



TAYSIDE FIRE AND RESCUE BOARD

STATEMENT OF ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2011

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TAYSIDE FIRE AND RESCUE BOARD

STATEMENT OF ACCOUNTS

EXPLANATORY FOREWORD

INTRODUCTION

The Board's financial performance for the year ended 31 March 2011 is set out in the Comprehensive Income & Expenditure Statement and its financial position is set out in the Balance Sheet and Cash Flow Statement.

The Statement of Accounts have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code). It is the purpose of this foreword to explain, in an easily understandable way, the financial facts in relation to the Board. Comparative figures have been restated to take account of changes in accounting requirements as a result of the introduction of the Code.

This Statement of Accounts explains the Board's finances during the financial year 2010/11 and its financial position at the end of that year. It follows approved accounting standards and, unlike the Explanatory Foreword, it is necessarily technical in parts.

GLOSSARY

A glossary of technical terms can be found at the back of the Statement of Accounts.

THE FINANCIAL STATEMENTS

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

THE MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Board, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and unusable reserves. The 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.

During the year to 31 March 2011 the Board's Balance Sheet shows that the value of its usable reserves increased by £0.054m and its unusable reserves increased by £28.719m; a total increase in the Board's overall net worth of nearly £28.8m. Usable and unusable reserves are defined in the Balance Sheet paragraph below. The movement in usable and unusable reserves is analysed in detail within the Movement in Reserves Statement and associated notes.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

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 constituent 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. In the year to 31 March 2011 the surplus returned on the provision of services was £7.155m, mainly as a result of changes in the Board's estimated pension liabilities.

THE BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Board. The net assets of the Board (assets less liabilities) are matched by the reserves held by the Board. Reserves are reported in two categories:

- 1) 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). As at 31 March 2011 the Board held usable reserves of £1.365m.
- 2) The second category of reserves are unusable reserves, i.e. 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'. As at 31 March 2011 the Board had a deficit balance on its unusable reserves of £171.2m, mainly due to the inclusion of a pension fund liability of £199.0m.

THE CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Board during the reporting period. The statement shows how the Board generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Board are funded by way of 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.

GROUP ACCOUNTS

The Code requires public sector bodies to consider all their interests and to prepare a full set of Group Statement of Accounts where they have material interests in subsidiaries, associates or joint ventures. Tayside Fire and Rescue Board does not have material interests in such bodies and accordingly is not required to prepare a Group Statement of Accounts.

FINANCIAL REPORT

REVENUE EXPENDITURE

For the year ended 31 March 2011 the Board increased the balance on its General Fund by £0.032m to £1.306m. The total net expenditure reported in the General Fund Summary is £24.5m and includes allocations of £1.2m to fund capital expenditure and a contribution to the pensions account of £0.319m.

CAPITAL EXPENDITURE

The Scottish Government provides an annual capital grant to the Board which can be increased by successful bids for additional funding. 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. The Board have not required to borrow additional funding via the

Prudential Code since its introduction in April 2004 and its capital expenditure since that date has been funded entirely by the Scottish Government grant.

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 2011 the Board have an outstanding CFR of £6.3m and this requires to be refinanced from future borrowing, or else provided for from other sources when the repayments fall due. However, the external debt supporting the day-to-day operation of the Board only totals £3.9m at 31 March 2011, or 62% of the CFR. This means that the Board's finances are being managed effectively and the CFR is affordable under the Board's current economic position. The comparative figures for 31 March 2010 were £6.8m and £5.7m respectively with a corresponding External Debt to CFR ratio of 84%.

Expenditure on capital projects during the year amounted to £1.904m. The most significant spend was on the continued refurbishment of Perth Fire Station £0.992m; the acquisition of new fire appliances £0.470m; improvements to the vehicle workshop facility £0.100m; and investment in other vehicles, ICT and equipment £0.342m.

DETAILED VARIANCE ANALYSIS

Note 8 to the accounts presents the Board's financial position as at 31 March 2011 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.

	2010/11 Budget £000	2010/11 Actual £000	Variance £000
Expenditure			
Employee Costs	22,107	21,430	(677)
Other Service Expenditure	5,017	5,268	251
Interest Payable	208	231	23
Loan Principal Repayments	459	459	0
Income			
Fees, charges & other Service Income	(290)	(345)	(55)
Interest Income	(7)	(4)	3
Government Grants	(2,711)	(2,607)	104
Net Cost of Services	24,783	24,432	(351)

COMMENTARY ON THE VARIANCES

A substantial underspend developed across employee costs during the course of 2010/11. This was mainly due to the effect of the Chancellor of the Exchequer's public sector pay freeze, the management of attendance and vacancies throughout the year and employer's pension contributions being lower than originally budgeted for. In addition extra income was received from recharges the Board makes to various third parties for the provision of staff resources.

The constituent councils agreed that around £350,000 to £400,000 of the projected underspend on employee costs and income could be retained within the Board's General Fund under the terms of its reserve strategy, with the rest being used in 2010/11 to provide further operational support to firefighting services. As a result the Board embarked on a planned overspend on other service expenditure headings, mainly through additional investment in its property, plant, protective clothing and equipment.

Government grant is received directly from the Scottish Government for the costs of employers' pension contributions to the Firefighters' Pension Schemes. This grant funding was reduced by £104,000 in line with the reduction in employer pension costs noted above.

The final underspend for the year was £351,000. This was in line with the planned out-turn reported to management and Board during monitoring reports presented towards the end of the financial year. The final surplus was added to the General Fund balance on 31 March 2011. However, an adjustment was then made to the General Fund balance to allow the setting up of a new pension account with an effective date of 1 April 2010 (see below). £319,000 was transferred to the pension account as part of the transitional arrangements agreed with the Scottish Government. As a result the net increase to the General Fund balance during 2010/11 was £32,000.

PENSION LIABILITY

The Balance Sheet at 31 March 2011 shows a long-term pension liability of £199m, 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. However, 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; both from constituent council contributions (Local Government Pension Scheme liabilities and Injury Gratuity Benefit scheme payments) and Scottish Government specific grants (Firefighters Pension Scheme liabilities).

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 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.

THE PENSIONS ACCOUNT

Prior to 1 April 2010 Fire Boards accounted for, and paid, firefighters pensions as uniformed employees retired and became eligible to be added to the pensions payroll. This traditionally led to peaks and troughs in funding requirements from one year to the next, entirely dependent on how many uniformed employees became eligible to retire in each financial year. This caused a specific problem in 2007 when a pensions "spike" was caused by the retiral of a large number of uniformed employees who were employed in 1977 on the introduction of a new national Firefighters shift system. This led to a particular funding problem upon their retiral in 2007/08 for Fire Boards and the Scottish Government alike in an already difficult financial climate.

In recognition of the unsustainability of the current firefighters pension funding arrangements the Scottish Government introduced new funding arrangements effective from 1 April 2010. Under these arrangements the Board is required to set up and maintain a Firefighters' Pension Account into which all pension fund income will be paid, and from which pension payments will be made. Any shortfall between income and expenditure within the Firefighters' Pension Account will be met by top up payments from the Scottish Government. Any surpluses in funding at the end of the financial year will be transferred to the Board's General Fund and reflected as a creditor in favour of the Scottish Government, indicating that this funding is repayable to the Scottish Government on demand.

In the year to 31 March 2011 the Board received £2.710m from the Scottish Government for pension specific grant. The Board used £2.607m of this to make contributions to the pensions account, based on the pensionable pay expended during the year. The remaining £0.103m was charged to the Cost of Services within the CIES, matched with a creditor being created in the Balance Sheet to recognise the reduced grant receivable from the Scottish Government in the forthcoming year.

Firefighter scheme members also contribute to the account and all firefighters' pension costs are paid from the account as and when they fall due.

As part of the transitional arrangements Fire Boards were required to transfer any remaining firefighters' pension funding they still retained within their General Fund balance to the pensions account. To comply with this the Board made a one-off payment of £0.319m into the pensions account on 1 April 2010. This was charged to the General Fund balance where the funds had originally been carried forward. Please refer to Notes 7 and 40 for more detail.

As part of the new funding arrangements the Scottish Government also pay a grant to the Board to "top up" any pension shortfall arising due to its expectations that the costs of pensions being paid from the account will be greater than the Board contributions being paid in. If, as a result of this grant, a surplus arises on the 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. As at 31 March 2011 the Scottish Government had overpaid £0.352m in top-up grant and this was charged to the Cost of Services within the CIES, matched with a creditor being created in the Balance Sheet to recognise the reduced grant receivable from the Scottish Government in the forthcoming year. Please refer to Note 40.

The total creditor reflected in the Balance Sheet in favour of the Scottish Government for overpaid pension funding at 31 March 2011 is £0.455m. Please refer to Note 22 (Creditors).

CHANGES IN ACCOUNTING POLICIES

The Statement of Accounts for 2010/11 is the first to be prepared on an International Financial Reporting Standards (IFRS) basis. Prior to 1 April 2010 the accounts of the Board were prepared using United Kingdom Generally Accepted Accounting Principles (UKGAAP) which are underpinned by UK Financial Reporting Standards. UKGAAP differs from IFRS in a number of material areas, therefore the adoption of the IFRS-based code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from equivalent figures presented in the Statement of Accounts for 2009/10. The main changes are shown on Note 42 (First Time Adoption of IFRS).

A second change in accounting policy has been necessary due to a change in the Accounting Code of Practice. The Code requires that, where some or all of an injury benefits depends on the length of service of an employee, the benefit should be accrued as that service is rendered. This requires projections by the actuary as to how many employees might have to retire through injury and the length of service they may have accrued at that time. For most actuaries this represents a change in the basis of calculating the Injury Benefit liability at 31 March 2011 and is therefore a change in accounting policy. Prior period adjustments have been made to make sure that, in the 2010/11 accounts, the 2009/10 comparative figures are consistent with the new accounting policy, and that the 1 April 2009, 31 March 2010 and 31 March 2011 Balance Sheets are all prepared on the same basis. These changes are shown in Note 41.

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 the Treasurer to the Board, Mr J Symon, commenced a year's sabbatical on 1 June 2011 and Mr S MacKenzie was appointed Acting Treasurer to the Board by a Board resolution on 9 May 2011.

THE CURRENT ECONOMIC CLIMATE AND ITS POTENTIAL IMPACT ON THE BOARD

The Board recognises the severity of the current economic climate and accepts its need to operate within a tight financial framework for the foreseeable future. The Chancellor of the Exchequer has announced significant reductions in public sector funding over the next few years, along with a public sector pay freeze across all areas. The Board has recognised that its funding from constituent councils will be constrained and has adopted a suitably risk-aware reserves strategy to support the continuing delivery of services.

In addition, there are pressing challenges facing Scotland's Fire and Rescue Services which will require constructive reform of the service if we are to effectively meet these challenges. Any reform will undoubtedly be difficult and it must be set in the wider context of public sector reform. Reform must also address all of the strategic dimensions involved and build on the positive brand of the service. At time of writing it is not known how this reform will affect Tayside Fire and Rescue.

REVENUE RESERVES AND RESERVES STRATEGY

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 2010/11 was £24.8m.

In recognition of the severity of the current economic climate the Scottish Ministers agreed to a request by the Board to waive these limits in 2010/11 and permit a carry forward of unspent resources of up to £1.396m. Note 7 shows the amount the Board was ultimately able to retain within its General Fund at 31 March 2011. The total carried forward to 2011/12 was £1.306m, of which £0.085m is committed to meet known future liabilities, leaving just over £1.221m available for any unknown events or emergencies in the future. This is 4.9% of the constituent council funding received in 2010/11.

The corresponding position at 31 March 2010 was a general fund balance of £1.274m of which £0.348m was committed. This left an uncommitted balance of £0.926m, or 3.2% of constituent council funding received that year.

Overall the Board increased its General Fund balance by 2.5% (£0.032m) during 2010/11.

S MacKenzie CPFA
Acting Treasurer
31 August 2011

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 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 2010/11, 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; 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 2010/11 will be implemented under the normal business of the Board.

S MacKenzie CPFA
Acting Treasurer
31 August 2011

TAYSIDE FIRE AND RESCUE BOARD

REMUNERATION REPORT 2010/11

All information disclosed in the tables contained in this Remuneration Report will be audited by the appointed auditors to the Board, Henderson Loggie. The other sections of the Remuneration Report will be reviewed by Henderson Loggie to ensure they are consistent with the financial statements.

MEMBERS OF THE FIRE AND RESCUE BOARD

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

PROPER OFFICERS

The Board has two proper officers who undertake tasks within their specialised areas and earn in excess of £50,000 per annum, however these officers are employed and paid by Perth & Kinross Council and are not included within the Remuneration Report.

BRIGADE MANAGERS

The National Joint Council (NJC) for Brigade Managers of Local Authority Fire and Rescue Services sets minimum salaries for the 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 implemented 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 Officers 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.

SENIOR UNIFORMED MANAGERS

The National Joint Council (NJC) for Local Authority Fire and Rescue Services 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 emergency call, provision of a leased car and access to an occupational pension scheme.

OTHER SENIOR MANAGERS (NON-UNIFORMED)

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 following tables provide details of the remuneration paid to the Board's senior employees during 2010/11.

Remuneration of Senior Employees of the Board

Name and Post Title	Salary, Fees & Allowances £	Taxable Expenses £	Benefits other than in Cash £	Total Remun- eration 2010/11 £	Total Remun- eration 2011/12 £
Stephen Hunter: Chief Fire Officer	110,666	0	6,133	116,799	116,757
Alasdair Hay: Deputy Chief Fire Officer	88,575	0	5,183	93,758	92,945
David Boyle: Assistant Chief Fire Officer	83,055	0	5,426	88,481	88,705
John Iannetta: Head of Corporate Services	51,131	0	3,892	55,023	54,341
Kenneth Fraser: Head of Community Safety	64,440	230	5,159	69,829	68,462
Stephen Herron: Head of Personnel (retired 30 September 2010) *	31,128	11	1,766	32,905	68,546
Stewart Edgar: Head of Technical Services until 11 October 2011, and Head of Personnel from 12 October 2010 *	64,738	266	6,116	71,120	70,270
David Stapley: Head of Risk Management	59,034	58	5,980	65,072	31,572
Andrew Hermiston: Temporary Head of Technical Services from 12 October 2010 *	27,962	65	2,238	30,265	0

The senior employees included in the table include any employee of the Board:

- 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 employees marked with a '*' above were in post for only part of the year. The full time equivalent salary for these posts per published pay scales is:

- Head of Personnel £64,721 p.a.
- Head of Technical Services £64,721 p.a.

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

PENSION BENEFITS - SENIOR EMPLOYEES

UNIFORMED EMPLOYEES

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 final year's pay and the number of years that person has been a member of the scheme. Recent pension scheme regulations have amended "final year's pay" to extend to the best of the final three year's pay.

The 1992 Scheme's normal retirement age is 55, though members can retire at 50, or any age thereafter, if and when they achieve 30 years qualifying service. This can include service transferred in from other public or private pension schemes, and therefore not all service needs to have been achieved within the Fire and Rescue Service.

Contributions from scheme members to the 1992 Scheme are 11% of pensionable pay. From 1 April 2010 an employer's contribution rate was introduced and is 21.8% of the employee's pensionable pay. Prior to 1 April 2010 there was no employer's contribution rate to the scheme. Pension benefits fell to be funded by employers as and when they became payable.

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.

NON-UNIFORMED EMPLOYEES AND CONTROL STAFF

Pension benefits for non-uniformed employees and control staff are provided through Local Government Pension Scheme (LGPS).

The LGPS 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.

From 1 April 2009 a five tier contribution system was introduced with contributions from LGPS members being based on how much pay falls into each tier. This is designed to give more equality between the costs and benefits of scheme membership. Prior to 2009 contribution rates were set at 6% for all non manual employees and 5% for manual employees.

Due to the negative increase in the cost of living index for 2010/11 the tiers and member contribution rates for 2010/11 remain at the 2009/10 rates and are as follows:

Whole Time Pay	Contribution Rate 2010/11	Contribution Rate 2009/10
On earnings up to and including £18,000	5.5%	5.5%
On earnings above £18,000 and up to £22,000	7.25%	7.25%
On earnings above £22,000 and up to £30,000	8.5%	8.5%
On earnings above £30,000 and up to £40,000	9.5%	9.5%
On earnings above £40,000	12%	12%

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

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

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 2011 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.

Pension Contributions and Entitlements of Senior Employees of the Board

Name and Post Title	<u>In-year pension contributions</u>		<u>Accrued pension benefits</u>	
	For Year to	For Year to	As at	Difference from
	31/03/2011	31/03/2010	31/03/11	March 10
	£	£	£	£
Stephen Hunter: Chief Fire Officer	27,083	0	73,645	(199)
Alasdair Hay: Deputy Chief Fire Officer	19,267	0	54,167	1,821
David Boyle: Assistant Chief Fire Officer	18,063	0	46,303	1,718
John Iannetta: Head of Corporate Services	9,459	9,398	20,326	1,465
Kenneth Fraser: Head of Community Safety	14,006	0	32,478	2,811
Stephen Herron: Head of Personnel (retired 30 September 2010)	6,765	0	43,163 at 30/09/10	256
Stewart Edgar: Head of Technical Services until 11 October 2010, and Head of Personnel from 12 October 2010.	14,070	0	27,670	1,506
David Stapley: Head of Risk Management	12,827	0	34,616	1,188
Andrew Hermiston: Temporary Head of Technical Services from 12 October 2010	6,053	0	23,512	1,948

All senior employees shown in the tables above 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 2011 was £55,740, an increase of £1,695 from 31 March 2010.

OFFICERS' REMUNERATION

The number of employees (including those Senior Employees included in the tables above) whose remuneration was £50,000 or more in bands of £5,000 were:

Remuneration band	Number of Employees	
	2009/10	2010/11
£50,000 – £54,999	10	8
£55,000 – £59,999	3	3
£60,000 - £64,999	6	6
£65,000 - £69,999	3	2
£70,000 - £74,999	1	1
£75,000 - £79,999	-	-
£80,000 – £84,999	-	-
£85,000 – £89,999	1	1
£90,000 - £94,999	1	1
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	1	1
Total	26	23

Mr S Hunter
Chief Fire Officer
Tayside Fire and Rescue
31 August 2011

Mr S Mackenzie CPFA
Acting Treasurer
Tayside Fire and Rescue Board
31 August 2011

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;
- to ensure that one of its officers has the responsibility for the administration of those affairs;
- to approve the Statement of Accounts.

FOR TAYSIDE FIRE AND RESCUE BOARD THAT OFFICER IS THE TREASURER

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 Great Britain ('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; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounts present a true and fair view of the financial position of the Board at 31 March 2011 and its income and expenditure for the year ended on that date.

CERTIFICATE OF THE TREASURER TO THE FIRE AND RESCUE BOARD

I certify that:

- (a) the Statement of Accounts for the year ended 31 March 2011 on pages 11 to 93 has been prepared in the form directed by the Code and under the accounting policies set out on pages 22 to 34.
- (b) in my opinion the Statement of Accounts presents fairly the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

S MacKenzie CPFA
Acting Treasurer
31 August 2011

TAYSIDE FIRE AND RESCUE BOARD

MOVEMENT IN RESERVES STATEMENT FOR THE CURRENT AND COMPARATIVE YEAR

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 as At 1 April 2009	1,882	41	1,923	(124,876)	(122,953)
Movement in Reserves during 2009/10					
Surplus or (deficit) on the provision of services	(7,164)		(7,164)		(7,164)
Other Comprehensive Income and Expenditure			0	(68,537)	(68,537)
Total Comprehensive Income and Expenditure	(7,164)	0	(7,164)	(68,537)	(75,701)
Adj between accounting basis & funding basis under regulations (Note 11)	6,556	(4)	6,552	(6,552)	0
Increase/Decrease in Year	(608)	(4)	(612)	(75,089)	(75,701)
Balance as at 31 March 2010	1,274	37	1,311	(199,965)	(198,654)
Movement in Reserves during 2010/11					
Surplus or (deficit) on 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
Adj between accounting basis & 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 as 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 2011

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 revenue support grant. 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.

31/03/10		Notes	£000	£000	31/03/11
£000			£000	£000	£000
Net			Expenditure	Income	Net
883	Community Fire Safety		1,249	0	1,249
27,112	Fire Fighting and Rescue Operations		24,678	(344)	24,334
122	Fire Service Emergency Planning and Civil Defence		165	0	165
0	Firefighters Pensions		6,832	(6,832)	0
127	Corporate and Democratic Core		139	0	139
34	Non distributed costs		0	(18,819)	(18,819)
28,278	Net Cost of Services		33,063	(25,995)	7,068
(44)	Other Operating Expenditure	12			(48)
10,327	Financing and Investment Income and Expenditure	13			12,478
(31,397)	Requisition Income and Non-Specific Grant Income	14			(26,653)
7,164	(Surplus) or Deficit on Provision of Services				(7,155)
68,380	Actuarial (gains)/losses on pension assets / liabilities	32			(21,623)
157	Other unrealised (gains) / losses	32			4
68,537	Other Comprehensive Income and Expenditure				(21,619)
75,701	Total Comprehensive Income and Expenditure				(28,774)

TAYSIDE FIRE AND RESCUE BOARD

BALANCE SHEET AS AT 31 MARCH 2011

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Board. The net assets of the Board (assets less liabilities) are matched by the reserves held by the Board.

1st April 2009 £000	31st March 2010 £000		Notes	31st March 2011 £000
33,549	33,591	Property, Plant & Equipment	16	34,646
0	0	Long Term Debtors	21	25
33,549	33,591	Long Term Assets		34,671
127	132	Inventories	23	130
2,870	1,574	Short Term Debtors	21	1,573
1,044	975	Cash and Cash Equivalents	25	0
0	4	Assets held for sale	18	8
4,041	2,685	Current Assets		1,711
0	0	Cash and Cash Equivalents	25	662
1,800	800	Short Term Borrowing	33	800
2,889	2,804	Short Term Creditors	22	2,506
0	190	Provisions	26	187
4,689	3,794	Current Liabilities		4,155
5,232	4,932	Long Term Borrowing	33/34	3,132
150,622	226,204	Other Long Term Liabilities	32	198,976
155,895	231,136	Long Term Liabilities		202,108
(122,953)	(198,654)	Net Assets		(169,881)
1,923	1,311	Usable reserves	7 & 9	1,365
(124,876)	(199,965)	Unusable Reserves	10	(171,246)
(122,953)	(198,654)	Total Reserves		(169,881)

The unaudited accounts were issued on 27 June 2011 and the audited accounts were authorised for issue on 31 August 2011.

S MacKenzie CPFA
Acting Treasurer
31 August 2011

TAYSIDE FIRE AND RESCUE BOARD

CASH FLOW STATEMENT AT 31 MARCH 2011

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.

2009/10		Notes	2010/11
£000			£000
1,642	Net cash flows from Operating activities	37	1,260
(411)	Net Cash flows from Investing Activities	38	(1,097)
<u>(1,300)</u>	Net Cash flows from Financing Activities	39	<u>(1,800)</u>
(69)	Net increase or decrease in cash and cash equivalents		(1,637)
1,044	Cash and cash equivalents at the beginning of the reporting period		975
<u>975</u>	Cash and cash equivalents at the end of the reporting period	25	<u>(662)</u>

TAYSIDE FIRE AND RESCUE BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

NOTE 1 - ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts summarises the Board's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. 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 2010/11 and the Best Value Accounting Code of Practice 2010/11, 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i) 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.

ii) 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.

iii) 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.

iv) 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.

v) **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 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 split into the following broad categories:

- Equities
- Gilts
- Bonds
- Property
- Cash

They are included in the Balance Sheet on a bid value to bid value basis:

The change in the net pensions 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

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 pensions 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.

vi) 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.

vii) 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.

viii) FINANCIAL INSTRUMENTS

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 Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For 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 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 Financing and Investment Income and Expenditure line in 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.

FINANCIAL ASSETS

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

LOANS AND RECEIVABLES

The Board has no loans and receivables for which a financial asset is recognised.

AVAILABLE-FOR-SALE ASSETS

The Board holds no Available-for-Sale financial assets.

ix) 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.

x) 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.

xi) 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.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Board will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Board's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Board can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

The Board do not currently recognise any intangible assets.

xii) 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.

xiii) LEASES

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

THE BOARD AS LESSEE

FINANCE LEASES

The Board hold no assets under finance leases or under a legal status that conveys the right to use an asset in return for payment.

OPERATING LEASES

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., where a rent-free period might be offered at the commencement of the lease).

THE BOARD AS LESSOR

The Board does not act as lessor for any finance leasing, operating leasing or sale-and-leaseback arrangement.

xiv) 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 Best Value Accounting Code of Practice 2010/11 (BVACOP). 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 BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xv) PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

RECOGNITION

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

MEASUREMENT

Assets are initially measured at cost, comprising:

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

The Board does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of any assets acquired other than by purchase is deemed to be its fair value, unless the acquisition will not increase the cash flows of the Board. In the latter case, the cost of the acquisition is the carrying amount of the asset given up by the Board.

The Board has no donated assets.

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

- assets under construction – depreciated historical cost.
- 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 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 an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

IMPAIRMENT

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) 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

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 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).

Depreciation 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 asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

xvi) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

PROVISIONS

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

xvii) 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.

xviii) 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 HAVE NOT YET BEEN ADOPTED

None.

NOTE 3 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Board has had to make certain judgements about 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. 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 £169.9m. This net liability position reflects the inclusion of net pension liabilities and injury gratuity benefit liabilities of £199.0m falling due in future years and arising from the application of IAS 19 (Employee Benefits). However, it is appropriate to adopt a going concern basis for the preparation of the financial statements as the constituent authorities have a legal obligation under the 1995 Combined Area Amalgamation Scheme Order to provide the Board with funding to meet all liabilities as they fall due.

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 Acting Treasurer to the Board on 27 June 2011.

Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There were no events that took place after the 31 March 2011 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.

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 2011 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.
		It is estimated that the annual depreciation charge for buildings would increase by £218k for every year that useful lives had to be reduced.
Provisions	The Board has made a provision of £186k for the settlement of a compensation package arising from a successful Employment Tribunal hearing brought by members of the Retained Firefighters Duty System nationally. The provision is based on the number of employees expected to benefit from this settlement and the likely financial settlement amount per employee.	An increase over the forthcoming year of 10% in the estimated average settlement would each have the effect of adding £18k to the provision needed.
		A decrease over the forthcoming year of 10% in the estimated average settlement would have the effect of removing the need for £18k of the provision.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Board with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £5,558k.
		However, the assumptions interact in complex ways. During 2010/11, the Board's actuaries advised that the net pensions liability had decreased by £15k as a result of estimates being corrected as a result of experience, further decreased by £69k as a result of the actual return on scheme assets being higher than the expected return, and decreased further still by £22,710k attributable to updating of the underlying assumptions.

NOTE 7 - GENERAL FUND

The movement on the General Fund during 2010/11 is as follows:

31/03/10		31/03/11
£000		£000
(1,882)	Opening General Fund Balance	(1,274)
608	(Surplus) or Deficit for Year	(32)
(1,274)	General Fund Balance as at 31 March	(1,306)

NOTE 7a – COMMITTED AND UNCOMMITTED AMOUNTS

Under the Board's Reserves Strategy, the General Fund balance shown above includes an amount earmarked to fund future commitments, with the remainder being an uncommitted balance. The committed amounts set aside at 31 March 2011 were:

31/03/10		£000	31/03/11
£000			£000
(319)	- Legacy Retiree Pension Commutations	0	
(29)	- Community Safety Partnership Grant Income	(20)	
0	- Aerial Rescue Pump Boom Package	(65)	
(348)	Total amount earmarked under the Reserves Strategy		(85)

The uncommitted balance remaining on the General Fund at 31 March 2011 was £1.221m (31 March 2010: £0.926m)

NOTE 8- 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 Best Value Accounting 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:

Tayside Fire and Rescue Board 2009/10 £000		Tayside Fire and Rescue Board 2010/11 £000
27,440	Employee expenses	21,430
4,167	Other expenses	5,267
442	Loan Principal Repaid	459
347	Interest Payments	231
32,396	Total Expenditure	27,387
2,072	Fees, charges & other income	344
5	Interest Income	4
0	Government grants	2,607
2,077	Total Income	2,955
30,319	Net Expenditure before receipt of Requisitions	24,432
29,711	Requisition Income	24,783
608	(Surplus) / Deficit reported to management	(351)

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

2009/10 £000		2010/11 £000
30,319	Net expenditure before receipt of requisitions in the Portfolio Analysis	24,432
(7,709)	Amounts reported to management in the Analysis not included in the Comprehensive Income and Expenditure Statement	(7,758)
5,668	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(9,606)
28,278	Cost of Services in the Comprehensive Income and Expenditure Statement	7,068

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.

2010/11	Management Report	Amounts reported to Mngt but not to be included in the CIES	Amounts not reported to Mngt for decision making	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Employee expenses	21,430	(5,872)	(11,643)	3,915	12,251	16,166
Other expenses	5,267	(1,200)	0	4,067	0	4,067
Depreciation/ Amortisation	459	(459)	2,037	2,037	0	2,037
Interest Payments	27,387	(231)	0	0	231	231
Total Expenditure	27,387	(7,762)	(9,606)	10,019	12,482	22,501
Fees, charges & other income	344	0	0	344	0	344
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	2,607	0	0	2,607	1,870	4,477
Total Income	2,955	(4)	0	2,951	26,705	29,656
Surplus or deficit on the provision of services	24,432	(7,758)	(9,606)	7,068	(14,223)	(7,155)

2009/10	Management Report	Amounts reported to Mngt but not to be included in the CIES	Amounts not reported to Mngt for decision making	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000
Employee expenses	27,440	(8,281)	3,606	22,765	9,985	32,750
Other service expenses	4,167	(375)	4	3,796	0	3,796
Depreciation/ Amortisation	442	(442)	2,058	2,058	0	2,058
Interest Payments	347	(347)	0	0	347	347
Total Expenditure	32,396	(9,445)	5,668	28,619	10,332	38,951
Fees, charges & other income	2,072	(1,731)	0	341	0	341
Interest and investment income	5	(5)	0	0	5	5
Constituent Council Requisitions	0	0	0	0	29,711	29,711
Disposal of Non Current Assets	0	0	0	0	44	44
Govt Grants and Contributions	0	0	0	0	1,686	1,686
Total Income	2,077	(1,736)	0	341	31,446	31,787
Surplus or deficit on the provision of services	30,319	(7,709)	5,668	28,278	(21,114)	7,164

NOTE 9 - USABLE RESERVES

General Fund

Details of the movement in the General Fund during 2010/11 are shown separately in Note 7.

Capital Receipts Reserve

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

31/03/10 £000		31/03/11 £000
0	Balance 1 April	0
59	Capital Receipts received in year	56
<u>59</u>		<u>56</u>
	Less:	
(59)	Capital Receipts used for financing	(56)
<u>0</u>	Balance 31 March	<u>0</u>

Capital Grants Unapplied

31/03/10 £000		31/03/11 £000
41	Balance on 1 April	37
37	Unapplied Capital Grants received in year	59
	Unapplied Capital Grants transferred to the Capital Adjustment Account in year	(37)
(41)		(37)
<u>37</u>	Balance on 31 March	<u>59</u>

NOTE 10 - UNUSABLE RESERVES

31/03/10		31/03/11
£000		£000
16,466	Capital Adjustment Account	18,455
(32)	Financial Instruments Adjustment Account	(32)
9,970	Revaluation Reserve	9,499
(222,897)	Pensions Reserve	(195,090)
(3,307)	Employee Statutory Adjustment Account (Employee Benefits)	(3,886)
(165)	Accumulating Compensated Absences Adjustment Account	(192)
(199,965)	Total Unusable Reserves	(171,246)

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.

31/03/10		£000	31/03/11
£000		£000	£000
15,506	Balance at 1 April		16,466
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(2,058)	Charges for depreciation and impairment of non current assets	(2,037)	
	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(4)
(15)	Amounts of current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(4)
0		(4)	
(2,073)		(2,045)	
472	Adjusting amounts written out of the Revaluation Reserve	471	
(1,601)	Net written out amount of the cost of non current assets consumed in the year		(1,574)
	Capital financing applied in the year:		
	Use of the Capital Receipts Reserve to finance new capital expenditure		56
59			56
442	Loans principal repayments		459

1,645	Application of current year grants to capital financing from the Capital Grants Unapplied Account	1,811
41	Application of previous years' grants to capital financing from the Capital Grants Unapplied Account	37
374	Capital expenditure charged against the General Fund	1,200
2,561		3,563
16,466	Balance at 31 March	18,455

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.

31/03/10		31/03/11
£000		£000
(32)	Balance at 1 April	(32)
	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	
0		0
(32)	Balance at 31 March	(32)

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

31/03/10		31/03/11
£000		£000
10,442	Balance at 1 April	9,970
(472)	Difference between fair value depreciation and historical cost depreciation	(471)
9,970	Balance at 31 March	9,499

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.

31/03/10		31/03/11
£000		£000
(148,291)	Balance at 1 April	(222,897)
(67,406)	Actuarial gains or losses on pensions assets and liabilities	22,794
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive	
(7,043)	Income and Expenditure Statement	5,017
	Difference between actual employers' pension contributions paid in year and actuarial estimate as required under IAS19.	(4)
<u>(157)</u>		<u>(4)</u>
<u>(222,897)</u>	Balance at 31 March	<u>(195,090)</u>

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 gratuity benefits and for funding benefits in accordance with statutory provisions. The Board accounts for post employment injury gratuity 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.

31/03/10		31/03/11
£000		£000
(2,332)	Balance at 1 April	(3,307)
(973)	Actuarial gains or losses on pensions assets and liabilities	(1,171)
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive	
(2)	Income and Expenditure Statement	592
	Difference between actual employers' pension contributions paid in year and actuarial estimate as required under IAS19.	0
<u>0</u>		<u>0</u>
<u>(3,307)</u>	Balance at 31 March	<u>(3,886)</u>

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.

31/03/10		31/03/11
£000		£000
(170)	Balance at 1 April	(165)
170	Settlement or cancellation of accrual made at the end of the preceding year	165
<u>(165)</u>	Amounts accrued at the end of the current year	<u>(192)</u>
<u>(165)</u>	Balance at 31 March	<u>(192)</u>

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.

2010/11	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
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	4			(4)
Carrying amount of current assets sold	4			(4)
Loans principal repayments during the year	(459)			459
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Capital Expenditure financed from revenue proceeds	(1,200)			1,200
Adjustments 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
Adjustments 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 involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 32)	707			(707)
Actual Employer's pensions contributions and direct payments to pensioners payable in the year	(5,724)			5,724

Adjustments involving the Injury Pensions Employee Statutory Adjustment Account:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 32)	(444)			444
Actual Employer's pensions contributions and direct payments to pensioners payable in the year	(148)			148

Adjustment involving the Accumulating Compensated Absences Adjustment Account				
Adjustments in relation to Short-term compensated absences	26			(26)

Total Adjustments	(7,123)	0	22	7,101
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The figures for the comparative year are:

2009/10	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	
Adjustments involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	2,058			(2,058)
Current Year's capital grants and contributions applied in Year	(1,645)			1,645
Current Year's capital grants received but unapplied at year end.	(37)		37	0
Previous years' unapplied capital grants carried forward which have been used for financing in this year.			(41)	41
Carrying amount of non current assets sold	15			(15)
Carrying amount of current assets sold	0			0
Loans principal repayments during the year	(442)			442

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Capital Expenditure financed from revenue proceeds	(374)			374
Adjustments involving the Capital Receipts Reserve:				
Proceeds from the sale of non-current assets	(59)	59		0
Use of the Capital Receipts Reserve to finance new capital expenditure		(59)		59
Adjustments 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 involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 32)	13,772			(13,772)
Actual Employer's pensions contributions and direct payments to pensioners payable in the year	(6,729)			6,729
Adjustments involving the Injury Pensions Employee Statutory Adjustment Account:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 32)	151			(151)
Actual Employer's pensions contributions and direct payments to pensioners payable in the year	(149)			149
Adjustment involving the Accumulating Compensated Absences Adjustment Account				
Adjustments in relation to Short-term compensated absences	(5)			5
Total Adjustments	6,556	0	(4)	(6,552)

NOTE 12 - OTHER OPERATING EXPENDITURE

2009/10 £000		2010/11 £000
(44)	Gains/losses on the disposal of non current assets	(48)
<u>(44)</u>	Total	<u>(48)</u>

NOTE 13 - FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10 £000		2010/11 £000
347	Interest payable and similar charges	231
9,985	Pensions interest cost and expected return on pensions assets (Note 32)	12,251
(5)	Interest receivable and similar income	(4)
<u>10,327</u>	Total	<u>12,478</u>

NOTE 14 - REQUISITION INCOME AND NON-SPECIFIC GRANT INCOME

2009/10 £000		2010/11 £000
29,711	Council Requisitions	24,783
1,682	Capital Grants	1,870
<u>31,393</u>	Total Council Requisitions and Non-Specific Grant Income	<u>26,653</u>

NOTE 15 - INTANGIBLE ASSETS

Where applicable, the Board accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

The Board do not currently own any internally generated intangible assets or capitalised software that is not an integral part of a particular IT system.

NOTE 16 - PROPERTY, PLANT AND EQUIPMENT

2010/11	Property, Plant & Equipment (PP&E)					
	Land	Buildings	Vehicles, Plant & Equipment	PP&E Under Constr- uction	Surplus Assets	Total PP&E
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2010	3,050	24,577	13,085	715	17	41,444
Additions (Note 17)	0	1,827	523	754	0	3,104
Derecognition - Disposals	0	0	(346)	0	0	(346)
Derecognition - Other	0	0	(117)	0	0	(117)
Reclassifications & Transfers	0	0	905	(905)	0	0
Reclassified to Held for Sale	0	0	(472)	0	0	(472)
Reclassified from Held for Sale	0	0	0	0	0	0
Balance at 31 March 2011	3,050	26,404	13,578	564	17	43,613
Depreciation and Impairment						
At 1 April 2010	0	1,204	6,632	0	17	7,853
Depreciation Charge	0	1,250	787	0	0	2,037
Derecognition - Disposals	0	0	(342)	0	0	(342)
Derecognition - Other	0	0	(117)	0	0	(117)
Reclassifications & Transfers	0	0	0	0	0	0
Eliminated on reclassification to Held for Sale	0	0	(464)	0	0	(464)
Balance at 31 March 2011	0	2,454	6,496	0	17	8,967
Net Book Value						
Balance at 31 March 2011	3,050	23,950	7,082	564	0	34,646
Balance at 31 March 2010	3,050	23,373	6,453	715	0	33,591

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.

CAPITAL COMMITMENTS

At 31 March 2011 there were no major capital commitments outstanding for the construction or enhancement of property, plant or equipment. (31 March 2010: £5,000).

EFFECTS OF CHANGES IN ESTIMATES

In 2010/11 the Board adopted a new depreciation and componentisation policy which, as part of the new policy, revisited standard lives and asset categories for plant and equipment. A number of new vehicle categories were introduced and residual values and standard useful lives for existing categories were reviewed in line with recent experience. As a result a number of assets, particularly vehicles, have been estimated to have increased residual values and different replacement policies, i.e. asset lives. This will affect the amounts to be depreciated and the rate of depreciation for these assets, decreasing the annual depreciation charge for most vehicles. It is not felt that this materially affects the overall position.

IMPAIRMENTS

There were no material impairment losses recognised or reversed on any specific asset during 2010/11.

NOTE 16A - COMPARATIVE YEAR

2009/10	Property, Plant & Equipment (PP&E)					
	Land	Buildings	Vehicles, Plant & Equipment	PP&E Under Const- ruction	Surplus Assets	Total PP&E
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2009	3,050	23,622	12,155	1,108	0	39,935
Additions (Note 17)	0	955	477	687	0	2,119
Derecognition - Disposals	0	0	(466)	0	0	(466)
Derecognition - Other	0	0	(47)	0	0	(47)
Reclassifications & Transfers	0	0	1,063	(1,080)	17	0
Reclassified to Held for Sale	0	0	(97)	0	0	(97)
Reclassified from Held for Sale	0	0	0	0	0	0
Balance at 31 March 2010	3,050	24,577	13,578	715	17	41,444
Depreciation and Impairment						
At 1 April 2009	0	0	6,386	0	10	6,386
Depreciation Charge	0	1,204	854	0	0	2,058
Derecognition - Disposals	0	0	(451)	0	0	(451)
Derecognition - Other	0	0	(47)	0	0	(47)
Reclassifications & Transfers	0	0	(17)	0	17	0
Eliminated on reclassification to Held for Sale	0	0	(93)	0	0	(93)
Balance at 31 March 2010	0	1,204	6,632	0	17	7,853
Net Book Value						
Balance at 31 March 2010	3,050	23,373	6,453	715	0	33,591
Balance at 31 March 2009	3,050	23,622	5,769	1,108	0	33,549

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.

CAPITAL COMMITMENTS

At 31 March 2010 the Board has entered into a contract for the construction or enhancement of property, plant and equipment in 2010/11, budgeted to cost £5,000. Similar commitments at 31 March 2009 were £nil.

The major commitments entered into are:

- Macalpine Road Fire Station, Dundee BA Block - £5,000.

EFFECTS OF CHANGES IN ESTIMATES

In 2009/10 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 2009/10.

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.

2009/10 £000		2010/11 £000
	<u>Capital Investment</u>	
2,119	Property, Plant and Equipment	3,104
2,119	Total Capital Investment	3,104
	<u>Sources of Finance</u>	
(59)	Capital receipts	(56)
(1,645)	Government grants and contributions	(1,811)
(41)	Other Contributions (Unapplied grant c/fwd)	(37)
(374)	Direct revenue contributions	(1,200)
(2,119)	Total Sources of Finance	(3,104)

NOTE 18 - ASSETS HELD FOR SALE

Current Assets 31/03/10 £000	Non Current Assets 31/03/10 £000		Current Assets 31/03/11 £000	Non Current Assets 31/03/11 £000
0	0	Balance outstanding at start of year	4	0
0	0	Carrying Value of assets sold	(4)	0
0	0	Previous year's assets still being held for sale	0	0
		Assets newly classified as held for sale in Year:		
4	0	Transferred from Non-Current Assets during year	8	4
0	0	Disposal of Assets	0	(4)
4	0	Balance outstanding at year-end	8	0

NOTE 19 - IMPAIRMENT LOSSES

There were no impairment losses recorded in 2010/11.

NOTE 20 - TERMINATION BENEFITS

No termination benefits of a material nature or amount were granted to any employee of the Board in 2010/11.

NOTE 21 - DEBTORS

2008/09 £000	2009/10 £000	Short Term Debtors	2010/11 £000
0	176	Government Departments	38
1,199	576	Other Local Authorities	560
0	63	Public corporations and trading funds	158
0	3	NHS Bodies	3
283	226	Value Added Tax	337
1,388	530	Other	477
2,870	1,574	Total Short Term Debtors	1,573

2008/09 £000	2009/10 £000	Long Term Debtors	2010/11 £000
0	0	Other Local Authorities	25
0	0	Total Short Term Debtors	25

NOTE 22 – CREDITORS

2008/09 £000	2009/10 £000	Short Term Creditors	2010/11 £000
		Creditors falling due within one year	
566	768	Government Departments	856
47	607	Other Local Authorities	616
4	320	Public corporations and trading funds	389
0	1	NHS Bodies	0
170	165	Accumulated Absences	192
2,102	943	Other	453
2,889	2,804	Total Short Term Creditors	2,506

There were no long-term creditors at 31 March 2011.

NOTE 23 - INVENTORIES

In undertaking its work the Board holds reserves of vehicle stock, consumable stores and fuel. The Inventories figure shown in the Balance Sheet may be subdivided as follows:

2008/09	2009/10	Total Inventories Held	2010/11
£000	£000		£000
127	127	Balance held at start of year	132
0	263	Purchases	267
0	(249)	Expensed in Year	(261)
0	(9)	Written off Balances	(8)
127	132	Balance remaining at end of year	130

Comprising:

2008/09	2009/10		2010/11
£000	£000	<u>Fuel</u>	£000
28	28	Balance held at start of year	38
0	178	Purchases	191
0	(167)	Expensed in Year	(183)
0	(1)	Written off Balances	(4)
28	38	Balance remaining at end of year	42

2008/09	2009/10		2010/11
£000	£000	<u>Consumable Stores</u>	£000
50	50	Balance held at start of year	46
0	38	Purchases	32
0	(41)	Expensed in Year	(41)
0	(1)	Written off Balances	(1)
50	46	Balance remaining at end of year	36

2008/09	2009/10		2010/11
£000	£000	<u>Vehicle Maintenance</u>	£000
49	49	Balance held at start of year	48
0	47	Purchases	44
0	(41)	Expensed in Year	(37)
0	(7)	Written off Balances	(3)
49	45	Balance remaining at end of year	52

The value of inventories expensed in the year to 31st March 2011 was £261k.

£8k was written off inventory balances during 2010/11. Fuel valued at £4k was contaminated with water at Perth Fire Station and had to be written off, £3k of vehicle parts were declared obsolete and removed from stock and another £1k was written out due to minor differences uncovered during the annual stock count.

NOTE 24 - CONSTRUCTION CONTRACTS

At 31 March 2011 the Board had no construction contracts in progress. See further detail within Note 16.

NOTE 25 - 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:

2008/09 £000	2009/10 £000		2010/11 £000
		Assets	
0	1	Cash and Bank balances	0
1,313	1,546	Short Term Deposits (considered to be Cash Equivalents)	0
<u>1,313</u>	<u>1,547</u>		<u>0</u>
		Liabilities	
(269)	(572)	Bank Overdraft	(592)
0	0	Temporary Overnight Loans	(70)
<u>(269)</u>	<u>(572)</u>		<u>(662)</u>
<u>1,044</u>	<u>975</u>	Total Cash & Cash Equivalents	<u>(662)</u>

NOTE 26 - PROVISIONS

	At 1 April 2010 £000	Increase/ (Decrease) in provision during year £000	Utilised during year £000	Balance as at 31 March 2011 £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

Comparative Year

	Balance as At 1 April 2009 £000	Increase/ (Decrease) in provision during year £000	Utilised during year £000	Balance as at 31 March 2010 £000
Compensation Payments	0	190	0	190
	0	190	0	190
Current Provisions	0	190	0	190
Long Term Provisions	0	0	0	0
	0	190	0	190

OUTSTANDING LEGAL CASES

The Retained Duty System (RDS) national employee representatives made a claim to the Employment Tribunal in 2001 in relation to alleged unfavourable treatment of RDS employees in comparison to their wholetime counterparts on a national basis. During 2008 the Employment Tribunal Hearing found in favour of the claimants and instructed that RDS employees nationally were being awarded compensation backdated to 2000. The details of the compensation package, though agreed in principle, still had to be agreed formally between all parties to the grievance. On this basis it was felt prudent to provide for the likely financial outcome of the proposed compensation package during 2009/10.

During 2010/11 agreement was reached by all parties to the grievance subject to some amendments to the package. As a result the period over which the compensation will cover has been extended by a year, although the number of people who it is now known will benefit has been reduced. The net effect of this is to reduce the likely amount payable by the Board by £3,080 to £186,920. The provided amount has been amended in 2010/11 accordingly.

The Employment Tribunal are currently working with a third party analyst (Popularis) to formally clear the 15,000 cases that were brought nationally in 2001. Once the Board is given permission from the Employment Tribunal payment will be made to all qualifying RDS employees of the Board. It is expected that this will take place shortly and the costs will be funded from this provision.

NOTE 27 - 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:

2009/10 £000		2010/11 £000
	<i>Services received from:</i>	
	<u>Dundee City Council</u>	
10	Insurance and Risk Management Services	10
51	Payroll Services	38
20	Pension Administration Services	23
	<u>Perth & Kinross Council</u>	
8	Treasurer's Fee	9
27	Secretarial and Clerking Fee	27
7	Legal Services	7
15	Internal Audit Services	15
3	Banking Services	3
9	Treasury Management Services	9
5	Human Resources Assistance	0
	<u>Tayside Police Joint Board</u>	
98	Radio and Communication Maintenance Services	0
	<u>Scottish Police Services Association</u>	
0	Radio and Communication Maintenance Services	50
253	Total Payments for Services	191
	<i>Services provided to:</i>	
	<u>Scottish Ambulance Service</u>	
(89)	Supply and rental of accommodation	(17)
	<u>Scottish Government</u>	
(29)	Purchase of ICT Equipment	0
135	Total Net Expenditure	174

NOTE 28 - 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.

2009/10		2010/11
£000		£000
31	External Audit Fees	27
<u>0</u>	Other Fees	<u>0</u>
<u>31</u>		<u>27</u>

There were no other fees payable in respect of any other services provided by the appointed auditor over and above those described above (2009/10: £0).

NOTE 29 - GRANT INCOME

CAPITAL GRANTS AND OTHER CONTRIBUTIONS

The Board credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Account in 2010/11.

2009/10		2010/11
£000		£000
1,553	Scottish Government Capital Grant	1,772
92	Other Capital Contributions	39
<u>41</u>	Previous Year's Unused Capital Grant	<u>37</u>
<u>1,686</u>	Total	<u>1,848</u>

NOTE 30 - 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 8 (Amounts reported to Decision Makers). Note 29 shows the grant receipts outstanding at 31 March 2011.

MEMBERS

There are no payments made by the Board to members.

NOTE 31 - LEASES

BOARD AS LESSOR:

FINANCE LEASES

The Board has no assets leased out to, or otherwise used by, external parties on finance leases.

OPERATING LEASES

The Board has no assets leased out to, or otherwise used by, external parties on operating leases.

BOARD AS LESSEE:

FINANCE LEASES

The Board holds no assets under finance leases, or under a legal status that conveys the right to use an asset in return for payment.

OPERATING LEASES

The Board provides a fleet of senior officers' emergency response vehicles and enters into an individual three year operating lease 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 retirement 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:

2009/10		2010/11
Vehicles, plant and equipment		Vehicles, plant and equipment
£000		£000
140	Minimum lease payments	133
140		133

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

2009/10		2010/11
Vehicles, plant and equipment		Vehicles, plant and equipment
£000		£000
	Minimum lease rentals payable:	
24	- No later than 1 year	21
79	- Later than 1 year and no later than 5 years	78
103		99

NOTE 32 - DEFINED BENEFIT PENSION SCHEMES

PARTICIPATION IN THE 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 benefit scheme. All are administered by Dundee City Council.

- The Local Government Pension Scheme is disclosed at Note 32a.
- The 1992 Firefighters' Scheme and the 2006 Firefighters' Scheme are both unfunded schemes with no attributable assets and are disclosed at Note 32b.
- The Injury Benefit Scheme, not being an occupational pension scheme, is disclosed separately at Note 32c.

The liabilities disclosed at Notes 32a, 32b and 32c 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 £198.976m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, contributing to a net liability of £169.881m. 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 of £3.673m disclosed on Note 32a will be made good by increased contributions over the remaining working life of employees, assessed by the scheme actuary.
- ii) The deficit of £191.417m on both Firefighters Pension Schemes disclosed in Note 32b will be made good by increased contributions over the remaining working life of employees, assessed by national pensions administrators, and specific grant receivable from the Scottish Government to meet any funding shortfall that still exists.
- iii) The deficit on the Injury Gratuity Benefits scheme of £3.886m disclosed in Note 32c 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 32a, 32b and 32c disclose in detail the charges to the CIES from each individual scheme. However, the overall charge to the CIES from all schemes in 2010/11 is as follows:

	LGPS	1992	2006	Injury	TOTAL
	2010/11	Scheme	Scheme	Scheme	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)
Gains/losses on settlements or curtailments	0	0	0	0	0
	(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:					
Removal of actual costs incurred	405	5,586	(267)	148	5,872
Actuarial Valuation: Unfunded Benefits	(9)	0	0	n/a	(9)
Actuarial Valuation: Employers Contributions	(392)	(5,586)	267	(148)	(5,859)
Total Actuarial Adjustment to Actual Costs	4	0	0	0	4
Actuarial (gains)/losses on pension liabilities	(1,854)	(20,378)	(562)	1,171	(21,623)
	(1,850)	(20,378)	(562)	1,171	(21,619)
Net (charge)/credit to the CIES	(2,504)	(19,817)	238	727	(21,356)

NOTE 32A - OCCUPATIONAL PENSION SCHEMES - FUNDED

THE LOCAL GOVERNMENT PENSION SCHEME - TAYSIDE SUPERANNUATION FUND

The Tayside Superannuation Fund is a funded defined benefit final salary scheme open to the Board's support staff and Fire Control personnel. As such the scheme is underwritten by investment assets. The Board and employees pay contributions into the fund, calculated at a level intended to balance the pensions 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:

2009/10 £000		2010/11 £000
	Net cost of services:	
333	Current service cost	600
6	Past service cost/(gain)	(1,409)
9	Gains/losses on settlements or curtailments	0
	Net operating expenditure:	
732	Interest cost	991
(563)	Expected return on scheme assets	(836)
517	Net charge/(credit) to the CIES	(654)
	Adjustments between accounting basis & funding basis under regulations:	
(517)	Reversal of net charge/(credit) made for retirement benefits in accordance with IAS 19	654
	Actual amount charged against the General Fund balance for pensions in the year:	
410	Employers' contributions payable to scheme	401
(28)	Actuarial (Gain)/Loss as a result of removing actual costs and replacing with the actuarial valuation	4
(135)	Net charge/(credit) to the General Fund Summary	1,059

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.

2009/10 £000		2010/11 £000
<u>(3,703)</u>	Actuarial Gains/(Losses) in Year	<u>1,854</u>
<u>(3,832)</u>	Accumulated Actuarial Gains/(Losses) Charged over Scheme Life	<u>(1,978)</u>

ASSETS AND LIABILITIES IN RELATION TO RETIREMENT BENEFITS

RECONCILIATION OF PRESENT VALUE OF THE SCHEME LIABILITIES:

2009/10 £000		2010/11 £000
10,788	Balance as at 1 April	17,830
333	Current service cost	600
732	Interest cost	991
136	Contributions by members	134
6,021	Actuarial losses/(gains)	(1,785)
6	Past service costs/(gains)	(1,409)
9	Losses/(gains) on curtailments	0
(11)	Estimated unfunded benefits paid	(9)
<u>(184)</u>	Estimated benefits paid	<u>(326)</u>
<u>17,830</u>	Balance as at 31 March	<u>16,026</u>

RECONCILIATION OF PRESENT VALUE OF THE SCHEME ASSETS:

2009/10 £000		2010/11 £000
8,015	Balance as at 1 April	11,248
563	Expected return on assets	836
136	Contributions by members	134
399	Contributions by employer	392
11	Contributions in respect of unfunded benefits	9
2,319	Actuarial gains/(losses)	69
<u>(195)</u>	Benefits paid	<u>(335)</u>
<u>11,248</u>	Balance as at 31 March	<u>12,353</u>

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 2010 for the year to 31 March 2011). 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 the year was a loss of £905k. (2009/10: loss of £2,882k).

PLAN ASSETS

	31/03/11	31/03/10	31/03/09
	£000	£000	£000
Equity investments	8,894	8,099	5,161
Gilts	865	788	920
Bonds	1,235	1,125	681
Property	1,112	900	811
Cash	247	336	442
	12,353	11,248	8,015

The above asset values are at bid value as required by IAS 19.

FUND LIABILITY INCLUDED IN THE BALANCE SHEET:

	31/03/11	31/03/10	31/03/09
Fair Value of Employer Assets	12,353	11,248	8,015
Present value of funded liabilities	(16,026)	(17,830)	(10,788)
Net Asset/(Liability)	(3,673)	(6,582)	(2,773)

Amount in the Balance sheet:

	31/03/11	31/03/10	31/03/09
Assets	12,353	11,248	8,015
Liabilities	(16,026)	(17,830)	(10,788)
Net Asset/(Liability)	(3,673)	(6,582)	(2,773)

SCHEME HISTORY

ANALYSIS OF SCHEME ASSETS AND LIABILITIES

	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	£000	£000	£000	£000	£000
Fair Value of Assets in pension scheme	12,353	11,248	8,015	10,167	10,110
Present Value of Defined Benefit Obligation	(16,026)	(17,830)	(10,788)	(11,305)	(11,779)
Surplus/(deficit) in the Scheme	(3,673)	(6,582)	(2,773)	(1,138)	(1,669)

AMOUNT RECOGNISED IN OTHER COMPREHENSIVE INCOME AND EXPENDITURE:

	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	£000	£000	£000	£000	£000
Actuarial gains/(losses)	1,854	(3,702)	(1,597)	483	665
Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure	1,854	(3,702)	(1,597)	483	665
Cumulative actuarial gains and losses	(1,978)	(3,832)	(130)	1,467	984

History of experience gains and losses:

Experience gains and (losses) on assets	69	2,319	(3,008)	(1,215)	194
Experience gains and (losses) on liabilities	15	10	(378)	0	0

ANALYSIS OF PROJECTED AMOUNT TO BE CHARGED TO THE CIES FOR THE YEAR TO 31 MARCH 2012

	31/03/2012	31/03/2012
	£000	%
Projected current cost	501	104.2%
Interest on obligation	890	185.0%
Expected return on assets	(910)	-189.2%
	481	100.0%

The total contributions expected to be made to the Tayside Superannuation Fund by the Board in the year to 31 March 2012 is £401k.

HISTORY OF EXPERIENCE GAINS AND LOSSES

The actuarial gains identified as movements on the LGPS in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011.

	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
Experience gains and (losses) on assets	0.6%	20.6%	-37.5%	-12.0%	1.9%
Experience gains and (losses) on liabilities	-0.1%	-0.1%	3.5%	0.0%	0.0%

BASIS FOR ESTIMATING ASSETS AND 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 estimates for the scheme have been based on data pertaining to the latest full valuation of the scheme as at 31 March 2008.

	2010/11	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity investments	8.2%	8.3%
Gilts	4.4%	4.5%
Bonds	5.5%	5.5%
Property	5.4%	5.5%
Cash	3.0%	3.0%
Mortality assumptions:		
<i>Longevity at 65 current pensioners:</i>		
Men	21.4 years	21.4 years
Women	24.4 years	24.4 years
<i>Longevity at 65 for future pensioners:</i>		
Men	22.3 years	22.3 years
Women	25.3 years	25.3 years
Inflation/Pension Increase Rate	2.7%	3.9%
Salary Increase Rate	5.0%	5.4%
Expected Return on Assets	7.3%	7.4%
Discount Rate	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum:	50.0%	50.0%

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	31/03/10	31/03/09
	%	%	%
Equity investments	72.0%	72.0%	64.4%
Gilts	7.0%	7.0%	11.5%
Bonds	10.0%	10.0%	8.5%
Property	9.0%	8.0%	10.1%
Cash	2.0%	3.0%	5.5%
	100.0%	100.0%	100.0%

NOTE 32B - OCCUPATIONAL PENSION SCHEMES - UNFUNDED

1) THE 1992 FIREFIGHTERS PENSION SCHEME

The majority of the Board's operational staff participate in the 1992 Firefighters Pension Scheme. Entry to this scheme was halted to new members in April 2006.

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. The pensions account is held independently from the Board's General Fund.

2) 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:

2009/10			2010/11	
1992 Scheme	2006 Scheme		1992 Scheme	2006 Scheme
£000	£000		£000	£000
		Net cost of services:		
3,106	484	Current service cost	5,284	947
0	0	Past service cost/(gain)	(16,430)	(362)
		Net operating expenditure:		
9,563	102	Interest cost	11,707	215
12,669	586	Net charge/(credit) to the CIES	561	800
		Adjustments between accounting basis & funding basis under regulations:		
(12,669)	(586)	Reversal of net charge/(credit) made for retirement benefits in accordance with IAS 19	(561)	(800)

Actual amount charged against the General Fund balance for pensions in the year:

6,598	(251)	Actuarial (Gain)/Loss as a result of removing actual costs and replacing with the actuarial valuation	5,586	(267)
(6,071)	(837)	Net charge/(credit) to the General Fund Summary	5,025	(1,067)

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.

2009/10			2010/11	
1992	2006		1992	2006
Scheme	Scheme		Scheme	Scheme
£000	£000		£000	£000
(62,396)	(1,308)	Actuarial Gains/(Losses) in Year	20,378	562
(37,991)	(419)	Accumulated Actuarial Gains/(Losses) Charged over Scheme Life	(17,613)	143

UNFUNDED SCHEMES - LIABILITIES IN RELATION TO RETIREMENT BENEFITS

RECONCILIATION OF PRESENT VALUE OF THE SCHEME LIABILITIES:

2009/10			2010/11	
1992	2006		1992	2006
Scheme	Scheme		Scheme	Scheme
£000	£000		£000	£000
144,360	1,158	Balance as at 1 April	213,008	3,307
3,106	484	Current service cost	5,284	947
9,563	102	Interest cost	11,707	215
62,396	1,308	Actuarial losses/(gains)	(20,378)	(562)
0	0	Past service costs/(gains)	(16,430)	(362)
(7,711)	63	Estimated benefits paid	(6,792)	60
1,294	192	Contributions by members	1,206	207
213,008	3,307	Balance as at 31 March	187,605	3,812

1992 FIREFIGHTERS PENSION SCHEME LIABILITY INCLUDED IN THE BALANCE SHEET:

	31/03/11	31/03/10	31/03/09
Present value of funded liabilities	(187,605)	(213,008)	(144,360)
Net Liability	(187,605)	(213,008)	(144,360)

Amount in the Balance sheet:

Liabilities	(187,605)	(213,008)	(144,360)
Net Liability	(187,605)	(213,008)	(144,360)

2006 FIREFIGHTERS PENSION SCHEME LIABILITY INCLUDED IN THE BALANCE SHEET:

	31/03/11	31/03/10	31/03/09
Present value of funded liabilities	(3,812)	(3,307)	(1,158)
Net Liability	(3,812)	(3,307)	(1,158)

Amount in the Balance sheet:

Liabilities	(3,812)	(3,307)	(1,158)
Net Liability	(3,812)	(3,307)	(1,158)

SCHEME HISTORY**ANALYSIS OF SCHEME LIABILITIES – 1992 FIREFIGHTERS PENSION SCHEME**

	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	£000	£000	£000	£000	£000
Present Value of Defined Benefit Obligation	(187,605)	(213,008)	(144,360)	(148,835)	(157,154)
Deficit in the Scheme	(187,605)	(213,008)	(144,360)	(148,835)	(157,154)

AMOUNT RECOGNISED IN OTHER COMPREHENSIVE INCOME AND EXPENDITURE:

	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	£000	£000	£000	£000	£000
Actuarial gains/(losses)	20,378	(62,396)	12,000	17,787	4,487
Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure	20,378	(62,396)	12,000	17,787	4,487
Cumulative actuarial gains and losses	(17,613)	(37,991)	24,405	12,405	(5,382)

History of experience gains and losses:

Experience gains and (losses) on liabilities	0	0	(6,883)	0	0
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ANALYSIS OF SCHEME LIABILITIES – 2006 FIREFIGHTERS PENSION SCHEME

	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	£000	£000	£000	£000	£000
Present Value of Defined Benefit Obligation	(3,812)	(3,307)	(1,158)	(1,022)	(289)
Deficit in the Scheme	(3,812)	(3,307)	(1,158)	(1,022)	(289)

AMOUNT RECOGNISED IN OTHER COMPREHENSIVE INCOME AND EXPENDITURE:

	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	£000	£000	£000	£000	£000
Actuarial gains/(losses)	562	(1,308)	725	154	10
Actuarial gains/(losses) recognised in Other Comprehensive Income and Expenditure	562	(1,308)	725	154	10

Cumulative actuarial gains and losses	143	(419)	889	164	10
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History of experience gains and losses:

Experience gains and (losses) on liabilities	0	0	555	0	0
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ANALYSIS OF PROJECTED AMOUNT TO BE CHARGED TO THE CIES FOR THE YEAR TO 31 MARCH 2012

	1992 Firefighters Pension Scheme		2006 Firefighters Pension Scheme	
	31/03/2012	31/03/2012	31/03/2012	31/03/2012
	£000	%	£000	%
Projected current cost	4,278	29.4%	765	76.3%
Interest on obligation	10,283	70.6%	238	23.7%
	14,561	100.0%	1,003	100.0%

The total contributions expected to be made to the 1992 Scheme and the 2006 Scheme by the Board in the year to 31 March 2012 are £2.329m and £0.278m respectively.

HISTORY OF EXPERIENCE GAINS AND LOSSES

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of liabilities at 31 March 2011.

1992 Firefighters Pension Scheme	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
Experience gains and (losses) on liabilities	0.0%	0.0%	4.8%	0.0%	0.0%

2006 Firefighters Pension Scheme	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
Experience gains and (losses) on liabilities	0.0%	0.0%	-47.9%	0.0%	0.0%

BASIS FOR ESTIMATING LIABILITIES

Liabilities have been assessed for the Firefighters schemes 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 Firefighters' Scheme liabilities have been assessed by rolling forward the value of the employer's liabilities reported as at the latest valuation for IAS19/FRS17 purposes, allowing for the different financial assumptions required under IAS19/FRS17.

	2010/11	2009/10
Mortality assumptions:		
<i>Longevity at 65 current pensioners:</i>		
Men	21.4 years	21.4 years
Women	24.4 years	24.4 years
<i>Longevity at 65 for future pensioners:</i>		
Men	22.3 years	22.3 years
Women	25.3 years	25.3 years
Inflation/Pension Increase Rate	2.7%	3.9%
Salary Increase Rate	5.0%	5.4%
Expected Return on Assets	7.3%	7.4%
Discount Rate	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum:	50.0%	50.0%

NOTE 32C - OTHER EMPLOYEE BENEFIT SCHEMES

1) THE INJURY GRATUITY BENEFIT SCHEME

The Board offer an injury gratuity benefit 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:

2009/10		2010/11
£000		£000
	Net cost of services:	
0	Current service cost	0
0	Past service cost/(gain)	(618)
	Net operating expenditure:	
151	Interest cost	174
151	Net charge/(credit) to the CIES	(444)
	Adjustments between accounting basis & funding basis under regulations:	
(151)	Reversal of net charge/(credit) made for retirement benefits in accordance with IAS 19	444
	Actual amount charged against the General Fund balance for pensions in the year:	
149	Actuarial (Gain)/Loss as a result of removing actual costs and replacing with the actuarial valuation	148
(2)	Net charge to the General Fund Summary	592

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.

2009/10 £000		2010/11 £000
(973)	Actuarial Gains/(Losses) in Year	(1,171)
(936)	Accumulated Actuarial Gains/(Losses) Charged over Scheme Life	(2,107)

LIABILITIES IN RELATION TO OTHER EMPLOYMENT BENEFIT SCHEMES

RECONCILIATION OF PRESENT VALUE OF THE SCHEME LIABILITIES:

2009/10 £000		2010/11 £000
2,332	Balance as at 1 April	3,307
151	Interest cost	174
973	Actuarial losses/(gains)	1,171
0	Past service costs/(gains)	(618)
(149)	Estimated benefits paid	(148)
3,307	Balance as at 31 March	3,886

INJURY GRATUITY BENEFITS LIABILITY INCLUDED IN THE BALANCE SHEET:

	31/03/11	31/03/10	31/03/09
Present value of funded liabilities	(3,886)	(3,307)	(2,332)
Net Asset/(Liability)	(3,886)	(3,307)	(2,332)

Amount in the Balance sheet:

Liabilities	(3,886)	(3,307)	(2,332)
Net Asset/(Liability)	(3,886)	(3,307)	(2,332)

SCHEME HISTORY

ANALYSIS OF SCHEME LIABILITIES

	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	£000	£000	£000	£000	£000
Present Value of Defined Benefit Obligation	(3,886)	(3,307)	(2,332)	(2,546)	0
Surplus/(deficit) in the Scheme	(3,886)	(3,307)	(2,332)	(2,546)	0

AMOUNT RECOGNISED IN OTHER COMPREHENSIVE INCOME AND EXPENDITURE:

	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
	£000	£000	£000	£000	£000
Actuarial gains/(losses)	(1,171)	(973)	37	0	0
Cumulative actuarial gains and losses	(2,107)	(936)	37	0	0

History of experience gains and losses:

Experience gains and (losses) on liabilities	(1,574)	(114)	0	0	0
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ANALYSIS OF PROJECTED AMOUNT TO BE CHARGED TO THE CIES FOR THE YEAR TO 31 MARCH 2012

	31/03/2012	31/03/2012
	£000	%
Projected current cost	0	0.0%
Interest on obligation	210	100.0%
Past Service Cost	0	0.0%
	210	100.0%

The total contributions expected to be made to the Injury Gratuity Benefits Scheme by the Board in the year to 31 March 2012 is £nil.

HISTORY OF EXPERIENCE GAINS AND LOSSES

The actuarial gains identified as movements on the Injury Gratuity Benefits Scheme in 2010/11 can be analysed into the following categories, measured as a percentage of liabilities at 31 March 2011.

	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
Experience gains and (losses) on liabilities	40.5%	3.4%	0.0%	0.0%	0.0%

BASIS FOR ESTIMATING ASSETS AND 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 Gratuity Benefit Scheme liabilities have been assessed by rolling forward the value of the employer's liabilities reported as at the latest valuation for IAS19/FRS17 purposes, allowing for the different financial assumptions required under IAS19/FRS17.

	31/03/11	31/03/10
Mortality assumptions:		
<i>Longevity at 65 current pensioners:</i>		
Men	21.4 years	21.4 years
Women	24.4 years	24.4 years
<i>Longevity at 65 for future pensioners:</i>		
Men	22.3 years	22.3 years
Women	25.3 years	25.3 years
Inflation/Pension Increase Rate	2.7%	3.9%
Discount Rate	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum:	50.0%	50.0%

NOTE 33 - FINANCIAL INSTRUMENTS

THE FOLLOWING CATEGORIES OF FINANCIAL INSTRUMENT ARE CARRIED IN THE BALANCE SHEET:

	Long-term			Current		
	31/03/11	31/03/10	01/04/09	31/03/11	31/03/10	01/04/09
	£000	£000	£000	£000	£000	£000
Cash and Cash Equivalents						
Deposit Account with immediate call	0	0	0	0	1,546	1,313
Cash in Hand	0	0	0	0	1	0
Bank Overdraft	0	0	0	(592)	(572)	(269)
Overnight Borrowing	0	0	0	(70)	0	0
Total Cash and Cash Equivalents	0	0	0	(662)	975	1,044
Debtors						
Trade and Other Debtors	25	0	0	1,573	1,574	2,870
Total Debtors	25	0	0	1,573	1,574	2,870
Borrowings						
Financial liabilities at amortised cost	3,132	4,932	5,232	800	800	1,800
Total Borrowings	3,132	4,932	5,232	800	800	1,800
Creditors						
Trade and Other Creditors	0	0	0	2,506	2,804	2,889
Total Creditors	0	0	0	2,506	2,804	2,889

RECLASSIFICATIONS

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

INCOME, EXPENSE, GAINS AND LOSSES

	2010/11			2009/10		
	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	(178)	0	(178)	(227)	0	(227)
Losses on derecognition	(54)	0	(54)	(120)	0	(120)
Total expense in Surplus or Deficit on the Provision of Services	(232)	0	(232)	(347)	0	(347)
Interest income	0	4	4	0	5	5
Total income in Surplus or Deficit on the Provision of Services	0	4	4	0	5	5
Net gain/(loss) for the year	(232)	4	(228)	(347)	5	(342)

FAIR VALUES OF ASSETS AND LIABILITIES

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of 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 rate sheet number 126/11.
- 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 2011, using bid prices where applicable.

The fair values calculated are as follows

Liabilities	31/03/2011		31/03/2010	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	(3,932)	(4,247)	(5,732)	(6,538)

The fair value of the 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 2011 arising from a commitment to pay interest to lenders above current market rates.

Assets	31/03/2011		31/03/2010	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Loans and receivables	0	0	1,547	1,547
Long-term debtors	25	25	0	0

The fair value of the assets 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, cash imprests, and long term debtors.

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

NOTE 34 - 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 2011 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 31/03/11	Historical experience of Default	Adjustment for Market Conditions @ 31/03/11	Estimated Maximum Exposure to Default
	£000	%	%	£000
	a	b	c	(a * c)
Deposits with banks and financial institutions	0	0.00%	0.00%	0
Debtors	571	0.00%	0.00%	0
Total	571			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.

With the exception of one debt for £25k that is not payable until 2012/13 the Board does not generally allow credit for customers, such that all of the remaining £545k balance is past its due date for payment. The past due amount can be analysed by age as follows:

31/03/10		31/03/11
£000		£000
586	Less than three months	545
0	Three to six months	0
0	Six months to one year	0
0	More than one year	0
<u>586</u>		<u>545</u>

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:

31/03/10		31/03/11
£000		£000
800	Less than one year	800
1,300	Between one and two years	800
2,100	Between two and five years	800
1,500	More Than 5 Years	1,500
<u>5,700</u>		<u>3,900</u>

With the exception of one debt not receivable until 2012/13 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 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

31/03/10	31/03/11
£000	£000
15	15
Increase in interest payable on variable rate borrowings	
0	0
Increase in interest receivable on variable rate investments	
15	15
Impact on Surplus or Deficit on the Provision of Services	Impact on Surplus or Deficit on the Provision of Services

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

31/03/10	31/03/11
£000	£000
0	0
Decrease in interest payable on variable rate borrowings	
(3)	(3)
Decrease in interest receivable on variable rate investments	
(3)	(3)
Impact on Surplus or Deficit on the Provision of Services	Impact on Surplus or Deficit on the Provision of Services

As interest rates remain at an historic low the average interest rate receivable on variable rate investments in 2010/11 was only 0.24%. Under Perth & Kinross Council's treasury management policy the average interest rate on the Board's variable rate investments is fixed at 0.24% and will remain so until the base rate rises above 3%. Therefore, as the base rate was sitting at 0.5% for the duration of 2010/11 a 1% rise would have had no effect on the interest receivable. The impact of a 1% fall in interest rates would have been a negative base rate and the minimum rate payable under the Council's treasury management policy is 0.1%. This would have resulted in interest receivable on variable rate investments of £3k.

In addition, a 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.

FOREIGN EXCHANGE RISK

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

NOTE 35 - CONTINGENT LIABILITIES

At 31 March 2011, the Board had no material contingent liabilities.

NOTE 36 - CONTINGENT ASSETS

At 31 March 2011, the Board had no material contingent assets.

NOTE 37 - CASH FLOW FROM OPERATING ACTIVITIES

2009/10		2010/11
£000		£000
27,280	Cash paid to and on behalf of employees	21,857
3,645	Cash paid to suppliers of goods and services	4,319
0	Other operating cash payments	14
361	Interest Paid	241
<u>31,286</u>	Cash Outflows generated from operating activities	<u>26,431</u>
0	Grants	2,636
30,437	Requisitions from constituent councils	24,783
743	Other receipts from operating activities	268
17	Interest Received	4
1,731	Other income	0
<u>32,928</u>	Cash inflows generated from operating activities	<u>27,691</u>
<u>(1,642)</u>	Net Cash Flows from Operating Activities	<u>(1,260)</u>

NOTE 38 - CASH FLOW FROM INVESTING ACTIVITIES

2009/10		2010/11
£000		£000
2,156	Purchase of Property, Plant & Equipment	2,984
(59)	Proceeds from the sale of Prop, Plant & Equipment	(56)
(1,590)	Capital Grants and Contributions Received	(1,831)
(96)	Other Receipts from Investing Activities	0
<u>411</u>	Net Cash flows from Investing Activities	<u>1,097</u>

NOTE 39 - CASH FLOW FROM FINANCING ACTIVITIES

2009/10		2010/11
£000		£000
1,500	Cash Receipts from Short and Long Term Borrowing	0
(2,800)	Repayment of Short and Long Term Borrowing	(1,800)
<u>(1,300)</u>	Net Cash flows from Financing Activities	<u>(1,800)</u>

NOTE 40 – FIREFIGHTERS PENSION ACCOUNT

From 1 April 2010 the Scottish Government introduced a requirement for each Scottish Fire and Rescue Service to establish and maintain a Firefighters Pension Account in respect of the Firefighters Pension Schemes; to record the payments made and the income received in respect of firefighters' pensions.

The cost of employees' pension benefits are to be met from the Pensions Account. Funding come from a combination of employer and employee contributions to the account. The Pensions Account then bears the cost of all pension benefits payable, and the excess amount payable (deficit) is funded by a Scottish Government specific grant. In practice the specific 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. As at 1 April 2010 any amount held in the General Fund which was previously earmarked for the cost of future lump sum commutations is to be used as a contribution to the Firefighters Pension Account.

The transactions on the Firefighters Pension Account for 2010/11 are shown below.

Firefighters' Pension Account

	£000	2010/11 £000
Transfer in from General Fund at 1 April 2010 (Note 7)		(319)
<u>Contributions Receivable</u>		
Board Contributions:		
- Contributions Based on Pensionable Pay	(2,607)	
- Early Retirements	0	
- Ill Health Capital Equivalent Amounts	(56)	
Employees' Contributions	(1,413)	
Pensions Transferred In	(99)	
	<hr/>	(4,175)
<u>Benefits Payable</u>		
Pensions	5,628	
Commutations and lump sum retirement benefits	1,148	
Lump Sum Death Benefits	0	
	<hr/>	6,776
<u>Payments to and on Account of Scheme Leavers</u>		
Transfer Values Paid		56
		<hr/>
Sub-Total for the year before transfer from the General Fund of an amount equal to the deficit		2,338
Additional funding payable by the General Fund to meet the deficit		(2,338)
Net amount payable/receivable for the Year		<hr/> <hr/> 0

The deficit on the Pensions Account at 31 March 2011 was £2.338m. During the financial year the Board had received a specific grant of £2.690m from the Scottish Government and £2.338m of this was transferred to the Pensions Account at 31 March 2011 to meet the deficit. The remaining £0.352m was retained within the Board's General Fund and a creditor established to reflect the surplus funding repayable to the Scottish Government.

NOTE 41 – CHANGES IN ACCOUNTING POLICIES

The Accounting Code of Practice requires that, where some or all of an injury benefits depends on the length of service of an employee, the benefit should be accrued as that service is rendered. This requires projections by the actuary as to how many employees might have to retire through injury and the length of service they may have accrued at that time. For most actuaries this represents a change in the basis of calculating the Injury Benefit liability at 31 March 2011 and is therefore a change in accounting policy. Prior period adjustments have been made to make sure that, in the 2010/11 accounts, the 2009/10 comparative figures are consistent with the new accounting policy, and that the 1 April 2009, 31 March 2010 and 31 March 2011 Balance Sheets are all prepared on the same basis.

The effects of the restatement are as follows:

- i) At 1 April 2009 the value of the Injury Benefits Liability is restated upwards from £1.631m to £2.332m.
- ii) For the year to 31 March 2010 interest costs on the scheme are restated upwards from £0.104m to £0.151m and unrealised losses are restated upwards from £0.421m to £0.973m, which, coupled with the restatement applied at 1 April 2009, results in the closing liability being increased from £2.007m to £3.307m.
- iii) For the year to 31 March 2011, as a result of the increased opening liability, interest costs are restated upwards from £0.102m to £0.174m, past service costs are reduced from a credit of £0.364m to a credit of £0.618m, and the unrealised loss is reduced from £2.289m to £1.171m. The net effect of these movements, coupled with the restatements applied during 2009/10, is to produce an unchanged liability at 31 March 2011 of £3.886m.

The adjustments made to the Comprehensive Income and Expenditure Account are as follows:

<u>2009/10</u>	<u>Balance at</u> <u>31/03/10</u> <u>£000</u>	<u>Correction</u> <u>Required to</u> <u>Balance at</u> <u>31/03/10</u> <u>£000</u>	<u>Restated</u> <u>Amount</u> <u>at</u> <u>31/03/10</u> <u>£000</u>
Financing and Investment Income and Expenditure	10,280	47	10,327
Actuarial (Gains)/Losses on Pension Liability	67,827	553	68,380
Total Comprehensive Income and Expenditure	75,101	600	75,701

<u>2010/11</u>	<u>Balance at</u> <u>31/03/11</u> <u>£000</u>	<u>Correction</u> <u>Required to</u> <u>Balance at</u> <u>31/03/11</u> <u>£000</u>	<u>Restated</u> <u>Amount</u> <u>at</u> <u>31/03/11</u> <u>£000</u>
Net Cost of Services			
Non Distributed Costs	(18,565)	(254)	(18,819)
Financing and Investment Income and Expenditure	12,406	72	12,478
Actuarial (Gains)/Losses on Pension Liability	(20,505)	(1,118)	(21,623)
Total Comprehensive Income and Expenditure	(27,474)	(1,300)	(28,774)

The adjustments made to the Balance Sheet are as follows:

<u>1 April 2009</u>	<u>Balance at</u> <u>01/04/09</u> <u>£000</u>	<u>Correction</u> <u>Required to</u> <u>Balance at</u> <u>01/04/09</u> <u>£000</u>	<u>Restated</u> <u>Amount</u> <u>at</u> <u>01/04/09</u> <u>£000</u>
Employee Statutory Adjustment Account	1,631	701	2,332
Injury Benefits Gratuity Liability	(1,631)	(701)	(2,332)

<u>31 March 2010</u>	<u>Balance at</u> <u>31/03/10</u> <u>£000</u>	<u>Correction</u> <u>Required to</u> <u>Balance at</u> <u>31/03/10</u> <u>£000</u>	<u>Restated</u> <u>Amount</u> <u>at</u> <u>31/03/10</u> <u>£000</u>
Employee Statutory Adjustment Account	2,007	1,300	3,307
Injury Benefits Gratuity Liability	(2,007)	(1,300)	(3,307)

<u>31 March 2011</u>	<u>Balance at</u> <u>31/03/11</u> <u>£000</u>	<u>Correction</u> <u>Required to</u> <u>Balance at</u> <u>31/03/11</u> <u>£000</u>	<u>Restated</u> <u>Amount</u> <u>at</u> <u>31/03/11</u> <u>£000</u>
Employee Statutory Adjustment Account	3,886	0	3,886
Injury Benefits Gratuity Liability	(3,886)	0	(3,886)

The adjustments made on the Movement in Reserves Statement were as follows:

<u>31 March 2010</u>	<u>Balance at</u> <u>31/03/10</u> £000	<u>Correction</u> <u>Required to</u> <u>Balance at</u> <u>31/03/10</u> £000	<u>Restated</u> <u>Amount</u> <u>at</u> <u>31/03/10</u> £000
Employee Statutory Adjustments Account			
Opening Balance	(1,631)	(701)	(2,332)
Actuarial Loss	(421)	(552)	(973)
Reversal of Items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	45	(47)	(2)
Adjusted Closing Balance			<u>(3,307)</u>

<u>31 March 2011</u>	<u>Balance at</u> <u>31/03/11</u> £000	<u>Correction</u> <u>Required to</u> <u>Balance at</u> <u>31/03/11</u> £000	<u>Restated</u> <u>Amount</u> <u>at</u> <u>31/03/11</u> £000
Employee Statutory Adjustments Account			
Opening Balance	(2,007)	(1,300)	(3,307)
Actuarial Loss	(2,289)	1,118	(1,171)
Past Service Costs	364	254	618
Reversal of Items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	46	(72)	(26)
Adjusted Closing Balance			<u>(3,886)</u>

NOTE 42 - FIRST-TIME ADOPTION OF IFRS

These are the Board's first financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The date of transition to IFRS is 1 April 2009.

The Board's IFRS accounting policies presented in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2011, the comparative information and the opening statement of financial position at the date of transition.

The Board has applied the IFRS 1 First-time Adoption of International Financial Reporting Standards in preparing these first IFRS compliant financial statements, except in cases where interpretations or adaptations to fit the public sector, have been prescribed by the Code of Practice on Local Authority Accounting (The Code). Material differences between amounts presented under the SORP 2009 and the IFRS-based Code are explained below.

NOTE 42A - GOVERNMENT GRANTS

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a result of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- A The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- B Capital grant received but spent on non-operational Assets Under Construction was treated as unapplied and shown under Capital Grants Unapplied within the liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised as spent in full, and transferred to the Capital Adjustment Account within the reserves section of the Balance Sheet.
- C The balance on the Unused Capital Receipts Reserve at 31 March 2009 has been transferred to the Capital Grants Unapplied Account in the opening 1 April 2009 Balance Sheet.
- D Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- E Capital Grant received was previously recognised as an increase to Capital Grants Unapplied within the liabilities section of the Balance Sheet and transferred to Capital Grants Deferred when it was spent on operational assets. This grant has now been credited to Taxation & Non-Specific Grant Income within the CIES.

These have resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000	Note (above)
Government Grants Deferred Account	6,637	(6,637)	A
Capital Adjustment Account	7,864	7,643	A,B
Capital Grants Unapplied Account	1,006	(965)	B,C
Unused Capital Receipts Reserve	41	(41)	C

31 March 2010 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000	
Government Grants Deferred Account	8,040	(8,040)	A
Capital Adjustment Account	7,814	8,652	A,B
Capital Grants Unapplied Account	612	(575)	B,C
Unused Capital Receipts Reserve	37	(31)	C

2009/10 General Fund Summary

	2009/10 Statements £000	Adjustments Made £000	
Fire Fighting Services	(676)	676	D
Taxation & Non-Specific Grant Income	(29,711)	(1,686)	E

There is no change to the General Fund balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

NOTE 42B - SHORT TERM ACCUMULATING COMPENSATED ABSENCES

Short-term accumulating compensated absences is the name given to the benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Board. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Board is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

Regulations have been issued that mean the Board is only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000
Short Term Creditors	(2,748)	(170)
Accumulated Absences Account	0	170

31 March 2010 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000
Short Term Creditors	(2,668)	5
Accumulated Absences Account	0	(5)

2009/10 General Fund Summary

	2009/10 Statements £000	Adjustments Made £000
Firefighting Services	26,441	165

TAYSIDE FIRE AND RESCUE BOARD

Draft Independent auditors' report to the members of Tayside Fire and Rescue Board and the Accounts Commission for Scotland

We certify that we have audited the financial statements of Tayside Fire and Rescue Board (the Board) for the year ended 31 March 2011 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, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010/11 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Treasurer and Auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2010/11 Code of the state of the affairs of the Board as at 31 March 2011 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 2010/11 Code; and

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

Opinion on other prescribed matters

In our opinion:

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Henderson Loggie
Chartered Accountants
Registered Auditors
Royal Exchange

Panmure Street

Dundee

DD1 1DZ

31 August 2011

GLOSSARY

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

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 (e.g. cash and stock);
- 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 community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Board's financial affairs.

BALANCE SHEET

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

BUDGET

The forecast of net revenue and capital expenditure over 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 PROGRAMME

The capital schemes the Board intends to carry out over a specific period of time.

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.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

The revenue account of the Board that reports the net cost for the year of the functions for which it is responsible and demonstrates 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 COUNCIL

The local councils who provide funding to the Board and also provide Board Membership, leadership, and direction. There are three constituent councils that the Board serves: 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.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

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.

DEFERRED CHARGES

Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

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.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Board's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Board's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

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.

FINANCE LEASE

A lease that transfers substantially all of the risks and rewards of ownership of a non current asset to the lessee.

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.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Board's intangible assets comprise computer software licences.

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.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

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

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or mis-stated, 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.

NET DEBT

The Board's borrowings less cash and liquid resources.

NON CURRENT ASSET

These are assets from which the Board will derive economic benefits over a period of more than 1 year.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services.

NON-OPERATIONAL ASSETS

Non current assets held by the Board but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the non current asset remains with the lessor.

OPERATIONAL ASSETS

Non current assets held and occupied, used or consumed by the Board in the pursuit of its strategy and in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

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.

PUBLIC WORKS LOAN BOARD (PWL B)

A Central Government Agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the government can borrow itself.

RELATED PARTIES

There is a detailed definition of related parties in FRS 8. For the Board's purposes related parties are deemed to include the Board's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Statement Of Recommended Practice requires the disclosure of any material transactions between the Board and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

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.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

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.

REVENUE SUPPORT GRANT

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

STOCKS

Items of raw materials and stores an 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.

USEFUL ECONOMIC LIFE (UEL)

The period over which the Board will derive benefits from the use of a non current asset.

WORK IN PROGRESS (WIP)

The cost of work performed on an uncompleted project at the balance sheet date.