



TAYSIDE FIRE AND RESCUE BOARD

STATEMENT OF ACCOUNTS

2009/10

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SECTION 1

TAYSIDE FIRE AND RESCUE BOARD

MEMBERS AND OFFICIALS 2009/10

Convener

Councillor Ken Lyall (Perth & Kinross)

Vice Conveners

Councillor John Whyte (Angus)

Councillor C Roberts (Dundee)

Appointed Members

Angus Council

Councillor H Oswald

Councillor D Fairweather

Councillor R Myles

Councillor S West – resigned 4 November 2009

Councillor P Valentine – appointed 5 November 2009

Dundee City Council

Bailie R Wallace

Bailie H Wright

Councillor D Bowes

Councillor A Dawson

Councillor E Fordyce

Councillor R McCready

Perth & Kinross Council

Councillor A MacLellan

Councillor P Mulheron

Councillor D Scott

Councillor L Simpson

Councillor A Stewart

Officials

Chief Fire Officer – Mr S Hunter

Treasurer – Mr J Symon ACA (Perth & Kinross Council)

Clerk – Mrs G Taylor MBA (Perth & Kinross Council)

SECTION 2

EXPLANATORY FOREWORD

2.1 Introduction

The expenditure incurred by the Tayside Fire and Rescue Board (the Board) is made up of two elements: revenue expenditure and capital expenditure. Revenue expenditure relates to the day to day running costs of the Board whereas capital expenditure relates to the purchase, building or improvement of physical assets where the benefit to the Board extends beyond one year (e.g. the acquisition of land and buildings or the enhancement or replacement of vehicles).

This foreword is presented as a commentary on the Board's overall financial position as shown within the Statement of Accounts for 2009/10 and contains explanations of the major influences on the Board's income, expenditure and cash flow.

2.2 Accounting Policies

The Statement of Accounting Policies sets out the basis upon which the financial statements have been prepared and explains the accounting treatment of both general and specific items. The Board has adopted the accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authorities (Scotland) Accounts Advisory Committee (LA(S)AAC). The accounting policies and estimation techniques have been reviewed for 2009/10 to ensure that the accounts present a true and fair statement of the financial performance and position of the Board.

2.3 The Financial Statements

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

- (a) **The Income and Expenditure Account** - this summarises the resources that have been generated and consumed in providing services and managing the Board during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the projected real value of retirement benefits earned by employees in the year.
- (b) **The Statement of Movement on the General Fund Balance** - this statement provides the link between the Income and Expenditure Account (prepared under UKGAAP) and statutory/non-statutory proper accounting practice (i.e. the amounts that require to be charged or credited to the General Fund). This statement also identifies the surplus or deficit for the year and the balance carried forward to the next financial year.
- (c) **The Statement of Total Recognised Gains and Losses** - this statement brings together all the gains and losses of the Board for the year and shows the aggregate increase or decrease in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the costs of retirement benefits.
- (d) **The Balance Sheet** - this details the overall financial position of the Board as at 31 March 2010.
- (e) **The Cash Flow Statement** - this summarises the inflows and outflows of cash arising from both revenue and capital transactions during the year.

The Notes to the Statements are intended to give the reader further information which is not separately detailed in the financial statements.

2.4 Tayside Fire and Rescue Board Financial Arrangements – Revenue and Capital Budget

The Board approved a revenue budget of £29.233m for 2009/10 of which £29.067m was to be requisitioned from the constituent Councils in line with previously determined percentages, with the remaining £0.166m to be funded from a combination of efficiency savings and the Board's General Fund.

The constituent Councils' pre-determined percentages are as follows:-

| | |
|-----------------|-----|
| Angus | 19% |
| Dundee City | 52% |
| Perth & Kinross | 29% |

The percentage split was determined following analysis of the Board's actual expenditure within the constituent Council boundaries and reflects the location of the Board's full-time and part-time Fire Stations. The Councils are requisitioned for the appropriate amounts during the financial year.

Separate arrangements are in place with regard to capital expenditure. The Board is required by regulation to have regard to the Prudential Code for Capital Finance in Local Authorities ("the Code") when carrying out its duties under Part 7 of the Local Government in Scotland Act 2003. The Code permits the Board to fund capital expenditure through capital grant and from any other source, subject to agreed prudential limits. The Scottish Government notified the Board that the level of capital grant receivable in 2009/10 was £1.589m and the Financial Plan was formulated in line with this.

2.5 Revenue Expenditure - Major Financial Variances

Note 6.3 to the accounts presents the Income and Expenditure Account using a format similar to that adopted by the Board in preparing the revenue budget. The major financial variances identified in this note are summarised below.

| | 2009/10 Budget £000 | 2009/10 Actual £000 | Variance £000 |
|-----------------------------|------------------------------------|------------------------------------|--------------------------|
| Staff Costs | 21,621 | 22,705 | 1,084 |
| Running Costs | 5,119 | 5,243 | 124 |
| Income | (194) | (341) | (147) |
| Net Cost of Services | 26,546 | 27,607 | 1,061 |

Staff Costs – Overspend £1.084m

This overspend arose partly as a result of backdated pension commutation payments of £460k becoming payable during 2009/10 due to a change in legislation, and an HMRC Unauthorised Payment Charge thereon (£184k). The total amount (£644k) was funded by the constituent authorities by way of a supplementary requisition.

In addition the costs of pension commutations paid to legacy firefighters retiring in 2009/10 was £783k. Although funding for these commutations is received in the years the individuals become eligible to retire the actual cost is charged to the Income & Expenditure Account in the year they actually retire. Therefore, in the year of retiral the commutation costs produce an overspend on the Income & Expenditure Account, but this is funded by previous years' unused funding having been set aside or "earmarked" within the General Fund balance (see Note 6.2). All pre-existing legacy retirees retired in 2009/10.

As at 31 March 2010 five firefighters who were eligible to retire in 2009/10 had elected not to. Therefore they have become legacy retirees for future years and the funding received this year for their commutations, which represents a saving, has been added to the General Fund and set aside (£319k). Note 6.2 refers to this.

Other overspends within Staff Costs included:

- pension transfers in respect of personnel moving to other Fire and Rescue authorities for which no provision is made in the budget (£482k);
- an overspend on firefighters' pension and injury payments (£171k);
- an increase in pension commutations paid due to staff promotions, etc. (£65k);
- payments to Retained firefighters (£222k) because of reduced slippage and increased training costs; and
- an overspend on Assessment and Development Centres for staff training (£59k).

Additionally there were a number of underspends as follows:

- additional staff vacancies and other slippage (£397k);
- an underspend on the costs of ill-health retirements due to fewer employees having to take ill-health retirement than was originally budgeted (£372k); and
- other staff cost savings (£20k).

Finally, a statutory adjustment made under FRS17 Retirement Benefits removes actual pension costs charged in the year and replaces them with an actuarial estimation of the cost as adjusted for the time-value of money. This adjustment had the net effect of removing £234k of pension costs and this represents a further saving to services.

Running Costs - Overspend £124k

Running costs comprise revenue expenditure incurred through the normal course of business on land and property, supplies and services, transport payments and other corporate items.

The overspend during the year was mainly as a result of:

- increased expenditure on property related matters (£82k),
- greater than budgeted expenditure on Service Level Agreement arrangements (£38k),
- greater than budgeted expenditure on radio and telephony communications (£16k),
- increased expenditure on fuel due to continuing high fuel prices (£24k),
- increased spending on operational equipment and hydrants (£27k),
- greater than budgeted expenditure on travel and subsistence (£36k),
- other costs (£3k).

Offset by:

- a saving on ICT expenditure due to a major supplier agreeing to waive a fee for 2009/10 (£102k),

Income – Above Target by £147k

The Board places personnel in other organisations which are then recharged for costs. An estimate is made of how many people are likely to fall into this category and the budget set accordingly. The recharge income for 2009/10 was £114k more than that originally budgeted for.

In addition, pension transfer income was £246k above the amount budgeted for, and other income sources generated an extra £33k, mainly from licensing and charging for services. Pension contributions fell below target by £12k and the statutory actuarial adjustment carried out under FRS17 (Retirement Benefits) for pension costs removed a further £234k.

2.6 Capital Expenditure – Analysis of Expenditure

Capital expenditure is controlled by The Prudential Code for Capital Finance in Local Authorities (“The Code”). The Code allows the Board to set its own borrowing limit. Capital expenditure incurred prior to the introduction of the Code continues to be financed by existing borrowing with the resulting capital financing costs being met from the revenue budget over the anticipated life of the asset.

The Scottish Government issues an annual capital grant to the Board which can be increased by successful bids for additional funding. The Capital Expenditure Plan for 2009/10 was formulated within the total funding made available and totalled £1.589m. It included provision for:

- the construction of a training facility at Macalpine Road Fire Station, Dundee,
- the construction of a resource centre at Headquarters,
- the construction of various fire fighting appliances,

- the continuation of the ancillary vehicle replacement policy,
- the replacement of all operational BA (Breathing Apparatus) kit,
- further investment in ICT infrastructure.

During the financial year the capital grant received was augmented from various funding sources as detailed below:

| 2008/09 Available Funding £000 | | 2009/10 Available Funding £000 |
|---|--|---|
| 35 | Previous Year's Unutilised Capital Grant Brought Forward | 41 |
| 1,608 | Capital Grant Received in Year | 1,589 |
| (41) | Unutilised Capital Grant Carried Forward | (37) |
| <hr/> 1,602 | Total Capital Grant Spent | <hr/> 1,593 |
| 5 | Other Capital Contributions | 93 |
| 191 | Capital Financed from Current Revenue (CFCR) | 375 |
| 32 | Sales Proceeds from Disposal of Assets | 59 |
| <hr/> 1,830 | Total Capital Funding Utilised During Year | <hr/> 2,120 |

Actual capital/CFCR expenditure of £2.120m incurred during the year was spent as follows:

- the completion of three front-line rescue pumps; the completion of an aerial rescue pump and the continuation of construction of another one; the purchase of two rescue pumps chassis to enable construction to commence in 2010/11; and the purchase of other ancillary/firefighting support vehicles; all totalling £0.835m,
- the construction of a training facility at Macalpine Road, Dundee and a Resource Centre at Headquarters; the completion of an extension and general upgrade to existing facilities at Blairgowrie; and the commencement of a major refurbishment of premises at Perth Fire Station; all totalling £0.962m,
- the development of an asset management system £0.106m,
- the purchase of operational equipment and protective equipment totalling £0.069m,
- investment in ICT infrastructure totalling £0.064m,
- various other capital works totalling £0.084m.

2.7 FRS17 Retirement Benefits – Pension Fund Liability

With effect from 6 April 2006 operational staff are only eligible to join the New Firefighters Pension Scheme (“the New Scheme”). Entry to the pre-existing Firefighters Pension Scheme (“the Old Scheme”) was closed to new entrants on that date. The retirement benefits of members in the Old Scheme will remain preserved in the Old Scheme.

Support staff and Command and Control personnel are eligible to join the Local Government Pension Scheme.

FRS17 requires bodies to fully disclose the impact of retirement benefit liabilities on their operations. The Standard requires disclosure of the full effect of any pension surplus or deficit arising on a body's pension fund. This is to be done by accounting for the surplus or deficit as an asset or liability on the face of the balance sheet. The Code of Practice on Local Authority Accounting in the United Kingdom also allows the Board to offset this asset or liability by the creation of a pensions reserve on the balance sheet.

To comply with the requirements of FRS17 an assessment of the cost, income, assets and liabilities attributable to the Board as at 31 March 2010 was provided by an independent actuary for the Old Firefighters Pension Scheme, the New Firefighters Pension Scheme and the Local Government Pension Scheme. The Local Government Pension Scheme was measured on the basis of the last triennial actuarial valuation carried out as at 31 March 2008 and adjusted for all known movements since then.

As a result a Pensions Fund liability of £222.9m is disclosed on the balance sheet as at 31 March 2010 (31 March 2009: £148.3m). This is matched by a Pensions Reserve with a balance of £222.9m (31 March 2009:

£148.3m). The significance of this liability is that if every member of the pension scheme were to retire from the service on 31 March 2010 the net liability to the Board in terms of pension benefits accrued to that date, as measured by independent actuarial valuation, would be £222.9m.

In addition an assessment of the cost and liabilities attributable to the Board's injury pension commitments as at 31 March 2010 was provided by the same actuary.

As a result an injury pensions liability of £2.0m is disclosed on the balance sheet as at 31 March 2010 (31 March 2009: £1.6m). This is matched by the Employee Statutory Adjustment Account with a balance of £2.0m (31 March 2009: £1.6m).

2.8 Reserves Strategy

In determining medium term financial plans and preparing budgets the Board needs to consider the establishment and maintenance of reserves in accordance with its statutory powers. Reserves can be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and to avoid unnecessary temporary borrowing – this forms part of the General Fund.
- A contingency to cushion the impact of unexpected events or emergencies – this also forms part of the General Fund.
- A means of building up funds to meet known or predicted liabilities. Funding that will be required to settle these known events in the future can be built up in the General Fund and earmarked for this specific purpose.

Fire and Rescue Boards are permitted by statute to make a contribution to their reserves in-year of an amount not greater than 3% of the total authorities' requisitions received for that year, and retain a maximum cumulative uncommitted balance within their General Fund of 5% of the total authorities' requisitions received for that year. This excludes the amount earmarked against future pension commutation liabilities for legacy retirees.

The total requisition received from authorities during 2009/10 was £29.711m. The year-end position for 2009/10 reflected expenditure of £0.608m in excess of these constituent authority requisitions and therefore this amount was funded from the General Fund. This resulted in a General Fund balance at 31 March 2010 of £1.245m. Under the reserves strategy £0.319m is earmarked against known future pension commitments and this will leave an uncommitted balance on the General Fund at 31 March 2010 of £0.926m. This is tabulated in Note 6.2.

As stated above the total requisition received from authorities during 2009/10 was £29.711m. The General Fund balance as at 31 March 2010, excluding amounts earmarked against future pension commutation liabilities for legacy retirees (£0.319m), is £0.926m and this represents 3.1% of total requisitions received. This is within the approved limit of 5%.

2.9 Significant Future Developments

i) Public Sector Spending Reductions.

The next few years promise to be particularly challenging as the Board adapts to the changing financial environment. Significant reductions in resources are anticipated and it will be a challenge for the Board's staff to ensure that the impact on service delivery is minimised during the difficult times ahead.

ii) New Firefighters Pension Arrangements

In July 2008 Cabinet Secretaries agreed to a reform of the financial arrangements for Fire Service pensions in Scotland. The new arrangements will be effective from 1 April 2010. The main changes being introduced are:

- The introduction of a fixed percentage employer's contribution to reflect the costs to the Service of providing the schemes, based on an agreed percentage of pensionable pay derived from regular actuarial valuations of the schemes.

- The employer's contribution will replace the net pension costs that are payable from the general fund at present.
- Pension accounts will be set up by each Service, completely separate from the Service's General Fund. Statutory provision will determine what payments shall be permitted to be made into, and out of, the Pension account.
- Those amounts held within General Fund balances at 31 March 2010 for pension liabilities, excluding pension reserves, will be transferred into the Pension account on 1 April 2010.
- All specific pension payments will be made from the Pension account and not the Service's General Fund as is currently the case.
- The Scottish Government will reimburse each Service for any deficit on its Pension account at the end of the financial year.
- Therefore, from 1 April 2010 the only charge to the Service for pension costs will be the employer's contribution and a one off capital equivalent charge (strain on the fund payment) for those retiring for ill-health reasons.

2.10 Events after the Balance Sheet Date

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that future public sector pension increases should be based on the consumer prices index rather than the retail prices index. This will have a material effect on the Board's future financial position and the likely effect of this is presented in Note 6.21.

2.11 Acknowledgements

I would like to thank the Chief Fire Officer and his staff for the effective management of the Board's finances in what continues to be an extremely challenging environment. I would also wish to thank all staff who have been involved in the preparation of Tayside Fire and Rescue Board's Statement of Accounts for 2009/10.

J Symon ACA
Treasurer
28 June 2010

SECTION 3

STATEMENT OF ACCOUNTING POLICIES

3.1 General

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2009 (the 2009 SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LA(S)AAC).

The Accounts are intended to present a true and fair statement of the financial position and transactions of the Board and have been prepared in accordance with the fundamental accounting principles of relevance, reliability, comparability, understandability and materiality. The financial statements, other than the Cash Flow Statement, have been prepared on an historic cost basis modified by the revaluation of certain categories of fixed assets. Amounts, other than those in the Cash Flow Statement, are included on an accruals basis and the primacy of legislative requirements has been recognised.

Tayside Fire and Rescue Board, as the combined Fire Authority for Tayside, has statutory responsibilities under the Fire (Scotland) Act 2005 and is a 'going concern' (refer to para 3.13).

3.2 Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. Land, operational properties, vehicles and equipment have been included in the balance sheet at the lower of net current replacement cost or net realisable value. Non-operational assets (assets under construction) are included at the cost incurred to bring them to their present state of completion as at 31 March 2010.

The asset values in the accounts are based upon an estimate of the net value after allowing for depreciation. Any additions are included in the accounts at their cost of acquisition.

3.3 Depreciation

Depreciation is provided on all assets with a finite useful life that can be determined at the time of acquisition or revaluation. Provision is made on a straight-line basis at rates that are calculated to write off the costs or valuation less estimated residual value of each asset over their remaining estimated useful lives. The useful lives used for each class of asset are detailed below.

Specific components of buildings are treated as having different useful lives for the purpose of depreciation. An independent expert opinion is sought every five years as to the expected useful life of each building and its component parts. Depreciation is then provided over that period, or in the absence of such a professional opinion over the following useful lives:

| | |
|---------------|----------|
| Main Building | 20 years |
| Drill Towers | 20 years |
| Wiring | 20 years |
| Windows | 20 years |
| Heating | 15 years |
| Pitched roof | 20 years |
| Flat roof | 15 years |

- The estimated useful lives of vehicles range from 3 to 15 years.
- The estimated useful lives of equipment range from 3 to 15 years.

3.4 The Basis of Charges made to the Income and Expenditure Account for Fixed Assets

In determining the Net Cost of Services, fixed asset depreciation is charged to the Income and Expenditure Account along with, where required, any related impairment loss due to a clear consumption of economic benefits.

An adjustment is then made through the Statement of Movement on the General Fund Balance to remove the effect of the depreciation charge and impairment losses. Legislation requires that these be excluded when determining the movement on the General Fund balance for the year.

A further adjustment is then made through the Statement of Movement on the General Fund Balance to include Loans Fund principal repayments as the 2009 SORP requires that these be excluded from the Income and Expenditure Account, but included when determining the movement on the General Fund balance for the year.

3.5 Reserves

The Board has established seven reserves:

- the General Fund,
- the Pensions Reserve,
- the Employee Statutory Adjustment Account,
- the Revaluation Reserve,
- the Capital Adjustment Account,
- the Financial Instruments Adjustment Account,
- the Capital Receipts Reserve.

The General Fund was introduced in 2002/03 following the introduction of the facility to carry forward revenue balances contained within the Police and Fire Services (Finance) (Scotland) Act 2001. It can be used to fund future budget pressures and known future commitments as and when they arise. A part of it is currently earmarked for these purposes.

The Pension Reserve was introduced in 2003/04 to comply with the requirements of FRS17 Retirement Benefits.

The Employee Statutory Adjustment Account was introduced in 2009/10 to comply with the adoption of a new Statutory Instrument regarding the treatment of injury pension liabilities. Injury pension liabilities had previously been included in the Pension Reserve but these liabilities are now required to be shown separately.

The Revaluation Reserve and Capital Adjustment Account were established in 2007/08 and, along with the Capital Receipts Reserve, comply with local authority capital accounting rules and are only used for this specific purpose.

The Financial Instruments Adjustment Account was introduced in 2007/08 to comply with the requirements of FRS25, FRS26 and FRS29 on Financial Instruments.

3.6 Basis of Funding and Charging for Capital

For accounting periods commencing on or after 1 April 2004 capital expenditure is primarily financed by way of a capital grant receivable on an annual basis from the Scottish Government, or from Capital Expenditure Financed from Current Revenue (CFCR).

For capital expenditure incurred prior to 1 April 2004 the Board borrowed from external sources and this borrowing continues to be managed through Perth & Kinross Council's Consolidated Loans Fund (CLF). The Council's CLF made advances to the Board to finance capital expenditure and then makes charges in respect of principal repayments, interest and debt management expenses.

3.7 Receipts from the Sale of Capital Assets

Capital receipts arising from the sale of assets are applied to increase the level of capital expenditure.

3.8 Revenue and Capital Transactions

Revenue and capital transactions are included in the accounts on an accruals basis, they are recognised as they are earned or incurred, not as money is received or paid.

3.9 Revenue and Capital Debtors and Creditors

All specific and material sums payable to and due by the Board as at 31 March 2010 have been brought into account. All salaries and wages payable up to 31 March 2010 are included in the Statement of Accounts for that year, irrespective of when actual payments were made. Sundry creditors and debtors include all specific accruals in respect of further material items.

3.10 Stores and Work in Progress

Stock balances are included in the balance sheet on an average cost basis. This does not comply with Statement of Standard Accounting Practice (SSAP) 9 "Stocks and Long Term Contracts" which states that the value at which stocks should be included in the financial statements is the lower of cost and net realisable value. This departure from standard accounting practice is immaterial to the presentation of the Board's financial position.

3.11 Insurance

Expenditure included in the Statement of Accounts relates to premiums paid, policy excesses and the settlement of claims.

3.12 Pensions

The Board participates in three pension schemes which provide members with defined benefits related to pay and service. The Board also provides an injury benefits scheme to all uniformed employees, whether they are members of the formal pension schemes or not. This scheme is considered to constitute a "retirement benefit scheme" and as such is treated in the same way as the formal schemes.

The schemes are as follows:-

i) Schemes Applicable to Uniformed Firefighters

There are two pension schemes applicable to uniformed firefighters. The Old Firefighters Pension Scheme ("the Old Scheme") was closed to new entrants on 6 April 2006 and existing members at that date can choose to remain in the Old Scheme on a preserved basis. The Old Scheme is unfunded and the charge to the accounts represents the net cost of pensions and other benefits after allowing for contributions made by employees for the year.

The New Scheme was established on 6 April 2006 and is available to all Retained and Full-time uniformed firefighters from that date. The New Scheme is unfunded and the charge to the accounts represents the net cost of pensions and other benefits after allowing for contributions made by employees for the year.

ii) Schemes Applicable to Other Employees

Other employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme (Tayside Superannuation Fund). The Board currently pays an employer's contribution of 18.5% of employees' pensionable pay into the Fund. All pension payments to eligible staff are met from this fund. The attributable assets of the scheme are measured at fair value.

Employer contribution rates are reviewed periodically to ensure that contributions are set at a level intended to balance pension liabilities with the Board's share of the Fund's investment assets.

iii) Injury Benefits Scheme

All uniformed employees, irrespective of whether they are a member of another 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. The Scheme is unfunded and the charge to the accounts represents the cost of awards and other benefits made during the year.

3.13 Going Concern

The balance sheet at 31 March 2010 shows net liabilities of £205.9m. This net liability position reflects the inclusion of net pension liabilities and injury benefit liabilities of £224.9m falling due in future years and arising from the application of FRS 17. 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.

3.14 Grants

Government grants are treated on an accruals basis and, in the case of capital grants, income has been credited to a Government Grants Deferred Account to be written off over the useful life of the associated asset.

3.15 Leases

The Board holds no assets under finance leases.

In the case of assets held under operating leases leasing costs are charged evenly to revenue over the period of the lease.

3.16 Valuation of Financial Instruments

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. This means the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest, and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the early settlement of borrowing are credited or debited to Net Operating Expenditure in the Income and Expenditure Account in the year of settlement.

Financial Assets

Loans and receivables are assets that have fixed or determinable payment but are not quoted in an active market. Other than a short-term temporary investment account with Perth & Kinross Council the Board has no financial assets that fall under this category. The amount presented in the Balance Sheet is the outstanding investment account balance measured at fair value and carried at its amortised cost.

3.17 Provisions

The Board is required to provide for all known liabilities where the Board has a present obligation as a result of a past event, where an outflow of economic benefits is probable and where a reasonable estimate can be made of the amount that will be paid.

Provision has been made for those events that comply with these criteria. In all cases the level of provision is based on experience and all provisions are explained in the Notes to the Core Financial Statements

3.18 Prior Period Adjustment

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures for the preceding period and adjusting the opening balance of reserves.

During 2009/10 a statutory instrument was issued that no longer permits the injury element of pension payments to be accounted for as part of the Pensions Reserve. Therefore, the figures for the Firefighters Pension Scheme, including comparative figures, have been restated to remove injury benefits and these have been transferred to a new Employee Statutory Adjustment Account as permitted under the statutory instrument.

The effect of this has been to reduce the opening balance on the Firefighters Pension Scheme as at 1 April 2008 by £1.636m and to create a new Employee Statutory Adjustment Account on the same date with an opening balance of £1.636m. These balances have been derived by an independent actuarial valuation carried out during 2009/10 and injury benefits will continue to be subject to an annual actuarial valuation in common with the formal pension schemes. Transactions during 2008/09 resulted in a reduction in the Employee Statutory Adjustment Account of £5k and a resultant opening balance for 2009/10 of £1.631m.

SECTION 4

TAYSIDE FIRE AND RESCUE BOARD

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Fire and Rescue Board's Responsibilities

The Fire and Rescue Board is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For Tayside Fire and Rescue Board that officer is the Treasurer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Board's statement of accounts in accordance with proper practices as set out in the CIPFA/LA(S)AAC Code of Practice on Local Authority Accounting in the United Kingdom ("the SORP").

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 local authority SORP.

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 statement of accounts presents a true and fair view of the financial position of the Board at the accounting date and its income and expenditure for the year ended 31 March 2010.

J Symon ACA
Treasurer
28 June 2010

SECTION 5

CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2010

This account summarises the resources that have been generated and consumed in providing services to our communities and managing the Board during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

| Previous Year Net Expenditure £000 | Notes | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
|---|--|------------------------------|-------------------------|----------------------------|
| 484 | Community Fire Safety | 883 | 0 | 883 |
| 26,982 | Fire Fighting and Rescue Operations | 26,782 | (341) | 26,441 |
| 133 | Fire Service Emergency Planning and Civil Defence | 122 | 0 | 122 |
| 116 | Corporate & Democratic Core | 127 | 0 | 127 |
| 87 | Non Distributed Costs | 34 | 0 | 34 |
| 27,802 | Net Cost of Services | 27,948 | (341) | 27,607 |
| | <i>6.3</i> | | | |
| 440 | Interest Payable and Similar Charges | | | 347 |
| (10) | Gain on Disposal of Fixed Assets | | | (44) |
| (53) | Interest and Investment Income | | | (5) |
| 10,002 | Pension Interest Cost and Expected Return on Pensions Asset | | | 9,938 |
| | <i>6.4.3</i> | | | |
| 38,181 | Net Operating Expenditure | | | 37,843 |
| | <u>Constituent Council Requisitions</u> | | | |
| (5,632) | Angus Council | | | (5,646) |
| (15,414) | Dundee City Council | | | (15,449) |
| (8,597) | Perth & Kinross Council | | | (8,616) |
| (29,643) | | | | (29,711) |
| 8,538 | Deficit for Financial Year | | | 8,132 |

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

FOR THE YEAR ENDED 31 MARCH 2010

The Income and Expenditure Account shows the Board's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Board is required to utilise funding on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Board's spending against the funding that it received for the year, taking into account the use of reserves built up in the past and contributions to funds and reserves.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

| 2008/09 | | <i>Notes</i> | 2009/10 |
|----------------|--|--------------|----------------|
| £000 | | | £000 |
| 8,538 | Deficit for the Year on the Income and Expenditure Account | | 8,132 |
| (8,555) | Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year | 6.1 | (7,524) |
| (17) | Decrease/(Increase) in the General Fund Balance for the Year | | 608 |
| (1,836) | General Fund Balance brought forward | | (1,853) |
| (1,853) | General Fund Balance carried forward | 6.2 | (1,245) |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 MARCH 2010

This statement brings together all the gains and losses of the Board for the year and shows the aggregate increase or decrease in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the costs of retirement benefits.

| 2008/09 | | 2009/10 |
|-----------------|--|----------------|
| £000 | | £000 |
| 8,538 | Deficit for the year on the Income and Expenditure Account | 8,132 |
| (10,442) | Surplus arising on revaluation of fixed assets | 0 |
| (10,434) | Actuarial movement on pension fund assets and liabilities (note 6.4.4) | 67,984 |
| (41) | Other gains and losses required to be included within the SORP | 0 |
| (12,379) | Total recognised (gains)/losses for the year | 76,116 |

BALANCE SHEET

AS AT 31 MARCH 2010

| 31 March 2009 (Restated) £000 | <i>Notes</i> | 31 March 2010 £000 |
|--|--|--------------------------|
| Tangible Fixed Assets | | |
| 26,672 | Land and Buildings | 26,423 |
| 5,769 | Vehicles, Plant, Furniture and Equipment | 6,453 |
| 1,108 | Non Operational: Assets Under Construction | 715 |
| 0 | : Surplus Assets | 4 |
| 33,549 | Total Fixed Assets | 33,595 |
| Current Assets | | |
| 127 | Stocks and Stores | 132 |
| 2,870 | Debtors | 1,574 |
| 1,313 | Cash and Bank | 1,547 |
| 4,310 | Total Current Assets | 3,253 |
| Current Liabilities | | |
| 1,800 | Short -Term Borrowing | 800 |
| 2,748 | Creditors | 2,668 |
| 269 | Bank Overdraft | 572 |
| 4,817 | Total Current Liabilities | 4,040 |
| (507) | Total Net Current Liabilities | (787) |
| 33,042 | Total Assets less Current Liabilities | 32,808 |
| Long Term Liabilities | | |
| (5,232) | Long-Term Borrowing | (4,932) |
| 0 | Provisions | (190) |
| (6,636) | Government Grants – Deferred | (8,040) |
| (1,006) | Government Grants - Unapplied | (612) |
| (148,291) | Defined Benefit Pension Scheme Liability | (222,897) |
| (1,631) | Other Retirement Benefits Liability | (2,007) |
| (162,796) | Total Long Term Liabilities | (238,678) |
| (129,754) | Total Net Liabilities | (205,870) |
| Financed by: | | |
| 1,853 | General Fund | 1,245 |
| 7,864 | Capital Adjustment Account | 7,814 |
| 10,442 | Revaluation Reserve | 9,970 |
| 41 | Capital Receipts Reserve | 37 |
| (32) | Financial Instruments Adjustment Account | (32) |
| (148,291) | Pensions Reserve | (222,897) |
| (1,631) | Employee Statutory Adjustment Account | (2,007) |
| (129,754) | Total Net Worth | (205,870) |

The unaudited accounts were issued on 28 June 2010 and the audited accounts were authorised for issue on 9 September 2010.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010

| 2008/09 £000 | <i>Notes</i> | £000 | 2009/10 £000 |
|--|--------------|-------------|-------------------------------|
| REVENUE ACTIVITIES | | | |
| <u>Cash Outflows</u> | | | |
| 26,627 | | | 27,280 |
| 4,299 | | | 3,645 |
| 30,926 | | | 30,925 |
| <u>Cash Inflows</u> | | | |
| (1,500) | | (2,474) | |
| (29,643) | | (30,437) | |
| (31,143) | | | (32,911) |
| (217) | <i>6.14</i> | | (1,986) |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| <u>Cash Outflows</u> | | | |
| 391 | | 361 | |
| <u>Cash Inflows</u> | | | |
| (84) | | (17) | |
| 90 | | | 344 |
| | | | (1,642) |
| CAPITAL ACTIVITIES | | | |
| <u>Cash Outflows</u> | | | |
| 1,804 | | 2,156 | |
| <u>Cash Inflows</u> | | | |
| (32) | | (59) | |
| (1,613) | | (1,589) | |
| 0 | | (96) | |
| 249 | | | 412 |
| Net Cash Outflow / (Inflow) Before Financing | | | (1,230) |
| FINANCING | | | |
| <u>Cash Outflows</u> | | | |
| 2,016 | | 2,800 | |
| <u>Cash Inflows</u> | | | |
| (3,000) | | (1,500) | |
| (735) | <i>6.15</i> | | 1,300 |
| (Increase) / Decrease in Cash | | | 70 |

SECTION 6

NOTES TO THE CORE FINANCIAL STATEMENTS

6.1 Note of the Reconciling Items for the Statement of Movement on the General Fund Balance

| 2008/09 £000 | | 2009/10 £000 |
|-----------------------|---|-----------------------|
| | Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year | |
| (2,370) | Depreciation and Impairment of Fixed Assets | (2,058) |
| 776 | Government Grants Deferred Amortisation | 676 |
| 10 | Gain on Sale of Fixed Assets | 44 |
| 0 | Utilisation of Previously Unspent Capital Grant | (5) |
| <u>(7,724)</u> | Net Charges made for Retirement Benefits in Accordance with FRS17 | <u>(6,998)</u> |
| (9,308) | | (8,341) |
| | Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year | |
| 562 | Loans Fund Principal Repayments | 442 |
| <u>191</u> | Capital Expenditure charged in year to the General Fund | <u>375</u> |
| 753 | | 817 |
| | Net additional amount required to be credited to the General Fund balance for the year | |
| <u><u>(8,555)</u></u> | | <u><u>(7,524)</u></u> |

6.2 General Fund

The General Fund balance of £1.245m (31 March 2009: £1.853m) includes an amount earmarked to fund future commitments, with the remainder being an uncommitted balance. The movement on the General Fund during 2009/10 is as follows:-

| 31 March 2009 | | 31 March 2010 |
|---------------------|---|-------------------|
| £000 | | £000 |
| 1,836 | Opening General Fund Balance | 1,853 |
| <u>17</u> | Surplus or (Deficit) for Year | <u>(608)</u> |
| 1,853 | General Fund Balance as at 31 March | 1,245 |
| | Earmarked Portion: | |
| 773 | - Legacy Retiree Pension | 319 |
| <u>20</u> | - Commutations | <u>0</u> |
| 793 | - Future Budget Strategy | 319 |
| | Uncommitted Balance Remaining on General Fund as at 31 March | |
| <u><u>1,060</u></u> | | <u><u>926</u></u> |

6.3 Best Value Accounting Code of Practice

The Best Value Accounting Code of Practice introduced mandatory service categories against which costs should be shown. The net expenditure for Tayside Fire and Rescue Board at mandatory service division level is shown on the face of the Income and Expenditure Account. An alternative analysis is offered below.

| 2008/09 | | 2009/10 | 2009/10 | Variance |
|-----------------|--|-----------------|-----------------|-----------------|
| Actual | | Budget | Actual | £000 |
| £000 | | £000 | £000 | |
| 22,471 | Staff Costs | 21,621 | 22,705 | 1,084 |
| 1,329 | Property Costs | 1,283 | 1,365 | 82 |
| 1,696 | Supplies and Services | 1,533 | 1,500 | (33) |
| 820 | Transport Costs | 777 | 834 | 57 |
| 2 | Third Party Payments | 2 | 1 | (1) |
| 1,594 | Depreciation/Amortisation Charge | 1,382 | 1,382 | 0 |
| 116 | Corporate & Democratic Core | 119 | 127 | 8 |
| 87 | Non Distributed Costs | 23 | 34 | 11 |
| 28,115 | Gross Expenditure | 26,740 | 27,948 | 1,208 |
| (313) | General Income | (194) | (341) | (147) |
| 27,802 | Net Cost of Services | 26,546 | 27,607 | 1,061 |
| 440 | Interest Payable and Similar Charges | 292 | 347 | 55 |
| (10) | Gain on Disposal of Fixed Assets | 0 | (44) | (44) |
| (53) | Interest and Investment Income | (5) | (5) | 0 |
| 10,002 | Pension Interest Cost and Expected Return on Pensions Asset | 9,938 | 9,938 | 0 |
| 38,181 | Net Operating Expenditure | 36,771 | 37,843 | 1,072 |
| | Constituent Council Requisitions: | | | |
| (5,632) | Angus Council | (5,523) | (5,646) | (123) |
| (15,414) | Dundee City Council | (15,115) | (15,449) | (334) |
| (8,597) | Perth & Kinross Council | (8,429) | (8,616) | (187) |
| (29,643) | Amounts Received from Constituent Authorities | (29,067) | (29,711) | (644) |
| 8,538 | Deficit for the Year per Income and Expenditure Account | 7,704 | 8,132 | 428 |

Adjustments required to determine the Movement on the General Fund Balance for the Year.

| 2008/09 Actual £000 | | 2009/10 Budget £000 | 2009/10 Actual £000 | Variance £000 |
|------------------------------------|---|------------------------------------|------------------------------------|--------------------------|
| 8,538 | Deficit for the Year per Income and Expenditure Account | 7,704 | 8,132 | 428 |
| | Remove: | | | |
| (2,370) | Depreciation and Impairment of Fixed Assets | (2,058) | (2,058) | 0 |
| 776 | Amortisation of Government Grants | | | |
| 10 | Deferred | 676 | 676 | 0 |
| 0 | Gain on Sale of Fixed Assets | 0 | 44 | 44 |
| | Utilisation of Capital Grant | 0 | (5) | (5) |
| (7,724) | Appropriation to Revenue to fund FRS17 adjustments | (6,998) | (6,998) | 0 |
| (9,308) | Total Adjustments Removed | (8,380) | (8,341) | 39 |
| | Add: | | | |
| 562 | Loans Fund Principal Repayments | 442 | 442 | 0 |
| 191 | Capital Financed From Current Revenue | 400 | 375 | (25) |
| (8,555) | Net Adjustment | (7,538) | (7,524) | 14 |
| (17) | Decrease/(Increase) in General Fund Balance for the Year | 166 | 608 | 442 |

The overall decrease on the General Fund for the year is £608k (2008/09: £17k surplus). This is an adverse variance of £442k against the budgeted deficit of £166k. This is explained in the Explanatory Foreword.

6.4 Pension Costs

6.4.1 The Pension Schemes

As part of the terms and conditions of employment of its 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 and this needs to be disclosed at the time that employees earn these entitlements.

The Board participates in three pension schemes:

Firefighters Pension Scheme

The majority of uniformed staff participate in the old Firefighters Pension Scheme (“the Old Scheme”). The Old Scheme is an unfunded defined benefit scheme related to pay and service. Being unfunded this means that there are no assets built up to meet pension liabilities, and therefore the net cost of these liabilities falls upon the employer. There is no definitive evidence arising from an independent actuarial review to show that the age profile of the active membership is rising significantly. The Old Scheme was closed to new entrants on 6 April 2006.

New Firefighters Pension Scheme

New entrants joining the uniformed service after 6 April 2006 now join the New Scheme. Existing members of the Old Scheme can also elect to transfer to the New Scheme at any time. The New Scheme is also an unfunded defined benefit scheme related to pay and service. There is no definitive evidence arising from an independent actuarial review to show that the age profile of the active membership is rising significantly.

Local Government Pension Scheme

Non-uniformed employees and Fire Control personnel are eligible to join the Local Government Pension Scheme (Tayside Superannuation Fund). This is administered by Dundee City Council and is a funded defined benefit scheme related to pay and service, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with assets.

The Tayside Superannuation Fund is a multi-employer scheme where individual employer’s share of assets and liabilities can be identified on a consistent and reasonable basis. There is no definitive evidence arising from an independent actuarial review to show that the age profile of the active membership is rising significantly.

6.4.1.1 Injury Pensions

The Board also offers a retirement benefit scheme to all uniformed staff irrespective of pension scheme membership. Injury pensions are payable to those personnel who are forced to retire due to an injury incurred whilst undertaking occupational duties. This is payable in addition to any occupational ill-health pension they receive via their pension scheme. The actuarial liability for injury benefits was previously included in the Pensions Reserves (see note below).

6.4.2 Changes in Accounting Policy

Injury Benefits are no longer permitted to be accounted for as part of the Pensions Reserve. Therefore, the figures for the Firefighters Pension Scheme, including comparative figures, have been restated to remove injury benefits and these have been transferred to a new Employee Statutory Adjustment Account. The effect of this has been to reduce the opening balance on the Firefighters Pension Scheme as at 1 April 2008 by £1.636m and create a new Employee Statutory Adjustment Account on the same date with an opening balance of £1.636m. These balances have been derived by an independent actuarial valuation carried out during 2009/10 and injury benefits will continue to be subject to an annual actuarial valuation in common with the formal pension schemes. Transactions during 2008/09 resulted in a reduction in the Employee Statutory Adjustment Account of £5k and the resultant opening balance for 2009/10 is £1.631m.

6.4.3 Amounts Charged to the Income and Expenditure Account

The 2009/10 charge to the Income and Expenditure Account that relate to the various Pension and Retirement Benefit Schemes are as follows:-

| Total 2008/09 £000 | | Firefighters Pension Scheme £000 | New Firefighters Pension Scheme £000 | Injury Benefits Scheme £000 | Local Gov't Pension Scheme £000 | Total 2009/10 £000 |
|-----------------------------------|---|---|---|--|--|-----------------------------------|
| 4,462 | Current Service Cost | 3,106 | 484 | 0 | 333 | 3,923 |
| 73 | Past Service Cost | 0 | 0 | 0 | 6 | 6 |
| 10,719 | Interest Cost | 9,563 | 102 | 104 | 732 | 10,501 |
| (717) | Expected Return on Assets | 0 | 0 | 0 | (563) | (563) |
| 0 | Settlements and Curtailments | 0 | 0 | 0 | 9 | 9 |
| 14,537 | Net Amount Charged to Income & Expenditure Account | 12,669 | 586 | 104 | 517 | 13,876 |

6.4.4 Unrealised Gains Arising From Actuarial Adjustments

The amount shown within the Statement of Total Recognised Gains and Losses relating to the actuarial movements on pension fund assets and liabilities can be analysed as follows:

| Total 2008/09 £000 | | Firefighters Pension Scheme £000 | New Firefighters Pension Scheme £000 | Injury Benefits Scheme £000 | Local Gov't Pension Scheme £000 | Total 2009/10 £000 |
|-----------------------------------|--|---|---|--|--|-----------------------------------|
| (11,128) | Unrealised Loss/(Gain) for Year | 62,396 | 1,308 | 421 | 3,703 | 67,828 |
| 6,813 | Removal of Employer's Costs | 6,598 | (251) | 149 | 382 | 6,878 |
| (6,106) | Actuarial Measurement of Costs | (6,417) | 255 | (149) | (400) | (6,711) |
| (13) | Other Unfunded Payments | 0 | 0 | 0 | (11) | (11) |
| (10,434) | Total to Statement of Total Recognised Gains and Losses | 62,577 | 1,312 | 421 | 3,674 | 67,984 |

6.4.5 Assets and Liabilities in Relation to Retirement Benefit Schemes

Pension Schemes

The Firefighters Old Scheme and New Scheme are classified as single employer defined benefit schemes. These schemes are unfunded which means there are no assets built up to fund future liabilities. The Board determines the requisitions from constituent authorities which, together with contributions from firefighters, are required to meet the schemes' commitments. The Old Scheme was closed to new entrants from 6 April 2006.

The Tayside Superannuation Fund is a multi-employer scheme where individual employer's share of assets and liabilities can be identified on a consistent and reasonable basis.

Reconciliation of the Present Value of Pension Scheme Liabilities:

| | Funded Liabilities: Tayside Superannuation Fund £000 | | Unfunded Liabilities: Firefighters Pension Scheme £000 | | Unfunded Liabilities: New Firefighters Pension Scheme £000 | |
|------------------------------|---|-----------------|---|------------------|---|----------------|
| | 2008/09 | 2009/10 | 2008/09 (Restated) | 2009/10 | 2008/09 | 2009/10 |
| 1 April | (11,305) | (10,788) | (148,835) | (144,360) | (1,022) | (1,158) |
| Current Service Cost | (288) | (333) | (3,655) | (3,106) | (519) | (484) |
| Interest Cost | (773) | (732) | (9,743) | (9,563) | (92) | (102) |
| Past Service Cost | (46) | (6) | 0 | 0 | 0 | 0 |
| Contributions by Scheme | | | | | | |
| Participants | 213 | 59 | 5,910 | 6,417 | (250) | (255) |
| Settlements and Curtailments | 0 | (9) | 0 | 0 | 0 | 0 |
| Actuarial Gains/(Losses) | 1,411 | (6,021) | 11,963 | (62,396) | 725 | (1,308) |
| 31 March | (10,788) | (17,830) | (144,360) | (213,008) | (1,158) | (3,307) |

Note 6.4.2 refers to the reason for restating the 2008/09 figures in the Firefighters Pension Scheme.

Reconciliation of the Fair Value of Pension Scheme Assets:

| | Attributable Assets: Tayside Superannuation Fund £000 | |
|--------------------------|--|---------------|
| | 2008/09 | 2009/10 |
| 1 April | 10,167 | 8,015 |
| Expected Rate of Return | 717 | 563 |
| Actuarial Gains/(Losses) | (3,008) | 2,319 |
| Employer Contributions | 353 | 411 |
| Contributions by Scheme | 105 | 135 |
| Participants | | |
| Benefits Paid | (319) | (195) |
| 31 March | 8,015 | 11,248 |

The expected return on scheme assets is determined by considering the long-term future expected investment return for each asset class at the beginning of the financial year. The return on gilt and other bonds are assumed to be gilt yield and corporate bond yield respectively at the relevant date, with an adjustment to reflect default risk. The return on equities and property is then assumed to be a margin above gilt yields.

The actual return made on Tayside Superannuation Scheme assets in the year was £2.882m (2008/09: £2.082m loss).

There are no assets attributable to the Firefighters' Old Scheme or New Scheme.

Non-Pension Schemes

The Injury Benefits Scheme is funded by the Board. The Board determines the necessary contributions and receives these from the constituent authorities via the Revenue Support Grant.

Reconciliation of the Present Value of Non-Pension Scheme Liabilities:

| | Unfunded Liabilities: | |
|--------------------------|-------------------------------|----------------|
| | Injury Benefits Scheme | |
| | £000 | |
| | 2008/09 | 2009/10 |
| 1 April | (1,636) | (1,631) |
| Current Service Cost | 0 | 0 |
| Interest Cost | (111) | (104) |
| Past Service Cost | (27) | 0 |
| Payments to Scheme | | |
| Participants | 106 | 149 |
| Actuarial Gains/(Losses) | 37 | (421) |
| 31 March | (1,631) | (2,007) |

There are no assets attributable to the Injury Benefits Scheme.

6.4.5.1 Explanation of Movement in Pensions Liability

The pension liability represents the best estimate of the current value of the pension benefits that will have to be funded by the Board. The liability relates to benefits earned by existing or previous employees up to 31 March 2010.

These benefits are expressed in current value terms rather than the cash amount that will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received in, for example, ten years time, since the money received now could be invested and would earn interest or returns during the ten years. In order to adjust the pension liability cash flows for the time value of money a discount factor based on corporate bond rates is used. The corporate bond rate used for the valuation as at 31 March 2010 (1.6%) is significantly lower than that used at 31 March 2009 (3.7%). This has contributed to a significant increase in the estimated current value of the pension liability.

The increase in asset values is in line with the stock market recovery. However, this growth has been insufficient to offset the increase in liabilities.

6.4.6 Retirement Benefits Schemes - History

The liabilities in the table below show the underlying commitments that the Board has in the long run to pay retirement benefits. The total liability accrued on retirement benefits at 31 March 2010 of £224.9m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, contributing to an overall negative net worth of £205.9m.

However, statutory arrangements for funding the deficit mean the financial position of the Board remains acceptable:

- The deficit on the Tayside Superannuation Fund will be made good by setting appropriate contributions over the remaining working life of the employees, as assessed by the scheme actuary.
- Finance is only required to be raised to cover firefighters' pensions when the pensions are actually paid.
- Finance is only required to be raised to cover injury benefits when the benefits are actually paid.

| | 2005/06* | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Present Values of Liabilities: | | | | | |
| - Tayside Superannuation Fund | (11,599) | (11,779) | (11,305) | (10,788) | (17,830) |
| - Firefighters Old Scheme | (153,169) | (157,154) | (148,835) | (144,360) | (213,008) |
| - Firefighters New Scheme | 0 | (289) | (1,022) | (1,158) | (3,307) |
| - Injury Benefits Scheme | (1,636) | (1,636) | (1,636) | (1,631) | (2,007) |
| Total Liabilities | (166,404) | (170,858) | (162,798) | (157,937) | (236,152) |
| Fair Value of Assets: | | | | | |
| - Tayside Superannuation Fund | 9,190 | 10,110 | 10,167 | 8,015 | 11,248 |
| Total Assets | 9,190 | 10,110 | 10,167 | 8,015 | 11,248 |
| Scheme Deficit: | | | | | |
| - Tayside Superannuation Fund | (2,409) | (1,669) | (1,138) | (2,773) | (6,582) |
| - Firefighters Old Scheme | (153,169) | (157,154) | (148,835) | (144,360) | (213,008) |
| - Firefighters New Scheme | 0 | (289) | (1,022) | (1,158) | (3,307) |
| - Injury Benefits Scheme | (1,636) | (1,636) | (1,636) | (1,631) | (2,007) |
| Total Scheme Deficit | (157,214) | (160,748) | (152,631) | (149,922) | (224,904) |

* The Board has elected not to restate fair value of scheme assets for those prior years permitted by the amendments to FRS17.

6.4.7 Future Employer's Contributions

The total contributions expected to be made to the Tayside Superannuation Fund by the Board in the year to 31 March 2011 is £0.427m (2009/10 expected amount: £0.357m).

Expected employer contributions to the Firefighters Old Scheme and New Scheme in the year to 31 March 2011 are expected to be £2.646m and £0.392m respectively. At 31 March 2009 the 2009/10 contributions were expected to be £1.217m and £0.165m.

6.4.8 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Tayside Superannuation Fund and Firefighters' scheme liabilities have been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Tayside Superannuation Fund have been based on the latest full valuation of that scheme as at 31 March 2008.

The principal assumptions used by the actuary have been:

| | Tayside Superannuation Fund | | Firefighters Pension Scheme | | New Firefighters Pension Scheme | |
|---|--|----------------|--|----------------|--|----------------|
| | 2008/09 | 2009/10 | 2008/09 | 2009/10 | 2008/09 | 2009/10 |
| Long Term Expected Rate of Return on Assets in the Scheme: | | | | | | |
| Equity Investments | 7.8% | 8.3% | n/a | n/a | n/a | n/a |
| Bonds | 6.5% | 5.5% | n/a | n/a | n/a | n/a |
| Gilts | 4.0% | 4.5% | n/a | n/a | n/a | n/a |
| Property | 7.3% | 5.5% | n/a | n/a | n/a | n/a |
| Cash | 3.0% | 3.0% | n/a | n/a | n/a | n/a |
| Mortality Assumptions: | | | | | | |
| Longevity at 65 for Current Pensioners | | | | | | |
| Male (years) | 21.4 | 21.4 | 21.4 | 21.4 | 21.4 | 21.4 |
| Female (years) | 24.4 | 24.4 | 24.4 | 24.4 | 24.4 | 24.4 |
| Longevity at 65 for Future Pensioners | | | | | | |
| Male (years) | 22.3 | 22.3 | 22.3 | 22.3 | 22.3 | 22.3 |
| Female (years) | 25.3 | 25.3 | 25.3 | 25.3 | 25.3 | 25.3 |
| Financial Assumptions: | | | | | | |
| Rate of Inflation | 3.0% | 3.9% | 3.0% | 3.9% | 3.0% | 3.9% |
| Rate of Increase in Salaries | 4.5% | 5.4% | 4.5% | 5.4% | 4.5% | 5.4% |
| Rate of Increase in Pensions | 3.0% | 3.9% | 3.0% | 3.9% | 3.0% | 3.9% |
| Rate for Discounting Scheme Liabilities | 6.7% | 5.5% | 6.7% | 5.5% | 6.7% | 5.5% |
| Take-up of Option to Convert Annual Pension Into Retirement Lump Sum | | | | | | |
| | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% |

The Injury Benefits Scheme is also subject to the same actuarial processes and the principal assumptions used by the actuary are identical to those above.

6.4.9 History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve and Employee Statutory Adjustment Account in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

i) Tayside Superannuation Fund

| | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
|---|----------------|----------------|----------------|----------------|----------------|
| | % | % | % | % | % |
| Difference between the expected and actual return on assets | 17.0% | 1.9% | (11.8)% | (34.9)% | 20.6% |
| Experience gains and losses on liabilities | 1.2% | 0.0% | 0.0% | 5.4% | (0.1%) |

ii) Firefighters Pension Scheme

The Firefighters Pension Scheme contained injury pension data until 31 March 2008. From that date injury benefits are measured separately and shown in another table below. The removal of injury pension data from this table has no material effect on the figures returned in 2008/09.

| | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
|---|---------|---------|---------|---------|---------|
| | % | % | % | % | % |
| Difference between the expected and actual return on assets | n/a | n/a | n/a | n/a | n/a |
| Experience gains and losses on liabilities | 0.1% | 0.0% | 0.0% | 4.7% | 0.0% |

iii) New Firefighters Pension Scheme

The New Firefighters Pension Scheme was established on 6 April 2006 and therefore has no historic data prior to that date.

| | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
|---|---------|---------|---------|---------|---------|
| | % | % | % | % | % |
| Difference between the expected and actual return on assets | n/a | n/a | n/a | n/a | n/a |
| Experience gains and losses on liabilities | n/a | 0.0% | 0.0% | (47.9)% | 0.0% |

iv) Injury Benefits Scheme

The Injury Benefits Scheme was measured separately from the Firefighters Pension Scheme from 1 April 2008 onwards and therefore has no historic data prior to that date.

| | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 |
|---|---------|---------|---------|---------|---------|
| | % | % | % | % | % |
| Difference between the expected and actual return on assets | n/a | n/a | n/a | n/a | n/a |
| Experience gains and losses on liabilities | n/a | n/a | n/a | 0.0% | 5.7% |

6.5 Leases

i) Finance Leases

The Board has no finance leases.

ii) Operating Leases

The Board holds a number of vehicles under operating lease arrangements. Rental payments of £139k (2008/09: £130k) were made in respect of these during 2009/10, with an undischarged liability of £180k (2008/09: £177k) still remaining at 31 March 2010.

At 31 March 2010 the Board is committed to make payments of £103k (31 March 2009: £112k) under operating leases during the next 12 months as follows:

| | Vehicles £000 |
|--|------------------|
| Leases expiring within one year | 24 |
| Leases expiring between two and five years | 79 |
| Total Operating Lease Commitments | 103 |

iii) Other Leases

There are no other leases and no leases for which the Board act as lessors.

6.6 Government Grants

The Board did not receive any Government revenue grants in 2009/10 (2008/09: £0).

During 2009/10 the Board received £1.589m (2008/09: £1.608m) capital grant funding from the Scottish Government. This was used to finance the Board's capital expenditure programme. See also Note 6.18.

6.7 Members' Allowances

The Fire and Rescue Board did not pay any allowances directly to Board members for services provided by them to the Board during 2009/10 (2008/09: £nil). Members' costs and the payment of allowances are borne by the individual constituent Councils in which the members serve.

6.8 External Audit Fees

The fee payable to Audit Scotland for external audit services undertaken during 2009/10 was split as follows:

- Statutory fee charged in accordance with the Code of Audit Practice £31k (2008/09: £26k).
- No other additional work was undertaken during the year (2008/09: £0).

6.9 Officers' Remuneration

The number of employees whose remuneration was £50,000 or more in bands of £10,000 were:-

| Remuneration Band £ | Remuneration | Remuneration |
|------------------------|--------------------------------|--------------------------------|
| | Number of Employees 2008/09 | Number of Employees 2009/10 |
| 50,000 - 59,999 | 11 | 15 |
| 60,000 - 69,999 | 3 | 5 |
| 70,000 - 79,999 | 1 | 0 |
| 80,000 - 89,999 | 1 | 2 |
| 90,000 - 99,999 | 0 | 0 |
| 100,000 - 109,999 | 1 | 0 |
| 110,000 - 119,999 | 0 | 1 |

6.10 Agency Income and Expenditure

Certain support and agency services are supplied to the Board by other public bodies and the Board reimburses these bodies for their services. The expenditure incurred during 2009/10 as a result of these arrangements was as follows:-

| | 2008/09 £000 | 2009/10 £000 |
|---|-----------------|-----------------|
| <u>Dundee City Council</u> | | |
| Insurance & Risk Management Administration Services | 10 | 10 |
| Payroll Services | 32 | 51 |
| Pension Administration Services | 20 | 20 |
| <u>Perth & Kinross Council</u> | | |
| Treasurer's Fee | 6 | 8 |
| Secretarial and Clerking Fee | 27 | 27 |
| Internal Audit Services | 15 | 15 |
| Banking Services | 3 | 3 |
| Treasury Management Services | 9 | 9 |
| Legal Services | 7 | 7 |
| Services relating to Single Status | 9 | 5 |
| <u>Tayside Police Joint Board</u> | | |
| Radio and Communication Maintenance Services | 95 | 98 |
| Total Expenditure | 233 | 253 |

Other Services.

During 2009/10 the Board also acted as a intermediary on behalf of certain other public sector bodies in order to assist them with the provision of facilities or purchase of supplies. The total cost incurred was £118k (2008/09: £96k) and these costs were fully reimbursed by the other bodies during 2009/10.

The details were as follows:

| | 2009/10 £000 |
|---|-----------------|
| <u>Scottish Ambulance Service:</u> | |
| Assistance in the sourcing, purchasing and installation of ancillary accommodation on ground provided at Montrose Fire Station, so encouraging and supporting a Shared Services policy. | 89 |
| <u>Scottish Government:</u> | |
| Purchase of ICT Equipment to support national networks. | 29 |
| Total Expenditure | 118 |

6.11 Fixed Assets

i) Information on Assets Held

As at 31 March 2010 the Board owned 24 Fire Stations and also owned computer, office and firefighting equipment; office furniture and vehicles which are included in the Balance Sheet. The Board's level of capital expenditure is controlled by The Prudential Code for Capital in Local Authorities ("the Code") which is enshrined within Part 7 of the Local Government in Scotland Act 2003. The Capital Expenditure Plan for the Board was contained within the limits of the Scottish Government capital grant allocation for 2009/10.

ii) Fixed Asset Statement

| | Land & Buildings £000 | Vehicles & Equipment £000 | Assets Under Construction £000 | Surplus Assets £000 | Total £000 |
|--|--|--|---|------------------------------------|-----------------------|
| Cost or Valuation | | | | | |
| At 1 April | 26,672 | 12,155 | 1,108 | 0 | 39,935 |
| Reclassifications | 0 | 965 | (1,080) | 115 | 0 |
| Additions | 955 | 478 | 687 | 0 | 2,120 |
| Disposals | 0 | (513) | 0 | 0 | (513) |
| Impairments | 0 | 0 | 0 | 0 | 0 |
| Revaluations | 0 | 0 | 0 | 0 | 0 |
| At 31 March | 27,627 | 13,085 | 715 | 115 | 41,542 |
| Depreciation and Impairments | | | | | |
| At 1 April | 0 | (6,386) | 0 | 0 | (6,386) |
| Reclassifications | 0 | 111 | 0 | (111) | 0 |
| Charge for the Year | (1,204) | (854) | 0 | 0 | (2,058) |
| Disposals | 0 | 497 | 0 | 0 | 497 |
| Revaluations | 0 | 0 | 0 | 0 | 0 |
| At 31 March | (1,204) | (6,632) | 0 | (111) | (7,947) |
| Balance Sheet Amount at 31 March 2010 | | | | | |
| | 26,423 | 6,453 | 715 | 4 | 33,595 |
| Balance Sheet Amount at 1 April 2009 | 26,672 | 5,769 | 1,108 | 0 | 33,549 |
| Capital Expenditure and Financing | | | | | |
| Capital Grant and Contributions | 614 | 385 | 687 | 0 | 1,686 |
| Capital Receipts | 0 | 59 | 0 | 0 | 59 |
| Capital Exp financed from Revenue | 341 | 34 | 0 | 0 | 375 |
| Total Financing | 955 | 478 | 687 | 0 | 2,120 |

iii) Valuation of the Board's Assets

All of the Board's land and properties were revalued during 2008/09 on a depreciated replacement cost basis by staff at Graham & Sibbald. This process was overseen by an MRICS qualified partner of that company. The effective date of these valuations was 31 March 2009 and they were carried out in accordance with the CIPFA Code of Practice on Local Accounting in the UK and the RICS Red Book.

The Board is not aware of any material change in the values of land, property, vehicles, plant or equipment during 2009/10 and therefore the values of the assets have not been further revalued or re-stated. The assets require to be professionally revalued every 5 years. Therefore, the next complete revaluation requires to be undertaken on or before 31 March 2014.

Depreciated replacement cost is defined as "an estimate of the market value for the existing use of the land, plus the current gross replacement (or reproduction) costs of improvement, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation, subject to the test of adequate service potential." All of these factors might result in the existing property being worth less to the organisation in occupation than would a new replacement.

Vehicles and equipment have been included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use.

iv) Capital Commitments

At 31 March 2010 the Board had outstanding capital commitments of £5k (2008/09: £nil).

6.12 Movements on Reserves in the Year

The Board keeps a number of reserves in the Balance Sheet. Some require to be held for statutory reasons, whilst others are needed to comply with proper accounting practice. Excluding the General Fund which is shown separately under Note 6.2, details of the movement on each reserve are shown below.

i) Capital Adjustment Account

This reserve was established on 1 April 2007 to account for capital resources set aside to meet past expenditure.

| 2008/09 | | 2009/10 |
|----------------|--|----------------|
| £000 | | £000 |
| 8,695 | Opening Balance | 7,864 |
| 562 | Loan Principal Repaid | 442 |
| (1,880) | Depreciation for the Year | (1,586) |
| 776 | Amortisation of Government Grants Deferred | 676 |
| 10 | Gain on Sale of Assets | 44 |
| 191 | Capital Expenditure Financed From Revenue | 375 |
| (490) | Asset Impairment | (1) |
| 7,864 | Closing Balance | 7,814 |

ii) Revaluation Reserve

This reserve was established on 1 April 2007 to account for the gains on the revaluation of fixed assets not yet realised through sale.

| 2008/09 | | 2009/10 |
|----------------|------------------------------|----------------|
| £000 | | £000 |
| 0 | Opening Balance | 10,442 |
| 10,442 | Revaluation and Restatements | 0 |
| 0 | Depreciation for the Year | (472) |
| 10,442 | Closing Balance | 9,970 |

iii) Capital Receipts Reserve

This reserve was established to comply with local authority capital accounting rules and represents the capital receipts available to finance capital expenditure in future years after setting aside amounts for the repayment of existing loans.

| 2008/09 | | 2009/10 |
|----------------|---|----------------|
| £000 | | £000 |
| 0 | Opening Balance | 41 |
| 0 | Previous Year's Funding Utilised in Year | (41) |
| 32 | Capital Receipts | 59 |
| (32) | Transfer of balance to Capital Adjustment Account | (59) |
| 41 | Unutilised Capital Grant | 37 |
| 41 | Closing Balance | 37 |

iv) Financial Instruments Adjustment Account

This reserve was established on 1 April 2007 to comply with statute and allows for differences in statutory requirements and proper accounting practices for borrowings and investments.

| 2008/09 | | 2009/10 |
|----------------|------------------------------|----------------|
| £000 | | £000 |
| (33) | Opening Balance | (32) |
| 1 | Amortisation of Debt in Year | 0 |
| (32) | Closing Balance | (32) |

v) Pensions Reserve

This reserve was established to comply with statute and allows the Pensions Liability to be included in the Balance Sheet.

| 2008/09 | | 2009/10 |
|------------------|--|------------------|
| £000 | | £000 |
| Restated | | |
| (150,995) | Opening Balance | (148,291) |
| (7,730) | Appropriation to Revenue | (7,043) |
| 11,128 | Actuarial Gain/(Loss) Relating to Pensions | (67,407) |
| (694) | Employer's Contribution Adjustment | (156) |
| (148,291) | Closing Balance | (222,897) |

vi) Employee Statutory Adjustment Account

This reserve was established to comply with statute and allows the Injury Pension Benefits Liability to be included in the Balance Sheet.

| 2008/09 | | 2009/10 |
|-----------------|------------------------------------|----------------|
| £000 | | £000 |
| Restated | | |
| (1,636) | Opening Balance | (1,631) |
| 5 | Appropriation to Revenue | 45 |
| 0 | Actuarial Loss Relating to Benefit | (421) |
| (1,631) | Closing Balance | (2,007) |

6.13 Sundry Debtors and Sundry Creditors

Sundry Debtors can be analysed as follows:-

| 2008/09 | | 2009/10 |
|----------------|--|----------------|
| £000 | | £000 |
| 545 | Trade Debtors | 392 |
| 429 | Payroll Debtors | 30 |
| 896 | Other Debtors | 165 |
| 1,870 | Total Amounts Owing from Customers at 31 March | 587 |
| 1,000 | Other: Prepayments of Income | 987 |
| 2,870 | Total Sundry Debtors | 1,574 |

Sundry Creditors can be analysed as follows:-

| 2008/09 | | 2009/10 |
|----------------|-------------------------------|----------------|
| £000 | | £000 |
| 932 | Trade Creditors | 871 |
| 1,613 | Payroll Creditors | 1,517 |
| 203 | Other Creditors | 280 |
| 2,748 | Total Sundry Creditors | 2,668 |

6.14 Reconciliation of Income and Expenditure Account Balance to Cash Inflow from Revenue Activities

| 2008/09 | | 2009/10 |
|----------------|---|----------------|
| £000 | | £000 |
| (8,538) | Deficit on Income and Expenditure Account for Year | (8,132) |
| 9,308 | Amounts included in Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund balance for the year (Note 6.1) | 8,341 |
| (753) | Amounts not included in Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund balance for the year (Note 6.1) | (817) |
| | | 7,524 |
| 17 | Increase/(Decrease) in General Fund Balance | (608) |
| (38) | Increase/(Decrease) in Revenue Creditors and Provisions | 168 |
| (17) | Increase in Stocks | (5) |
| (850) | (Increase)/Decrease in Revenue Debtors | 1,296 |
| 391 | Interest Paid | 361 |
| 562 | Principal Repaid | 442 |
| (84) | Interest Received | (17) |
| 236 | Capital Expenditure Financed from Revenue | 353 |
| 0 | Capital Exp Financed from the Capital Receipts Reserve | (4) |
| | | 1,135 |
| 217 | Net Cash Inflow from Revenue Activities | 1,986 |

6.15 Increase / (Decrease) in Cash during the Year

| | Balance | Balance | | Balance | Balance | |
|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | At | at | Movement | at | at | Movement |
| | 31/03/08 | 31/03/09 | £000 | 31/03/09 | 31/03/10 | £000 |
| | £000 | £000 | | £000 | £000 | |
| Cash in Hand | 0 | 1 | 1 | 1 | 1 | 0 |
| Bank Accounts | 310 | 1,044 | 734 | 1,044 | 974 | (70) |
| | 310 | 1,045 | 735 | 1,045 | 975 | (70) |

6.16 Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 31 March 2010.

6.17 Types of Financial Instruments

Accounting regulations require the investments, lending and borrowing of the Board shown on the Balance Sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet are made up of the following categories of financial instruments.

FINANCIAL INSTRUMENT BALANCES

| | Long-Term | | Current | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2009 £000 | 31 March 2010 £000 | 31 March 2009 £000 | 31 March 2010 £000 |
| Borrowings | | | | |
| Financial liabilities at amortised cost | 5,232 | 4,932 | 2,069 | 1,372 |
| Total borrowings | 5,232 | 4,932 | 2,069 | 1,372 |
| Investments | | | | |
| Loans and receivables | 0 | 0 | 1,313 | 1,547 |
| Total investments | 0 | 0 | 1,313 | 1,547 |

Notes:

1. LOBOs (Lender Option, Borrower Option Loans) of £1.532m have been included in long term borrowing but have a call date in the next 12 months.

2. The above figures for long term investments and borrowing are based on the effective interest rate method (EIR) method of calculation. This assumes that in undertaking measurement the maturity period for the LOBO should be taken as being the contractual period to maturity.

GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognisable Gains and Losses in relation to financial instruments are made up as follows:

FINANCIAL INSTRUMENTS GAINS/LOSSES – PREVIOUS YEAR

| 2008/09 | Financial Liabilities | | Financial Assets | | Total £000 |
|---|---|----------------------------------|--|--------------------------------------|---------------|
| | Liabilities measured at amortised cost £000 | Loans and receivables £000 | Available- for-sale assets £000 | Fair value through I&E £000 | |
| Interest expenses | 285 | 0 | 0 | 0 | 285 |
| Losses on derecognition | 155 | 0 | 0 | 0 | 155 |
| Interest payable and similar charges | 440 | 0 | 0 | 0 | 440 |
| Interest income | 0 | (53) | 0 | 0 | (53) |
| Gains on derecognition | 0 | 0 | 0 | 0 | 0 |
| Interest and investment income | 0 | (53) | 0 | 0 | (53) |
| Net (gain)/loss for the year | 440 | (53) | 0 | 0 | 387 |

FINANCIAL INSTRUMENTS GAINS/LOSSES – CURRENT YEAR

| 2009/10 | Financial | Financial Assets | | | Total |
|---|-------------|------------------|------------|------------|------------|
| | Liabilities | Loans and | Available- | Fair value | |
| | Liabilities | receivables | for-sale | through | |
| | measured at | | assets | I&E | |
| | amortised | | | | |
| | cost | | | | |
| | £000 | £000 | £000 | £000 | £000 |
| Interest expenses | 227 | 0 | 0 | 0 | 227 |
| Losses on derecognition | 120 | 0 | 0 | 0 | 120 |
| Interest payable and similar charges | 347 | 0 | 0 | 0 | 347 |
| Interest income | 0 | (5) | 0 | 0 | (5) |
| Gains on derecognition | 0 | 0 | 0 | 0 | 0 |
| Interest and investment income | 0 | (5) | 0 | 0 | (5) |
| Net (gain)/loss for the year | 347 | (5) | 0 | 0 | 342 |

FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The fair value of each class of financial assets and liabilities which are carried in the Balance Sheet at amortised cost is disclosed below.

Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of future cash flows, which provides an estimate of the value of future payments in current day terms.

The discount rate used in the NPV 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 31st March 2010, using bid prices where applicable.

The calculations are made with 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 063/10.
- 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.
- Interpolation techniques have been used between available rates where the exact maturity period was not available.
- 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 and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

| | 31 March 2009 | | 31 March 2010 | |
|------------------------------|-----------------|--------------|-----------------|--------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £000 | £000 | £000 | £000 |
| PWLB – maturity | 4,000 | 4,231 | 3,000 | 3,118 |
| PWLB – EIP | 1,500 | 1,570 | 1,200 | 1,258 |
| LOBOs | 1,532 | 1,510 | 1,532 | 1,852 |
| Bank overdraft | 269 | 269 | 572 | 572 |
| Financial liabilities | 7,301 | 7,580 | 6,304 | 6,800 |

Fair value 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 rates available for similar loans at the Balance Sheet date.

FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

| | 31 March 2009 | | 31 March 2010 | |
|--------------------------------------|-----------------|--------------|-----------------|--------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | £000 | £000 | £000 | £000 |
| Deposit with Perth & Kinross Council | 1,313 | 1,313 | 1,547 | 1,547 |
| Financial assets | 1,313 | 1,313 | 1,547 | 1,547 |

The fair value 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.

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The management of treasury risks actively works to minimise the Board's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Board, through a Service Level Agreement, has effectively adopted Perth & Kinross Council's Treasury Management Practices, which include written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

1. Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Board's customers. As the Board do not currently have sufficient cash balances to consider fixed term deposits, it is the current policy of the Board to place cash deposits only with Perth & Kinross Council.

The following analysis summarises the Board's potential maximum exposure to credit risk, based on past experience and current market conditions. The Board expects full repayment on the due date of all amounts due from its counterparties.

CREDIT RISK (A)

| | Amounts at 31 March 2010 £000 | Historical experience of default % | Historical experience adjusted for market conditions as at 31 March 2010 % | Estimated maximum exposure to default and non-collection £000 |
|---|--|---|---|--|
| Deposit with Perth & Kinross Council | 1,547 | 0 | 0 | 0 |
| Sundry Debtors | 587 | 0% | 0% | 0 |
| Total | 2,134 | | | 0 |

Sundry Debtors

The sundry debtors figure disclosed in the table above differs from that disclosed on the Balance Sheet and in Note 6.13 because the figure reported here does not include prepaid expenditure relating to future years but only relates to amounts physically owing to the Board at 31 March 2010 and the likelihood of these not being received.

The Board does not generally allow credit for customers, such that all of the sundry debtors balance is past its due date for payment. The past due amount can be analysed by age as shown on the next page:

CREDIT RISK (B)

| | 31 March 2010 £000 |
|------------------------|--------------------------|
| Less than three months | 587 |
| Three to six months | 0 |
| Six months to one year | 0 |
| More than one year | 0 |
| Total | 587 |

2. Liquidity Risk

The Board has access to a facility to borrow from the Public Work Loans Board. As a result there is no significant risk that the Board will be unable to raise finance to meet its commitments under financial instruments. The Board has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. With capital expenditure of the Board now being financed by capital grants, the Board's policy is to gradually reduce its long-term debt in line with the remaining useful life of the assets financed by such borrowing.

The maturity structure of financial liabilities is as follows (at nominal value):

LIQUIDITY RISK

| On 31 March 2009 £000 | Loans outstanding | On 31 March 2010 £000 |
|-----------------------------|-------------------------|-----------------------------|
| 5,500 | Public Work Loans Board | 4,200 |
| 1,500 | Market Debt | 1,500 |
| 0 | Other Debt | 0 |
| 269 | Bank Overdraft | 572 |
| 7,269 | Total | 6,272 |
| Maturing: | | |
| 2,069 | Less than 1 year | 1,372 |
| 1,300 | Between 1 and 2 years | 1,300 |
| 2,400 | Between 2 and 5 years | 2,100 |
| 0 | Between 5 and 10 years | 0 |
| 0 | Between 10 and 15 years | 0 |
| 1,500 | More than 15 years | 1,500 |
| 7,269 | Total | 6,272 |

In the More than 15 years category there is a £1.5m LOBO which has a call date within the next 12 months.

3. Market Risk

Interest rate risk

The Board is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the Board is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Statement of Total Recognised Gains and Losses. The Board do not currently hold any assets under this category.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Board has a number of strategies for managing interest rate risk in line with its Treasury agreement with Perth & Kinross Council. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The Council's treasury management team has an active strategy for assessing interest rate exposure on behalf of the Board that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2010, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

INTEREST RATE RISK IF BASE RATE INCREASES BY 1%

| | £000 |
|--|-------------|
| Increase in interest payable on variable rate borrowings | 15 |
| Increase in interest receivable on variable rate investments | 0 |
| Impact on Income and Expenditure Account | 15 |

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

INTEREST RATE RISK IF BASE RATE DECREASES BY 1%

| | £000 |
|--|-------------|
| Decrease in interest payable on variable rate borrowings | 0 |
| Decrease in interest receivable on variable rate investments | (3) |
| Impact on Income and Expenditure Account | (3) |

As interest rates are currently at an historic low the average interest rate receivable on variable fixed rate investments in 2009/10 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 2009/10 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 a reduction 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 this decrease would be passed on by the lender under the Lender Option Borrower Option (LOBO) terms of the debt.

4. Foreign Exchange Risk

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

6.18 Government Grants Deferred and Unapplied

The Board receives an annual grant from Scottish Government as well as contributions from other sources to fund its capital expenditure plan. This funding is capitalised and written off over the useful economic life of the assets upon which it has been utilised.

There are two balances shown on the Balance Sheet:

The Government Grant Deferred account represents the unamortised portion of grant received since 2004/05 and utilised on assets that are operational and are therefore currently being consumed in the course of business. The balance represents the amount of grant still to be matched against, and written off over, the remaining life of these assets in future years. The balance on this account at 31 March 2010 is £8.040m (31 March 2009: £6.636m).

The Government Grant Unapplied account represents funding that has been utilised on assets which are still in construction and have not yet started being consumed. Once an asset is completed and becomes operational the associated grant is transferred to the Government Grants Deferred account and amortisation begins from that account. The balance on the Government Grant Unapplied account at 31 March 2010 is £0.612m (31 March 2009: £1.006m).

6.19 Provisions

Retained Firefighters Employment Tribunal Hearing: Retained Firefighters and Part-time Workers (Prevention of Less Favourable Treatment)

On 11 March 2008 an Employment Tribunal Hearing on Retained Firefighters and Part-time Workers (Prevention of Less Favourable Treatment) found that “The Claimants were treated less favourably than their named comparators in respect of access to pension rights and payment for sickness absence.” This decision impacts on Retained and Volunteer Firefighters within the Service.

Since this Hearing was concluded negotiations have been ongoing between the National Joint Council for Local Authority Fire and Rescue Services (the NJC) and the trade union bodies to determine a suitable compensation package. The NJC notified fire authorities on 13 April 2010 that they had reached an “agreement in principal” with the main employees’ trade union (the FBU) on a suitable compensation package. However, the NJC also instructed that formal agreement still had to be reached with this body and that no action should be taken by fire authorities in the interim.

The expected cost of this compensation package in the form that has been agreed in principle by the NJC and the FBU is around £0.190m. It is felt prudent to provide for this amount in 2009/10.

6.20 Euro

The Board is required to disclose certain information in connection with the possible entry to the European Single Currency. As at 31 March 2010 no commitments in respect of costs associated with the Euro had been made, no exceptional expenditure had been incurred and it was not possible to forecast the total costs likely to be incurred.

6.21 Events after the Balance Sheet Date

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the Balance Sheet Date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the Board's FRS17 liabilities by around 6-8%.

No other events occurred that would impact on the 2009/10 Statement of Accounts between the date of the Balance Sheet (31 March 2010) and the date the Treasurer signed the accounts.

6.22 Date of Signing of Balance Sheet

The Treasurer, being the officer responsible for the Board’s financial affairs, signed the unaudited Statement of Accounts on 28 June 2010.

SECTION 7

TAYSIDE FIRE AND RESCUE BOARD

STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

- 1 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.
- 2 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.
- 3 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.
- 4 A key financial control is the existence of an internal audit service. The Board, through a Service Level Agreement, 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 for 2009/10, 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.
- 5 My review of the effectiveness of the system of internal financial control is informed by:
 - The work of managers within the Board;
 - The work of internal auditors as described in 4 above; and
 - External auditors in their annual audit letter and other reports.
- 6 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 2009/10 will be implemented under the normal business of the Board.

J Symon ACA
Treasurer
28 June 2010

SECTION 8

INDEPENDENT AUDITORS' REPORT

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 for the year ended 31 March 2010 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement, and the related notes and the Statement of Accounting Policies. These financial statements have been prepared under the accounting policies set out within them.

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

The Treasurer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 - A Statement of Recommended Practice (the 2009 SORP) are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland.

We report our opinion as to whether the financial statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

In addition, we report to you if, in our opinion, the Board has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We review whether the Statement on the System of Internal Financial Control reflects compliance with the SORP, and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risk and controls, or form an opinion on the effectiveness of the Board's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only Members and Officials 2009/2010 and the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with Part VII of the Local Government (Scotland) Act 1973 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Accounts Commission. Our audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Board's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2009 SORP, of the financial position of Tayside Fire and Rescue Board as at 31 March 2010 and its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

Henderson Loggie

Chartered Accountants

Registered Auditors

Royal Exchange

Panmure Street

Dundee

DD1 1DZ

9 September 2010

