Board are funded by way of constituent council requisitions and grant income, or from the recipients of services provided by the Board. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Board's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Board.

| **2010/11** | | **Notes** | **2011/12** |
|---|---|---|---|
| **£000** | | | **£000** |
| 1,260 | Net Cash inflows from Operating activities | 35 | 369 |
| (1,097) | Net Cash outflows from Investing Activities | 36 | (668) |
| (1,800) | Net Cash inflows/(outflows) from Financing Activities | 37 | 1,200 |
| **(1,637)** | **Net increase/ (decrease) in Cash and Cash Equivalents** | | **901** |
| 975 | Cash and cash equivalents at the beginning of the reporting period | | (662) |
| **(662)** | **Cash and cash equivalents at the end of the reporting period** | **24** | **239** |

## TAYSIDE FIRE AND RESCUE BOARD

## NOTES TO THE STATEMENT OF ACCOUNTS

### Note 1 – Statement of Accounting Policies

#### General Principles

The Statement of Accounts summarises the Board's transactions for the 2011/12 financial year and its financial position at 31 March 2012. The 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 2011/12, supported by International Financial Reporting Standards (IFRS).

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

#### 1.1 Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Board transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Board.

- Revenue from the provision of services is recognised when the Board can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Board.

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including those rendered by the Board's officers) are recorded as expenditure when the services are received, rather than when payments are made.

- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### 1.2 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 investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown inclusive of bank overdrafts and overnight borrowing as these are repayable on demand and form an integral part of the Board's cash management arrangements.

## 1.3 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 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 Board's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

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

## 1.4 Events after the Balance Sheet Date

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## 1.5 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 Board's financial performance.

## 1.6 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, for their contribution to knowledge and culture, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

**Recognition**

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

**Measurement**
With the exception of assets held mainly for their contribution to knowledge and culture, assets are initially measured at cost. This comprises:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

With the exception of assets held mainly for their contribution to knowledge and culture, the cost of any assets acquired other than by purchase is deemed to be its fair value.

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

- Assets under construction – depreciated historical cost.

- Assets held for their contribution to knowledge and culture (where the cost of obtaining a valuation is considered to be commensurate with the benefits to the users of the accounts) - insurance valuation or independent heritage asset expert's valuation.

- All other assets – IAS 16 (Property, Plant and Equipment) states that fair value, determined by the amount that would be paid for the asset in its existing use (EUV), should be used to measure the value of property, plant and equipment. However, as there is no market-based evidence of fair value because of the specialist nature of the Board's assets IAS 16 allows the depreciated replacement cost (DRC) method to be used as an estimate of fair value. The fair value of the Board's other assets is therefore estimated on a DRC basis.

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

Where decreases in value are identified, the revaluation loss is accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

**Impairment**
Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service 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.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for the disposal of Property, Plant and Equipment or Assets Held for Sale are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Board's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the General Fund, as the cost of non-current 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.

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

Deprecation is calculated on the following bases:

- Property – straight-line allocation over the standard useful life of the property.

- Vehicles, plant and equipment –straight-line allocation over the standard useful life of the item as advised by the Board's various asset replacement strategies.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item and whose useful life is materially different from the overall asset, 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.

**Charges to Revenue for Non-Current Assets**
The Comprehensive Income and Expenditure Statement is debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the Board.

- Revaluation and impairment losses on assets used by the Board where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

- Amortisation of intangible non-current assets attributable to the Board.

The Board is not required to raise funds to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual payment from revenue towards the reduction of its overall borrowing requirement, this being the loans principal repayment. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the actual loans principal repayment, by way of an adjusting transaction between the General Fund balance and the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two amounts.

## 1.7 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the 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 Board.

The Board do not currently recognise any intangible assets.

## 1.8 Employee Benefits

**Benefits Payable during Employment**
Short-term employee benefits are those that fall due wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. provided leased vehicles) for current employees, and are recognised as an expense in the year in which employees render service to the Board. An accrual is made for the cost of holiday entitlements (or any material form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out of the General Fund balance by a credit to the Accumulating Compensated Absences Adjustment Account via the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. The accrual is made at the remuneration rates applicable in the current financial year.

**Termination Benefits**
Termination benefits are amounts payable as a result of a decision by the 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 Account when the Board is demonstrably committed to either terminating 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 Board to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for termination benefits related to pensions enhancements and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

**Post-Employment Benefits**
Employees of the Board are members of one of three separate pension schemes:

- The Local Government Superannuation Scheme (the Tayside Superannuation Fund)
- The 1992 Firefighters Pension Scheme
- The 2006 Firefighters Pension Scheme

The schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Board.

**The Tayside Superannuation Fund**

**The Scheme**
The Tayside Superannuation Fund is accounted for as a defined benefits scheme.

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

Liabilities are discounted to their value at current prices using a discount rate based on the yield on the iBoxx AA Over 15 year Corporate Bond index.

The assets of the Tayside Superannuation Fund attributable to the Board can be broadly split into equities, gilts, bonds property and cash. They are included in the Balance Sheet on a bid value to bid value basis.

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

1) Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

2) Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

3) Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

4) Expected return on assets – the annual investment return on the fund assets attributable to the Board, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

5) Gains/losses on settlements and curtailments – the result of actions to relieve the Board of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

6) Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.

7) Contributions paid to the Tayside Superannuation Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Board to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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

**The 1992 Firefighters Pension Scheme and the 2006 Firefighters Pension Scheme**

**The Schemes**
Both Firefighters Pension Schemes are accounted for as defined benefits schemes.

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

Liabilities are discounted to their value at current prices using a discount rate based on the yield on the iBoxx AA Over 15 year Corporate Bond index.

The Firefighters Pension Schemes are unfunded and as such have no attributable assets.

The change in the net pension liability is analysed into six components:

1) Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

2) Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.

3) Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

4) Gains/losses on settlements and curtailments – the result of actions to relieve the Board of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited/credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

5) Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.

6) Contributions paid – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Board to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

**Discretionary Benefits**
All uniformed employees, irrespective of whether they are a member of a pension scheme, can receive an injury award if they are forced to retire due to an injury sustained whilst on operational duty. This is in addition to any pension award they may receive from the formal pension schemes. The level of injury award is dependent on the level of injury sustained and length of service. Actuarial estimations assume that 1% of active pensioners will receive an injury benefit at some point in the future. The scheme is unfunded.

In relation to discretionary benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Board 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 Employees Statutory Adjustment Account to remove the notional debits and credits for injury benefits and replace them with debits for the cash paid to pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Employees Statutory Adjustment Account thereby measures the beneficial impact on the General Fund of being required to account for injury benefits on the basis of cash flows rather than as benefits are earned by employees.

### 1.9 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the 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 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 most of the borrowings that the Board has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and the interest charged to the

Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The Board has a policy whereby it chooses not to spread the premium payable or discount receivable over future years, but instead recognises them in the General Fund in the year in which they are incurred.

**1.10 Foreign Currency Translation**

Where the Board has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and expenditure line in the Comprehensive Income and Expenditure Statement.

**1.11 Government Grants and Contributions**

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

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

Amounts recognised as due to the Board are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and 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 Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

**1.12 Inventories**

Inventories are included in the Balance Sheet on an average cost basis. This does not comply with IAS 2 (Inventories) which requires that inventories held for consumption in the production process of goods be measured at the lower of cost and current replacement cost, and other inventories be measured at the lower of cost and net realisable value.

This departure from the standard international accounting practice is immaterial to the presentation of the Board's financial position.

## 1.13 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.

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 over the life of the lease, even if this does not match the pattern of payments (e.g. where a rent-free period might be offered at the commencement of the lease).

## 1.14 Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service 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 shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Board's status as a multi-functional, democratic organisation.

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any 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.

## 1.15 Provisions, Contingent Liabilities and Contingent Assets

**Provisions**

Provisions are made where an event has taken place that gives the Board a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the amount of the obligation. For instance, the Board may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Board becomes aware of the obligation, and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Board settles the obligation.

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

**Contingent Assets**
A contingent asset arises where an event has taken place that gives the Board a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Board.

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

### 1.16 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 service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge to the Board for the expenditure.

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

### 1.17 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.

## Note 2 – Accounting Standards that have been Issued but not yet been Adopted.

The adoption of amendments to IFRS7 (Financial Instruments: Disclosures), issued in October 2010 and due to be adopted by the Code in 2012/13, will not affect the Board. This is because the Board do not hold any of the types of financial instruments covered by this change in accounting policy.

## Note 3 – Critical Judgments in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the 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:

i) There is a high degree of uncertainty about future levels of funding for local government and the way fire and rescue services in Scotland will be delivered. However, the Board has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Board might be impaired as a result of a need to close facilities and reduce levels of service provision.

ii) The Balance Sheet shows net liabilities of £186.727m. This net liability position reflects the inclusion of net pension liabilities and injury benefits liabilities of £215.531m falling due in future years and arising from the application of IAS19 (Employee Benefits). However, it is appropriate to adopt a going concern basis for the preparation of the financial statements. This is because not only do the constituent authorities have a legal obligation under the 1995 Combined Area Amalgamation Scheme Order to provide the Board with the funding it needs to meet all non-pension liabilities as they fall due, but the Scottish Government has also agreed to underwrite the pensions liability on an annual basis.

## Note 4 – Material Items of Income and Expense

There have been no material items of income or expenditure that have not been disclosed on the face of the Comprehensive Income and Expenditure Statement.

## Note 5 – Events after the Balance Sheet Date

The unaudited Statement of Accounts was authorised for issue by the previous Acting Treasurer to the Board on 27 June 2012.

Where events taking place before this date provide information about conditions existing at 31 March 2012, the figures in the financial statements and notes must be adjusted in all material respects to reflect the impact of this information. There were no adjusting events that took place after the 31 March 2012 but before the date the Acting Treasurer authorised the accounts for issue that would have had a material impact on the figures disclosed in the financial statements or notes.

The following non-adjusting event is sufficiently significant as to potentially affect the understanding of the Board’s financial position at 31 March 2012. On 7 September 2011 the First Minister delivered a statement to the Scottish Parliament which introduced plans for the reform of police and fire services in Scotland. The following day the Cabinet Secretary for Justice delivered a statement to Parliament which provided further information, specifically that the number of Fire and Rescue Authorities in Scotland would be reduced from eight to one. It is the intention of the Scottish Government that all existing Fire and Rescue Joint Boards in Scotland will cease to exist as separate legal entities on 1 April 2013 and all assets, liabilities and reserves will transfer to the new centralised Scottish Fire and Rescue Service on that date. 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.

Events taking place after the date of issue are not reflected in the financial statements or notes.

## Note 6 - Assumptions made about the Future and Other Uncertain Events

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

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

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| Property, Plant and Equipment | Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Board will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. | If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.<br><br>It is estimated that the annual depreciation charge for property, plant and equipment would increase by £0.258m for every year that useful lives had to be reduced. |

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|---|---|
| Pensions Liability | The estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Board with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £4.785m.<br><br>However, the assumptions interact in complex ways. During 2011/12, the Board's actuaries advised that the net pension liability had increased by £7.143m. This was caused by various factors: a decrease in the liability of £17.665m as a result of corrections to estimates was offset by an increase of £0.860m as a result of the actual return on scheme assets being lower than the expected return, and increased further by £23.948m attributable to updating of the underlying assumptions. |

## Note 7 - Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Account is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Board on the basis of budget reports that assume the Board as one service unit with one management team. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, impairment losses and amortisations are charged to services in the Comprehensive Income and Expenditure Account)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the Board, recorded in the budget reports for the year, is as follows:

| 2010/11<br>£000 | | 2011/12<br>£000 |
|---|---|---|
| 21,430 | Employee expenses | 21,812 |
| 5,267 | Other expenses | 4,759 |
| 459 | Loan Principal Repaid | 475 |
| 231 | Interest Payments | 156 |
| **27,387** | **Total Expenditure** | **27,202** |
| | | |
| 344 | Fees, charges & other income | 405 |
| 4 | Interest Income | 4 |
| 2,607 | Government grants | 2,647 |
| **2,955** | **Total Income** | **3,056** |
| | | |
| **24,432** | **Net Expenditure before receipt of Requisitions** | **24,146** |
| **24,783** | **Requisition Income** | **24,140** |
| **(351)** | **(Surplus) / Deficit reported to Management** | **6** |

This can be reconciled to the Cost of Services in the Comprehensive Income and Expenditure Statement as follows:

| 2010/11<br>£000 | | 2011/12<br>£000 |
|---|---|---|
| 24,432 | Net Expenditure before receipt of Requisitions | 24,146 |
| (2,438) | Amounts reported to management but not included in the Comprehensive Income and Expenditure Statement | (1,983) |
| (14,926) | Amounts in the Comprehensive Income and Expenditure Statement not reported to management | 1,636 |
| **7,068** | **Cost of Services in the Comprehensive Income and Expenditure Statement** | **23,799** |

This reconciliation shows how the figures in the analysis of income and expenditure reported to management relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

| 2011/12 | Board Report | Amounts reported but not included in the CIES | Amounts not reported but to be included in the CIES | Cost of Services | Corporate Amounts | Total |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Employee expenses | 19,166 | (565) | 611 | **19,212** | 113 | **19,325** |
| Firefighters' Pension Costs | 0 | 0 | 7,673 | **7,673** | 10,500 | **18,173** |
| Other expenses | 4,758 | (791) | 0 | **3,967** | 0 | **3,967** |
| Depreciation/ Amortisation | 475 | (475) | 2,276 | **2,276** | 0 | **2,276** |
| Interest Payments | 156 | (156) | 0 | **0** | 156 | **156** |
| **Total Expenditure** | **24,555** | **(1,987)** | **10,560** | **33,128** | **10,769** | **43,897** |
| Fees, charges & other income | (405) | 0 | (4) | **(409)** | 0 | **(409)** |
| Firefighters' Pension Income | 0 | 0 | (2,766) | **(2,766)** | 0 | **(2,766)** |
| Interest and investment income | (4) | 4 | 0 | **0** | (4) | **(4)** |
| Constituent Council Requisitions | 0 | 0 | 0 | **0** | (23,402) | **(23,402)** |
| Disposal of Non-Current Assets | 0 | 0 | 0 | **0** | (128) | **(128)** |
| Govt. Grants and Contributions | 0 | 0 | (6,154) | **(6,154)** | (1,331) | **(7,485)** |
| **Total Income** | **(409)** | **4** | **(8,924)** | **(9,329)** | **(24,865)** | **(34,194)** |
| **(Surplus)/deficit on the provision of services** | **24,146** | **(1,983)** | **1,636** | **23,799** | **(14,096)** | **9,703** |

| 2010/11 | Board Report | Amounts reported but not included in the CIES | Amounts not reported but included in the CIES | Cost of Services | Corporate Amounts | Total |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Employee expenses | 18,823 | (552) | (1,082) | **17,189** | 329 | **17,518** |
| Firefighters' Pension Costs | 0 | 0 | (6,442) | **(6,442)** | 11,922 | **5,480** |
| Other service expenses | 5,268 | (1,200) | 0 | **4,068** | 0 | **4,068** |
| Depreciation/ Amortisation | 459 | (459) | 2,037 | **2,037** | 0 | **2,037** |
| Interest Payments | 231 | (231) | 0 | **0** | 231 | **231** |
| **Total Expenditure** | **24,781** | **(2,442)** | **(5,487)** | **16,852** | **12,482** | **29,334** |
| Fees, charges & other income | (345) | 0 | 0 | **(345)** | 0 | **(345)** |
| Firefighters' Pension Income | 0 | 0 | (4,494) | **(4,494)** | 0 | **(4,494)** |
| Interest and investment income | (4) | 4 | 0 | **0** | (4) | **(4)** |
| Constituent Council Requisitions | 0 | 0 | 0 | **0** | (24,783) | **(24,783)** |
| Disposal of Non-Current Assets | 0 | 0 | 0 | **0** | (48) | **(48)** |
| Govt. Grants and Contributions | 0 | 0 | (4,945) | **(4,945)** | (1,870) | **(6,815)** |
| **Total Income** | **(349)** | **4** | **(9,439)** | **(9,784)** | **(26,705)** | **(36,489)** |
| **(Surplus)/deficit on the provision of services** | **24,432** | **(2,438)** | **(14,926)** | **7,068** | **(14,223)** | **(7,155)** |

## Note 8 – Usable Reserves: General Fund Balance

### General Fund: Movement

The movement on the General Fund during 2011/12 is as follows:

| 31/03/11 £000 | | 31/03/12 £000 |
|---|---|---|
| 1,274 | Opening General Fund Balance | 1,306 |
| 32 | Surplus or (Deficit) for Year | (740) |
| **1,306** | **General Fund Balance as at 31 March** | **566** |

Under the Board's Reserves Strategy, the General Fund balance shown above includes an amount earmarked to fund future commitments. The committed amounts set aside at 31 March 2012 were:

| 31/03/11 £000 | | 31/03/12 £000 |
|---|---|---|
| 20 | Community Safety Partnership Grant Income | 24 |
| 65 | Aerial Rescue Pump Boom Package | 0 |
| **85** | **Total amount committed under the Reserves Strategy** | **24** |

Therefore, the uncommitted balance remaining on the General Fund at 31 March 2012 was £0.542m.

## Note 9 – Other Usable Reserves

### Capital Receipts Reserve

These are cash receipts from the sale of the Board’s assets, which have not yet been used to finance capital expenditure.

| 31/03/11 £000 | | 31/03/12 £000 |
|---|---|---|
| 0 | Balance on 1 April | 0 |
| 56 | Capital Receipts received in year | 182 |
| **59** | | **182** |
| | **Less:** | |
| (56) | Capital Receipts used for financing | (182) |
| **0** | **Balance on 31 March** | **0** |

### Capital Grants Unapplied

Unspent (unapplied) capital grant remaining at the 31 March 2012 which is then carried forward to be spent (transferred to the Capital Adjustment Account) in future years.

| 31/03/11 £000 | | 31/03/12 £000 |
|---|---|---|
| 37 | Balance on 1 April | 59 |
| 59 | Unapplied Capital Grants received in year | 33 |
| (37) | Unapplied Capital Grants transferred to the Capital Adjustment Account in year | (59) |
| **59** | **Balance on 31 March** | **33** |

## Note 10 – Unusable Reserves

| 31/03/11 £000 | | 31/03/12 £000 |
|---|---|---|
| 18,455 | Capital Adjustment Account | 19,402 |
| 9,499 | Revaluation Reserve | 9,027 |
| (195,090) | Pensions Reserve | (211,683) |
| (3,886) | Employee Statutory Adjustment Account (Employee Benefits) | (3,848) |
| (192) | Accumulating Compensated Absences Adjustment Account | (193) |
| (32) | Financial Instruments Adjustment Account | (31) |
| **(171,246)** | **Total Unusable Reserves** | **(187,326)** |

### 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 Board as finance for the costs of acquisition, construction and enhancement.

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 11 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 31/03/11 £000 | | £000 | 31/03/12 £000 |
|---|---|---|---|
| **16,466** | **Balance at 1 April** | | **18,455** |
| | **Reversal of items relating to capital expenditure debited or credited to the CIES:** | | |
| (2,037) | Charges for depreciation and impairment of non-current assets | (2,276) | |
| (8) | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | (54) | |
| **(2,045)** | | **(2,330)** | |
| 471 | Adjusting amounts written out of the Revaluation Reserve | 472 | |
| **(1,574)** | **Net written out amount of the cost of non-current assets consumed in the year** | | **(1,858)** |
| | **Capital financing applied in the year:** | | |
| 56 | Use of the Capital Receipts Reserve to finance new capital expenditure | 182 | |
| 459 | Loans principal repayments | 475 | |
| 1,811 | Application of current year grants to capital financing from the Capital Grants Unapplied Account | 1,298 | |
| 37 | Application of previous years' grants to capital financing from the Capital Grants Unapplied Account | 59 | |
| 1,200 | Capital expenditure charged against the General Fund | 791 | |
| **3,563** | | | **2,805** |
| **18,455** | **Balance at 31 March** | | **19,402** |

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Board arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- 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 consolidated into the balance on the Capital Adjustment Account

| 31/03/11 £000 | | 31/03/12 £000 |
|---|---|---|
| **9,970** | **Balance at 1 April** | **9,499** |
| (471) | Difference between fair value depreciation and historical cost depreciation | (472) |
| **9,499** | **Balance at 31 March** | **9,027** |

**Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Board accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Board makes employer's contributions to pension funds, or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources the Board has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 31/03/11 £000 | | 31/03/12 £000 |
|---|---|---|
| **(222,897)** | **Balance at 1 April** | **(195,090)** |
| 22,794 | Actuarial gains or (losses) on pensions assets and liabilities | (7,394) |
| 5,017 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | (9,198) |
| (4) | Difference between actual employers' pension contributions paid in year and actuarial estimate as required under IAS19. | 0 |
| 0 | Adjustment due to the effects of rounding | (1) |
| **(195,090)** | **Balance at 31 March** | **(211,683)** |

**Employee Statutory Adjustment Account (Employment Benefits)**
The Employee Statutory Adjustment Account (Employee Benefits) absorbs the timing differences arising from the different arrangements for accounting for post-employment injury benefits and for funding benefits in accordance with statutory provisions. The Board accounts for post-employment injury 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 by the Board.

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

| 31/03/11 £000 | | 31/03/12 £000 |
|---|---|---|
| **(3,307)** | **Balance at 1 April** | **(3,886)** |
| (1,171) | Actuarial gains or (losses) on pensions assets and liabilities | 252 |
| 592 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | (214) |
| **(3,886)** | **Balance at 31 March** | **(3,848)** |

**Accumulating Compensated Absences Adjustment Account**
The Accumulating Compensated Absences Adjustment Account absorbs the differences that would otherwise arise on the General Fund balance from accruing for 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.

| 31/03/11 £000 | | 31/03/12 £000 |
|---|---|---|
| **(165)** | **Balance at 1 April** | **(192)** |
| 165 | Settlement or cancellation of accrual made at the end of the preceding year | 192 |
| (192) | Amounts accrued at the end of the current year | (193) |
| **(192)** | **Balance at 31 March** | **(193)** |

**Financial Instruments Adjustment Account**
The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

| 31/03/11 £000 | | 31/03/12 £000 |
|---|---|---|
| **(32)** | **Balance at 1 April** | **(32)** |
| 0 | Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | 1 |
| **(32)** | **Balance at 31 March** | **(31)** |

## Note 11 – Adjustments between Accounting Basis and Funding Basis under Regulations

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

| Adjustments between accounting basis and funding basis under regulations – 2011/12 | Usable Reserves | | | |
|---|---|---|---|---|
| | General Fund Balance £000 | Capital Receipts Reserve £000 | Capital Grants Unapplied £000 | Movement in Unusable Reserves £000 |
| ***Adjustments primarily involving the Capital Adjustment Account*** | | | | |
| **Reversal of items debited or credited to the CIES:** | | | | |
| Charges for depreciation and impairment of non-current assets | 2,276 | | | (2,276) |
| Current Year's capital grants and contributions applied in Year | (1,298) | | | 1,298 |
| Current Year's capital grants received but unapplied at year end. | (33) | | 33 | |
| Previous years' unapplied capital grants carried forward which have been used for financing in this year. | | | (59) | 59 |
| Carrying amount of non-current assets sold | 54 | | | (54) |
| Loans principal repayments during the year | (475) | | | 475 |
| **Insertion of items not debited or credited to the CIES:** | | | | |
| Capital Expenditure financed from revenue proceeds | (791) | | | 791 |
| ***Adjustments primarily involving the Capital Receipts Reserve*** | | | | |
| Proceeds from the sale of non-current assets | (182) | 182 | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | (182) | | 182 |
| ***Adjustment primarily involving the Financial Instruments Adjustment Account*** | | | | |
| Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements. | (1) | | | 1 |
| ***Adjustments primarily involving the Pensions Reserve:*** | | | | |
| Rounding Adjustment | | | | (1) |
| Reversal of items relating to retirement benefits debited or credited to the CIES (Note 31) | 15,882 | | | (15,882) |
| Actual Employer's pensions contributions and direct payments to pensioners payable in the year | (6,684) | | | 6,684 |
| ***Adjustments primarily involving the Injury Pensions Employee Statutory Adjustment Account:*** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES (Note 31) | 367 | | | (367) |
| Actual Employer's pensions contributions and direct payments to pensioners payable in the year | (153) | | | 153 |
| ***Adjustment primarily involving the Accumulating Compensated Absences Adjustment Account*** | | | | |
| Adjustments in relation to Short-term compensated absences | 1 | | | (1) |
| **Total Adjustments shown in Movement in Reserves Statement - 2011/12** | **8,963** | **0** | **(26)** | **(8,938)** |

| **Adjustments between accounting basis and funding basis under regulations - 2010/11 Comparative Figures** | **Usable Reserves: General Fund Balance £000** | **Usable Reserves: Capital Receipts Reserve £000** | **Usable Reserves: Capital Grants Unapplied £000** | **Movement in Unusable Reserves £000** |
|---|---|---|---|---|
| ***Adjustments primarily involving the Capital Adjustment Account*** | | | | |
| **Reversal of items debited or credited to the CIES:** | | | | |
| Charges for depreciation and impairment of non-current assets | 2,037 | | | (2,037) |
| Current Year's capital grants and contributions applied in Year | (1,811) | | | 1,811 |
| Current Year's capital grants received but unapplied at year end. | (59) | | 59 | 0 |
| Previous years' unapplied capital grants carried forward which have been used for financing in this year. | | | (37) | 37 |
| Carrying amount of non-current assets sold | 8 | | | (8) |
| Loans principal repayments during the year | (459) | | | 459 |
| **Insertion of items not debited or credited to the CIES:** | | | | |
| Capital Expenditure financed from revenue proceeds | (1,200) | | | 1,200 |
| ***Adjustments primarily involving the Capital Receipts Reserve*** | | | | |
| Proceeds from the sale of non-current assets | (56) | 56 | | 0 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | (56) | | 56 |
| ***Adjustment primarily involving the Financial Instruments Adjustment Account*** | | | | |
| Amounts by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements. | 0 | | | 0 |
| ***Adjustments primarily involving the Pensions Reserve:*** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES (Note 31) | 707 | | | (707) |
| Actual Employer's pensions contributions and direct payments to pensioners payable in the year | (5,724) | | | 5,724 |
| ***Adjustments primarily involving the Injury Pensions Employee Statutory Adjustment Account:*** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES (Note 31) | (444) | | | 444 |
| Actual Employer's pensions contributions and direct payments to pensioners payable in the year | (148) | | | 148 |
| ***Adjustment primarily involving the Accumulating Compensated Absences Adjustment Account*** | | | | |
| Adjustments in relation to Short-term compensated absences | 26 | | | (26) |
| **Total Adjustments shown in Movement in Reserves Statement – 2010/11** | **(7,123)** | **0** | **22** | **7,101** |

## Note 12 – Other Operating Expenditure

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| (48) | Gains/losses on the disposal of non-current assets | (128) |
| **(48)** | **Total** | **(128)** |

## Note 13 – Financing and Investment Income and Expenditure

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 231 | Interest payable and similar charges | 156 |
| 12,251 | Pensions interest cost and expected return on pensions assets (Note 31) | 10,613 |
| (4) | Interest receivable and similar income | (4) |
| **12,478** | **Total** | **10,765** |

## Note 14 – Requisition Income and Non-Specific Grant Income

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| (24,783) | Council Requisitions | (23,402) |
| (1,870) | Capital Grants | (1,331) |
| **(26,653)** | **Total Council Requisitions and Non-Specific Grant Income** | **(24,733)** |

## Note 15 – Property, Plant and Equipment

**Valuations**

The Board carries out a revaluation programme once every five years to ensure that all land and property required to be measured at fair value is revalued at least every five years. Valuations of land and buildings are carried out by a professional external valuer in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The effective date of the last valuation of all land and buildings was 31 March 2009.

Valuations of vehicles, plant, furniture and equipment are based on the depreciated historic cost existing at the Balance Sheet date.

The significant assumptions applied in estimating the fair values are:

- Given the specialised nature of the property assets which are rarely, if ever, sold on the open market, Depreciated Replacement Cost provides a suitable fair value for the assets.

- The Board has elected to adopt a depreciated historic cost basis as a proxy for fair value for non-property assets.

## Movement on Property, Plant and Equipment 2011/12

| **2011/12** | Land & Buildings **£000** | Vehicles, Plant & Equipment **£000** | Surplus Assets **£000** | Assets Under Construction **£000** | **Total PP&E £000** |
|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | |
| At 1 April | 29,454 | 13,578 | 17 | 564 | **43,613** |
| Additions (Note 17) | 1,121 | 312 | 0 | 897 | **2,330** |
| De-recognition - Disposals | 0 | (399) | 0 | 0 | **(399)** |
| De-recognition - Other | 0 | (432) | 0 | 0 | **(432)** |
| Reclassifications & Transfers | 0 | 1,115 | 150 | (1,265) | **0** |
| Reclassified to Held for Sale | 0 | (224) | 0 | 0 | **(224)** |
| Reclassified from Held for Sale | 0 | 210 | 0 | 0 | **210** |
| **Balance at 31 March** | **30,575** | **14,160** | **167** | **196** | **45,098** |
| | | | | | |
| **Depreciation and Impairment** | | | | | |
| At 1 April | 2,454 | 6,496 | 17 | 0 | **8,967** |
| Depreciation Charge | 1,338 | 938 | 0 | 0 | **2,276** |
| De-recognition - Disposals | 0 | (353) | 0 | 0 | **(353)** |
| De-recognition - Other | 0 | (432) | 0 | 0 | **(432)** |
| Reclassifications & Transfers | 0 | (111) | 111 | 0 | **0** |
| Eliminated on reclassification to Held for Sale | 0 | (217) | 0 | 0 | **(217)** |
| Reinstated on reclassification to Held for Sale | 0 | 210 | 0 | 0 | **210** |
| **Balance at 31 March** | **3,792** | **6,531** | **128** | **0** | **10,451** |
| | | | | | |
| **Net Book Value at 31 March 2012** | **26,783** | **7,629** | **39** | **196** | **34,647** |
| **Net Book Value at 31 March 2011** | **27,000** | **7,082** | **0** | **564** | **34,646** |

## Comparative Movement on Property, Plant and Equipment 2010/11

| **2010/11** | Land & Buildings **£000** | Vehicles, Plant & Equipment **£000** | Surplus Assets **£000** | Assets Under Construction **£000** | **Total PP&E £000** |
|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | |
| At 1 April | 27,627 | 13,085 | 17 | 715 | **41,444** |
| Additions (Note 17) | 1,827 | 523 | 0 | 754 | **3,104** |
| De-recognition - Disposals | 0 | (346) | 0 | 0 | **(346)** |
| De-recognition - Other | 0 | (117) | 0 | 0 | **(117)** |
| Reclassifications & Transfers | 0 | 905 | 0 | (905) | **0** |
| Reclassified to Held for Sale | 0 | (472) | 0 | 0 | **(472)** |
| Reclassified from Held for Sale | 0 | 0 | 0 | 0 | **0** |
| **Balance at 31 March** | **29,454** | **13,578** | **17** | **564** | **43,613** |

| | | | | | |
|---|---|---|---|---|---|
| **Depreciation and Impairment** | | | | | |
| At 1 April | 1,204 | 6,632 | 17 | 0 | **7,853** |
| Depreciation Charge | 1,250 | 787 | 0 | 0 | **2,037** |
| De-recognition - Disposals | 0 | (342) | 0 | 0 | **(342)** |
| De-recognition - Other | 0 | (117) | 0 | 0 | **(117)** |
| Reclassifications & Transfers | 0 | 0 | 0 | 0 | **0** |
| Eliminated on reclassification to Held for Sale | 0 | (464) | 0 | 0 | **(464)** |
| Reinstate on reclassification to Held for Sale | 0 | 0 | 0 | 0 | 0 |
| **Balance at 31 March** | **2,454** | **6,496** | **17** | **0** | **8,967** |
| | | | | | |
| **Net Book Value at 31 March 2011** | **27,000** | **7,082** | **0** | **564** | **34,646** |
| **Net Book Value at 31 March 2010** | **26,423** | **6,453** | **0** | **715** | **33,591** |

### Capital Commitments

At 31 March 2012 the Board had one construction contract in progress – the completion of the new training facility at Kingsway East Fire Station in Dundee. £1.113m was spent on this project during 2011/12 but the Board is committed to spending a further £0.843m in 2012/13 to complete this. (31 March 2011: £nil).

### Effects of Changes in Estimates

In 2011/12 the Board made no material changes to its accounting estimates for property, plant and equipment.

### Impairments

There were no material impairment losses recognised or reversed on any specific asset during 2011/12 (2010/11: £nil).

## Note 16 - Heritage Assets

FRS30 (Heritage Assets) defines a heritage asset as an asset with historical, artistic, scientific, technological, geophysical or environmental qualities, held and maintained principally for its contribution to knowledge and culture. The Board owns two steam-powered fire tenders which could be considered to be heritage assets under the above definition. One of the tenders is located within the public area of the Headquarters building in Dundee, the other within the foyer at Forfar Fire Station. Both were presented to the Board in the mid-1900s by private organisations. Neither tender has previously been included within Non-Current Assets in the Balance Sheet.

Where no information is available as to the cost or valuation of assets classed as Heritage Assets, nor, due to their highly specific and historic nature, can a valuation be obtained at a cost which is commensurate with the benefits to users of the Statement of Accounts, the Code allows that such assets do not have to be recognised in the Balance Sheet. The Board considers this to be the case with the two historic steam tenders in its ownership, and therefore, in accordance with the Code, the Board's heritage assets are not recognised in the Balance Sheet.

## Note 17 - Capital Expenditure and Capital Financing

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

| 2010/11 £000 | | 2011/12 £000 |
|---:|---|---:|
| | ***Capital Investment*** | |
| 3,104 | Property, Plant and Equipment | 2,330 |
| **3,104** | **Total Capital Investment** | **2,330** |
| | ***Sources of Finance*** | |
| (56) | Capital receipts | (182) |
| (1,811) | Government grants and contributions | (1,298) |
| (37) | Other Contributions (Unapplied grant c/fwd.) | (59) |
| (1,200) | Direct revenue contributions | (791) |
| **(3,104)** | **Total Sources of Finance** | **2,330** |

## Note 18 - Assets Held For Sale

| Current Assets 31/03/11 £000 | Non-Current Assets 31/03/11 £000 | | Current Assets 31/03/12 £000 | Non-Current Assets 31/03/12 £000 |
|---:|---:|---|---:|---:|
| **4** | **0** | **Balance outstanding at start of year** | **8** | **0** |
| 8 | 4 | Assets newly classified as held for sale in Year: | 7 | 0 |
| (4) | (4) | Disposal of Assets | (8) | 0 |
| **8** | **0** | **Balance outstanding at year-end** | **7** | **0** |

## Note 19 - Impairment Losses

There were no impairment losses recorded in 2011/12 (2010/11: £nil)

## Note 20 - Debtors

| 2010/11 | Short Term Debtors | 2011/12 |
|---|---|---|
| £000 | | £000 |
| 2 | Government Departments | 711 |
| 560 | Other Local Authorities | 596 |
| 39 | Public corporations and trading funds | 29 |
| 337 | Value Added Tax | 271 |
| 635 | Other | 479 |
| **1,573** | **Total Short Term Debtors** | **2,086** |

| 2010/11 | Long Term Debtors | 2011/12 |
|---|---|---|
| £000 | | £000 |
| 25 | Other Local Authorities | 0 |
| **0** | **Total Long Term Debtors** | **0** |

## Note 21 – Creditors

| 2010/11 | Short Term Creditors | 2011/12 |
|---|---|---|
| £000 | | £000 |
| 812 | Government Departments | 469 |
| 616 | Other Local Authorities | 827 |
| 19 | Public corporations and trading funds | 115 |
| 192 | Accumulated Absences | 193 |
| 842 | Other | 1,286 |
| **2,481** | **Total Short Term Creditors** | **2,890** |

There were no long-term creditors at 31 March 2012 (31 March 2011: £nil).

## Note 22 - Inventories

The Board holds stocks and inventories as follows:

| | Fuel | Consumable Stores | Vehicle Parts | Total |
|---|---|---|---|---|
| **2011/12** | **£000** | **£000** | **£000** | **£000** |
| Balance held at start of year | 42 | 36 | 52 | 130 |
| Purchases | 186 | 42 | 38 | 266 |
| Expensed in Year | (188) | (42) | (44) | (274) |
| Written off Balances | 0 | (1) | 1 | 0 |
| Balance remaining at end of year | **40** | **35** | **47** | **122** |
| | | | | |
| **Comparative Figures 2010/11** | | | | |
| Balance held at start of year | 38 | 46 | 48 | 132 |
| Purchases | 191 | 32 | 44 | 267 |
| Expensed in Year | (183) | (41) | (37) | (261) |
| Written off Balances | (4) | (1) | (3) | (8) |
| Balance remaining at end of year | **42** | **36** | **52** | **130** |

The value of inventories expensed in the year to 31 March 2012 was £274k (31 March 2011: £261k).

**Write-Offs**
No inventory was written off during 2011/12 (2010/11: £8k). A cash adjustment of £1k was made to consumable stores due to minor differences uncovered during the annual stock count; however this adjustment was offset by £1k being added back into vehicle stock at the same time.

## Note 23 - Construction Contracts

At 31 March 2012 the Board had one construction contract in progress – the completion of the new training facility at Kingsway East Fire Station in Dundee. £1.113m was spent on this project during 2011/12 but the Board is committed to spending a further £0.843m in 2012/13 to complete this. (31 March 2011: £nil).

## Note 24 - Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents include current assets, such as cash on hand and in bank and short term deposits and investments (considered to be cash equivalents), and current liabilities such as outstanding bank overdrafts and temporary overnight loans.

Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the Balance Sheet as follows:

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| | **Assets** | |
| 0 | Cash and Bank balances | 0 |
| 0 | Short Term Deposits (considered to be Cash Equivalents) | 519 |
| 0 | | 519 |
| | **Liabilities** | |
| (592) | Bank Overdraft | (280) |
| (70) | Temporary Overnight Loans | 0 |
| (662) | | (280) |
| **(662)** | **Total Cash & Cash Equivalents** | **239** |

## Note 25 – Provisions

| 2011/12 | Balance as at 1 April 2011 £000 | Increase/ (Decrease) in provision during year £000 | Utilised during year £000 | Balance as at 31 March 2012 £000 |
|---|---|---|---|---|
| Compensation Payments | 187 | 71 | 0 | 258 |
| | **187** | 71 | 0 | **258** |
| Current Provisions | 187 | 71 | 0 | 258 |
| Long Term Provisions | 0 | 0 | 0 | 0 |
| | **187** | **71** | **0** | **258** |

**Comparative Year**

| 2010/11 | Balance as at 1 April 2010 | Increase/ (Decrease) in provision during year | Utilised during year | Balance as at 31 March 2011 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Compensation Payments | 190 | (3) | 0 | 187 |
| | **190** | (3) | 0 | **187** |
| | | | | |
| Current Provisions | 190 | (3) | 0 | 187 |
| Long Term Provisions | 0 | 0 | 0 | 0 |
| | **190** | **(3)** | **0** | **187** |

## Outstanding Legal Cases

Trade Union representatives of Retained Duty System (RDS) employees in the UK made a national claim to the Employment Tribunal in 2001, alleging unfavourable treatment in comparison to their full-time counterparts. During 2008 the Employment Tribunal found in favour of the claimants and instructed that RDS employees nationally were to receive a 10 year compensation settlement backdated to 1 July 2000. In addition, the Board reached a local agreement with its own RDS staff to make an additional compensation payment to extend the compensation to an 11$^{th}$ year, up to 30 June 2011. As a result of the Employment Tribunal ruling new terms and conditions were agreed with RDS staff and the Board implemented these on 1 July 2011.

The Employers' organisation in London is currently working with a third party analyst (Popularis) to formally clear the 15,000 cases brought nationally in 2001. It was expected that these would be cleared early in 2011/12 and as a result the Board felt it prudent to provide for the compensation payments at that time. However, clearing the cases has proved to be more challenging than anticipated and the first payments are only now in a position to be released, with a formal release date of July 2012.

In March 2012, H.M. Revenue and Customs ruled that compensation payments made under this award must be subject to tax and National Insurance, but with no detriment to the recipient. Therefore, it has been necessary to increase the provision by another £71k to allow for the expected additional costs to the Board of complying with this HMRC ruling when making these compensation payments to its RDS employees.

## Note 26 – Agency Services

The Board receives certain agency and support services from other public bodies and the Board reimburse these bodies for their services. The Board also provides assistance and expertise to other public bodies from time to time, for which it can choose to recharge the costs. The expenditure and income incurred as a result of these arrangements was as follows:

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| | *Services received from:* | |
| | **Dundee City Council** | |
| 10 | Insurance and Risk Management Services | 10 |
| 38 | Payroll Services | 41 |
| 23 | Pension Administration Services | 29 |
| | **Perth & Kinross Council** | |
| 0 | Convenor | 2 |
| 9 | Treasurer | 9 |
| 27 | Secretarial and Clerking | 27 |
| 7 | Legal Services | 10 |
| 15 | Internal Audit Services | 15 |
| 3 | Banking Services | 3 |
| 9 | Treasury Management Services | 9 |
| | **Scottish Police Services Association** | |
| 50 | Radio and Communication Maintenance Services | 52 |
| 191 | Total Payments for Services | 207 |
| | *Services provided to:* | |
| | **Scottish Ambulance Service** | |
| (17) | Supply and rental of accommodation | (20) |
| **174** | **Total Net Expenditure** | **187** |

## Note 27 - External Audit Fees

The Board has incurred the following costs relating to the annual audit of the Statement of Accounts, certification of grant claims and other services provided by the Board's external auditors.

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 27 | External Audit Fees | 26 |
| 0 | Rebate received for 2010/11 External Audit Fees | (2) |
| **27** | | **24** |

There were no other fees payable in respect of any other services provided by the appointed auditor over and above the cost of the external audit fees described above (2010/11: £nil).

## Note 28 - Grant Income

**Capital Grants and Other Contributions**

The Board credited the following grants, contributions and donations to the CIES in 2011/12.

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 1,771 | Scottish Government Capital Grant | 1,298 |
| 39 | Other Capital Contributions | 0 |
| 37 | Previous Year's Unused Capital Grant | 59 |
| **1,848** | **Total** | **1,357** |

## Note 29 - Related Parties

**Related Parties**

The Board is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence, or to be controlled or influenced by the Board. Disclosure of these transactions allows readers to assess the extent to which the Board might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Board.

**The Scottish Government and Constituent Councils**

The Scottish Government and the constituent councils of the Board (Angus, Dundee City and Perth & Kinross Councils) exercise significant influence over the activities of the Board. The Scottish Government determines the statutory framework within which the Board operates and provides direct funding to the Board in the form of specific pension top-up grant. The constituent councils of the Board fund the majority of the Board's expenditure through an annual requisition which is agreed, in consultation with the constituent councils, by the Board in determining its budget. The funding received from the constituent councils is set out in the subjective analysis in Note 7 (Amounts reported to Decision Makers). Note 28 (Grant Income) shows the grant received from the Scottish Government during the year to 31 March 2012.

The costs of services provided to the Board by these bodies are disclosed within Note 26 (Agency Services).

**Members**

There are no payments made to Board members by the Board.

## Note 30 - Leases

### Operating Leases

The Board provides a fleet of senior officers' emergency response vehicles and enters into an individual three year operating lease with a leasing company for each vehicle. The Board also provides a small fleet of standard vehicles for use by on-call non-uniformed employees, again by entering into individual three year operating leases for each vehicle. All of these leasing arrangements can be cancelled at any time (e.g. on retiral of the car-user) and the vehicle returned to the lessor at no cost other than a liability for an early termination penalty.

The expenditure charged to services in the CIES during the year in relation to these leases was:

| 2010/11 Vehicles £000 | | 2011/12 Vehicles £000 |
|---|---|---|
| 133 | Minimum lease payments | 141 |
| **133** | | **141** |

Assuming all operating leases run for their 3-year term the future minimum lease payments due in future years are set out below:

| 2010/11 Vehicles £000 | | 2011/12 Vehicles £000 |
|---|---|---|
| | Minimum lease rentals payable: | |
| 21 | - No later than 1 year | 12 |
| 78 | - Later than 1 year and no later than 5 years | 88 |
| **99** | | **100** |

### Other Leasing Arrangements

Other than the vehicle leasing arrangements referred to above, the Board is not involved in any other finance or operating leasing arrangement with any other party, either as lessor or lessee.

## Note 31 - Pension Schemes

### Participation in Defined Benefit Pension Schemes

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

The Board participates in four post-employment schemes: one of which is a funded occupational pension scheme; two of which are unfunded occupational pension schemes; and the remaining scheme being an injury benefits scheme. All are administered by Dundee City Council.

- The Local Government Pension Scheme is disclosed at Note 31a.
- The 1992 Firefighters' Scheme is an unfunded scheme with no attributable assets and is disclosed at Note 31b.
- The 2006 Firefighters' Scheme is an unfunded scheme with no attributable assets and is disclosed at Note 31c.
- The Injury Benefits Scheme, not being an occupational pension scheme, is disclosed separately at Note 31d.

The liabilities disclosed at Notes 31a – 31d show the underlying commitments that the Board has in the long run to pay retirement benefits under its occupational pension schemes and other retirement benefit scheme. The total liability on all schemes of £215.531m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, contributing to an overall net liability of £186.727m. However, statutory arrangements for funding the deficit mean that the financial position of the Board remains healthy:

i) The deficit on the Tayside Superannuation Fund will be made good by increased contributions over the remaining working life of employees, assessed by the scheme actuary.
ii) The deficit on the 1992 Firefighters’ Pension Scheme will be made good by increased contributions over the remaining working life of employees, assessed by national pension administrators, and specific grant receivable from the Scottish Government to meet any funding shortfall that still exists.
iii) The deficit on the 2006 Firefighters’ Pension Scheme will be made good by increased contributions over the remaining working life of employees, assessed by national pension administrators, and specific grant receivable from the Scottish Government to meet any funding shortfall that still exists.
iv) The deficit on the Injury Benefits scheme will be made good by future requisitions receivable from the Board's constituent council as part of the normal annual budgeting process.

**Transactions Relating To Retirement Benefits - Charges to the Comprehensive Income and Expenditure Statement:**

Notes 31a to 31d disclose in detail the charges to the CIES from each individual scheme. However, the overall charge to the CIES from all schemes in 2011/12 is as follows:

| 2011/12 | LGPS | 1992 Scheme | 2006 Scheme | Injury Scheme | TOTAL |
|---|---|---|---|---|---|
| | 2011/12 | 2011/12 | 2011/12 | 2011/12 | 2011/12 |
| | £000 | £000 | £000 | £000 | £000 |
| **Net cost of services** | | | | | |
| Current service cost | 457 | 4,467 | 559 | 153 | 5,636 |
| Past service cost/(gain) | 0 | 0 | 0 | 0 | 0 |
| | 457 | 4,467 | 559 | 153 | 5,636 |
| **Net operating expenditure** | | | | | |
| Interest cost | 809 | 10,268 | 232 | 214 | 11,523 |
| Expected return on scheme assets | (910) | n/a | n/a | n/a | (910) |
| | (101) | 10,268 | 232 | 214 | 10,613 |
| **Other comprehensive income and expenditure** | | | | | |
| Actuarial (gains)/losses on pension liabilities | 1,931 | 4,899 | 564 | (252) | 7,142 |
| Total Actuarial Adjustment to Actual Costs | 0 | 0 | 0 | 0 | 0 |
| | 1,931 | 4,899 | 564 | (252) | 7,142 |
| **Net charge/(gain) to the CIES** | **2,287** | **19,634** | **1,355** | **115** | **23,391** |

**The corresponding position for the preceding year was:**

| 2010/11 | LGPS | 1992 Scheme | 2006 Scheme | Injury Scheme | TOTAL |
|---|---|---|---|---|---|
| | 2010/11 | 2010/11 | 2010/11 | 2010/11 | 2010/11 |
| | £000 | £000 | £000 | £000 | £000 |
| **Net cost of services** | | | | | |
| Current service cost | 600 | 5,284 | 947 | 0 | 6,831 |
| Past service cost/(gain) | (1,409) | (16,430) | (362) | (618) | (18,819) |
| | (809) | (11,146) | 585 | (618) | (11,988) |
| **Net operating expenditure** | | | | | |
| Interest cost | 991 | 11,707 | 215 | 174 | 13,087 |
| Expected return on scheme assets | (836) | n/a | n/a | n/a | (836) |
| | 155 | 11,707 | 215 | 174 | 12,251 |
| **Other comprehensive income and expenditure** | | | | | |
| Actuarial (gains)/losses on pension liabilities | (1,854) | (20,378) | (562) | 1,171 | (21,623) |
| Total Actuarial Adjustment to Actual Costs | 4 | 0 | 0 | 0 | 4 |
| | (1,850) | (20,378) | (562) | 1,171 | (21,619) |
| **Net charge/(gain) to the CIES** | **(2,504)** | **(19,817)** | **238** | **727** | **(21,356)** |

## Note 31a – Funded Occupational Pension Schemes – Tayside Superannuation Fund

The Local Government Pension Scheme is a funded defined benefit salary scheme open to the Board's support staff and Fire Control personnel, administered locally by Dundee City Council through the Tayside Superannuation Fund. The scheme is underwritten by investment assets. The Board and employees pay contributions into the fund, calculated at a level intended to balance the pension liabilities with these investment assets.

**Transactions Relating To Retirement Benefits - Charges to the Comprehensive Income and Expenditure Statement:**

The Board recognises the cost of retirement benefits in its Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Board is required to make is based on the cash payable in the year, and the real cost of retirement benefits is reversed out of the General Fund in the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Account and the adjustments between accounting basis and funding basis under regulations line, in the Movement on Reserves Statement during the year:

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| | **Net cost of services:** | |
| 600 | Current service cost | 457 |
| (1,409) | Past service cost/(gain) | 0 |
| 0 | Gains/losses on settlements or curtailments | 0 |
| | **Net operating expenditure:** | |
| 991 | Interest cost | 809 |
| (836) | Expected return on scheme assets | (910) |
| **(654)** | **Net charge/(credit) to the CIES** | **356** |
| | **Adjustments between accounting basis & funding basis under regulations:** | |
| 654 | Reversal of net charge/(credit) made for retirement benefits in accordance with IAS19 | **(356)** |
| | **Actual amount charged against the General Fund balance for pensions in the year:** | |
| 401 | Employers' contributions payable to scheme | **411** |
| 4 | Actuarial (Gain)/Loss as a result of removing actual costs and replacing with the actuarial valuation | 0 |
| **1,059** | **Net charge/(credit) to the General Fund Summary** | **55** |

Service cost figures contain no allowance for scheme administration costs.

In addition to the recognised gains and losses included in the CIES, the following actuarial gains were included in other comprehensive income and expenditure in the CIES.

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 1,854 | Actuarial Gains/(Losses) in Year | (1,931) |
| (1,978) | Accumulated Actuarial Gains/(Losses) Charged over Scheme Life | (3,909) |

## Assets and Liabilities in Relation to Retirement Benefits

### Reconciliation of Present Value of the Scheme Liabilities:

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 17,830 | **Balance as at 1 April** | 16,026 |
| 600 | Current service cost | 457 |
| 991 | Interest cost | 809 |
| 134 | Contributions by members | 138 |
| (1,785) | Actuarial losses/(gains) | 1,055 |
| (1,409) | Past service costs/(gains) | 0 |
| (9) | Estimated unfunded benefits paid | (10) |
| (326) | Estimated benefits paid | (293) |
| **16,026** | **Balance as at 31 March** | **18,182** |

### Reconciliation of Present Value of the Scheme Assets:

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 11,248 | **Balance as at 1 April** | 12,353 |
| 836 | Expected return on assets | 910 |
| 134 | Contributions by members | 138 |
| 392 | Contributions by employer | 401 |
| 9 | Contributions in respect of unfunded benefits | 10 |
| 69 | Actuarial gains/(losses) | (876) |
| (335) | Benefits paid | (303) |
| 0 | Rounding Adjustment | (1) |
| **12,353** | **Balance as at 31 March** | **12,632** |

The expected return on scheme assets is based on the long-term future expected investment return for each asset class at the beginning of the period (i.e. as at 1 April 2011 for the year to 31 March 2012). The returns on gilts and other bonds are assumed to be the gilt yields and corporate bond yield respectively, along with an adjustment to reflect default risk, at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

The actual return on the Board's share of the Tayside Superannuation Scheme assets in 2011/12 was a loss of £0.050m (2010/11: loss of £0.905m).

### Plan Assets

| 31/03/11 £000 | | 31/03/12 £000 |
|---|---|---|
| 8,894 | Equity investments | 8,590 |
| 865 | Gilts | 1,011 |
| 1,235 | Bonds | 1,389 |
| 1,112 | Property | 1,389 |
| 247 | Cash | 253 |
| **12,353** | | **12,632** |

The above asset values are at bid value as required by IAS19.

**Fund Liability Included in the Balance Sheet:**

| 31/03/11 £000 | | 31/03/12 £000 |
|---|---|---|
| 12,353 | Assets - Fair Value of Employer Assets | 12,632 |
| (16,026) | Liabilities - Present value of funded liabilities | (18,182) |
| **(3,673)** | **Net Asset/(Liability)** | **(5,550)** |

**Scheme History**

**Analysis of Scheme Assets and Liabilities**

| | 31/03/12 £000 | 31/03/11 £000 | 31/03/10 £000 | 31/03/09 £000 | 31/03/08 £000 |
|---|---|---|---|---|---|
| Fair Value of Assets in pension scheme | 12,632 | 12,353 | 11,248 | 8,015 | 10,167 |
| Present Value of Defined Benefit Obligation | (18,182) | (16,026) | (17,830) | (10,788) | (11,305) |
| Surplus/(deficit) in the Scheme | **(5,550)** | **(3,673)** | **(6,582)** | **(2,773)** | **(1,138)** |

**Amount Recognised In Other Comprehensive Income And Expenditure:**

| | 31/03/12 £000 | 31/03/11 £000 | 31/03/10 £000 | 31/03/09 £000 | 31/03/08 £000 |
|---|---|---|---|---|---|
| Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure | (1,931) | 1,854 | (3,702) | (1,597) | 483 |
| Cumulative actuarial gains and losses | **(3,909)** | **(1,978)** | **(3,832)** | **(130)** | **1,467** |

**History of Experience gains and losses:**

| | | | | | |
|---|---|---|---|---|---|
| Experience gains and (losses) on assets | (876) | 69 | 2,319 | (3,008) | (1,215) |
| Experience gains and (losses) on liabilities | 1,357 | 15 | 10 | (378) | 0 |

**Analysis of Projected Amount to be charged to the CIES for the Year to 31 March 2013**

| | 31/03/2013 £000 | 31/03/2013 % |
|---|---|---|
| Projected current cost | 571 | 89.9% |
| Interest on obligation | 846 | 133.1% |
| Expected return on assets | (782) | -123.1% |
| | **635** | **100.0%** |

The total contributions expected to be made to the Tayside Superannuation Fund by the Board in the year to 31 March 2013 is £0.391m (corresponding estimate for 2011/12 as at 31 March 2011: £0.401m).

**History of Experience Gains and Losses**

The actuarial gains identified as movements on the Tayside Superannuation Fund over the last five years can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March of each year.

| | 31/03/12 | 31/03/11 | 31/03/10 | 31/03/09 | 31/03/08 |
|---|---|---|---|---|---|
| Experience gains and (losses) on assets | -6.9% | 0.6% | 20.6% | -37.5% | -12.0% |
| Experience gains and (losses) on liabilities | -7.5% | -0.1% | -0.1% | 3.5% | 0.0% |

**Major Categories of Plan Assets as Percentage of Total Plan Assets**

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

| 31/03/11 | | 31/03/12 |
|---|---|---|
| **%** | | **%** |
| 72% | Equity investments | 68% |
| 7% | Gilts | 8% |
| 10% | Bonds | 11% |
| 9% | Property | 11% |
| 2% | Cash | 2% |
| **100%** | | **100%** |

## Note 31b – Unfunded Occupational Pension Schemes – The 1992 Firefighters Pension Scheme

The majority of the Board's operational staff participates in the 1992 Firefighters Pension Scheme. The 1992 scheme is an unfunded defined benefit scheme related to final salary and length of service. Being unfunded there are no investment assets built up to meet pension liabilities. Instead both the Board and scheme members pay contributions into a pensions account from which the costs of pension liabilities are met when they become payable. Entry to this scheme was halted to new members in April 2006.

**Transactions Relating To Retirement Benefits - Charges to the Comprehensive Income and Expenditure Statement:**

The Board recognises the cost of retirement benefits in its Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Board is required to make is based on the cash payable in the year, and the real cost of retirement benefits is reversed out of the General Fund in the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Account and the adjustments between accounting basis and funding basis under regulations line, in the Movement on Reserves Statement during the year:

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| | **Net cost of services:** | |
| 5,284 | Current service cost | 4,467 |
| (16,430) | Past service cost/(gain) | 0 |
| | **Net operating expenditure:** | |
| 11,707 | Interest cost | 10,268 |
| **561** | **Net charge/(credit) to the CIES** | **14,735** |
| | **Adjustments between accounting basis & funding basis under regulations:** | |
| (561) | Reversal of net charge/(credit) made for retirement benefits in accordance with IAS19 | (14,735) |
| | **Actual amount charged against the General Fund balance for pensions in the year:** | |
| 5,586 | Actuarial (Gain)/Loss as a result of removing actual costs and replacing with the actuarial valuation | 6,543 |
| **5,025** | **Net charge/(credit) to the General Fund Summary** | **(8,192)** |

Service cost figures contain no allowance for scheme administration costs.

In addition to the recognised gains and losses included in the CIES, the following actuarial gains were included in other comprehensive income and expenditure in the CIES.

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 20,378 | Actuarial Gains/(Losses) in Year | (4,899) |
| (17,613) | Accumulated Actuarial Gains/(Losses) Charged over Scheme Life | (22,512) |

## Unfunded Schemes - Liabilities In Relation To Retirement Benefits

### Reconciliation of Present Value of the Scheme Liabilities:

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 213,008 | **Balance as at 1 April** | 187,605 |
| 5,284 | Current service cost | 4,467 |
| 11,707 | Interest cost | 10,268 |
| (20,378) | Actuarial losses/(gains) | 4,899 |
| (16,430) | Past service costs/(gains) | 0 |
| (6,792) | Estimated benefits paid | (7,719) |
| 1,206 | Contributions by members | 1,176 |
| **187,605** | **Balance as at 31 March** | **200,696** |

### 1992 Firefighters Pension Scheme Liability Included in the Balance Sheet:

| 31/03/11 £000 | | 31/03/12 £000 |
|---|---|---|
| (187,605) | Present value of funded liabilities | (200,696) |
| **(187,605)** | **Net Liability** | **(200,696)** |
| | *Amount in the Balance sheet:* | |
| (187,605) | Liabilities | (200,696) |
| **(187,605)** | **Net Liability** | **(200,696)** |

### Scheme History

### Analysis of Scheme Liabilities – 1992 Firefighters Pension Scheme

| | 31/03/12 £000 | 31/03/11 £000 | 31/03/10 £000 | 31/03/09 £000 | 31/03/08 £000 |
|---|---|---|---|---|---|
| Present Value of Defined Benefit Obligation | (200,696) | (187,605) | (213,008) | (144,360) | (148,835) |
| Deficit in the Scheme | **(200,696)** | **(187,605)** | **(213,008)** | **(144,360)** | **(148,835)** |

### Amount Recognised in Other Comprehensive Income and Expenditure:

| | 31/03/12 £000 | 31/03/11 £000 | 31/03/10 £000 | 31/03/09 £000 | 31/03/08 £000 |
|---|---|---|---|---|---|
| Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure | (4,899) | 20,378 | (62,396) | 12,000 | 17,787 |
| Cumulative actuarial gains and losses | **(22,512)** | **(17,613)** | **(37,991)** | **24,405** | **12,405** |

**History of experience gains and losses:**

| | | | | | |
|---|---|---|---|---|---|
| Experience gains and (losses) on liabilities | 16,210 | 0 | 0 | (6,883) | 0 |

**Analysis of Projected Amount to be charged to the CIES for the Year to 31 March 2013**

| | **31/03/2013** | **31/03/2013** |
|---|---|---|
| | **£000** | **%** |
| Projected current cost | 4,670 | 33.7% |
| Interest on obligation | 9,194 | 66.3% |
| | **13,864** | **100.0%** |

The total contributions expected to be made to the 1992 Scheme by the Board in the year to 31 March 2013 are £2.295m (2011/12: £2.329m).

**History of Experience Gains and Losses**

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

| 1992 Firefighters Pension Scheme | **31/03/12** | **31/03/11** | **31/03/10** | **31/03/09** | **31/03/08** |
|---|---|---|---|---|---|
| Experience gains and (losses) on liabilities | -8.1% | 0.0% | 0.0% | 4.8% | 0.0% |

## Note 31c – Unfunded Occupational Pension Schemes – The 2006 Firefighters Pension Scheme

Since 2006 new operational employees are only permitted to join the 2006 Scheme. All aspects of scheme funding are the same as for the 1992 Scheme, except that the defined benefit is only related to final salary and is no longer also tied in to length of service.

**Transactions Relating To Retirement Benefits- Charges to the Comprehensive Income and Expenditure Statement:**

The Board recognises the cost of retirement benefits in its Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Board is required to make is based on the cash payable in the year, and the real cost of retirement benefits is reversed out of the General Fund in the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Account and the adjustments between accounting basis and funding basis under regulations line, in the Movement on Reserves Statement during the year:

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| | **Net cost of services:** | |
| 947 | Current service cost | 559 |
| (362) | Past service cost/(gain) | 0 |
| | **Net operating expenditure:** | |
| 215 | Interest cost | 232 |
| **800** | **Net charge/(credit) to the CIES** | **791** |
| | **Adjustments between accounting basis & funding basis under regulations:** | |
| (800) | Reversal of net charge/(credit) made for retirement benefits in accordance with IAS19 | (791) |
| | **Actual amount charged against the General Fund balance for pensions in the year:** | |
| (267) | Actuarial (Gain)/Loss as a result of removing actual costs and replacing with the actuarial valuation | (270) |
| **(1,067)** | **Net charge/(credit) to the General Fund Summary** | **(1,061)** |

Service cost figures contain no allowance for scheme administration costs.

In addition to the recognised gains and losses included in the CIES, the following actuarial gains were included in other comprehensive income and expenditure in the CIES.

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 562 | Actuarial Gains/(Losses) in Year | (564) |
| 143 | Accumulated Actuarial Gains/(Losses) Charged over Scheme Life | (421) |

### Unfunded Schemes - Liabilities In Relation To Retirement Benefits

### Reconciliation of Present Value of the Scheme Liabilities:

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 3,307 | **Balance as at 1 April** | 3,812 |
| 947 | Current service cost | 559 |
| 215 | Interest cost | 232 |
| (562) | Actuarial losses/(gains) | 564 |
| (362) | Past service costs/(gains) | 0 |
| 60 | Estimated benefits paid | 32 |
| 207 | Contributions by members | 238 |
| **3,812** | **Balance as at 31 March** | **5,437** |

### 2006 Firefighters Pension Scheme Liability Included in the Balance Sheet:

| 31/03/11 £000 | | 31/03/12 £000 |
|---|---|---|
| (3,812) | Present value of funded liabilities | (5,437) |
| **(3,812)** | **Net Liability** | **(5,437)** |
| | *Amount in the Balance sheet:* | |
| (3,812) | Liabilities | (5,437) |
| **(3,812)** | **Net Liability** | **(5,437)** |

### Scheme History

### Analysis of Scheme Liabilities – 2006 Firefighters Pension Scheme

| | 31/03/12 £000 | 31/03/11 £000 | 31/03/10 £000 | 31/03/09 £000 | 31/03/08 £000 |
|---|---|---|---|---|---|
| Present Value of Defined Benefit Obligation | (5,437) | (3,812) | (3,307) | (1,158) | (1,022) |
| Deficit in the Scheme | **(5,437)** | **(3,812)** | **(3,307)** | **(1,158)** | **(1,022)** |

### Amount Recognised in Other Comprehensive Income and Expenditure:

| | 31/03/12 £000 | 31/03/11 £000 | 31/03/10 £000 | 31/03/09 £000 | 31/03/08 £000 |
|---|---|---|---|---|---|
| Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure | (564) | 562 | (1,308) | 725 | 154 |
| Cumulative actuarial gains and losses | **(421)** | **143** | **(419)** | **889** | **164** |

**History of experience gains and losses:**

| | | | | | |
|---|---|---|---|---|---|
| Experience gains and (losses) on liabilities | (311) | 0 | 0 | 555 | 0 |

**Analysis of Projected Amount to be charged to the CIES for the Year to 31 March 2013**

| | 31/03/2013 | 31/03/2013 |
|---|---|---|
| | £000 | % |
| Projected current cost | 509 | 65.5% |
| Interest on obligation | 268 | 34.5% |
| | **777** | **100.0%** |

The total contributions expected to be made to the 2006 Scheme by the Board in the year to 31 March 2013 are £0.323m (2011/12: £0.278m).

**History of Experience Gains and Losses**

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

| 2006 Firefighters Pension Scheme | 31/03/12 | 31/03/11 | 31/03/10 | 31/03/09 | 31/03/08 |
|---|---|---|---|---|---|
| Experience gains and (losses) on liabilities | 5.7% | 0.0% | 0.0% | -47.9% | 0.0% |

## Note 31d - Other Employee Benefit Schemes – The Injury Benefits Scheme

The Board offer an injury benefits scheme to all operational staff irrespective of pension scheme membership. Injury gratuities are payable to those operational personnel who are forced to retire due to an injury incurred whilst undertaking operational duties. This is payable in addition to any occupational ill-health pension they may receive via either of the Firefighters Pension Schemes and the costs fall upon the Board.

**Transactions Relating To Retirement Benefits- Charges to the Comprehensive Income and Expenditure Statement:**

The Board recognises the cost of retirement benefits in its Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Board is required to make is based on the cash payable in the year, and the real cost of retirement benefits is reversed out of the General Fund in the adjustments between accounting basis & funding basis under regulations line, in the Movement on Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Account and the adjustments between accounting basis and funding basis under regulations line, in the Movement on Reserves Statement during the year:

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| | **Net cost of services:** | |
| 0 | Current service cost | 153 |
| (618) | Past service cost/(gain) | 0 |
| | **Net operating expenditure:** | |
| 174 | Interest cost | 214 |
| **(444)** | **Net charge/(credit) to the CIES** | **367** |
| | **Adjustments between accounting basis & funding basis under regulations:** | |
| 444 | Reversal of net charge/(credit) made for retirement benefits in accordance with IAS19 | (367) |
| | **Actual amount charged against the General Fund balance for pensions in the year:** | |
| 148 | Actuarial (Gain)/Loss as a result of removing actual costs and replacing with the actuarial valuation | 153 |
| **592** | **Net charge to the General Fund Summary** | **(214)** |

Service cost figures contain no allowance for scheme administration costs.

In addition to the recognised gains and losses included in the CIES, the following actuarial gains were included in other comprehensive income and expenditure in the CIES.

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| (1,171) | Actuarial Gains/(Losses) in Year | 252 |
| (2,107) | Accumulated Actuarial Gains/(Losses) Charged over Scheme Life | (1,855) |

## Liabilities In Relation To Other Employment Benefit Schemes

### Reconciliation of Present Value of the Scheme Liabilities:

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 3,307 | **Balance as at 1 April** | 3,886 |
| 0 | Current Service Cost | 153 |
| 174 | Interest cost | 214 |
| 1,171 | Actuarial losses/(gains) | (252) |
| (618) | Past service costs/(gains) | 0 |
| (148) | Estimated benefits paid | (153) |
| **3,886** | **Balance as at 31 March** | **3,848** |

### Injury Benefits Liability Included in the Balance Sheet:

| 31/03/11 £000 | | 31/03/12 £000 |
|---|---|---|
| (3,886) | Present value of funded liabilities | (3,848) |
| **(3,886)** | **Net Asset/(Liability)** | **(3,848)** |
| | *Amount in the Balance sheet:* | |
| (3,886) | Liabilities | (3,848) |
| **(3,886)** | **Net Asset/(Liability)** | **(3,848)** |

### Scheme History

### Analysis of Scheme Liabilities

| | 31/03/12 £000 | 31/03/11 £000 | 31/03/10 £000 | 31/03/09 £000 | 31/03/08 £000 |
|---|---|---|---|---|---|
| Present Value of Defined Benefit Obligation | (3,848) | (3,886) | (3,307) | (2,332) | (2,546) |
| Surplus/(deficit) in the Scheme | **(3,848)** | **(3,886)** | **(3,307)** | **(2,332)** | **(2,546)** |

### Amount Recognised in Other Comprehensive Income and Expenditure:

| | 31/03/12 £000 | 31/03/11 £000 | 31/03/10 £000 | 31/03/09 £000 | 31/03/08 £000 |
|---|---|---|---|---|---|
| Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure | 252 | (1,171) | (973) | 37 | 0 |
| Cumulative actuarial gains and losses | **(1,855)** | **(2,107)** | **(936)** | **37** | **0** |

**History of experience gains and losses:**

| | | | | | |
|---|---|---|---|---|---|
| Experience gains and (losses) on liabilities | 426 | (1,574) | (114) | 0 | 0 |

**Analysis of Projected Amount to be charge to the CIES for the Year to 31 March 2013**

| | 31/03/2013 £000 | 31/03/2013 % |
|---|---|---|
| Projected current cost | 153 | 46.4% |
| Interest on obligation | 177 | 53.6% |
| | **330** | **100.0%** |

The Board makes no contributions to the Injury Benefits Scheme.

**History of Experience Gains and Losses**

The actuarial gains identified as movements on the Injury Benefits Scheme in 2011/12 can be analysed into the following categories, measured as a percentage of liabilities at 31 March 2012.

| | 31/03/12 | 31/03/11 | 31/03/10 | 31/03/09 | 31/03/08 |
|---|---|---|---|---|---|
| Experience gains and (losses) on liabilities | -11.1% | 40.5% | 3.4% | 0.0% | 0.0% |

## Note 31e – Basis for Estimating Pension Assets and Pension Liabilities

Liabilities have been assessed for the scheme on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. by an independent firm of actuaries. The Injury Benefits Scheme liabilities have been assessed by rolling forward the value of the employer's liabilities reported as at the latest valuation for IAS19 purposes, allowing for the different financial assumptions required under IAS19.

| | **Tayside Superannuation Fund** | | **1992 & 2006 Firefighters Pension Schemes** | | **Injury Benefits Scheme** | |
|---|---|---|---|---|---|---|
| | **2011/12** | **2010/11** | **2011/12** | **2010/11** | **2011/12** | **2010/11** |
| **Mortality assumptions:** | | | | | | |
| *Longevity at 65 for current pensioners:* | | | | | | |
| Men | 20.6 years | 21.4 years | 20.4 years | 21.4 years | 20.4 years | 21.4 years |
| Women | 22.8 years | 24.4 years | 22.5 years | 24.4 years | 22.5 years | 24.4 years |
| *Longevity at 65 for future pensioners:* | | | | | | |
| Men | 21.8 years | 22.3 years | 21.8 years | 22.3 years | 21.8 years | 22.3 years |
| Women | 24.4 years | 25.3 years | 24.1 years | 25.3 years | 24.1 years | 25.3 years |
| Inflation/Pension Increase Rate | 2.5% | 2.7% | 2.5% | 2.7% | 2.5% | 2.7% |
| Salary Increase Rate | 4.8% | 5.0% | 4.8% | 5.0% | n/a | n/a |
| Discount Rate | 4.8% | 5.5% | 4.6% | 5.5% | 4.6% | 5.5% |
| Expected Return on Assets | 6.1% | 7.3% | n/a | n/a | n/a | n/a |
| **Take-up of option to convert annual pension into retirement lump sum:** | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% |
| **Long-term expected rate of return on assets in the scheme:** | | | | | | |
| Equity investments | 7.1% | 8.2% | n/a | n/a | n/a | n/a |
| Gilts | 3.3% | 4.4% | n/a | n/a | n/a | n/a |
| Bonds | 4.6% | 5.5% | n/a | n/a | n/a | n/a |
| Property | 4.3% | 5.4% | n/a | n/a | n/a | n/a |
| Cash | 3.0% | 3.0% | n/a | n/a | n/a | n/a |

## Note 32 - Financial Instruments

### The Following Categories of Financial Instrument are carried in the Balance Sheet:

| | Long-term | | Current | |
|---|---|---|---|---|
| | 31/03/12 | 31/03/11 | 31/03/12 | 31/03/11 |
| | £000 | £000 | £000 | £000 |
| **Cash and Cash Equivalents** | | | | |
| Deposit Account with immediate call | 0 | 0 | 519 | 0 |
| Cash in Hand | 0 | 0 | 0 | 0 |
| Bank Overdraft | 0 | 0 | (280) | (592) |
| Overnight Borrowing | 0 | 0 | 0 | (70) |
| **Total Cash and Cash Equivalents** | **0** | **0** | **239** | **(662)** |
| | | | | |
| **Debtors** | | | | |
| Trade and Other Debtors | 0 | 25 | 2,086 | 1,573 |
| **Total Debtors** | **0** | **25** | **2,086** | **1,573** |
| | | | | |
| **Borrowings** | | | | |
| Financial liabilities at amortised cost | 2,331 | 3,132 | 2,818 | 825 |
| **Total Borrowings** | **2,331** | **3,132** | **2,818** | **825** |
| | | | | |
| **Creditors** | | | | |
| Trade and Other Creditors | 0 | 0 | 2,890 | 2,481 |
| **Total Creditors** | **0** | **0** | **2,890** | **2,481** |

### Reclassifications

There were no reclassifications of financial instruments carried out during the financial period.

### Income, Expense, Gains and Losses

| | 2011/12 | | | 2010/11 | | |
|---|---|---|---|---|---|---|
| | Financial Liabilities | Financial Assets | | Financial Liabilities | Financial Assets | |
| | Liabilities measured at amortised cost | Loans and receivables | Total | Liabilities measured at amortised cost | Loans and receivables | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Interest expense | (156) | 0 | **(156)** | (178) | 0 | **(178)** |
| Losses on de-recognition | 0 | 0 | **0** | (54) | 0 | **(54)** |
| **Total expense in Surplus/Deficit on the Provision of Services** | **(156)** | **0** | **(156)** | **(232)** | **0** | **(232)** |
| | | | | | | |
| Interest income | 0 | 4 | **4** | 0 | 4 | **4** |
| **Total income in Surplus/Deficit on the Provision of Services** | **0** | **4** | **4** | **0** | **4** | **4** |
| | | | | | | |
| **Net gain/(loss) for the year** | **(156)** | **4** | **(152)** | **(232)** | **4** | **(228)** |

**Fair Values of Assets and Liabilities**

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

- For Public Works Loan Board (PWLB) debt the discount rate used is the rate for new borrowing as per Sector's interest rate notice number 128/12.
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- No early repayment or impairment is recognised.
- Fair values have been calculated for all instruments in the portfolio, but only those which are materially different from the carrying value have been disclosed.
- The fair value of trade debtors and other receivables is taken to be the invoiced or billed amount.

The discount rate used in the Net Present Value calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The rates quoted in this valuation were obtained by treasury management consultants Sector from the market on 31 March 2012, using bid prices where applicable.

The fair values calculated are as follows

| **Liabilities** | **31/03/2012** | | **31/03/2011** | |
|---|---|---|---|---|
| | **Carrying amount £000** | **Fair value £000** | **Carrying amount £000** | **Fair value £000** |
| Financial liabilities | 5,149 | 5,294 | 3,957 | 4,271 |
| Short Term Creditors | 2,890 | 2,890 | 2,481 | 2,481 |

The fair value of financial liabilities is more than the carrying amount because the 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 current market rates.

Short-term creditors are carried at cost as this is a fair approximation of their value.

| **Assets** | **31/03/2012** | | **31/03/2011** | |
|---|---|---|---|---|
| | **Carrying amount £000** | **Fair Value £000** | **Carrying amount £000** | **Fair Value £000** |
| Loans and receivables | 519 | 519 | 0 | 0 |
| Long-term debtors | 0 | 0 | 25 | 25 |
| Short-term debtors | 2,086 | 2,086 | 1,573 | 1,573 |

The fair value of the loans and receivables is the same as the carrying amount because the Board's investments relate only to cash deposited with Perth & Kinross Council on a short-term basis, the Board's cash imprest, and long term debtors.

Short-term debtors are carried at cost as this is a fair approximation of their value.

## Note 33 - Nature and Extent of Risks Arising From Financial Instruments

### Nature and Extent of Risks Arising From Financial Instruments

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

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

The Board's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out through a Service Level Agreement with Perth & Kinross Council. Therefore the Board has effectively adopted Perth & Kinross Council's treasury management practices, which include written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Board's customers.

The Board minimises its exposure to credit risk by placing surplus cash deposits with Perth & Kinross Council on a short term basis.

The Board's maximum exposure to credit risk in relation to its investments in banks and building societies is estimated as being negligible. This 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 Board's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

The following analysis summarises the 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 31/03/12 £000** | **Historical experience of Default %** | **Adjustment for Market Conditions at 31/03/12 %** | **Estimated Maximum Exposure to Default £000** |
|---|---|---|---|---|
| | A | B | C | (A x C) |
| Deposits with banks and financial institutions | 519 | 0% | 0% | 0 |
| Debtors | 1,102 | 0% | 0% | 0 |
| Total | **1,621** | | | **0** |

The Board does not expect any losses from non-performance by any of its counterparties in relation to its deposits with banks and financial institutions.

The Board does not generally allow credit for customers, such that all of the remaining £1.102m balance is past its due date for payment.

The past due amount can be analysed by age as follows:

| 31/03/11 £000 | | 31/03/12 £000 |
|---|---|---|
| 541 | Less than three months | 1,097 |
| 0 | Three to six months | 0 |
| 0 | Six months to one year | 1 |
| 4 | More than one year | 4 |
| **545** | | **1,102** |

**Liquidity Risk**

The Board has a Service Level Agreement with Perth & Kinross Council for the provision of a comprehensive cash flow management system. Perth & Kinross Council seeks to ensure that cash is available to the Board as required. If unexpected movements happen the Board has ready access to borrowings from the money markets and the Public Works Loan Board.

There is no significant risk that the Board will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Board will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Board has effectively adopted Perth & Kinross Council's treasury management practices which ensure that new loans are taken out and, where it is economical to do so, early repayments are made. The maturity analysis of financial liabilities is as follows:

| 31/03/11 £000 | | 31/03/12 £000 |
|---|---|---|
| 825 | Less than one year | 2,818 |
| 800 | Between one and two years | 800 |
| 800 | Between two and five years | 0 |
| 1,500 | More Than 5 Years | 1,500 |
| **3,925** | | **5,118** |

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

**Market Risk – Interest Rate Risk**

The 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 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 of 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 Board has adopted Perth & Kinross Council's treasury management practices and will be subject to their strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, Perth & Kinross Council look to repay the Board's fixed rate loans early to limit exposure to losses.

Perth & Kinross Council's treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out should be 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:

| **31/03/11 £000** | | **31/03/12 £000** |
|---|---|---|
| 15 | Increase in interest payable on variable rate borrowings | 15 |
| 0 | Increase in interest receivable on variable rate investments | 0 |
| **15** | **Impact on Surplus or Deficit on the Provision of Services** | **15** |

During 2011/12, as interest rates remained historically low, the average interest rate received on the Board's variable rate investments was only 0.22%. This is a composite rate of the actual daily rates received throughout the year.

Under Perth & Kinross Council's treasury management policy, during times when the Bank of England's base rate is 3% or below the interest rate receivable on the Board's variable rate investments varies between 0.1% and 0.25% depending on the amount invested on a day-to-day basis. The daily rate is set with reference to these bandings until such time as the Bank of England's base rate rises above 3% again. At this point the interest rate payable on the Board's variable rate investments will revert to Base Rate less 2%. As the base rate was only 0.5% for the duration of 2011/12 a 1% rise in this rate would have had no effect on the interest receivable.

If interest rates had been 1% lower with all other variables held constant, the financial effect would be:

| **31/03/11 £000** | | **31/03/12 £000** |
|---|---|---|
| 0 | Decrease in interest payable on variable rate borrowings | 0 |
| (3) | Decrease in interest receivable on variable rate investments | (2) |
| **(3)** | **Impact on Surplus or Deficit on the Provision of Services** | **(2)** |

A 1% reduction in interest rates would not result in a reduction in interest payable on variable rate borrowings, as it is unlikely that such a decrease would be passed on by the lender under the Lender Option Borrower Option (LOBO) terms of the debt.

The impact of a 1% fall in interest rates would have been a negative base rate and the minimum rate receivable on variable rate investments under the Council's treasury management policy is 0.1%. If the rate had reduced to 0.1% the interest receivable on variable rate investments would have fallen by £2k.

**Market Risk - Foreign Exchange Risk**

The Board has no financial assets or liabilities denominated in foreign currencies and thus have no exposure to loss arising from movements in exchange rates.

## Note 34 - Contingent Assets and Liabilities

At 31 March 2012, the Board held no material contingent assets or liabilities (31 March 2011: £nil).

## Note 35 - Cash Flow from Operating Activities

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 17,288 | Cash paid to and on behalf of employees | 18,044 |
| 4,502 | Cash paid to suppliers of goods and services | 3,363 |
| 11,285 | Other operating cash payments | 12,350 |
| 187 | Interest Paid | 180 |
| 33,262 | Cash Outflows generated from operating activities | 33,937 |
| | | |
| (4,974) | Grants | (6,159) |
| (24,783) | Requisitions from constituent councils | (23,402) |
| (4,761) | Other receipts from operating activities | (4,740) |
| (4) | Interest Received | (5) |
| (34,522) | Cash inflows generated from operating activities | (34,306) |
| | | |
| **(1,260)** | **Net Cash Inflow from Operating Activities** | **(369)** |

## Note 36 - Cash Flow from Investing Activities

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 2,984 | Purchase of Property, Plant & Equipment | 2,220 |
| (56) | Proceeds from the sale of Property, Plant & Equipment | (182) |
| (1,831) | Capital Grants and Contributions Received | (1,370) |
| **1,097** | **Net Cash Outflow from Investing Activities** | **668** |

## Note 37 - Cash Flow from Financing Activities

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 0 | Cash Receipts from Short and Long Term Borrowing | (5,000) |
| 1,800 | Repayment of Short and Long Term Borrowing | 3,800 |
| **1,800** | **Net Cash Outflow/(Inflow) from Financing Activities** | **(1,200)** |

## Note 38 – Firefighters Pension Account

The Scottish Government requires the Board to maintain a Firefighters Pension Account in respect of the unfunded Firefighters Pension Schemes.

The Pensions Account bears the cost of all pension benefits payable, the funding for which comes from a combination of employer and employee contributions. Where these contributions are insufficient to meet the amounts payable the shortfall is funded by a Scottish Government top-up grant. In practice the top up grant is based on estimated pension costs and is payable in advance. Consequently the General Fund will reflect a debtor or creditor at the end of each financial year in respect of any deficit or surplus on the Firefighters Pension Account. In the case of a deficit, the debtor will represent funding for firefighters' pensions which the Scottish Government is committed to meeting. In the case of a surplus the creditor will represent the excess pensions funding received for the year which is repayable to the Scottish Government.

Although the Firefighters Pension Account operates on an accruals basis, provisions for potential retirement costs (pension commutation lumps sums for eligible retirees) are not included as charges against the Pension Account until the actual payments are made.

The transactions on the Firefighters Pension Account for 2011/12 are shown below. Details of the Board's long-term Firefighters' pension obligations can be found in Notes 31b and 31c.

| **2010/11** | | | **2011/12** |
|---|---|---|---|
| **£000** | | **£000** | **£000** |
| | **Contributions Receivable** | | |
| | Board Contributions: | | |
| (319) | - Opening Balance Transfer | 0 | |
| (2,607) | - Contributions Based on Pensionable Pay | (2,647) | |
| (56) | - Ill Health Capital Equivalent Amounts | (119) | |
| (1,413) | Employees' Contributions | (1,415) | |
| (99) | Pensions Transferred In | (86) | |
| (4,494) | | | (4,267) |
| | **Benefits Payable** | | |
| 5,628 | Pensions | 5,989 | |
| 1,148 | Commutations and lump sum retirement benefits | 1,689 | |
| 6,776 | | | 7,678 |
| | **Payments to and on Account of Scheme Leavers** | | |
| 56 | Transfer Values Paid | | 96 |
| 2,338 | Sub-Total for the year before transfer from the General Fund of an amount equal to the deficit | | 3,507 |
| (2,338) | Additional funding payable by the General Fund to meet the deficit | | (3,507) |
| 0 | Net amount payable/receivable for the Year | | 0 |

The deficit on the Pensions Account at 31 March 2012 was £3.507m, indicating that amounts paid out for Firefighters' pensions during the year exceeded the pension contributions paid in by both employers and employees by this amount.

During the financial year the Board received top-up grant of £2.473m from the Scottish Government. Previous years' unapplied top-up grant was also utilised (£0.352m), resulting in total top-up grant available of £2.825m. This was transferred to the Pensions Account at 31 March 2012 to meet part of the deficit. A debtor of £0.682m was established to reflect the funding still receivable from the Scottish Government to meet the remaining deficit. This amount was also transferred to the Pensions Account at 31 March 2012 to reflect the funding still receivable.

## Note 39 – Changes in Accounting Policies

The 2012 Code introduced a requirement to bring heritage assets into the Statement of Accounts for the first time. This constitutes a change in accounting policy and must be accounted for and disclosed as such.

FRS30 (Heritage Assets) defines a heritage asset as an asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. The Board owns two steam-powered fire tenders that fall under this definition.

Neither asset has previously been included within Non-Current Assets in the Balance Sheet. In addition, no information is available as to the cost or valuation of either of these assets, nor, due to their highly specific and historic nature, do the Board consider that a valuation can be obtained at a cost which is commensurate with the benefits to users of the Statement of Accounts. Therefore, in accordance with the Code, these heritage assets are not recognised in the Balance Sheet and no financial adjustments have been carried out to bring them into the accounts.

The Board recognises the Code's requirement to properly account for and disclose heritage assets, however, no adjustments have been made to the Comprehensive Income and Expenditure Account, the Movement in Reserves Statement or the Balance Sheet to reflect this change in accounting policy. This is on the basis of materiality and usefulness to the user of the accounts. These assets are disclosed more fully in Note 16.

## TAYSIDE FIRE AND RESCUE BOARD

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAYSIDE FIRE AND RESCUE BOARD AND THE ACCOUNTS COMMISSION FOR SCOTLAND

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

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

### Respective responsibilities of the Treasurer and auditor

As explained more fully in the Statement of Responsibilities, the Treasurer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My 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 me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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

**Opinion on financial statements**

In my 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 Tayside Fire and Rescue Board as at 31 March 2012 and of the income and expenditure of the Board 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 my opinion:

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

**Matters on which I am required to report by exception**

I am required to report to you if, in my 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
- I have not received all the information and explanations I require for my 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.

I have nothing to report in respect of these matters.

**Pearl Tate**
**Senior Audit Manager**
**Audit Scotland**
**18 George Street**
**Edinburgh**
**EH2 2QU**
**14 September 2012**

# GLOSSARY

**ACCRUALS**
Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

**ACTUARIAL GAINS AND LOSSES**
For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:
- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

**ASSET**
An item having value to the Board in monetary terms. Assets are categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year. A non-current asset provides benefits to the Board and to the services it provides for a period of more than one year and may be tangible e.g. a fire appliance, or intangible, e.g. computer software licences.

**BALANCE SHEET**
A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

**CAPITAL EXPENDITURE**
Expenditure on the acquisition of a non-current asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing non-current asset.

**CAPITAL FINANCING**
Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.

**CAPITAL RECEIPT**
The proceeds from the disposal of land or other non-current assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the government but they cannot be used to finance revenue expenditure.

**COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT (CIES)**
The statement of the Board's financial position, reporting the net cost of delivering the service for the year, and demonstrating how that cost has been financed from requisitions, grants and other income.

**CONSISTENCY**
The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

**CONSTITUENT COUNCILS**
The local councils who provide funding to the Board and also provide Board Membership, leadership, and direction. There are three constituent councils in partnership with the Board: Angus Council, Dundee City Council and Perth & Kinross Council. Funding is provided by these councils in pre-determined percentages, i.e. Angus (19%), Dundee (52%) and Perth & Kinross (29%).

**CONTINGENT ASSET**
A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Board's accounts.

**CONTINGENT LIABILITY**
A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Board's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

**CREDITOR**
Amount owed by the Board for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

**CURRENT SERVICE COST (PENSIONS)**
The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

**DEBTOR**
Amount owed to the Board for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

**DEFINED BENEFIT PENSION SCHEME**
Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

**DEPRECIATION**
The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Board's non-current assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

**EVENTS AFTER THE BALANCE SHEET DATE**
Those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts are authorised for issue.

- Adjusting Events: those events that require the Statement of Accounts to be adjusted to reflect the financial effect of the event.
- Non-adjusting Events: those events that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events.

**EXCEPTIONAL ITEMS**
Material items which derive from events or transactions that fall within the ordinary activities of the Board and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**EXPECTED RETURN ON PENSION ASSETS**
For a funded defined benefit scheme, this is the average rate of return, including both income and changes in fair value but net of scheme expenses, which is expected over the remaining life of the related obligation on the actual assets held by the scheme.

**EXTRAORDINARY ITEMS**
Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Board and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

**FAIR VALUE**
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**GOING CONCERN**
The concept that the Statement of Accounts is prepared on the assumption that the Board will continue in operational existence for the foreseeable future.

**GOVERNMENT GRANTS**
Grants made by the government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Board. These grants may be specific to a particular scheme or may support the revenue spend of the Board in general.

**IMPAIRMENT**
A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.

**INTEREST COST (PENSIONS)**
For a defined benefit scheme, the expected increase during the period of the present value of the scheme liabilities because the benefits are one period closer to settlement.

**LIABILITY**
A liability is where the Board owes payment to an individual or another organisation:

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

**LIQUID RESOURCES**
Current asset investments that are readily disposable by the Board without disrupting its business and are either:

- Readily convertible to known amounts of cash at or close to the carrying amount; or
- Traded in an active market

**MATERIALITY**
The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

**NET BOOK VALUE**
The amount at which non-current assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

**PAST SERVICE COST (PENSIONS)**
For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to retirement benefits.

**PENSION SCHEME LIABILITIES**
The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

**PRIOR YEAR ADJUSTMENT**
Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**PROVISION**
An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

**REMUNERATION**
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

**RESERVES**
The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent at the discretion of the Board. Some capital reserves such as the capital adjustment account cannot be used to meet current expenditure.

**RETIREMENT BENEFITS**
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

**REVENUE EXPENDITURE**
The day-to-day expenses of providing services.

**STOCKS**
Items of raw materials and stores the Board has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

**TEMPORARY BORROWING**
Money borrowed for a period of less than one year.

**WORK IN PROGRESS (WIP)**
The cost of work performed on an uncompleted project at the balance sheet date.