

TAYSIDE FIRE AND RESCUE BOARD

STATEMENT OF ACCOUNTS 2006/07

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SECTION 1
TAYSIDE FIRE AND RESCUE BOARD
MEMBERS AND OFFICIALS 2006/07

Convener

Depute Lord Provost Charles Farquhar OBE JP DL (Dundee)

Vice Convener

Depute Provost Stewart McGlynn (Angus)

Vice Convener

Councillor David Dow (Perth and Kinross)

Angus Council

Appointed Members

Councillor J Gibb
Councillor H Oswald
Councillor G Norrie MBE JP
Councillor R Myles

Dundee City Council

Appointed Members

Councillor J Barrie JP
Councillor H Dick JP
Lord Provost J Letford JP
Councillor B Mackie OBE DL JP
Councillor G Regan
Councillor C Roberts JP

Perth and Kinross Council

Appointed Members

Councillor A Barr JP
Councillor A Jack
Councillor I Miller
Councillor D Scott JP
Councillor L Simpson

Officials

Chief Fire Officer - S Hunter BSc MBA MCGI FIFireE QFSM
Treasurer - Mr J Symon ACA - (Perth and Kinross Council)
Clerk – Mrs G Taylor MBA - (Perth and 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 etc).

This foreword is presented as a commentary on the Board's overall financial position as shown within the Statement of Accounts for 2006/07 and contains explanations of the major influences on the Board's income, expenditure and cash flow.

2.2 Accounting Policies

The Statement of Main 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 2006/07 to ensure that the accounts present fairly the financial performance and position of the Board.

2.3 The Financial Statements

CIPFA's Code of Practice on Local Authority Accounting in the UK has introduced a fundamental change to the way in which public sector accounting statements are presented from 1 April 2006 onwards. A number of new core statements of accounts have been introduced, namely The Income and Expenditure Account, The Statement of Movement on the General Fund Balance, and The Statement of Total Recognised Gains and Losses. These are described in detail below, along with the remaining core financial statements. In addition, the Notes to the Accounts are presented in a different manner and a number of new notes are now required.

The Code of Practice no longer permits a Revenue Account or a Statement of Movement on Reserves and these have been removed and replaced by the new statements. As a result the notes and statements for 2006/07 and the comparative figures for 2005/06 have been re-formulated and re-stated to remove the Revenue Account, the Statement of Movement on Reserves and replace them with the new core statements and notes. This has resulted in some significant changes to the layout of the 2005/06 comparative figures from those presented in the 2005/06 Statement of Accounts.

From 1 April 2006 onwards 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** - 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 statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

- (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 2007.
- (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 £26.797m for 2006/07 (2005/06: £25.903m) of which £26.787m (2005/06: £25.903m) was to be requisitioned from the constituent Councils with the remaining £0.010m (2005/06: £nil) to be funded from the Board's General Reserve balance. It had previously been agreed that the costs of the Board be apportioned between the constituent Councils as follows:-

Angus	19%
Dundee City	52%
Perth and 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 level of capital grant notified as being receivable in 2006/07 was £1.825m (2005/06: £1.694m). This was notified to the Board by the Scottish Executive and the Financial Plan was formulated in line with this.

2.5 Revenue Expenditure - Major Financial Variances

The Income and Expenditure Account shows that the Board's net cost of services for 2006/07 was £28.178m. Note 6.3 uses an alternative layout to compare the net cost of services against the 2006/07 revenue budget and the major financial variances are summarised and further analysed below.

	2006/07 Actual £000	2006/07 Budget £000	Variance £000
Staff Costs	22,891	23,292	(401)
Running Costs	5,405	5,230	175
Asset Impairment	163	0	163
Income	(281)	(190)	(91)
Net Underspend on Net Cost of Services	28,178	28,332	(154)

Staff Costs – Underspend £401k

The original budget for staff costs is not prepared on the basis required by Financial Reporting Standard 17 – Retirement Benefits ("FRS17") but is based on actual budgetary need. However, the actual expenditure incurred is adjusted, accounted for and recorded in accordance with FRS17. The FRS requires all pension

costs budgeted and actually incurred to be removed and replaced with figures derived from an actuarial valuation. The net effect of the actuary's adjustment was a saving of £184k against staff costs, and this was enhanced by an actual underspend on salary costs of a further £217k.

The additional underspend on salary costs arose mainly as a result of staff vacancies (£70k), lower than anticipated activity with the Retained sector (£108k), reduction in pension commutations as a result of fewer ill-health retirements than were budgeted (£129k), offset by an increase in other pension commutation payments (£82k).

Running Costs - Overspend £175k

Running costs comprise revenue expenditure incurred on land and property (including depreciation charges), supplies and services (including loan interest and expenses), transport payments and expenditure on other corporate items.

The overspend was mainly in relation to additional loan expenses due to early settlement of debt (£43k), additional subsistence costs to support training needs under the new modernisation agenda (£57k), greater than budgeted expenditure on protective clothing and uniforms to enable the Board to keep up to date with protective clothing standards (£46k), and additional Fire Safety purchases to support the Intervention agenda (£21k).

Asset Impairment – Cost to Service £163k

The Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice 2006 ("The 2006 SORP") requires that expenditure that has improved or enhanced an asset but which has not increased the asset's value accordingly should be charged to the service.

In 2006/07 a portion of the capital grant (£163k) was spent on the improvement of buildings but, in the opinion of an independent expert this expenditure did not result in a corresponding increase to the asset value. Therefore, in accordance with the requirements of the 2006 SORP this expenditure has been re-charged to the Income and Expenditure Account.

Income – Income in Excess of Budget £91k

The Board places personnel in other organisations which are then recharged for costs. The recharge income for 2006/07 was £72k greater than that originally budgeted for. In addition, other income from licensing raised substantially more than that budgeted.

2.6 Capital Expenditure – Analysis of Expenditure

For all accounting periods commencing on or after 1 April 2004 capital expenditure is controlled by The Prudential Code for Capital in Local Authorities ("The Code"). The Code means that the Board no longer requires government permission to borrow but allows the Board to set its own borrowing limit. In practice the Scottish Executive issues an annual capital grant to the Board and the Capital Expenditure Plan for 2006/07 was formulated within this limit. Capital expenditure incurred prior to 31 March 2004 continues to be financed by existing borrowing with the repayments being met from the revenue budget over the anticipated life of the asset.

The Board's Capital Expenditure Financial Plan for 2006/07 was funded by capital grant of £1.330m, specific top-slice funding of £0.495m and other capital funding of £0.347m, totalling £2.172m (2005/06: £1.740m). The plan included provision for:

- the purchase, build, and fitting out of four rescue units,
- the purchase of operational and protective equipment,
- the provision of a training facility at Blackness Road, Dundee,
- the provision of disabled access and amenities at the fire stations at Kirriemuir and Auchterarder,
- Health and Safety improvements at Perth Fire Station,
- the provision of a Flood Response Unit and Environmental Protection Unit,
- the provision of a new Command & Control System.

In addition to the capital grant, Capital Funding From Current Revenue (CFCR) of £0.238m (2005/06: £0.615m) was undertaken during the year following the careful monitoring of the revenue budget. Finally, capital receipts of £0.052m (2005/06: £0.012m) and the use of a carry forward of the 2005/06 capital grant totalling £0.041m (2005/06: £0.031m) were utilised to complete the available funding of £2.503m (2005/06: £2.398m).

Actual capital/CFCR expenditure during the year totalled £2.462m (2005/06: £2.357m) as follows:

- the purchase and build of four front-line rescue pumps, the refurbishment of another five fire appliances and the purchase/build of other ancillary/firefighting support vehicles totalling £0.732m,
- expenditure on training facilities at Fire Stations totalling £0.239m,
- other major capital works on property assets totalling £0.651m,
- the purchase of operational equipment and protective equipment totalling £0.290m,
- the purchase and installation of IT infrastructure totalling £0.405m,
- other minor capital supplies totalling £0.145m.

The unutilised balance of £0.041m (2005/06: £0.041m) will be carried forward to the next financial year.

2.7 FRS17 Retirement Benefits – Pension Fund Liability

The Board's employees are eligible to join one of two pension schemes dependent on their conditions of service, with a third pension scheme now being closed to new entrants. The New Firefighters Pension Scheme ("the New Scheme") was established with effect from 6 April 2006 and entry to the Old Firefighters Pension Scheme ("the Old Scheme") was closed to new entrants on that date. Existing full-time uniformed firefighters have been given the option to transfer to the New Scheme, those that chose not to will remain preserved in the Old Scheme. New uniformed entrants, both full-time and Retained Firefighters, are only eligible to join the New 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 pensions surplus/deficit arising on a body's pension fund. This is to be done by accounting for the surplus/deficit as an asset/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/liability with 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 2007 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 2005 and adjusted for all known movements since then.

As a result a Pensions Fund liability of £160.6m is disclosed on the balance sheet as at 31 March 2007 (31 March 2006: £157.2m). This is matched by a Pensions Reserve with a balance of £160.6m (31 March 2006: £157.2m). The significance of this liability is that if every member of the pension scheme were to retire on 31 March 2007 the net cost to the Board in terms of pension benefits accrued to that date would be £160.6m.

2.8 Acknowledgements

I would like to thank the Chief Fire Officer and his staff for the effective management of the Board's finances in what has been another challenging year. 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 2006/07.

J Symon ACA
Treasurer
25 June 2007

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 2006 (the 2006 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 fairly 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 2007.

The current 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	25 years
Drill Towers	25 years
Wiring	20 years
Windows	20 years
Heating	15 years
Pitched roof	25 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 and, 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 depreciation charge. Legislation demands this 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 2006 SORP requires that this 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 five reserves, the General Reserve, the Pensions Reserve, the Fixed Asset Restatement Account, the Capital Financing Account and the Usable Capital Receipts Reserve.

The General Reserve 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 as and when they arise, and a part of it is earmarked to pay commuted pensions to officers who were eligible to retire in year but chose not to do so.

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

The Fixed Asset Restatement Account, Capital Financing Account and Usable Capital Receipts Reserve were established to comply with local authority capital accounting rules and are only used for this specific purpose.

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 Executive, or from Capital Expenditure Financed From 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 and Kinross Council's Consolidated Loans Fund (CLF). The Council's CLF made advances to the Board to finance capital expenditure and then made 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 2007 have been brought into account. All salaries and wages payable up to 31 March 2007 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 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 members who elected not to transfer to the New Firefighters Pension Scheme (“the New Scheme”) will 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 pension costs that are charged to the Board's accounts in respect of these employees are equal to the contributions paid to the funded pension scheme for these employees.

3.13 Going Concern

The balance sheet at 31 March 2007 shows net liabilities of £150.9 million. This net liability position reflects the inclusion of net pension liabilities of £160.6 million 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.

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 Prior Period Adjustments

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.

There were no material changes in accounting policies or estimation techniques introduced during the year to 31 March 2007. However, the comparative figures for debtors and creditors were increased and decreased by £308,513 respectively to reflect a fundamental reclassification of the VAT debtor on the Balance Sheet.

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 fairly the financial position of the Board at the accounting date and its income and expenditure for the year ended 31 March 2007.

J Symon ACA
Treasurer
25 June 2007

SECTION 5

CORE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2007

This account 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 real projected value of retirement benefits earned by employees in the year.

Previous Year Net Expenditure £000	<i>Note</i>	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
479	Community Fire Safety	457	0	457
26,335	Fire Fighting and Rescue Operations	27,461	(281)	27,180
115	Fire Service Emergency Planning and Civil Defence	134	0	134
142	Corporate & Democratic Core	155	0	155
7	Non Distributed Costs	252	0	252
27,078	Net Cost of Services	28,459	(281)	28,178
	<i>6.3</i>			
470	Interest Payable and Similar Charges			385
(12)	Gain on Disposal of Fixed Assets			(15)
(97)	Interest and Investment Income			(106)
7,427	Pension Interest Cost and Expected Return on Pensions Asset			7,577
	<i>6.4.3</i>			
34,866	Net Operating Expenditure			36,019
	<u>Constituent Council Requisitions</u>			
(4,921)	Angus Council			(5,090)
(13,470)	Dundee City Council			(13,929)
(7,512)	Perth & Kinross Council			(7,768)
(25,903)				(26,787)
8,963	Deficit for Financial Year			9,232

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

FOR THE YEAR ENDED 31 MARCH 2007

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.

2005/06		<i>Note</i>	2006/07
£000			£000
8,963	Deficit for the Year on the Income and Expenditure Account		9,232
(8,992)	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	6.1	(9,294)
(29)	Increase in the General Fund Balance for the Year		(62)
(1,327)	General Fund Balance brought forward		(1,356)
<u>(1,356)</u>	General Fund Balance carried forward	6.2	<u>(1,418)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 MARCH 2007

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.

2005/06		2006/07
£000		£000
8,963	Deficit for the year on the Income and Expenditure Account	9,232
0	Deficit arising on revaluation of fixed assets	(38)
9,493	Actuarial (gains)/losses on pension fund assets and liabilities	(5,143)
(7)	Other movement as a result of actuarial adjustments to contributions made	(247)
<hr/> 18,449	Total recognised losses for the year	<hr/> 3,804

BALANCE SHEET

AS AT 31 MARCH 2007

31 March 2006 (Restated) £000	<i>Note</i>	31 March 2007 £000
Tangible Fixed Assets		
17,557		17,315
4,002		5,023
Non Operational Assets:		
686		370
<u>22,245</u>	6.13	<u>22,708</u>
Total Fixed Assets		
Current Assets		
93		95
898	6.17	2,081
1,642		1,742
<u>2,633</u>		<u>3,918</u>
Total Current Assets		
Current Liabilities		
306	6.15	1,229
2,511	6.17	3,862
387		931
<u>3,204</u>		<u>6,022</u>
Total Current Liabilities		
<u>(571)</u>		<u>(2,104)</u>
Total Net Current Liabilities		
21,674		20,604
Total Assets less Current Liabilities		
Long Term Liabilities		
8,189	6.15	5,630
3,387		5,248
157,214	6.4	160,646
<u>168,790</u>		<u>171,524</u>
Total Long Term Liabilities		
<u>(147,116)</u>		<u>(150,920)</u>
Total Net Liabilities		
Financed by:		
12,925	6.14	12,925
(4,183)	6.14	(4,617)
(157,214)	6.14	(160,646)
1,356	6.2	1,418
<u>(147,116)</u>		<u>(150,920)</u>
Total Net Worth		

J Symon ACA
Treasurer

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2007

2005/06 £000	<i>Notes</i>	2006/07 £000
REVENUE ACTIVITIES		
<u>Cash Outflows</u>		
22,412	Cash Paid to and on behalf of Employees	23,541
3,490	Other Operating Cash Payments	3,893
25,902		27,434
<u>Cash Inflows</u>		
(1,964)	General Income	(1,786)
(25,768)	Requisitions from Constituent Councils	(27,222)
(27,732)		(29,008)
(1,830)	Net Cash Inflow From Revenue Activities	(1,574)
	<i>6.18</i>	
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
<u>Cash Outflows</u>		
456	Interest Paid	410
<u>Cash Inflows</u>		
(95)	Interest Received	(98)
(1,469)		312
		(1,262)
CAPITAL ACTIVITIES		
<u>Cash Outflows</u>		
1,867	Purchase of Fixed Assets	2,295
<u>Cash Inflows</u>		
(12)	Sale of Fixed Assets	(52)
(1,694)	Capital Grants Received	(2,123)
(47)	Other Cash Capital Receipts	(49)
(1,355)	Net Cash Inflow Before Financing	71
		(1,191)
FINANCING		
<u>Cash Outflows</u>		
6,321	Repayments of Amounts Borrowed	4,986
<u>Cash Inflows</u>		
(5,000)	New Loans Raised	(3,350)
(34)	(Increase)/Decrease in Cash	1,636
	<i>6.19</i>	445

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

2005/06 £000		£000	2006/07 £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		
(1,826)	Depreciation and Impairment of Fixed Assets	(2,000)	
174	Government Grants Deferred Amortisation	310	
12	Gain on Sale of Fixed Assets	15	
<u>(8,826)</u>	Net Charges made for Retirement Benefits in Accordance with FRS17	<u>(8,822)</u>	
(10,466)			(10,497)
	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		
859	Loans Fund Principal Repayments	965	
615	Capital Expenditure charged-in-year to the General Fund Balance	238	
0	Employer's contributions payable to the Local Government Pension Scheme and retirement benefits payable direct to pensioners	0	
<u>1,474</u>			<u>1,203</u>
	Net additional amount required to be credited to the General Fund balance for the year		
<u><u>(8,992)</u></u>			<u><u>(9,294)</u></u>

6.2 General Reserve

A portion of the £1.418m contained within the General Reserve as at 31 March 2007 is earmarked to fund future pension commutation liabilities. The earmarked portion as at 31 March 2007 is £0.582m (31 March 2006: £0.611m). The movement on the General Reserve during 2006/07 is as follows:-

2005/06		2006/07 Total Reserve £000	2006/07 Earmarked Portion £000	2006/07 Remainder £000
1,327	Balance as at 1 April	1,356	611	746
29	Surplus/(Deficit) for Year from Income and Expenditure Account	62	(29)	90
<u>1,356</u>	Balance as at 31 March	<u>1,418</u>	<u>582</u>	<u>836</u>

6.3 Best Value Accounting Code of Practice

The Best Value Accounting Code of Practice introduced mandatory service levels to 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 of the Net Cost of Services is offered on the next page.

£000		2006/07 Actual £000	2006/07 Budget £000	Variance £000
22,339	Staff Costs	22,891	23,292	(401)
1,069	Property Costs	1,132	1,133	(1)
1,422	Supplies and Services	1,611	1,520	91
753	Transport Costs	727	676	51
0	Third Party Payments	2	1	1
1,652	Capital Charges	1,689	1,526	163
142	Corp & Democratic Core	155	121	34
7	Non Distributed Costs	252	253	(1)
27,384	Gross Expenditure	28,459	28,522	(63)
(306)	General Income	(281)	(190)	(91)
27,078	Net Cost of Services	28,178	28,332	(154)

6.4 Pension Costs

Financial Reporting Standard 17 – Retirement Benefits (FRS17) requires the Board to provide clear information on the impact of its obligation to fund the retirement benefit of its staff on its financial position and performance. Notes 6.4.1 & 6.4.2 provide information on the schemes themselves, Note 6.4.3 gives information on the amounts recognised in the accounting statements and finally Notes 6.4.4 - 6.4.6 provide additional information on each scheme to allow users to understand the underlying economic situation of the Board.

The Pension Schemes

6.4.1 Uniformed Firefighters

The majority of uniformed staff participate in the old Firefighters Pension Scheme (“the Old Scheme”). The Old Scheme is a defined benefit scheme related to pay and service. However, the scheme is also unfunded, i.e. there are no assets built up to meet pension liabilities, and therefore the net cost of these liabilities ultimately 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.

From 6 April 2006 the New Firefighters Pension Scheme (“the New Scheme”) was established and new entrants to the service after 6 April 2006 are only eligible to participate in this scheme. The New Scheme is also a defined benefit scheme related to pay and service. However, the scheme is also unfunded, i.e. there are no assets built up to meet pension liabilities, and therefore the net cost of these liabilities ultimately 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.

6.4.2 Other Staff

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 defined benefit scheme related to pay and service. It 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.

The Local Government Pension Scheme contribution rate is based upon an independent triennial actuarial valuation. The last full triennial valuation of the Local Government Pension Scheme’s assets and liabilities

was carried out during 2005/06 with an effective valuation date of 31 March 2005. This showed that the Board's contribution rate required to be 275% for 2006/07 (2005/06: 275%) of employees' contributions.

6.4.3 Amounts Charged to the Income and Expenditure Account

The 2006/07 transactions on the Income and Expenditure Account relating to the Local Government Pension Scheme, the Firefighters Pension Scheme and the New Firefighters Pension Scheme are as follows:-

Total 2005/06 £000		Firefighters Pension Scheme £000	New Firefighters Pension Scheme £000	Local Govt Pension Scheme £000	Total 2006/07 £000
5,553	Current Service Cost	4,904	233	349	5,486
0	Past Service Cost	448	0	(203)	245
7,915	Interest Cost	7,595	7	576	8,178
(488)	Expected Return on Assets	0	0	(601)	(601)
12,980	Charged to Income & Expenditure Account	12,947	240	121	13,308

Additional Information

6.4.4 Firefighters Pension Scheme

The Firefighters Pension Scheme ("the Old Scheme") is classified as a single employer defined benefit scheme. This scheme is 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 scheme's commitments. The scheme was closed to new entrants from 6 April 2006.

The main financial assumptions at the beginning and end of the period used in preparing the valuation were as follows:-

Assumptions as at	1 April 2006 % Per Annum	31 March 2007 % Per Annum
Price Increases	3.0%	3.3%
Salary Increases	4.5%	4.8%
Pension Increases	3.0%	3.3%
Discount Rate	4.9%	5.4%

The scheme has a net pension liability of £158.8m (2005/06: £154.8m). The scheme is unfunded and therefore has no attributable assets.

Movements in Deficit During the Year

	Year to 31 March 2006 £000	Year to 31 March 2007 £000
Deficit at beginning of year	(136,200)	(154,805)
Current Service Cost	(5,290)	(4,904)
Past Service Cost	0	(448)
Transfers In	(343)	(202)
Transfers Out	130	3
Employers' Contributions	4,102	4,694
Interest Cost on Liabilities	(7,392)	(7,595)

Actuarial Gains/(Losses)	(9,812)	4,467
Pension Reserve Balance	(154,805)	(158,790)

6.4.5 New Firefighters Pension Scheme

The New Firefighters Pension Scheme (“the New Scheme”) is classified as a single employer defined benefit scheme. This scheme is 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 scheme’s commitments. The New Scheme came into effect from 6 April 2006.

The main financial assumptions at the beginning and end of the period used in preparing the valuation were as follows:-

Assumptions as at	1 April 2006 % Per Annum	31 March 2007 % Per Annum
Price Increases	n/a	3.3%
Salary Increases	n/a	4.8%
Pension Increases	n/a	3.3%
Discount Rate	n/a	5.4%

The scheme has a net pension liability of £0.289m (2005/06: n/a). The scheme is unfunded and therefore has no attributable assets.

Movements in Deficit During the Year

	Year to 31 March 2006 £000	Year to 31 March 2007 £000
Deficit at beginning of year	0	0
Current Service Cost	0	(233)
Employers’ Contributions	0	(59)
Interest Cost on Liabilities	0	(7)
Actuarial Gains/(Losses)	0	10
Pension Reserve Balance	0	(289)

6.4.6 Tayside Superannuation Fund

The Tayside Superannuation Fund (“the Fund”) is classified as a multi employer defined benefit scheme. The last formal actuarial valuation for funding purposes was at 31 March 2005 and was carried out during 2005/06. Therefore the next formal valuation is due on or before 31 March 2008 and should be carried out during 2008/09. In the production of the accounts for 2006/07 the actuary has used a roll-forward approach, rebasing the results of the last full valuation and allowing for known movements in the actuarial and financial assumptions required under FRS17 since that date. The valuation for FRS17 purposes has identified the Board’s share of the Fund’s underlying assets and liabilities.

The main financial assumptions at the beginning and end of the period used in preparing the valuation were as follows:

Assumptions as at	1 April 2006 % per annum	31 March 2007 % per annum
Price Increases	3.0%	3.3%
Salary Increases	4.5%	4.8%

Pension Increases	3.0%	3.3%
Discount Rate	4.9%	5.4%

The Board's share of the assets in the Tayside Superannuation Scheme is valued at fair value and is shown below as at the beginning and end of the period:-

Fair Value of Board's Attributable Assets as at 1 April 2006

Assets	Long Term Return % per annum	Fund Value at 1 April 2006 £000	% of Total Assets	Expected Return per annum £000
Equities	7.0%	6,562	71.4%	459
Gilts	4.2%	1,176	12.8%	49
Bonds	4.9%	460	5.0%	23
Property	6.5%	781	8.5%	51
Cash	4.0%	211	2.3%	8
Total		9,190	100.0%	590

The figures in the above table differ from those disclosed in the corresponding table in the 2005/06 Statement of Accounts. The original figures disclosed in the 2005/06 Statement of Accounts were based on an actuarial projection of the latest figures available at the time, those being the January 2006 figures. The above figures have been based on the finalised actual position at 31 March 2006. The difference is a small variation in the make-up of the scheme assets, leading to a £3,000 reduction in the expected return for the year.

Fair Value of Board's Attributable Assets as at 31 March 2007

Assets	Long Term Return % per annum	Fund Value at 31 March 2007 £000	% of Total Assets	Expected Return per annum £000
Equities	7.2%	7,355	72.0%	530
Gilts	4.4%	1,093	10.7%	48
Bonds	5.4%	420	4.1%	23
Property	6.7%	1,112	10.9%	75
Cash	5.0%	232	2.3%	12
Total		10,212	100.0%	688

Present Value of Scheme Liabilities

Net Pension Assets/(Liabilities) as at	31 March 2006 £000	31 March 2007 £000
Estimated Tayside Fire and Rescue Board Assets	9,190	10,212
Present Value of Scheme Liabilities	(11,518)	(11,702)
Present Value of Unfunded Liabilities	(81)	(77)
Total Value of Liabilities	(11,599)	(11,779)
Net Pension Liabilities	(2,409)	(1,567)

The Board has net pension liabilities in respect of the Fund of £1.567m (2005/06: £2.409m net liability).

Movement in Deficit During The Year

	Year to 31 Mar 2006 £000	Year to 31 Mar 2007 £000
Deficit at beginning of year	(2,702)	(2,409)
Current Service Cost	(263)	(349)
Past Service Costs	-	203
Employer Contributions	272	298
Interest on Scheme Liabilities	(523)	(576)
Expected Return on Assets	488	601
Actuarial Gains/(Losses)	319	665
Deficit at end of year	(2,409)	(1,567)

6.5 Defined Benefit Pension Schemes

i) Firefighters Pension Scheme

	2006/07		2005/06		2004/05		2003/04	
	£000	%	£000	%	£000	%	£000	%
Difference between the expected and actual return on assets.	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Experience gains and losses arising on the scheme liabilities	0	0.0	201	0.1%	5,700	4.0%	99	0.1%
Changes in the demographic and financial assumptions underlying present value of scheme liabilities	4,467	2.8%	(10,013)	(6.5)%	(4,900)	(3.6)%	0	0.0%

ii) New Firefighters Pension Scheme

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

	2006/07		2005/06		2004/05		2003/04	
	£000	%	£000	%	£000	%	£000	%
Difference between the expected and actual return on assets	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Experience gains and losses arising on the scheme liabilities	0	0.0%	n/a	n/a	n/a	n/a	n/a	n/a
Changes in the demographic and financial assumptions underlying present value of scheme liabilities	10	3.6%	n/a	n/a	n/a	n/a	n/a	n/a

iii) Local Government Pension Scheme

	2006/07		2005/06		2004/05		2003/04	
	£000	%	£000	%	£000	%	£000	%
	194	1.9%	1,562	17.0%	352	5.0%	742	11.8%

Difference between the expected and actual return on assets									
Experience gains and losses arising on the scheme liabilities	0	0.0		136	1.2%	0	0.0	(29)	(0.4)%
Changes in the demographic and financial assumptions underlying present value of scheme liabilities	471	4.0%		(1,379)	(11.9)	(425)	(4.3)%	0	0.0%

6.6 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 £109,000 (2005/06: £111,000) were made in respect of these during 2006/07, with an undischarged liability of £200,000 (2005/06: £162,000) still remaining at 31 March 2007.

The Board is committed at 31 March 2007 to make payments of £100,000 (31 March 2006: £89,000) under operating leases during 2007/08 as follows:

	Vehicles £000
Leases expiring within one year	20
Leases expiring between two and five years	80
Total Operating Lease Commitments 2007/08	100

iii) Other Leases

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

6.7 Publicity Account

Section 5(1) of the Local Government Act 1986 requires Local Authorities to keep a separate account of expenditure on publicity. Publicity expenditure was incurred as follows:-

2005/06 £000	Income	2006/07 £000
19	Recruitment Advertising	31
1	Other Advertising	9
20		40

6.8 Government Grants

The Board did not receive any Government revenue grants in 2006/07 (2005/06: £0).

Under the Prudential Code for Capital Finance in Local Authorities the Board received substantial capital grant funding from the Scottish Executive in 2006/07. This was used to finance the Board's capital expenditure programme.

6.9 Members Allowances

The Fire and Rescue Board did not pay any allowances to members for services provided to the Board during 2006/07 (2005/06: £nil). These costs and allowances are borne by the individual constituent councils in which the members serve.

6.10 Officers Remuneration

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

Salary Banding £	Emoluments	Remuneration
	Number of Employees 2005/06	Number of Employees 2006/07
50,000 - 59,999	2	7
60,000 - 69,999	1	5
70,000 - 79,999	1	3
80,000 - 89,999	1	1
90,000 - 99,999	0	0
100,000 - 109,999	0	0
110,000 - 119,999	0	1

The 2006 Statement of Recommended Practice removed the term “emoluments” and replaced it with the term “remuneration”. Remuneration differs from emoluments in that it includes employees’ pension contributions and any other benefits in kind not included in annual submissions to Her Majesty’s Revenue and Customs. The previous definition excluded these costs. Therefore the 2005/06 figures are not directly comparable to the 2006/07 figures.

6.11 Local Authority (Goods and Services) Act 1970

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

	2005/06 £000	2006/07 £000
<u>Angus Council</u>		
Provision of Computer Maintenance Services	10	0
<u>Dundee City Council</u>		
Provision of Insurance & Risk Management Administration Services		
Provision of Payroll Services	9	8
Provision of Pension Administration Services	32	32
	14	16
<u>Perth and Kinross Council</u>		
Treasurer’s Fee	6	6
Secretarial and Clerking Fee	24	24
Provision of Internal Audit Services	6	8
Provision of Banking Services	3	3
Provision of Treasury Management Services	9	9
Provision of Legal Services	4	8
Provision of Services relating to Single Status	19	5
<u>Tayside Police Joint Board</u>		
Provision of Radio and Communication Maintenance Services	85	87
Total Expenditure	221	206

The Board does not currently supply goods or services to other public bodies; therefore there is no income arising from the provision of goods or services to other public bodies as empowered by the Local Authority (Goods and Services) Act 1970.

6.12 External Audit Fees

The fee payable to Audit Scotland for external audit services undertaken during 2006/07 was split as follows:

- Statutory fee charged in accordance with the Code of Audit Practice £25k (2005/06: £26k).
- No other additional work was undertaken during the year (2005/06: £0).

6.13 Fixed Assets

i) Information on Assets Held

As at 31 March 2007 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") and is enshrined within Part 7 of the Local Government in Scotland Act 2003. The Code means that the Board no longer requires government permission to borrow but allows the Board to set its own borrowing limit. In practice the Capital Expenditure Plan for the Board was contained within the limits of the Scottish Executive capital grant allocation for 2006/07.

ii) Fixed Asset Statement

	LAND & BUILDINGS £000	VEHICLES & EQUIPMENT £000	NON- OPER- ATIONAL ASSETS £000	TOTAL £000
Gross Book Value at 1 April 2006	20,142	9,642	686	30,470
Transfers	0	950	(950)	0
Expenditure at cost	886	942	634	2,462
Disposals	0	(720)	0	(720)
Revaluation and Restatement	(163)	0	0	(163)
Gross Book Value at 31 March 2007	20,865	10,814	370	32,049
Depreciation at 1 April 2006	2,585	5,640	0	8,225
Depreciation Charge for the year	965	871	0	1,836
Depreciation write back on disposals	0	(720)	0	(720)
Depreciation at 31 March 2007	3,550	5,791	0	9,341
Net Book Value at 31 March 2007	17,315	5,023	370	22,708
Net Book Value at 31 March 2006	17,557	4,002	686	22,245
Capital Expenditure in Year Financed by:				
Capital Grant	883	733	556	2,172
Capital Receipts	0	52	0	52
Capital Exp financed from Revenue	3	158	77	238
Total Financing	886	943	633	2,462

iii) Valuation of the Board's Assets

With the exception of the new training facilities in Perth and Arbroath all of the Board's land and properties were revalued during the year April 2003 to March 2004 on a depreciated replacement cost basis by staff at Lickley Proctor (Chartered Surveyors) and this was overseen by the FRICS qualified senior partner of that

company. The effective date of these valuations was 31 March 2004 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 2006/07 and therefore the values of the assets have not been revalued or re-stated. The assets require to be revalued every 5 years. Therefore, the next complete revaluation requires to be undertaken on or before 31 March 2009.

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 2007 the Board had outstanding capital commitments of £257,000 (2005/06: £83,000) mainly as a consequence of certain property works being incomplete at the end of the financial year.

6.14 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. Details of the movement on each reserve (excluding the General Fund which is shown separately under Note 6.2) are shown below.

i) Movement on Fixed Asset Restatement Account

This reserve was established to comply with local authority capital accounting rules and accounts for the gains on the revaluation of fixed assets.

2005/06		2006/07
£000		£000
12,925	Opening Balance	12,925
0	Revaluation and Restatements	0
705	Depreciation Written Back	720
(705)	Disposals	(720)
12,925	Closing Balance	12,925

ii) Movement on Capital Financing Account

This reserve was established to comply with local authority capital accounting rules and is used to account for capital resources set aside to meet past expenditure.

2005/06		2006/07
£000		£000
(4,017)	Opening Balance	(4,183)
859	Loan Principal Repaid	965
(1,826)	Depreciation for the Year	(1,836)
174	Amortisation of Government Grants Deferred	310
12	Usable Capital Receipts	52
615	Capital Expenditure Financed From Revenue	238
0	Asset Impairment	(163)
(4,183)	Closing Balance	(4,617)

iii) Movement on the Usable 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.

2005/06		2006/07	
£000		£000	
0	Opening Balance	0	
12	Capital Receipts	52	
0	Receipts set aside for repayment of existing debt	0	
(12)	Transfer of balance to Capital Financing Account	(52)	
0	Closing Balance	0	

iv) Movement on the Pensions Reserve

This reserve was established to comply with the statute and is a balancing account to allow the inclusion of the Pensions Liability in the Balance Sheet

2005/06		2006/07	
£000		£000	
138,902	Opening Balance	157,214	
8,826	Appropriation to Revenue	8,822	
(7)	Employer's Contribution Adjustment	(247)	
9,493	Actuarial (Gain)/Loss Relating to Pensions	(5,143)	
157,214	Closing Balance	160,646	

6.15 Analysis of Borrowing

During 2006/07 the Board borrowed two loans totalling £3.350m (2005/06: four loans - £5.0m) from the Public Works Loan Board at an average interest rate of 4.250% to finance historic debt. These loans both mature in 50 years.

Loan debt plus debt brought forward is managed by Perth and Kinross Council and is analysed in full below.

Maturity Period	Perth and Kinross Council			Total £000	Average Rate %
	PWLB £000	Council £000	Other £000		
Less than 1 year	1,000	229	0	1,229	5.00%
1 - 2 years	0	184	0	184	7.85%
2 - 3 years	0	118	0	118	7.85%
3 - 4 years	0	45	0	45	7.85%
4 - 5 years	0	33	0	33	7.85%
5 - 6 years	0	0	0	0	0.00%
6 - 10 years	0	0	0	0	0.00%
10 - 15 years	0	0	0	0	0.00%
15 + years	3,750	0	1,500	5,250	4.56%
Total	4,750	609	1,500	6,859	4.82%

6.16 Euro

The Board is required to disclose certain information in connection with the possible entry to the European Single Currency. As at 31 March 2007 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.

6.17 Sundry Debtors and Sundry Creditors

Sundry Debtors can be analysed as follows:-

2005/06		2006/07
£000		£000
555	Trade Debtors	1,128
339	Payroll Debtor	874
4	Other Debtors	79
898	Total Sundry Debtors	2,081

Sundry Creditors can be analysed as follows:-

2005/06		2006/07
£000		£000
1,491	Trade Creditors	1,917
1,009	Payroll Creditors	1,484
11	Other Creditors	461
2,511	Total Sundry Creditors	3,862

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

	£000	£000
Deficit on Income and Expenditure Account for Year		(9,232)
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)	10,497	
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)	<u>(1,203)</u>	9,294
Increase to General Fund Balance		<u>62</u>
Increase/(Decrease) in Revenue Creditors and Provisions	948	
(Increase)/Decrease in Stocks	(3)	
(Increase)/Decrease in Revenue Debtors	<u>(948)</u>	(3)
Interest Paid	410	
Principal Repaid	965	
Interest Received	(98)	

Capital Expenditure Financed from Revenue	238
	<u>1,515</u>
Net Cash Inflow from Revenue Activities	<u>1,574</u>

6.19 Increase/(Decrease) in Cash During the Year

	Balance At 31/03/05 £000	Balance at 31/03/06 £000	Movement £000	Balance at 31/03/06 £000	Balance at 31/03/07 £000	Movement £000
Cash in Hand	0	0	0	0	0	0
Bank Accounts	1,221	1,255	34	1,255	810	(445)
	<u>1,221</u>	<u>1,255</u>	<u>34</u>	<u>1,255</u>	<u>810</u>	<u>(445)</u>

6.20 2005/06 Comparative Figures

i) In the 2006/07 Statement of Accounts, the Board has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to revenue accounts or support services
- credits for government grants deferred are now posted to revenue accounts and support services
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts (only figures that have changed are included in the table):

	Revenue Account in 2005/06 Statement of Accounts £000	Removal of capital financing charges £000	Relocation of government grants deferred credits £000	Recognition of gains on disposal of fixed assets £000	2005/06 comparative figures in Income and Expenditure Account £000
Community Fire Safety	496	-14	-3	0	479
Fire Fighting and Rescue Operations	27,304	-799	-170	0	26,335
Fire Service Emergency Planning and Civil Defence	120	-4	-1	0	115
Impact on Net Cost of Services	<u>27,920</u>	<u>-817</u>	<u>-174</u>	<u>0</u>	<u>26,929</u>
Profit on Disposal of Fixed Assets	0	0	0	-12	-12
Asset Management revenue account (Interest Payable and Similar Charges)	-521	817	174	0	470

in 2006/07)

Impact on Net Operating Expenditure	27,399	0	0	-12	27,387
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ii) The 2005/06 comparative figures on the Balance Sheet and in Note 6.17 for Debtors and Creditors have been restated to properly reflect the effect of amounts paid to the Board's pensioners by Dundee City Council on the Board's behalf. The pensioners payroll is payable in advance and the April payment is receivable on 1 April. In order to ensure this deadline is achieved the payment leaves Dundee City Council's bank account during the last week of March and is recharged to the Board during April. This represents both a prepayment by the Board, offset by a creditor provision against Dundee City Council.

As a result the 2005/06 comparative figures for both payroll creditors and payroll debtors have been increased by £339k to reflect this. The 2006/07 corresponding figure is £370k.

6.21 Date of Signing of Balance Sheet and Post-Balance Sheet Events

The Treasurer, being the officer responsible for the Board's financial affairs, signed the Statement of Accounts on 25 June 2007.

No events occurred between the date of the Balance Sheet (31 March 2007) and the date the Treasurer signed the accounts that would have had an impact on the 2006/07 Statement of Accounts.

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 (SLA), utilises the services of Perth and 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 the audit work undertaken, reasonable reliance can be placed on the Board's system of internal control for 2006/07. This opinion derives however from a limited level of audit coverage during the year, a situation that has now been resolved through the current service level agreement.
- 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 2006/07 will be implemented under the normal business of the Board.

J Symon ACA
Treasurer

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 (the Board) for the year ended 31 March 2007 under Part VII of the Local Government (Scotland) Act 1973. These comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash-Flow Statement, and the related notes. 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 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 applicable laws and regulations and the Code of Practice on Local Authority Accounting in the United Kingdom 2006 - A Statement of Recommended Practice (the 2006 SORP) are set out in the Statement of Responsibilities.

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.

We report our opinion as to whether the financial statements present fairly the financial position of the Board in accordance with applicable laws and regulations and the 2006 SORP, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973. We also report if, in our opinion, the Foreword is not consistent with the financial statements, if 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 the Board's compliance with the SORP. We report if, in our opinion, it does not comply with the SORP or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement covers all risk and controls. Neither are we required to 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 2006/07 and Performance Information. 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. An 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 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 present fairly, in accordance with applicable laws and regulations and the 2006 SORP, the financial position of Tayside Fire and Rescue Board as at 31 March 2007 and its income and expenditure for the year then ended; and
- the financial statements 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*

30 August 2007

SECTION 9
TAYSIDE FIRE AND RESCUE BOARD
ACCOUNTS COMMISSION
PUBLICATION OF PERFORMANCE INFORMATION FOR 2006/07

Comparative figures for 2005/06 are shown in brackets.

Community Fire Safety:

- (i) The number of incidents resulting in casualties per 10,000 population: 2.2 (1.7)
- (ii) The number of fatal and non-fatal casualties per 10,000 population: 3.0 (2.4)
- (iii) The number of accidental dwelling fires per 10,000 population: 11.8 (12.3)

Sickness Absence : The percentage of rider shifts lost during the year due to:

Sickness	7.1% (5.7%)
Light duties	1.0% (0.7%)

The percentage of working time lost to sickness for all other staff directly employed by the Board

Due to sickness	5.7% (5.3%)
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Call Response Time: The percentage of calls to incidents handled within the following time periods

Handled within one minute	54.8% (64.5%)
Handled in less than 2 minutes	90.8% (94.6%)