

**TAYSIDE FIRE AND RESCUE BOARD**

**STATEMENT OF ACCOUNTS**

**2008/09**



# TAYSIDE FIRE AND RESCUE BOARD

## STATEMENT OF ACCOUNTS 2008/09

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## **SECTION 1**

### **TAYSIDE FIRE AND RESCUE BOARD**

#### **MEMBERS AND OFFICIALS 2008/09**

##### **Convener**

Councillor Ken Lyall (Perth)

##### **Vice Conveners**

Councillor John Whyte (Angus)

Bailie Helen Wright (Dundee) until 30 March 2009\*

Councillor C Roberts (Dundee) from 30 March 2009\*

##### **Appointed Members**

###### **Angus Council**

Councillor F Ellis – resigned 13 May 2008

Councillor H Oswald – appointed 15 May 2008

Councillor D Fairweather

Councillor R Myles

Councillor S West

###### **Dundee City Council**

Bailie G Regan\*

Bailie R Wallace\*

Councillor J Barrie\*

Councillor H Dick\*

Councillor C Roberts\*

Councillor M Asif – resigned August 2008

Councillor R McCready – appointed 25 August 2008\*

*\*Dundee City Council removed all its members, including Vice Convener Bailie Helen Wright, from the Board on 30 March 2009 and appointed the following members to the Board with effect from the same date:*

Vice Convener – Councillor C Roberts

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 – S Hunter BSc MBA MCGI FIFireE QFSM

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 2008/09 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 2008/09 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** - 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 2009.
- (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 £29.129m for 2008/09 of which £28.917m was to be requisitioned from the constituent Councils in line with previously determined percentages, with the remaining £0.212m to be funded from the Board’s General Reserve.

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 level of capital grant notified as being receivable in 2008/09 was £1.608m. This was notified to the Board by the Scottish Government 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 2008/09 was £27.802m. Note 6.3 uses an alternative layout to compare the net cost of services against the 2008/09 revenue budget and the major financial variances are summarised and further analysed below.

	<b>2008/09 Budget £000</b>	<b>2008/09 Actual £000</b>	<b>Variance £000</b>
Staff Costs	22,477	22,471	(6)
Running Costs	5,240	5,644	404
Income	(197)	(313)	(116)
<b>Net Cost of Services</b>	<b>27,520</b>	<b>27,802</b>	<b>282</b>

### Staff Costs – Underspend £6k

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 the removal of £278k pension costs, but this was offset by an actual overspend on salary costs of £272k.

The overspend on salary costs arose mainly as a result of an increase in pension commutations payable as a result of revised commutation factors introduced in 2007/08 (£697k). This was funded by the Scottish Government by a redetermination of the constituent authorities’ Revenue Support Grant and a consequential increase in requisitions paid by them to the Board. In addition there was an increase in other firefighters’ pension payments (£469k) and other staff costs (£33k); these were all offset by staff vacancies and other slippage (£471k), lower than anticipated activity with the Retained sector (£141k), and a reduction in the costs of ill-health retirements due to fewer employees having to take ill-health retirement than was originally budgeted (£315k).

### Running Costs - Overspend £404k

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 incurred during the year was mainly as a result of:

- increased expenditure on property related matters (£123k),
- greater than budgeted expenditure on protective clothing and uniforms to enable the Board to continue to keep up to date with protective clothing standards (£44k),
- greater than budgeted expenditure on ICT and communications to ensure the Board continues to be suitably supported on an adequate ICT platform (£21k),
- increased expenditure on fuel due to volatile fuel prices during 2008/09 (£51k),
- increased spending on operational equipment and hydrants (£84k),
- increased transport related expenditure (£50k),
- other costs (£31k).

#### Income – Income Received Above Target by £116k

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 2008/09 was £108k more than that originally budgeted for. In addition, other income was £8k over target, mainly from licensing.

## **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 repayments 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 “topped up” by successful bids for additional funding. The Capital Expenditure Plan for 2008/09 was formulated within the total funding made available and totalled £1.608m. It included provision for:

- the purchase, build, and fitting out of three rescue pumps,
- the completion of one aerial rescue pump and the purchase of a chassis for another,
- the continuation of the ancillary vehicle replacement policy,
- the building of an extension at Blairgowrie
- the upgrade of existing facilities at Blairgowrie,
- the continuation of a phased upgrading being carried out to provide training facilities at all wholetime stations,
- the purchase and roll out of improved personal protective equipment to operational staff,
- investment in ICT infrastructure.

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

<b>2007/08</b>		<b>2008/09</b>
<b>Available</b>		<b>Available</b>
<b>Funding</b>		<b>Funding</b>
<b>£000</b>		<b>£000</b>
1,915	Annual Receipt of Capital Grant	1,608
206	Other Capital Contributions	5
714	Capital Financed from Current Revenue (CFCR)	191
46	Sales Proceeds from Disposal of Assets	32
41	Previous Years’ Grant Carried Forward	35
<b>2,922</b>	<b>Total Capital Expenditure Funding Available</b>	<b>1,871</b>
<b>2,887</b>	<b>Total Capital Expenditure During Year (see below)</b>	<b>1,830</b>
<b>35</b>	<b>Capital Grant Carried Forward to Next Financial Year</b>	<b>41</b>

Actual capital/CFCR expenditure during the year totalled £1.830m and was incurred as follows:

- the purchase and construction of three front-line rescue pumps; the continuation of construction of an aerial rescue pump; the purchase of a second aerial rescue pump chassis to enable construction to commence in 2009/10; and the purchase/build of other ancillary/firefighting support vehicles, all totalling £1.054m,
- expenditure on the building of an extension and the upgrade to existing facilities at Blairgowrie £0.342m,
- other major capital works on property assets totalling £0.214m,
- the purchase of operational equipment and protective equipment totalling £0.095m,
- investment in the IT infrastructure totalling £0.125m.

## **2.7 New Firefighters Pension Scheme (NFPS) – Comment on the Statutory Basis for the Reversal of Costs which have been calculated based on FRS17 Retirement Benefits**

The Board is required to apply accounting standard FRS17 “Retirement Benefits”, which is based on the principle that retirement benefits should be recognised when the Board is committed to providing them, even if the actual payment will be many years into the future. As such the FRS17 calculation requires the estimation of future scheme liabilities to be stated at current values.

Legislation however generally requires that the General Fund is charged with the actual transactions made by the employer for the year rather than the cost calculated under the FRS17 requirements. The difference between the FRS17 calculated costs and the Board’s actual contributions is charged to the Board’s Pension Reserve. The legislation requiring this treatment refers to specific pension schemes and legislation.

The NFPS was introduced from 6 April 2006. However the legislation which requires that the difference between the FRS17 calculated costs and the actual contributions are charged to the Pensions Reserve was not updated to include the NFPS. Therefore, at present there is no legislation to allow the impact of the required accounting treatment for the NFPS to be charged to the Pensions Reserve. This means that for the NFPS the FRS17 calculated costs fall to be charged to the General Fund as from the inception of the scheme.

However it is anticipated that this will be corrected by legislative action during the 2009/10 financial year. Consequently, in order to provide a financial presentation which reflects what is considered to be the substance of the Board’s financial position as at 31 March 2009 as opposed to its legal form the total FRS17 calculated cost of the NFPS since its inception has not been charged against the General Fund.

If the FRS17 calculated costs had been accounted for in line with the existing legislative framework then this would have resulted in the General Fund balance as at 31 March 2009 being reduced from a surplus of £1.853m to deficit of £0.299m, with the Pension Reserve balance similarly being reduced from a deficit of £149.922m to a deficit of £147.770m. This is a net movement of £2.152m.

## **2.8 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. A third pension scheme has now been 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. The retirement benefits of remaining members of the Old Scheme will remain preserved in the Old Scheme. From 6 April 2006 new uniformed entrants to the service 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 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. Notwithstanding the comments made in Note 2.7 above, 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 2009 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 £149.9m is disclosed on the balance sheet as at 31 March 2009 (31 March 2008: £152.6m). This is matched by a Pensions Reserve with a balance of £149.9m (31 March 2008: £152.6m). The significance of this liability is that, if every member of the pension scheme were to leave the service on 31 March 2009, the net cost to the Board in terms of pension benefits accrued to that date would be £149.9m.

## **2.9 Reserves Strategy**

The Board agreed an updated strategy for managing the Board's reserves at its meeting of 11 May 2009. This will allow it to address future budget constraints and other material financial pressures.

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 general reserves
- A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves
- A means of building up funds often referred to as earmarked reserves, to meet known or predicted liabilities.

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 Reserve of 5% of the total authorities' requisitions received for that year. This excludes the earmarked pensions reserve.

The total requisition received from authorities during 2008/09 was £29.643m. Reference needs to be made to Note 2.7 above and Note 6.20 to the accounts. Notwithstanding the comments made therein the year-end position for 2008/09 reflected an underspend of £0.017m compared to these constituent authorities requisitions and therefore this amount was added back into the General Fund, resulting in a General Fund Balance at 31 March 2009 of £1.853m. Under the reserves strategy £0.773m is earmarked against known future pension commitments and £0.020m is earmarked to be utilised to fund the 2009/10 budget. This leaves an uncommitted balance on the General Fund at 31 March 2009 of £1.060m. This is tabulated in Note 6.2.

As stated above the total requisition received from authorities during 2008/09 was £29.643m. The uncommitted balance on the General Fund as at 31 March 2009 of £1.060m represents 3.6% of this figure. This is within the approved limits of 3% and 5% respectively.

## **2.10 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 yet 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 2008/09.

J Symon ACA  
Treasurer



## 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 2008 (the 2008 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 2009.

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	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.

The standard useful lives of main buildings, drill towers and pitched roofs have been reduced from 25 years to 20 years as a result of the latest professional revaluation of land and property.

### **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 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 2008 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 six reserves, the General Reserve, the Pensions Reserve, the Revaluation Reserve, the Capital Adjustment Account, the Financial Instruments Adjustment Account and the 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 and known pension 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 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 2009 have been brought into account. All salaries and wages payable up to 31 March 2009 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 remaining members can 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 2009 shows net liabilities of £129.8m. This net liability position reflects the inclusion of net pension liabilities of £149.9m 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 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.

Other than the change in accounting policy referred to in note 3.18 below there were no other material changes in accounting policies or estimation techniques introduced during the year to 31 March 2009.

### **3.17 Valuation of Financial Instruments**

Financial instruments are shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy or sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

### **3.18 Changes in Accounting Policies - Valuation of Quoted Securities Held as Assets in Defined Benefit Pension Schemes**

Under the 2008 Statement of Recommended Practice the Board has adopted the amendment to FRS17, Retirement Benefits published in December 2006. As a result quoted securities held as assets in the Tayside Superannuation Fund are now valued at bid price rather than mid-market value. As detailed in Note 6.4.2 to the core financial statements, this change in policy has resulted in a downward revaluation of the fund assets attributable to the Board at 31 March 2009 and a corresponding increase in the Board's net retirement benefit obligations. The Board has treated this movement as a prior period adjustment in preparing the financial statements for 2008/09.

## 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 2009.

J Symon ACA  
Treasurer  
29 June 2009

## SECTION 5

### CORE FINANCIAL STATEMENTS

#### INCOME AND EXPENDITURE ACCOUNT

**FOR THE YEAR ENDED 31 MARCH 2009**

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
513	Community Fire Safety	484	0	484
27,383	Fire Fighting and Rescue Operations	27,295	(313)	26,982
124	Fire Service Emergency Planning and Civil Defence	133	0	133
121	Corporate & Democratic Core	116	0	116
7	Non Distributed Costs	87	0	87
<b>28,148</b>	<b>Net Cost of Services</b>	<b>28,115</b>	<b>(313)</b>	<b>27,802</b>
	6.3			
82	Interest Payable and Similar Charges			440
(31)	Gain on Disposal of Fixed Assets			(10)
(64)	Interest and Investment Income			(53)
8,582	Pension Interest Cost and Expected Return on Pensions Asset	6.4.3		10,002
<b>36,717</b>	<b>Net Operating Expenditure</b>			<b>38,181</b>
	<u>Constituent Council Requisitions</u>			
(5,219)	Angus Council			(5,632)
(14,284)	Dundee City Council			(15,414)
(7,966)	Perth & Kinross Council			(8,597)
<b>(27,469)</b>				<b>(29,643)</b>
<b>9,248</b>	<b>Deficit for Financial Year</b>			<b>8,538</b>

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

**FOR THE YEAR ENDED 31 MARCH 2009**

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.

<b>2007/08</b>		<i>Notes</i>	<b>2008/09</b>
<b>£000</b>			<b>£000</b>
9,248	Deficit for the Year on the Income and Expenditure Account		8,538
(9,666)	Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	6.1	(8,555)
<hr/> <b>(418)</b>	<b>Increase in the General Fund Balance for the Year</b>		<hr/> <b>(17)</b>
(1,418)	General Fund Balance brought forward		(1,836)
<hr/> <b>(1,836)</b>	<b>General Fund Balance carried forward</b>	6.2	<hr/> <b>(1,853)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 MARCH 2009

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.

<b>2007/08</b>		<b>2008/09</b>
<b>£000</b>		<b>£000</b>
9,248	Deficit for the year on the Income and Expenditure Account	8,538
0	Surplus arising on revaluation of fixed assets	(10,442)
(18,170)	Actuarial movement on pension fund assets and liabilities	(10,434)
32	Other gains and losses required to be included within the SORP	(41)
<hr/> <b>(8,890)</b>	<b>Total recognised gains for the year</b>	<hr/> <b>(12,379)</b>
103	Prior Period Adjustment – Valuation of Pension Assets	
<b>(8,787)</b>	<b>Adjusted Recognised Gains for the Year after Prior Period Adjustment</b>	



**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2009**

<b>2007/08</b> <b>£000</b>	<i>Notes</i>	<b>2008/09</b> <b>£000</b>
<b>REVENUE ACTIVITIES</b>		
<u>Cash Outflows</u>		
23,947	Cash Paid to and on behalf of Employees	26,627
3,370	Other Operating Cash Payments	4,299
27,317		30,926
<u>Cash Inflows</u>		
(2,030)	General Income	(1,500)
(27,034)	Requisitions from Constituent Councils	(29,643)
(29,064)		(31,143)
<b>(1,747)</b>	<b>Net Cash Inflow From Revenue Activities</b>	<b>(217)</b>
	<i>6.15</i>	
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
<u>Cash Outflows</u>		
144	Interest Paid	391
<u>Cash Inflows</u>		
(73)	Interest Received	(84)
(1,676)		307
		90
<b>CAPITAL ACTIVITIES</b>		
<u>Cash Outflows</u>		
3,502	Purchase of Fixed Assets	1,804
<u>Cash Inflows</u>		
(46)	Sale of Fixed Assets	(32)
(2,111)	Capital Grants Received	(1,613)
(10)	Other Cash Capital Receipts	0
<b>(341)</b>	<b>Net Cash Outflow / (Inflow) Before Financing</b>	<b>249</b>
<b>FINANCING</b>		
<u>Cash Outflows</u>		
4,342	Repayments of Amounts Borrowed	2,016
<u>Cash Inflows</u>		
(3,500)	New Loans Raised	(3,000)
<b>501</b>	<b>(Increase) / Decrease in Cash</b>	<b>(735)</b>
	<i>6.16</i>	

## 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

2007/08 £000		2008/09 £000
	<b>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</b>	
(1,912)	Depreciation and Impairment of Fixed Assets	(2,370)
524	Government Grants Deferred Amortisation	776
31	Gain on Sale of Fixed Assets	10
<u>(10,053)</u>	Net Charges made for Retirement Benefits in Accordance with FRS17	<u>(7,724)</u>
(11,410)		(9,308)
	<b>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</b>	
1,030	Loans Fund Principal Repayments	562
<u>714</u>	Capital Expenditure charged-in-year to the General Fund Balance	<u>191</u>
1,744		753
<u><b>(9,666)</b></u>	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<u><b>(8,555)</b></u>

#### 6.2 General Reserve

The General Reserve balance of £1.853m (31 March 2008: £1.836m) includes an earmarked portion to fund future budgetary pressures and known pension commitments, with the remainder being an uncommitted balance. The movement on the General Reserve during 2008/09 is as follows:-

31 March 2008		31 March 2009
£000		£000
1,418	Opening General Reserve Balance	1,836
<u>418</u>	Surplus for Year	<u>17</u>
<b>1,836</b>	<b>General Reserve Balance as at 31 March</b>	<b>1,853</b>
	Earmarked Portion:	
504	- Pension Commutations	773
547	- Pension Transfer Value	0
<u>562</u>	- Future Budget Strategy	<u>20</u>
1,613		793
<u><b>223</b></u>	<b>Uncommitted Balance Remaining on General Fund as at 31 March</b>	<u><b>1,060</b></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 below.

2007/08 Actual £000		2008/09 Budget £000	2008/09 Actual £000	Variance £000
23,267	Staff Costs	22,477	22,471	(6)
1,249	Property Costs	1,206	1,329	123
1,591	Supplies and Services	1,525	1,696	171
705	Transport Costs	719	820	101
0	Third Party Payments	1	2	1
1,388	Capital Charges	1,594	1,594	0
121	Corporate & Democratic Core	115	116	1
7	Non Distributed Costs	80	87	7
<b>28,328</b>	<b>Gross Expenditure</b>	<b>27,717</b>	<b>28,115</b>	<b>398</b>
(180)	General Income	(197)	(313)	(116)
<b>28,148</b>	<b>Net Cost of Services</b>	<b>27,520</b>	<b>27,802</b>	<b>282</b>

The Net Cost of Services above shows an adverse variance of £282k (2007/08: £225k). This is fully explained in the Explanatory Foreword.

In order to ensure the financial position of the Board is correctly stated in line with statute certain accounting adjustments are made at the end of the financial year which have an effect on the reported Net Cost of Services. These are shown on the face of the Income and Expenditure Account and the Statement of Movement in the General Fund Balance and include:

- The recognition of items that are not directly attributable to services, for example interest payable and receivable, profit on sale of fixed assets and interest payable on pension scheme deficits. These costs are added to the Net Cost of Services and produce the Net Operating Expenditure of the Board.
- Recognition of funding sources from Council Requisitions against this expenditure to produce the deficit for the year on the Income and Expenditure Account in compliance with, and in the format required by the 2008 SORP.
- Within the Statement of Movement on the General Fund Balance the removal of amounts included in the Income and Expenditure Account that are required by statute to be excluded when calculating the reported financial position of the Board.
- Within the Statement of Movement on the General Fund Balance the inclusion of amounts not included in the Income and Expenditure Account which are required by statute to be included when calculating the reported financial position of the Board.

Once these adjustments have been carried out there is an actual surplus of £17k (2007/08: £418k surplus) which has been added to the General Fund in 2008/09.

## **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 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.

#### **New Firefighters Pension Scheme**

New entrants joining the uniformed service after 6 April 2006 are only permitted to 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.

### **6.4.2 Change of Accounting Policy**

Under the 2008 SORP the Board has adopted the amendment to FRS17, Retirement Benefits published in December 2006. As a result quoted securities held as assets in the Tayside Superannuation Fund are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets within the Tayside Superannuation Fund at 31 March 2008 have been restated from £10.270m to £10.167m, a reduction of £0.103m, resulting in an increase of the pension deficit brought forward at 1 April 2008 of £0.103m. The pension deficit brought forward at 1 April 2008 on the Tayside Superannuation Fund has therefore been adjusted from £1.035m to £1.138m as a prior period adjustment.

As the Firefighters Old Scheme and New Scheme have no attributable assets the change of accounting policy has no effect on the pension deficit of £150.471m and £1.022m respectively which was reported at 31 March 2008.

Therefore, the total pension deficit brought forward at 1 April 2008 has been restated as £152.631m and the comparative figures in the Balance Sheet and Notes to the Core Financial Statements adjusted accordingly.

### 6.4.3 Amounts Charged to the Income and Expenditure Account

The 2008/09 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:-

<b>(Restated)</b>		<b>Firefighters</b>	<b>New</b>	<b>Local</b>	
<b>Total</b>		<b>Pension</b>	<b>Firefighters</b>	<b>Gov't</b>	<b>Total</b>
<b>2007/08</b>		<b>Scheme</b>	<b>Pension</b>	<b>Pension</b>	<b>2008/09</b>
<b>£000</b>		<b>£000</b>	<b>Scheme</b>	<b>Scheme</b>	<b>£000</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
5,400	Current Service Cost	3,655	519	288	4,462
0	Past Service Cost	27	0	46	73
9,287	Interest Cost	9,854	92	773	10,719
(705)	Expected Return on Assets	0	0	(717)	(717)
	<b>Net Amount Charged to</b>				
<b>13,982</b>	<b>Income &amp; Expenditure Account</b>	<b>13,536</b>	<b>611</b>	<b>390</b>	<b>14,537</b>

### 6.4.4 Assets and Liabilities in Relation to Retirement Benefits

The Firefighters Old Scheme and the 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 Scheme Liabilities:

	<b>Funded Liabilities:</b>		<b>Unfunded Liabilities:</b>		<b>Unfunded Liabilities:</b>	
	<b>Tayside</b>		<b>Firefighters Pension</b>		<b>New Firefighters</b>	
	<b>Superannuation Fund</b>		<b>Scheme</b>		<b>Pension Scheme</b>	
	<b>£000</b>		<b>£000</b>		<b>£000</b>	
	<b>2007/08</b>	<b>2008/09</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2007/08</b>	<b>2008/09</b>
1 April	(11,779)	(11,305)	(158,790)	(150,471)	(289)	(1,022)
Current Service Cost	(352)	(288)	(4,602)	(3,655)	(446)	(519)
Interest Cost	(651)	(773)	(8,598)	(9,854)	(38)	(92)
Past Service Cost	0	(46)	0	(27)	0	0
Contributions by Scheme						
Participants	(221)	213	3,732	6,016	(403)	(250)
Actuarial Gains	1,698	1,411	17,787	12,000	154	725
<b>31 March</b>	<b>(11,305)</b>	<b>(10,788)</b>	<b>(150,471)</b>	<b>(145,991)</b>	<b>(1,022)</b>	<b>(1,158)</b>

## Reconciliation of the Fair Value of Scheme Assets:

	<b>Attributable Assets:</b>	
	<b>Tayside</b>	
	<b>Superannuation Fund</b>	
	<b>£000</b>	
	<b>2007/08</b>	<b>2008/09</b>
1 April	10,110	10,167
Expected Rate of Return	705	717
Actuarial Gains and Losses	(1,215)	(3,008)
Employer Contributions	347	353
Contributions by Scheme Participants	115	105
Benefits Paid	105	(319)
<b>31 March</b>	<b>10,167</b>	<b>8,015</b>

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 loss made on Tayside Superannuation Scheme assets in the year was £2.082m (2007/08: £0.510m)

### 6.4.5 Scheme 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 at 31 March 2009 of £149.922m has a substantial impact on the net worth of the Board as recorded in the Balance Sheet, resulting in a negative net worth of £129.754m.

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.

	<b>2004/05*</b>	<b>2005/06*</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
			<b>As restated</b>	<b>As restated</b>	
<b>Present Value of Liabilities:</b>					
- Tayside Superannuation Fund	(9,846)	(11,599)	(11,779)	(11,305)	(10,788)
- Firefighters Old Scheme	(136,200)	(154,805)	(158,790)	(150,471)	(145,991)
- Firefighters New Scheme	0	0	(289)	(1,022)	(1,158)
<b>Total Liabilities</b>	<b>(146,046)</b>	<b>(166,404)</b>	<b>(170,858)</b>	<b>(162,798)</b>	<b>(157,937)</b>
<b>Fair Value of Assets:</b>					
- Tayside Superannuation Fund	7,144	9,190	10,110	10,167	8,015
<b>Deficit in Scheme:</b>					
- Tayside Superannuation Fund	(2,702)	(2,409)	(1,669)	(1,138)	(2,773)
- Firefighters Old Scheme	(136,200)	(154,805)	(158,790)	(150,471)	(145,991)
- Firefighters New Scheme	0	0	(289)	(1,022)	(1,158)
<b>Total Pensions Deficit</b>	<b>(138,902)</b>	<b>(157,214)</b>	<b>(160,748)</b>	<b>(152,631)</b>	<b>(149,922)</b>

\* The Board has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by the amended FRS17.

#### 6.4.6 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 2010 is £0.357m.

Expected employer contributions to the Firefighters Old Scheme and New Scheme in the year to 31 March 2010 are expected to be £1.217m and £0.165m respectively.

#### 6.4.7 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:

	<b>Tayside Superannuation Fund</b>		<b>Firefighters Pension Scheme</b>		<b>New Firefighters Pension Scheme</b>	
	<b>2007/08</b>	<b>2008/09</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2007/08</b>	<b>2008/09</b>
<b>Long Term Expected Rate of Return on Assets in the Scheme:</b>						
Equity Investments	7.6%	7.8%	n/a	n/a	n/a	n/a
Bonds	6.6%	6.5%	n/a	n/a	n/a	n/a
Gilts	4.3%	4.0%	n/a	n/a	n/a	n/a
Property	7.1%	7.3%	n/a	n/a	n/a	n/a
Cash	5.0%	3.0%	n/a	n/a	n/a	n/a
<b>Mortality Assumptions:</b>						
Longevity at 65 for Current Pensioners						
Male (years)	18.6	21.4	18.6	21.4	18.6	21.4
Female (years)	21.5	24.4	21.5	24.4	21.5	24.4
Longevity at 65 for Future Pensioners						
Male (years)	19.5	22.3	19.5	22.3	19.5	22.3
Female (years)	22.5	25.3	22.5	25.3	22.5	25.3
<b>Financial Assumptions:</b>						
Rate of Inflation	3.7%	3.0%	3.7%	3.0%	3.7%	3.0%
Rate of Increase in Salaries	5.2%	4.5%	5.2%	4.5%	5.2%	4.5%
Rate of Increase in Pensions	3.7%	3.0%	3.7%	3.0%	3.7%	3.0%
Rate for Discounting Scheme Liabilities	6.6%	6.7%	6.6%	6.7%	6.6%	6.7%
<b>Take-up of Option to Convert Annual Pension Into Retirement Lump Sum</b>						
	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%

### 6.4.8 History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

#### i) Tayside Superannuation Fund

	2004/05	2005/06	2006/07	2007/08	2008/09
	%	%	%	%	%
Difference between the expected and actual return on assets	5.0%	17.0%	1.9%	(11.8)%	(34.9)%
Experience gains and losses on liabilities	0.0%	1.2%	0.0%	0.0%	5.4%

#### ii) Firefighters Pension Scheme

	2004/05	2005/06	2006/07	2007/08	2008/09
	%	%	%	%	%
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	4.0%	0.1%	0.0%	0.0%	4.7%

#### 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.

	2004/05	2005/06	2006/07	2007/08	2008/09
	%	%	%	%	%
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	0.0%	0.0%	(47.9)%

## 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 £130k (2007/08: £125k) were made in respect of these during 2008/09, with an undischarged liability of £177k (2007/08: £205k) still remaining at 31 March 2009.

The Board is committed at 31 March 2009 to make payments of £112k (31 March 2008: £108k) under operating leases during 2009/10 as follows:

	<b>Vehicles £000</b>
Leases expiring within one year	45
Leases expiring between two and five years	67
<b>Total Operating Lease Commitments</b>	<b>112</b>

### 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 2008/09 (2007/08: £0).

During 2008/09 the Board received £1.608m (2007/08: £1.915m) capital grant funding from the Scottish Government. This was used to finance the Board's capital expenditure programme. See also Note 6.19.

## 6.7 Publicity Account

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

<b>2007/08 £000</b>		<b>2008/09 £000</b>
12	Recruitment Advertising	23
0	Other Advertising	2
<b>12</b>		<b>25</b>

## 6.8 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 2008/09 (2007/08: £nil). These costs and allowances are borne by the individual constituent councils in which the members serve.

## 6.9 External Audit Fees

The fee payable to Audit Scotland for external audit services undertaken during 2008/09 was split as follows:

- Statutory fee charged in accordance with the Code of Audit Practice £26k (2007/08: £26k).
- No other additional work was undertaken during the year (2007/08: £0).

## 6.10 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 2007/08	Number of Employees 2008/09
50,000 - 59,999	11	11
60,000 - 69,999	4	3
70,000 - 79,999	0	1
80,000 - 89,999	2	1
90,000 - 99,999	0	0
100,000 - 109,999	1	1

## 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:-

	2007/08 £000	2008/09 £000
<b><u>Dundee City Council</u></b>		
Provision of Insurance & Risk Management Administration Services		
Provision of Payroll Services	9	10
Provision of Pension Administration Services	32	32
	14	20
<b><u>Perth &amp; Kinross Council</u></b>		
Convener's Fee	6	0
Treasurer's Fee	6	6
Secretarial and Clerking Fee	27	27
Provision of Internal Audit Services	15	15
Provision of Banking Services	3	3
Provision of Treasury Management Services	9	9
Provision of Legal Services	7	7
Provision of Services relating to Single Status	4	9
<b><u>Tayside Police Joint Board</u></b>		
Provision of Radio and Communication Maintenance Services	91	95
<b>Total Expenditure</b>	<b>223</b>	<b>233</b>

During 2008/09 the Board acted as a vendor on the behalf of the Scottish Government to enable the purchase of some critical national resilience fire equipment. The total cost of these purchases was £96k and this was fully reimbursed by the Scottish Government.

Other than this the Board does not currently supply goods or services to any 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 Fixed Assets

### i) Information on Assets Held

As at 31 March 2009 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 Code means that the Board no longer requires government permission to borrow but can set its own borrowing limit. In practice the Capital Expenditure Plan for the Board was contained within the limits of the Scottish Government capital grant allocation for 2008/09.

### ii) Fixed Asset Statement

	<b>Land &amp; Buildings £000</b>	<b>Vehicles &amp; Equipment £000</b>	<b>Assets Under Construction £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>				
At 1 April 2008	21,796	11,661	776	34,233
Reclassifications	0	638	(638)	0
Additions	556	304	970	1,830
Disposals	(9)	(448)	0	(457)
Impairments	(490)	0	0	(490)
Revaluations	4,819	0	0	4,819
<b>At 31 March 2009</b>	<b>26,672</b>	<b>12,155</b>	<b>1,108</b>	<b>39,935</b>
<b>Depreciation and Impairments</b>				
At 1 April 2008	(4,559)	(6,006)	0	(10,565)
Reclassifications	0	0	0	0
Charge for the Year	(1,064)	(816)	0	(1,880)
Disposals	0	436	0	436
Revaluations	5,623	0	0	5,623
<b>At 31 March 2009</b>	<b>0</b>	<b>(6,386)</b>	<b>0</b>	<b>(6,386)</b>
<b>Balance Sheet Amount at 31 March 2009</b>	<b>26,672</b>	<b>5,769</b>	<b>1,108</b>	<b>33,549</b>
Balance Sheet Amount at 1 April 2008	17,237	5,655	776	23,668
<b>Capital Expenditure and Financing</b>				
Capital Grant and Contributions	519	220	868	1,607
Capital Receipts	9	23	0	32
Capital Exp financed from Revenue	28	61	102	191
<b>Total Financing</b>	<b>556</b>	<b>304</b>	<b>970</b>	<b>1,830</b>

### iii) Valuation of the Board's Assets

All of the Board's land and properties were revalued during the year April 2008 to March 2009 on a depreciated replacement cost basis by staff at Graham & Sibbald who were 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 effect of this revaluation has been to produce an unrealised gain of £10.442m in the value of land and property as follows:

<b>2007/08</b>		<b>2008/09</b>
<b>£000</b>		<b>£000</b>
0	Depreciation previously charged being written back	5,623
0	Increase in gross book value	4,819
<b>0</b>	<b>Unrealised Gain on Asset Revaluation</b>	<b>10,442</b>

Other than movements identified by the above valuation exercise the Board is not aware of any material change in the values of land, property, vehicles, plant or equipment during 2008/09 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 2009 the Board had outstanding capital commitments of £nil (2007/08: £nil).

## 6.13 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) Capital Adjustment Account

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

<b>2007/08</b>		<b>2008/09</b>
<b>£000</b>		<b>£000</b>
8,308	Opening Balance	8,695
1,030	Loan Principal Repaid	562
(1,912)	Depreciation for the Year	(1,880)
524	Amortisation of Government Grants Deferred	776
31	Gain on Sale of Assets	10
714	Capital Expenditure Financed From Revenue	191
0	Asset Impairment	(490)
<b>8,695</b>	<b>Closing Balance</b>	<b>7,864</b>

## 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.

2007/08		2008/09
£000		£000
0	Opening Balance	0
0	Revaluation and Restatements	10,442
<b>0</b>	<b>Closing Balance</b>	<b>10,442</b>

## 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.

2007/08		2008/09
£000		£000
0	Opening Balance	0
46	Capital Receipts	32
0	Receipts set aside for repayment of existing debt	0
(46)	Transfer of balance to Capital Adjustment Account	(32)
0	Unutilised Capital Grant	(41)
<b>0</b>	<b>Closing Balance</b>	<b>(41)</b>

## 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.

2007/08		2008/09
£000		£000
0	Opening Balance	(33)
(33)	Adjustment to Restate Debt at Amortised Cost	0
0	Amortisation of Debt in Year	1
<b>(33)</b>	<b>Closing Balance</b>	<b>(32)</b>

## v) Pensions Reserve

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

2007/08		2008/09
£000		£000
<b>(160,646)</b>	<b>(Restated)</b> Opening Balance	(152,631)
(10,053)	Appropriation to Revenue	(7,725)
18,424	Actuarial Gain/(Loss) Relating to Pensions	11,128
(253)	Employer's Contribution Adjustment	(694)
(103)	Prior Year Adjustment - Actuarial Movement in Opening Balance Due to Change in Measurement Base (see Note 3.18)	-
<b>(152,631)</b>	<b>Closing Balance</b>	<b>(149,922)</b>

## 6.14 Sundry Debtors and Sundry Creditors

Sundry Debtors can be analysed as follows:-

2007/08		2008/09	
£000		£000	
571	Trade Debtors	557	
540	Payroll Debtors	429	
13	Other Debtors	884	
1,124	Total Amounts Owing from Customers at 31 March	1,870	
896	Prepaid Income	1,000	
<b>2,020</b>	<b>Total Sundry Debtors</b>	<b>2,870</b>	

Sundry Creditors can be analysed as follows:-

2007/08		2008/09	
£000		£000	
1,136	Trade Creditors	932	
1,527	Payroll Creditors	1,613	
52	Other Creditors	203	
<b>2,715</b>	<b>Total Sundry Creditors</b>	<b>2,748</b>	

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

2007/08		2008/09	
		£000	£000
<b>(9,248)</b>	<b>Deficit on Income and Expenditure Account for Year</b>		<b>(8,538)</b>
11,410	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)	9,308	
(1,744)	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)	(753)	
			8,555
418	Increase/(Decrease) in General Fund Balance		17
(483)	Decrease in Revenue Creditors and Provisions	(38)	
(15)	Increase in Stocks	(17)	
57	(Increase)/Decrease in Revenue Debtors	(850)	(905)
144	Interest Paid	391	
1,030	Principal Repaid	562	
(73)	Interest Received	(84)	
669	Capital Expenditure Financed from Revenue	236	
<b>1,747</b>	<b>Net Cash Inflow from Revenue Activities</b>		<b>1,105</b>
			<b>217</b>

## 6.16 Increase / (Decrease) in Cash during the Year

	Balance At 31/03/07 £000	Balance at 31/03/08 £000	Movement £000	Balance at 31/03/08 £000	Balance at 31/03/09 £000	Movement £000
Cash in Hand	0	0	0	0	1	1
Bank Accounts	811	310	(501)	310	1,044	734
	<b>811</b>	<b>310</b>	<b>(501)</b>	<b>310</b>	<b>1,045</b>	<b>735</b>

## 6.17 Contingent Liabilities and Contingent Assets

### Firefighters' Pension Lump Sum Payments

Communities and Local Government issued Firefighters' Pension Scheme Circular FPSC 5/2008 on 21 May 2008. This circular notified pension scheme administrators of revised pension commutation factors introduced by the Government Actuary for the purpose of calculating lump sums payable to persons who chose to commute part of their firefighter pension under Rule B7 of the Firefighters' Pension Scheme 1992. These changes were implemented during 2008/09 and were backdated to cover all pensions commencing on or after 1 October 2007. The Scottish Government underwrote the cost implications of the changes.

After its implementation a significant number of grievances were raised querying the nature of the decision to apply the revised commutation factors retrospectively to only those pensions commencing on or after 1 October 2007. The Scottish Public Pensions Agency (SPPA) intimated that it would wait for the outcome of a judicial review being carried out on behalf of the Police Federation of England and Wales on a similar decision before it gave an opinion.

The Court's judgment on the Police judicial review was handed down on 17 March 2009. The effect of the judgement was that the date on which the new commutation factors should take effect in the English and Welsh Police scheme should be 1 December 2006. The Police Federation pension administrators in England and Wales were informed accordingly.

Notice was received on 10 September 2009 that the Fire and Rescue Service in Scotland had adopted the changes but that the date on which the new commutation factors would take effect would be 22 August 2006. The Board had nineteen pensions commencing between 22 August 2006 and 30 September 2007 and the increase to the commutation factors will result in backdated payments in the region of £460,000. The source of funding of this charge is uncertain though it is likely that the Scottish Government would again underwrite it. The potential additional costs therefore represent a contingent liability and the potential Scottish Government funding represents a contingent asset at the date of preparing these financial statements.

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

On 11 March 2008 the Employment Tribunal Hearing on Retained Firefighters and the 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.

As a result of this the employers have stated that they will “give careful consideration to the implications of this judgement and authorities will be advised of the outcome of these considerations in due course.” (LGE Circular EMP/03/08 issued 11 March 2008).

Early discussions indicate that a compensation scheme for Retained and Volunteer Firefighters will be put together by the employers in conjunction with the representative bodies and should be agreed in the next few months. However, it is felt prudent at this stage to include the potential settlement of the proposed compensation scheme as a contingent liability. However, due to the uncertainty of the final make-up and cost of any compensation scheme it has not been possible to make a prudent estimate of the likely costs. Therefore, no commitment has been made against the General Reserve as would normally have been considered good practice under the Board’s reserve strategy.

## 6.18 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 2008 £000	31 March 2009 £000	31 March 2008 £000	31 March 2009 £000
<b>Borrowings</b>				
Financial liabilities at amortised cost	5,968	5,232	349	2,069
<b>Total borrowings</b>	<b>5,968</b>	<b>5,232</b>	<b>349</b>	<b>2,069</b>
<b>Investments</b>				
Loans and receivables	0	0	578	1,313
<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>578</b>	<b>1,313</b>

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**

2007/08	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	292	0	0	0	292
Losses on derecognition	85	0	0	0	85
<b>Interest payable and similar charges</b>	<b>377</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>377</b>
Interest income	0	(64)	0	0	(64)
Gains on derecognition	(295)	0	0	0	(295)
<b>Interest and investment income</b>	<b>(295)</b>	<b>(64)</b>	<b>0</b>	<b>0</b>	<b>(359)</b>
<b>Net (gain)/loss for the year</b>	<b>82</b>	<b>(64)</b>	<b>0</b>	<b>0</b>	<b>18</b>

**FINANCIAL INSTRUMENTS GAINS/LOSSES – CURRENT 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
<b>Interest payable and similar charges</b>	<b>440</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>440</b>
Interest income	0	(53)	0	0	(53)
Gains on derecognition	0	0	0	0	0
<b>Interest and investment income</b>	<b>0</b>	<b>(53)</b>	<b>0</b>	<b>0</b>	<b>(53)</b>
<b>Net (gain)/loss for the year</b>	<b>440</b>	<b>(53)</b>	<b>0</b>	<b>0</b>	<b>387</b>

**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 2009, 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 072/09.
- 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 2008		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
PWLB - maturity	4,432	4,459	4,000	4,231
PWLB - EIP	0	0	1,500	1,570
LOBOs	1,536	1,717	1,532	1,510
Other borrowing	81	81	0	0
Bank overdraft	268	268	269	269
<b>Financial liabilities</b>	<b>6,317</b>	<b>6,525</b>	<b>7,301</b>	<b>7,580</b>

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 2008		31 March 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Deposit with Perth & Kinross Council	578	578	1,313	1,313
<b>Financial assets</b>	<b>578</b>	<b>578</b>	<b>1,313</b>	<b>1,313</b>

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)**

	<b>Amounts at 31 March 2009</b>	<b>Historical experience of default</b>	<b>Historical experience adjusted for market conditions as at 31 March 2009</b>	<b>Estimated maximum exposure to default and uncollectability</b>
	<b>£000</b>	<b>%</b>	<b>%</b>	<b>£000</b>
Deposit with Perth & Kinross Council	1,313	0	0	0
Sundry Debtors	1,782	0	0	0
<b>Total</b>	<b>3,095</b>			<b>0</b>

#### **Sundry Debtors**

The debtors figure disclosed here differs from that disclosed on the Balance Sheet and in Note 6.14 because the debtors reported there also includes prepaid expenditure relating to future years. The debtors figure reported in this table only relates to physical amounts owing to the Board at 31 March 2009 and the likelihood of these not being received.

The Board does not generally allow credit for customers, such that all of the £1.782m sundry debtors balance is past its due date for payment. The past due amount can be analysed by age as shown below:

#### **CREDIT RISK (B)**

	<b>31 March 2009 £000</b>
Less than three months	1,864
Three to six months	0
Six months to one year	0
More than one year	6
<b>Total</b>	<b>1,870</b>

## **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 in the medium 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**

<b>On 31 March 2008 £000</b>	<b>Loans outstanding</b>	<b>On 31 March 2009 £000</b>
4,400	Public Work Loans Board	5,500
1,500	Market Debt	1,500
81	Other Debt	0
268	Bank Overdraft	269
<b>6,249</b>	<b>Total</b>	<b>7,269</b>
	<b>Maturing:</b>	
349	Less than 1 year	2,069
0	Between 1 and 2 years	1,300
1,000	Between 2 and 5 years	2,400
0	Between 5 and 10 years	0
0	Between 10 and 15 years	0
4,900	More than 15 years	1,500
<b>6,249</b>	<b>Total</b>	<b>7,269</b>

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 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

#### **INTEREST RATE RISK**

	<b>£000</b>
Increase in interest payable on variable rate borrowings	15
Increase in interest receivable on variable rate investments	(21)
<b>Impact on Income and Expenditure Account</b>	<b><u>(6)</u></b>

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

#### **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.

#### **6.19 Government Grants Deferred**

The Board receives an annual grant from Scottish Government to fund its capital expenditure plan. This grant requires to be capitalised on an annual basis and written off over the useful economic life of the assets upon which it has been utilised. The balance shown on the Balance Sheet is the unamortised portion of grant received since 2004/05 still to be written off in future years.

The balance at 31 March 2009 of £7.642m (31 March 2008: £6.846m) comprises of two elements:

- 1) An amount representing the amount of government grant utilised on operational assets and on which amortisation has either started or is due to start of £6.636m (2007/08: £6.281m); and
- 2) An unapplied amount which has been utilised on non-operational assets (namely assets under construction) on which amortisation will commence once the asset is completed and goes operational of £1.006m (2007/08: £0.565m).

#### **6.20 No Statutory Basis for Reversal of FRS17 Entries for the New Firefighters Pension Scheme**

In relation to the Board's employer's pension costs, legislation generally requires that the difference between retirement benefit costs as calculated under FRS17 and the Board's actual employer's pension contributions are charged to the Pensions Reserve. There is currently no legislation that permits this in respect of the New Firefighters Pension Scheme which commenced from 6 April 2006. For these financial statements however it is anticipated that this will be corrected by legislative action during the 2009/10 financial year.

Consequently, in order to provide a financial presentation which reflects what is considered to be the substance of the Board's financial position as at 31 March 2009, the total FRS17 calculated cost of the New Firefighters Pension Scheme since its inception has not been charged against the General Fund.

If the FRS17 calculated costs of the scheme since its inception had been accounted for in line with the existing legislative framework this would have resulted in both the Pensions Reserve and General Fund balance being adjusted by £2.152m.

	<b>Closing Balances at 31 March 2008 per Balance Sheet</b>	<b>Adjustment to Closing Balances to charge General Fund with New Scheme FRS17 costs since inception</b>	<b>Adjusted Balances at 31 March 2008</b>	<b>Movement for the Year</b>	<b>Closing Balances at 31 March 2009</b>	<b>Adjustment to charge General Fund with New Scheme FRS17 costs 2008/09</b>	<b>Adjusted Balances per legislative position as at 31 March 2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Fund (Balance)/ Deficit	(1,836)	1,215	(621)	(17)	(638)	937	299
Pensions Reserve	152,631	(1,215)	151,416	(2,709)	148,707	(937)	147,770
<b>Total</b>	<b>150,795</b>	<b>0</b>	<b>150,795</b>	<b>(2,726)</b>	<b>148,069</b>	<b>0</b>	<b>148,069</b>

## 6.21 Euro

The Board is required to disclose certain information in connection with the possible entry to the European Single Currency. As at 31 March 2009 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.

## 6.22 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 unaudited Statement of Accounts on 29 June 2009.

No events occurred between the date of the Balance Sheet (31 March 2009) and the date the Treasurer signed the accounts that would have had an impact on the 2008/09 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, 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 Acting Chief Internal Auditor's opinion, and on the basis of work completed for 2008/09, 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 2008/09 will be implemented under the normal business of the Board.

J Symon ACA  
Treasurer  
29 June 2009

## **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 the Tayside Fire and Rescue Board for the year ended 31 March 2009 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, 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 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 of 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 2008 - A Statement of Recommended Practice (the 2008 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.

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 2008 SORP, of the financial position of the Board and its income and expenditure for the year, and have been properly prepared in accordance with the Local Government (Scotland) Act 1973.

We also 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 the 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 2008/09, the Explanatory Foreword 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. 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 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.

## **Qualified opinion arising from disagreement about accounting treatment**

As explained in Note 6.20 to the financial statements proper accounting practice requires local authorities to make a charge to the income and expenditure account for pension costs based on FRS 17 Retirement Benefits. The Local Government Pension Reserve Fund (Scotland) Regulation 2003 (the 2003 Regulation) provides the statutory basis for local authorities to remove FRS 17 based costs from being a charge to the general reserve so that only the actual pension payments are charged to that reserve. However, the 2003 Regulation does not currently apply to the new pension scheme established with effect from 6 April 2006 by The Fire-fighters Pension Scheme (Scotland) Order 2007.

Although the Scottish Government intend amending the regulation to include this new scheme, there is no statutory basis for removing the FRS 17 based costs from the general reserve in respect of the new scheme at the date these financial statements were authorised for issue. However the authority has removed FRS 17 based costs amounting to £0.937 million in 2008/09 and £1.215 million in previous years from being a charge to the General Reserve which means the balance on that reserve as at 31 March 2009 is overstated by £2.152 million.

Except for the financial effect on the general reserve and pension reserve of the matter referred to in the preceding paragraph, in our opinion the financial statements

- give a true and fair view, in accordance with relevant legal and regulatory requirements and the 2008 SORP, the financial position of Tayside Fire and Rescue Board as at 31 March 2009 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

*Date*  
18 September 2009

**SECTION 9**  
**TAYSIDE FIRE AND RESCUE BOARD**  
**ACCOUNTS COMMISSION**  
**PUBLICATION OF PERFORMANCE INFORMATION FOR 2008/09**

Comparative figures for 2007/08 are shown in brackets.

**Community Fire Safety:**

- (i) The number of incidents resulting in casualties per 10,000 population: 2.0 (2.5)
- (ii) The number of fatal and non-fatal casualties per 10,000 population: 2.4 (3.1)
- (iii) The number of accidental dwelling fires per 10,000 population: 12.0 (11.6)

**Call Response Time:** The percentage of calls to incidents handled within the following time periods

Handled within one minute	55.5% (52.6%)
Handled in less than 2 minutes	88.7% (85.9%)

**Sickness Absence:**

- (i) The number of days lost due to sickness and light duties per fire officer: 6.7 days (changed indicator for 2008/09)
- (ii) The number of days lost to sickness for all other staff: 6.1 days (changed indicator for 2008/09)