



**Central Scotland
Joint Fire and Rescue Board**

Statement of Accounts
for the year ended 31st March 2011

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

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CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

MEMBERS AND OFFICIALS

CONVENER

Councillor Alan Nimmo, Falkirk Council

VICE CONVENER

Councillor Eddie Carrick, Clackmannanshire Council
Councillor Paul Owens, Stirling Council

APPOINTED MEMBERS

Falkirk Council

Councillor David Alexander
Councillor Jim Blackwood
Councillor Joe Lemetti
Councillor Robert Spears
Councillor Georgie Thomson

Stirling Council

Councillor Ian Brown
Councillor Graham Lambie

Clackmannanshire Council

Councillor Irene Hamilton

OFFICIALS

Chief Fire Officer - Kenneth Taylor
Clerk - Rose Mary Glackin
Treasurer - Bryan Smail

1. INTRODUCTION

The purpose of this Foreword is to provide a brief guide to the most significant matters reported in these financial statements. To this end, the Foreword provides a short summary of the overall financial position of the Board as well as noting changes to the Accounts.

The Accounts present the financial performance of Central Scotland Joint Fire and Rescue Board which is administered jointly by Clackmannanshire Council, Falkirk Council and Stirling Council. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 which reflects the introduction of International Financial Reporting Standards (IFRS) from 1 April 2010.

2. FINANCIAL STATEMENTS

- **The Comprehensive Income and Expenditure Statement (CIES)**

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Boards raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **The Balance Sheet**

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

- **The Cash Flow Statement**

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

- **The Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Board, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Board’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. The Net Increase/Decrease before Transfers to Other Statutory Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from other statutory reserves.

- **The Notes to the Core Financial Statements**

These notes provide further information to the Core Financial Statements listed above.

- **Statement of Responsibilities for the Statement of Accounts**

This statement sets out the respective responsibilities of the Board and the Treasurer for the financial statements.

- **Annual Governance Statement**

This statement summarises, openly and transparently, arrangements established by the Board for ensuring good governance and appropriate arrangements for internal financial control for 2010/11. It highlights areas of improvement that have been identified to enhance existing governance arrangements.

- **Remuneration Report**

Regulations to introduce a new Remuneration Report, effective from financial year 2010/11, have been issued by the Scottish Parliament. These are designed to bring Scottish local government bodies into line with best practice in central government and the private sector. As a result, the publication of much more personal information than previously disclosed in the Board's Accounts is required.

The Remuneration Report provides details of the Board's Remuneration Policy for senior employees, including pension rights that have been accrued or acquired.

3. FINANCIAL PERFORMANCE

The Board approved a Revenue Budget of £16.836m on 29 January 2010. This was funded by the three constituent authorities and a planned contribution of £0.2m from Reserves.

In February 2011, the total sum of £1.439m was repaid to the constituent authorities using the current basis of population apportionment. It was identified that this pensions provision in respect of legacy retirees and a potential grant recalculation included within the 2010/11 Revenue Budget would not be required. The Revenue Budget was, therefore, reduced to £15.397m.

The Comprehensive Income and Expenditure Statement indicates a surplus of £20.486m. This surplus includes provision for the pensions liability which has considerably reduced this year and is the main reason for a surplus due to a past service credit in the Comprehensive Income and Expenditure Statement. Further information on the past service credit can be found in note 14 (Defined Benefit Pension Schemes).

Revenue expenditure met by constituent authorities was £14.641m. Note 18 (Amounts Reported for Resource Allocation Decisions) reconciles the surplus in the Comprehensive Income and Expenditure Statement to the revenue expenditure met by constituent authorities. Budgeted net operating revenue expenditure for the year was £15.397m. The budgeted transfer of £0.2m from Reserves was not utilised and a transfer was in fact made to Reserves of £0.756m, resulting in a total variance of £0.956m. The main reasons for the variance are:-

- Employee expenses are £0.755m below budget due to vacancy management, the absence of a Firefighters' pay award and a reduction in Firefighters' overtime.
- Property expenses are £0.081m less than budget due to lower than anticipated electricity and gas charges.
- Within Supplies and Services, the overspend of £0.072m is primarily related to the additional maintenance of computer equipment.
- Income has increased by £0.171m mainly due to pensions transfer values and officers on secondment to both the Fire Training School and the Scottish Government.

4. CAPITAL EXPENDITURE

The Board incurred capital expenditure of £0.959m. This expenditure was funded from Scottish Government grants of £0.952m and capital receipts of £0.007m. This investment by the Board included:

- £0.251m on upgrade/refurbishment of stations
- £0.432m on new appliances/vehicles
- £0.322m on new equipment/software

5. BALANCE SHEET

The Balance Sheet on page 28 summarises the assets and liabilities of the Board as at 31 March 2011. Total Net Assets have decreased by c£20m from c£127m to c£107m. This decrease is summarised in the Movement in Reserves Statement on page 31, with the main reason being a significant reduction in the Pensions Liability discussed further in Note 14.

The transfer of the 2010/11 underspend gives total Revenue Reserves at 31 March 2011 of £2.188m as opposed to total Revenue Reserves of £1.432m at 31 March 2010. This is split into a General Fund Reserve balance of £1.350m and Other Reserves Balance of £0.838m.

6. PENSION LIABILITIES

In accordance with the requirements of International Accounting Standard 19 'Employee Benefits (IAS19) the Board is required to disclose certain information related to Pension Schemes for its employees. The Balance Sheet, therefore, reflects a net liability of £122.992m in respect of Pensions (including £5.9m in respect of injury benefit/compensations). Further information on the Pension Liability is available in Note 14 to the accounts.

7. LONG-TERM BORROWING

The Board's borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities.

8. CHANGE IN ACCOUNTING PRACTICE

The move to an IFRS-based Code from a UK GAAP-based SORP has resulted in a number of significant changes in accounting practice. These are detailed as follows:-

- The set of financial statements now includes the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement.
- In the Balance Sheet, Non-Current Assets are now referred to as Property, Plant and Equipment and there are changes in respect of the recognition of subsequent costs in that a greater emphasis is placed on depreciation of components and accounting for impairment.
- There is a change in accounting treatment for grants and contributions used to fund capital expenditure.
- There is a new requirement to recognise a liability for untaken annual leave at the year end, referred to as the Accumulated Absences Account.
- There are special disclosure requirements due to it being the first year for adopting IFRS.
- There is the introduction of the concept of cash equivalents.

9. FUTURE DEVELOPMENTS

The Service continues to operate within a period of unprecedented financial circumstances and the uncertainty that exists around future structures of Fire and Rescue Services within Scotland as part of the 'Reform' agenda.

However, Service management continue to identify priorities and develop clear risk based plans to meet core requirements as efficiently as is practicable.

Despite diminishing available funding over the remaining period of the Spending Review the Service will attempt to strike a balance between ensuring suitable and sufficient emergency response capability for its key risk areas, and those of a national context (Resilience), and the need to ensure preventative activity is appropriately resourced to enable the many community safety initiatives to progress.

The Service will endeavour to ensure that safety in the home and on the area's roads can continue to be reduced by pro-active measures through co-ordinated, multi-agency partner initiatives. Scotland continues to have an unacceptably high number of domestic fire deaths and this remains a key focus within preventative strategies.

In addition to these issues, the range of special services requiring attendance (including rope and water rescue) continues to grow and it is imperative that response staff are appropriately trained and resourced to meet this growing risk area. Much of the focus in the period immediately ahead will be to ensure that resource planning takes account of this.

To ensure that the available budget is directed to areas of greatest need the Service will continue to develop its Asset Management arrangements to optimise spend and will further embed its Sustainability arrangements to maximise efficiency whilst ensuring minimal adverse impact on the environment. The Service will also continue to develop 'Risk Profiling' of station areas across Retained (part-time stations) call out areas to enable resource planning to meet identified risks and needs.

It is clear that all of the above aims are measurable and it will be a key aim of the Service to fully integrate Performance Management arrangements within all functions in order that progress within aims and aspirations can be evidenced.

10. IMPACT OF THE CURRENT ECONOMIC CLIMATE

The local government community is currently experiencing financial constraints due to funding cuts from Scottish Government. To this end, it was imperative that savings on the Central Scotland Fire and Rescue Service Revenue budget were made. The 2011/12 Revenue Budget has been approved at £14.934m, a reduction of £1.9m from the current year Budget.

11. MATERIAL EVENTS AFTER THE REPORTING DATE

The audited accounts were authorised by the Treasurer for issue on 30 September 2011. There were no material events that occurred between 1 April 2011 and 30 September 2011 that would have an impact on the 2010/11 financial statements.

12. ACKNOWLEDGEMENTS

I should like to record my appreciation for the efforts of my own staff in producing these Accounts timeously and to colleagues within the Service for their help and co-operation. I would also like to record the contribution of Alex Jannetta who retired during 2010/11 for his stewardship of the Board since its establishment in 1996.



Bryan Smail CPFA
Treasurer
30 June 2011

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Board's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Board is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985. Section 12 of the Local Government in Scotland Act 2003 requires that the accounts are prepared in accordance with proper accounting practices. The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code) and the Best Value Accounting Code of Practice 2010/11 (BVACOP), supported by International Financial Reporting Standards (IFRS).

The Code of Practice on Local Authority Accounting is 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 designed to illustrate the financial performance in the year as well as the position of the Board as at 31 March 2011. Comparative figures for the previous financial year are also provided. In addition comparative Balance Sheet figures are provided as at 1 April 2009, as required by the Code.

In accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors the Board regularly reviews its accounting policies to ensure that they remain the most appropriate. The Code defines accounting policies as "the principles, bases, conventions, rules and practices applied by a Board that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves."

The accounting concepts of 'materiality', 'accruals', 'going concern' and 'primacy of legislative requirements' have been considered in the application of accounting policies. In this regard the materiality concept means that information is included where it is of such significance as to justify its inclusion. The accruals concept requires the non-cash effects of transactions to be included in the financial statements for the year in which they occur, not in the period in which payment is made or income received. The going concern concept assumes that the Board will not significantly curtail the scale of its operation. In cases where accounting principles and legislative requirements conflict, the latter will apply.

The accounts have been prepared on a going concern basis as, while the Balance Sheet shows net current liabilities, these future liabilities will be met, as they fall due, by government funding and contributions from constituent authorities under the Combined Area Amalgamation Scheme Order 1995.

Any departures from the above Codes of Practice are stated in the notes to the core financial statements. In addition, these accounts have been prepared under the historic cost convention, other than changes resulting from the revaluation of certain categories of non-current assets.

2. CHANGES TO THE STATEMENT OF ACCOUNTS INTRODUCED IN THE 2010/11 CODE OF PRACTICE (THE CODE)

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. Note 1 to the Accounts details these differences.

Injury Benefits

The liabilities in relation to injury benefits payable to fire officers attributable to the Board are included in the Balance Sheet, within the Employee Statutory Adjustment Account, on an actuarial basis using the projected unit method.

The cost to the General Fund for injury benefits however is restricted to the actual injury payments made in each financial year as required by statute, provided within section 12(2)(b) of the Local Government in Scotland Act 2003.

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From financial year 2010/11 onwards, an allowance has been made for future injury benefits payable, based on a high level analysis of the injury benefit liability and relevant amounts relative to the normal pension liability and pension amounts, from which a loading factor was devised. This change in accounting policy has now been applied to determine the relevant contingent injury liability for prior years.

3. ACCRUAL OF INCOME AND EXPENDITURE

Transactions of the Board are recorded in the Accounts on the accruals basis in accordance with International Accounting Standard 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' (IAS 8). In other words, income and expenditure are matched to the service provided in the financial year, by including both estimated and actual amounts due to or by the Board as at 31 March where these are significant. This applies to both Revenue and Capital accruals. Debtor and Creditor balances represent sums due but unpaid at 31 March 2011.

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

- Revenue from the sale of goods is recognised when the Board transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Board.
- Revenue from the provision of services is recognised when the Board can reliably measure the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Board.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by employees) are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Government grants or other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

The cost of supplies and services are accrued and accounted for in the period during which they were consumed or received. Accrual has been made for all material sums unpaid at the year-end for goods or services received or works completed.

Interest on external borrowing is fully accrued in order that each year bears the cost of interest relating to its actual external borrowing.

4. ACQUISITIONS AND DISCONTINUED OPERATIONS

The Board has not acquired or discontinued any operations (including those operations under machinery of government arrangements) during the financial year.

5. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Board's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Board's financial performance.

7. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Board's cash management.

8. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

The Board's revenue account is debited with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses attributable to the clear consumption of economic benefits on non-current assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service.

The Board is not required to raise a requisition to cover depreciation, impairment losses, revaluation losses, or amortisations. However, it is required to make an annual contribution from general fund balances to reduce its overall borrowing requirement. Depreciation, impairment losses, revaluation losses, and amortisations are therefore substituted by a funding contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

9. CONSTRUCTION CONTRACTS

Work in progress under construction contracts is accounted for using the percentage of completion method. Contract revenue is matched with contract costs incurred in reaching the state of completion at the Balance Sheet date.

10. VALUE ADDED TAX

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to Her Majesty's Revenue & Customs (HMRC) and all VAT paid is recoverable from HMRC.

11. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

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

12. CONTINGENT ASSETS

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

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

13. CONTINGENT LIABILITIES

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in the Notes to the Core Financial Statements. Where such liabilities are reduced through contributions or recoveries from other parties the net liability is shown. There are no contingent liabilities for 2010/11.

14. PROVISIONS

Provisions are made where an event has taken place that gives the Board a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the obligation. Provisions are charged as an expense to the Comprehensive Income and Expenditure Statement in the year that the Board becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and appropriate adjustments made to the level of provision. There are no provisions for 2010/11.

15. RESERVES

Reserves are amounts set aside for specific purposes outwith the definition of provisions. They are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the revenue account in that year and included within the Cost of Services in the Comprehensive Income & Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net impact on expenditure in that year.

Section 93 of the Local Government (Scotland) Act 1973 requires the Board to have a General Fund. Schedule 3 to the Local Government (Scotland) Act 1975 also allows Boards to establish a Repairs and Renewals Fund, an Insurance Fund and a Capital Fund. Other reserves have also been established to meet the accounting requirements of the Code.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments as well as retirement benefits and do not represent usable resources for the Board – these reserves are explained in the relevant policies below:

Usable Reserves

Capital Receipts Reserve

Capital Receipts received in the year are available to finance new capital expenditure or to finance the repayment of principal on existing loans.

Capital Grants Unapplied Account

The Capital Grants Unapplied Account records grants and developers contributions which have been credited to the Comprehensive Income and Expenditure Statement but have still to be applied to fund capital expenditure. Once applied, the value will be transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account.

General Fund

The General Fund relates to the revenue reserves of the Board.

Other Usable Reserves

This comprises:

Repairs and Renewals Fund

The contribution in the year arose from an underspend in the approved budget. The fund is being used to invest in the Board's property portfolio.

Unusable Reserves

Pensions Reserve

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

Revaluation Reserve

This reserve records the increase in value of non-current assets as a result of revaluation. These increases are offset by the depreciation charge incurred as a result of the revaluation of each asset. On disposal of an asset, the reserve is reduced by any balance it may hold in relation to that asset. Any downward revaluations will be processed through the revaluation reserve up to the value of any previous credits which may exist. The balance in the revaluation reserve represents an increase in the net worth of the Board. However, these gains would only be recognised if the assets were sold and a capital receipt generated.

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Capital Adjustment Account

The Capital Adjustment Account contains the difference between amounts provided for depreciation and amounts that require to be charged to revenue to repay the principal element of external loans. It also contains the amount of impairment charged to revenue to the extent that the revaluation reserve does not contain a revaluation gain relevant to a specific asset.

Movements in all of the above reserves are shown in the Movement in Reserves Statement.

16. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants/contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

17. INVENTORIES

All inventories have been valued in accordance with Statement of Standard Accounting Practice 9 ‘Stocks and Long Term Contracts’ (SSAP9) as follows:-

- At latest invoice price - For inventories which are generally minimal and the records are held manually. It is therefore more practical to value these items at latest invoice price. The difference between the replacement cost and the book value for these inventories is not considered material.

Full details are provided in Note 10. Work in progress is subject to a valuation of the cost of work completed to 31 March 2011. It is recorded in the Balance Sheet at cost plus an appropriate proportion of overheads, together with attributable profits and allowances for foreseeable losses.

18. INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Board (e.g. software licences) is capitalised when it will bring benefits to the Board for more than one financial year. These intangible assets have been initially valued at cost and are then amortised on a straight line basis to the Comprehensive Income and Expenditure Statement over the economic life of the investment from the year after the year of purchase.

Intangible assets are not revalued, as the fair value of the assets held by the Board cannot be determined by reference to an active market. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

19. OVERHEADS AND SUPPORT SERVICES

The Board is recharged by Falkirk Council in respect of a number of Support Services. The main allocation bases are summarised below:-

Cost	Allocation Base
Professional Services (Finance, Legal etc)	Actual time spent by staff and direct allocation
Administrative Buildings	Area occupied
Information Services	Machine usage and time allocations
Payroll	Number of Payroll transactions
Creditors	Number of invoices paid
Sundry Debtors	Number of invoices issued
Human Resources	Number of Full Time Equivalent Employees and actual time spent by staff

20. CORPORATE AND DEMOCRATIC CORE AND NON-DISTRIBUTED COSTS

As noted above, the costs of overheads and support services have been allocated to Services. The following cost categories are not included in these allocations:

- Corporate and Democratic Core – costs relating to the Board’s status as a democratic organisation
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation or impairment losses chargeable on Surplus Assets/Assets Held for Sale.

These two cost categories are defined in the BVACOP 2010/11 and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Cost of Services.

21. EMPLOYEE BENEFITS

Benefits Payable During Employment

Short-term employee benefits are defined as “falling due wholly within 12 months after the end of the period in which the employees render the related service”. Some examples are salaries, wages, paid annual leave, paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees. These are recognised as an expense for each Service in the year in which employees render service to the Board. An accrual is made against the Board for the cost of holiday entitlements earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year and is reversed out of the General Fund Balance through the Movement in Reserves Statement so that the holiday benefits are charged to revenue in the year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Board to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy and are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Board is demonstrably committed to either terminating the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where the termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Board to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund or pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

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

The Board participates in three pension schemes:

- The Local Government Pension Scheme (Falkirk Council Pension Fund) for non-uniformed employees, administered by Falkirk Council. This is a funded scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets;
- The Firefighters Pension Scheme for uniformed officers. This is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet scheme benefits as they eventually fall due;
- The New Firefighters Pension Scheme for uniformed officers. This is an unfunded scheme and came into effect from 6 April 2006 for all new employees from that date and to any existing members of the previous scheme who opt to join the new scheme.

Regulation 31A(1) of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 as amended requires that an Administering Authority must, in relation to each year beginning on 1 April 2010, prepare a pension fund annual report. Statutory guidance issued by the Scottish Government and contained in the Local Government Finance Circular 1/2011 requires that the annual report is to be published separately and is to be subject to a separate audit opinion;

In accordance with the requirements of International Accounting Standard 19 ‘Employee Benefits’ (IAS19) the Board is required to disclose certain information concerning assets, liabilities, income and expenditure related to Pension Schemes for its employees.

From 2009/10 onwards injury benefit/compensation figures are separately identified within the Defined Benefit Scheme. Injury benefit/compensation figures are presented in the Balance Sheet in the Employee Statutory Mitigation Account (separated from the Pensions Reserve) and in Other Retirement Benefit Liabilities (separated from the Pensions Liability).

The assets and liabilities of the Board's pension arrangements as at 31 March 2011 have been calculated by Hymans Robertson a firm of independent Consulting Actuaries.

The Board recognises the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

22. LEASES

Rental payments made under operating leases are charged to the Comprehensive Income and Expenditure Statement on a straight-line basis. The Board does not have any finance leases.

23. PROPERTY, PLANT AND EQUIPMENT

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Board). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Board.

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

- assets under construction – historic cost.
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

Where decreases in value are identified, they are accounted for by:

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

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

Impairment

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

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets (apart from Assets Under Construction) by the systematic allocation of their depreciable amounts over their useful lives, except assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment - straight line allocation over the useful life of the asset

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals

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

Amounts received for disposal are categorised as capital receipts. All receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Board's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserves from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the General Fund as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

24. FINANCIAL INSTRUMENTS

The Board do not have any material amounts of Financial Instruments that require to be re-measured and disclosed under International Financial Reporting Standards.

25. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

For 2010/11, there are no accounting standards issued that have not been adopted.

26. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies the Board has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- there is a high degree of uncertainty about future levels of funding for local government services. However, the Board has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Board might be impaired as a result of a need to close facilities and reduce levels of service provision.

27. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the Board's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial years are as follows:

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Board with expert advice about the assumptions to be applied. The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £11.2m.

Equally, a 0.5% increase in the assumptions made for salary increases would result in an increase in the pension liability of £1.8m.

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Board's Responsibilities

The Board is required to:

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

The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Board's statement of accounts which, in terms of the CIPFA/LA(S)AAC Code of Practice on Local Authority Accounting in the United Kingdom 2010 ("the Code of Practice"), is required to present 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 2011.

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
- complied with the Code of Practice.

The Treasurer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

ANNUAL GOVERNANCE STATEMENT

Introduction

1. Central Scotland Joint Fire and Rescue Board (the Board) has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure Best Value and ensure continuous improvement in the Services it delivers. The Board must ensure that public money is used economically, efficiently, and effectively, and that this responsibility is undertaken with due regard to the achievement of sustainability.
2. To help ensure that these responsibilities are met, the Board must put in place comprehensive and robust governance arrangements, and must ensure that these arrangements are properly applied. This must be done within the context of the Falkirk, Stirling and Clackmannanshire Community Planning Partnership (CPP) Single Outcome Agreements.
3. Responsibility for ensuring good governance is shared by all employees and elected Members, and must be part of the culture of the organisation. To demonstrate the Board's commitment to ensuring good governance, this Statement has been prepared on the basis of the principles set out in the CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government*' to highlight established and developing good practice as well as areas for further improvement. It should be noted that any review of governance arrangements can provide reasonable but not absolute assurance that policies, aims, and objectives are being applied and implemented as intended.
4. The CIPFA/SOLACE Framework defines governance as being the arrangements that ensure Boards are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. In practice, this comprises the systems, processes, cultures and values by which the Board is directed and controlled and through which it engages with the community.
5. Preparation of this Annual Governance Statement meets the requirements of Section 3.7 of the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

Central Scotland Joint Fire and Rescue Board's Governance Framework

6. The following sections summarise the key elements of the Board's governance framework, set out within the context of the six Principles of Good Governance defined within the CIPFA/SOLACE Framework.

Principle 1 - Focusing on the purpose of the Board and on outcomes for the community, and creating and implementing a vision for the local area.

7. This principle is about developing and communicating the Board's vision, purpose, and intended outcomes for citizens and service users.
8. The Board has in place a formal Code of Governance setting out governance roles, responsibilities, and accountabilities. While this remains relevant, it was last formally reviewed and updated during 2007/08 and, as such, consideration will be given to a process of review and update during 2011/12.
9. Central Scotland Fire and Rescue Service (CSFRS) has a Service Development Plan that is reviewed, updated and presented to the Board annually. The Plan, which is linked to the relevant Scottish Government National Outcomes, summarises previous year performance and sets out the Service's ten year vision and plans for the coming year. In addition, CSFRS is part of the Falkirk, Stirling and Clackmannanshire CPPs, and is a key stakeholder in the Single Outcome Agreements agreed by the CPPs and Scottish Government.
10. Quarterly Activity Reports are submitted to the Board, with reports on performance against statutory and local indicators and measures periodically submitted to the Best Value and Scrutiny Committee. Agendas and papers for all Board and Committee meetings are available on the Committee Information pages of the Falkirk Council website, with links from the CSFRS site. In addition, a range of performance information is publicly available via the 'Our Performance' area of the CSFRS website. The production and presentation of performance information will be further enhanced as a result of the recent appointment of an Administration and Performance Officer and the future publication of the Scottish Fire and Rescue Service Advisory Unit performance framework for Scotland.

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

11. Robust scrutiny of arrangements for securing and demonstrating Best Value is facilitated via the established Board and Sub-Committee structure, ongoing self evaluation of service delivery, and the work of Internal and External Auditors and other inspection Agencies. Internal and External Audit continue to work closely to plan and co-ordinate work, with outputs reported to the Best Value and Scrutiny Committee.
12. Sustainability is a key concern in all Service matters, including re-cycling materials, transport, operational tactics, and energy usage. To facilitate and support this, a formal Sustainability Policy was agreed by the Board in March 2011, with work already underway to fulfill each of the Policy outcomes and aspirations.
13. In addition, a Procurement Strategy, covering the period 2011 – 2014, was discussed and adopted by the Best Value and Scrutiny Committee in January 2011.

Principle 2 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

14. This principle is about ensuring effective leadership and that roles and responsibilities are clear and consistent.
15. The Board has well established Standing Orders that regulate the operation of Board and Committee Meetings, supported by a Scheme of Delegation to Sub-Committees and Officers, Standing Orders Relating to Contracts, and Financial Regulations.
16. The Chief Fire Officer, Directors, and all other Service employees have job descriptions, and the Career and Contribution Management Policy has been implemented across the Service, meaning that staff are clear on their role expectations and their ability to shape their own learning opportunities within defined career paths.
17. Communication between Officers and Members is frequent and of a high standard, supported and facilitated by the Service's Communications Officer.
18. In addition, the Board and senior management jointly recognise the health and safety of employees as of paramount importance. To this end, in June 2010, the Board considered and formally reviewed the significant activity taking place to further enhance the positive health and safety culture within the Service.

Principle 3 - Promoting values for the Board and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

19. All Members are expected to demonstrate leadership through high standards of conduct and behaviour as set out in the Councillors Code of Conduct, and Officers have a similar set of guidelines, including a code of conduct and set of Service Values.
20. The respective leadership roles of the Fire Board Convener and Chief Fire Officer are set out in the Board's Code of Governance. The Service provides an induction programme for all new Members and in June 2010 the Board formally reviewed the training provided to Members since their original appointment in 2007.
21. As reported last year, work remains outstanding in terms of the development of registers of interest and of gifts and hospitality, and consideration will be given to this over the coming year.

Principle 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

22. Scrutiny of CSFRS rests with the Best Value and Scrutiny Committee and review work undertaken by Internal and External Audit. The Best Value and Scrutiny Committee aims to operate in compliance with relevant CIPFA guidance on Audit Committees, with its role and membership agreed by the Board. The Committee has a role in ensuring that recommendations made by Internal and External Audit are implemented, and mechanisms are in place to allow matters to be referred to the Board where appropriate. The Committee will seek to undertake a review of its own effectiveness, and of its compliance with the CIPFA guidance, during 2011/12.
23. In June 2010 the Board undertook a formal review of the role and status of its Committees (taking into account the Committee structures of other Boards) and made a number of changes which have led to greater clarity in the reporting arrangements to these Committees and the Board.

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

24. The Service has a Risk Management function, responsible for planning the resources of the Service via the Integrated Risk Management Planning (IRMP) process. IRMP staff are continuing with the production of Retained Station Risk Profiles, and a Corporate Risk Register has been established to document all strategic risks faced by the Service, their potential impact on service delivery, and arrangements for managing and mitigating those risks.
25. Work is now underway to implement risk registers at departmental level to allow local ownership of local risks, and to feed into the departmental planning process. Progress will be monitored by the Best Value and Scrutiny Committee throughout the coming year.

Principle 5 - Developing the capacity and capability of Officers and Members to be effective.

26. This principle is about ensuring that Officers and Members have the appropriate knowledge and skills to allow them to effectively fulfill their roles and responsibilities.
27. The Service's Human Resources function is responsible for managing the recruitment process, with induction programmes in place for both Officers and Members. As mentioned at paragraph 16 above, the Career and Contribution Management process has been implemented and embedded, to ensure that the objectives and aspirations of existing staff meet, and are complimentary to, Service objectives.
28. A programme of training covering governance and operational matters has been put in place for all Board Members and attendance at the Scottish Fire Conference is encouraged.
29. The Board has established an Equal Opportunities Policy, supported by a Single Equality Scheme which was agreed and rolled out during 2009 and subject to formal review by the Board in June 2010.

Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability.

30. CSFRS interacts and engages with stakeholders on a number of levels.
31. Publication of annual accounts and performance information is done via the Service's website, which is also used to promote risk assessment and safety documents such as the community risk register, and fire safety materials and initiatives such as safety leaflets/posters and home fire safety checks. The Board receives and considers Community Safety Activity reports on a 6 monthly basis.
32. As well as the information listed above, the website includes a 'Kids Zone', providing resources aimed at educating young people about the hazards of fire.
33. The Service has a Communications Officer, who is responsible for continually reviewing the range and format of information available, along with the layout and structure of the website.
34. Meetings of the Fire Board and its Committees are open to the public, and agendas and papers are published on the Falkirk Council website with links from the CSFRS website. Communications are also maintained through the local press and the publication of a bi-monthly newsletter.
35. Arrangements and protocols have been established to meet requests under the Freedom of Information Act within the required timescales.

Monitoring and Review of Governance Arrangements

36. The Board's governance arrangements are formally monitored via:
 - the established Committee framework, including the Best Value and Scrutiny Committee; and
 - Internal and External audit work.
37. This monitoring is done within the context of the Delivering Good Governance guidance, the Board's Service Development Plan, agreed CPP Single Outcome Agreements, and the fundamental statutory requirement to demonstrate and achieve Best Value.

System of Internal Financial Control

38. This section of the Annual Governance Statement relates to the Board's systems of internal financial control for the year to 31 March 2011.
39. Responsibility for ensuring that an effective system of internal financial control is maintained and operated rests with the Treasurer. It should be noted that the system of internal financial control can only provide reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.
40. It should be noted that the Board's Treasurer retired during 2010/11, and that an Acting Treasurer has been appointed. This position will be formalised once a Chief Finance Officer has been appointed by Falkirk Council.
41. The system of internal financial control is based on a framework of risk management, robust management information, application of comprehensive financial regulations, administrative procedures including management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers, and includes:
- arrangements for the identification and management of risks;
 - comprehensive budgeting systems;
 - the preparation and regular review of periodic and annual financial reports which indicate actual expenditure and financial performance against forecasts;
 - setting targets to measure financial and other performance;
 - clear capital expenditure guidelines; and
 - formal project management arrangements.
42. Falkirk Council provides an Internal Audit service to the Board. The Internal Audit Section provides an independent assessment of arrangements for risk management, governance and control, based on an annual programme of work approved by the Chief Fire Officer, Treasurer, and Best Value and Scrutiny Committee. This work is planned taking account of the outcomes of the Board's risk management arrangements and Internal Audit's own assessment of risk.
43. The Board's appointed External Auditors have concluded that the Internal Audit Section operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.
44. All Internal Audit reports are brought to the attention of management and include recommendations and agreed action plans where scope for improvement has been identified. It is management's responsibility to ensure that proper consideration is given to Internal Audit reports and that appropriate action is taken to address recommendations. Significant matters, including non-compliance with recommendations arising from Internal Audit work, are reported periodically to the Board's Best Value and Scrutiny Committee.
45. The Best Value and Scrutiny Committee seeks to operate in accordance with guidance entitled 'Audit Committee Principles in Local Authorities in Scotland' (CIPFA, 2004) and 'Audit Committees: Practical Guidance for Local Authorities' (CIPFA, 2005).
46. Part of the role of the Committee is to consider the Annual Assurance Report provided by the Internal Audit Manager. This report provides an independent opinion on the adequacy and effectiveness of the Board's arrangements for risk management, governance and control, and is based on work undertaken during the year. In his Annual Assurance Report for 2010/11, the Internal Audit Manager concluded that he was able to provide limited assurance on the Board's overall framework of control for the year to 31 March 2011.
47. In reaching this conclusion, the Internal Audit Manager took account of outputs from 2010/11 work on the Approval and Payment of Invoices, as well as follow up work on Overtime, Allowances and Travel and Subsistence Expenses Administration Arrangements.
48. The programme of Internal Audit work was completed as planned.

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

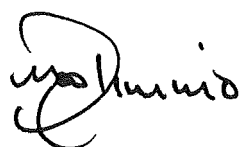
49. The Treasurer is required to review the effectiveness of the Board's systems of internal financial control, taking account of:
- the work of managers;
 - the work of Internal Audit (as described above); and
 - the work of external audit.
50. Based on consideration of the above, the Acting Treasurer has concluded that substantial assurance can be placed on the adequacy and effectiveness of the Board's internal financial control systems for the year to 31 March 2011.

Governance Arrangements – Areas for Improvement

51. Central Scotland Joint Fire and Rescue Board is committed to ensuring that governance and internal financial control arrangements are robust, proportionate, and in line with best practice. The process of preparing this Statement has, however, highlighted areas where further work is required, and these will be addressed within the context of the continuous improvement agenda.
- the Code of Governance will be reviewed and, if necessary, updated;
 - work towards the outcomes and aspirations set out in the Board's Sustainability Policy will continue;
 - registers of interests and of gifts and hospitality will be developed;
 - the Best Value and Scrutiny Committee will undertake a review of its own effectiveness;
 - risk management arrangements will continue to be enhanced and improved; and
 - appropriate action will be taken to address recommendations raised by the Board's Internal and External Auditors.

Conclusion

52. This Annual Governance Statement summarises, openly and transparently, arrangements established by the Board for ensuring good governance and appropriate arrangements for internal financial control for 2010/11 and the period to date. It highlights areas of improvement that have been identified to enhance existing governance arrangements, and is consistent with the Board's improvement agenda.



Councillor Alan Nimmo

Convener

30 June 2011



Kenneth Taylor

Chief Fire Officer

30 June 2011

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

CENTRAL SCOTLAND JOINT FIRE & RESCUE BOARD ANNUAL REMUNERATION REPORT

The Local Authority Accounts (Scotland) Regulations 1985 require the accounts of the Board to contain a Remuneration Report. This Report for the financial year 2010/11 contains the information specified in the Schedule to the above Regulations.

1. Senior Employees Remuneration Arrangements

The salary of the Chief Fire Officer is set having regard to national arrangements in terms of the National Joint Council (NJC) for Brigade Managers of Local Authority Fire and Rescue Services. The minimum salary indicated by the NJC was revised by the Board in December 2003 to take account of a number of local factors.

In June 2006, the salaries of both the Director of Service Delivery and the Director of Service Support were determined at 77.5% of the salary payable to the Chief Fire Officer.

2. General Disclosure by Pay Band

(Paragraph 4 of the Schedule to the 1985 Regulations)

The number of employees whose remuneration was £50,000 or more in 2010-11 is disclosed in bands of £5,000 in the following table:

Remuneration Bands	Number of Employees	
	2010/11	2009/10
£50,000 - £54,999	7	1
£55,000 - £59,999	2	4
£60,000 - £64,999	3	1
£65,000 - £69,999	-	3
£70,000 - £74,999	1	-
£75,000 - £79,999	1	-
£80,000 - £84,999	-	2
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	1	1
Totals	15	12

3. Disclosure of Remuneration for Relevant Persons

(Paragraphs 6 to 8 of the Schedule to the 1985 Regulations)

The Regulations require that the Report shows in tabular form, against the post held and name of each relevant person the total amounts, whether received or receivable, by each relevant person.

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

Remuneration of Senior Employees of Central Scotland Joint Fire and Rescue Board

Name	Post Title	Salary, Fees & Allowances	Bonuses	Taxable Expenses	Compensation for loss of employment	Benefits other than in cash	Other Amounts	Total Remuneration 2010/11	Total Remuneration 2009/10
		£	£	£	£	£	£	£	£
Kenneth Taylor	Chief Fire Officer	104,745	-	-	-	-	-	104,745	81,557
David McGown	Director of Service Delivery	77,518	-	-	-	1,814	-	79,332	66,859
Iain McCusker	Acting Director of Service Support	72,992	-	-	-	-	-	72,992	65,322
Total		255,255	-	-	-	1,814	-	257,069	213,738

The senior employees included in the table include any Board employee who has responsibility for management of the Board to the extent that the person has power to direct or control the major activities of the Board (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons.

4. Pension Benefits

(Paragraphs 9 to 12 of the Schedule to the 1985 Regulations)

Pension benefits for the aforementioned senior Fire Board employees are provided through the Firefighters Pension Scheme (FPS).

This is a final salary pension scheme which means that pension benefits are based on the final year's pay and the number of years that a person has been a member of the Scheme.

It is assumed that serving officers in the FPS retire at the earlier of attaining 25 years service (subject to a minimum age of 50) or at age 55. An allowance has been made for some premature retirements on grounds of ill-health, although no allowance has been made for early retirements as a result of an injury sustained on duty.

Members in the FPS contribute 11% of earnings.

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

A lump sum can be taken at retirement in return for a reduced pension. A maximum of one quarter of pension at retirement age may be commuted at the time of retirement for a lump sum. This is calculated using factors issued by the Government Actuary's Department.

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

The pension figures shown relate to the benefits that the person has accrued as consequence of their total pensionable service, which may include service derived from other employments, and not just their current appointment.

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

b) Pension Rights of Senior Employees of Central Scotland Joint Fire and Rescue Board

The pension entitlements of Senior Employees for the year to 31 March 2011 are shown in the table below, together with the contribution made by the Board to each Senior Employee's pension during the year.

Name	Post Title	In-year Pension Contributions		Accrued Pension Benefits			
		For year to 31/03/11 £	For year to 31/03/10 £	Benefit Type	As at 31/03/11 £'000	As at 31/03/10 £'000	Difference from 31/03/10 £'000
Kenneth Taylor	Chief Fire Officer	22,653	-	Pension	64	49	15
David McGown	Director of Service Delivery	16,752	-	Pension	40	36	4
Iain McCusker	Acting Director of Service Support	15,817	-	Pension	36	31	5
Total		55,222	See note below	Pension	140	116	24

The pension benefits shown relate to the benefits that the individual has accrued as a consequence of their total pensionable service in the Scheme, and not just their current appointment.

The funding arrangements giving rise to an identifiable employer contribution for each officer only began on April, 2010 and therefore did not apply in the year to 31/03/2010.

5. Remuneration of Conveners and Vice-Conveners

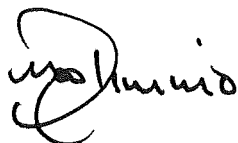
The Convener and Vice-Convener of Central Scotland Joint Fire and Rescue Board is remunerated by the Council of which they are a Council member.

The remuneration of councillors is regulated by the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007 (SSI No. 2007/183). The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council (may be Convener for some authorities), the Civic Head (may be Provost or Lord Provost for some authorities), Senior Councillors or Councillors. These Regulations also set out the amounts a councillor may be paid for being a convener or vice-convener of a Joint Board. This is inclusive of any amount payable to them as either a Councillor or senior Councillor.

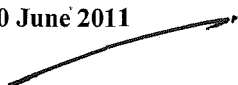
The Board has an arrangement with each Council to remunerate the Convener and Vice-Convener/s to reimburse the Council for the additional costs of that councillor arising from them being a Convener or Vice-Convener of the Board. The disclosures made in this report are limited to the amounts paid to the Council by the Board for remuneration and does not reflect the full value of the remuneration that may be paid to the Councillor.

Name	Post Title	Council Member	Amount charged to Board	
			For year to 31/03/11 £	For year to 31/03/10 £
Alan Nimmo	Convener	Falkirk Council	9,609	-
Craig Martin	Convener	Falkirk Council	-	2,188
Eddie Carrick	Vice-Convener	Clackmannanshire Council	-	-
Paul Owens	Vice-Convener	Stirling Council	2,585	1,384
Total			12,194	3,572

The remuneration above is in respect of salary, fees and allowances. There were no remuneration payments for taxable expenses, non-cash expenses and benefits other than in cash.



Councillor Alan Nimmo
Convener
30 June 2011




Kenneth Taylor
Chief Fire Officer
30 June 2011

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011**

This Statement shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Boards requisition Councils who raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/10			2010/11			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
9,180	6	9,174	Firefighting & Rescue Operations	12,054	31	12,023
591	33	558	Community Fire Safety	549	33	516
4,638	2,329	2,309	Firefighters' Pensions	271	1,751	(1,480)
			Fire Service Emergency Planning & Civil			
84	-	84	Defence	223	-	223
4,598	173	4,425	Management & Support Services	5,260	161	5,099
23	-	23	Corporate and Democratic Core	22	-	22
131	-	131	Non-Distributed Costs	(16,561)	-	(16,561)
19,245	2,541	16,704	Cost of Services	1,818	1,976	(158)
			<u>Other Operating Expenditure</u>			
			(Gains) or Losses on Disposal of Non-Current Assets	-	14	(14)
			<u>Financing & Investment Income & Expenditure</u>			
265	-	265	Interest Payable & Similar Charges	235	-	235
-	14	(14)	Interest & Investment Income	-	16	(16)
6,875	271	6,604	Pensions Interest Cost & Expected Return on Pensions Assets	7,609	433	7,176
26,385	2,848	23,537		9,662	2,439	7,223
			<u>Taxation and Non-Specific Grant Income</u>			
-	367	(367)	Capital Grants	-	998	(998)
-	17,402	(17,402)	Constituent Authority Requisitions	-	15,397	(15,397)
-	17,769	(17,769)		-	16,395	(16,395)
26,385	20,617	5,768	(Surplus) or Deficit on Provision of Services	9,662	18,834	(9,172)
			(Surplus) or Deficit on Revaluation of Non-Current Assets			1,843
		1,137	Actuarial (Gains)/Losses on Pension Assets/Liabilities			(11,457)
		41,529	Actuarial (Gains)/Losses on Pension Assets/Liabilities Injury Benefits			(1,700)
		1,900	Other Unrealised (Gains)/Losses			-
		(50)	Other Comprehensive Income and Expenditure			(11,314)
		44,516	Total Comprehensive Income and Expenditure			(20,486)
		50,284				

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

BALANCE SHEET AS AT 31 MARCH 2011

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

2008/09 £'000	2009/10 £'000		2010/11 £'000	2010/11 £'000	Note
		Long Term Assets			
22,996	21,529	Property, Plant & Equipment		19,289	7
113	181	Intangible Assets		163	8
23,109	21,710			19,452	
		Current Assets			
118	88	Inventories	99		10
569	843	Short Term Debtors	502		11
2,587	2,099	Cash and Cash Equivalents	3,320		
3,274	3,030			3,921	
		Current Liabilities			
(868)	(1,006)	Short Term Creditors		(1,061)	12
		Long Term Liabilities			
(7,006)	(6,571)	Long Term Borrowing	(6,200)		17
(90,637)	(137,075)	Defined Benefit Pension Scheme Liability	(117,092)		14
(5,000)	(7,500)	Other Long Term Liabilities	(5,946)		13
(102,643)	(151,146)			(129,238)	
(77,128)	(127,412)	NET ASSETS		(106,926)	
		Usable Reserves			
699	750	Capital Receipts Reserve	757		
85	-	Capital Grants Unapplied	-		1
1,803	870	General Fund Balance	1,350		
-	562	Other Usable Reserves	838		
2,587	2,182			2,945	
		Unusable Reserves			
9,724	9,970	Capital Adjustment Account	9,952		1
6,379	5,168	Revaluation Reserve	3,299		
(90,637)	(137,075)	Pensions Reserve	(117,092)		
(5,000)	(7,500)	Employee Statutory Mitigation Account (Injury Benefits)	(5,900)		
(181)	(157)	Accumulated Absences Account	(130)		1
(79,715)	(129,594)			(109,871)	
(77,128)	(127,412)	TOTAL RESERVES		(106,926)	



Bryan Smail CPFA
Treasurer

The unaudited accounts were issued on 28 June 2011 and the audited accounts were authorised for issue on 30 September 2011

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011**

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

2009/10 £'000		2010/11 £'000	Note
5,768	Net (surplus) or deficit on the Provision of Services	(9,172)	
(6,671)	Adjust net surplus or deficit on the provision of services for non-cash movements	6,618	
902	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	1,012	
(1)	Net cash flows from Operating Activities	(1,542)	2
	<u>Investing Activities</u>		
1,003	Purchase of property, plant & equipment, investment property and intangible assets	1,008	
(19)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(14)	
(930)	Other receipts and investing activities	(1,044)	
54		(50)	
	<u>Financing Activities</u>		
435	Repayments of short and long term borrowing	371	
488	Net (increase) or decrease in cash and cash equivalents	(1,221)	
(2,587)	Cash and cash equivalents at the beginning of the reporting period	(2,099)	3
(2,099)	Cash and cash equivalents at the end of the reporting period	(3,320)	3

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

This statement shows the movement in the year on the different reserves held by the Board, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Board's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. The Net Increase/Decrease before Transfers to Other Statutory Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from other statutory reserves undertaken by the Board.

	Usable Reserves					Unusable Reserves					Total Reserves £'000	Note
	General Fund Balance £'000	Capital Receipts Reserve £'000	Other Reserves £'000	Total Usable Reserves £'000	Capital Adjustment Account £'000	Revaluation Reserve £'000	Pension Reserve £'000	Accumulated Absences Account £'000	Employee Statutory Mitigation Account - Injury Benefit £'000	Total Unusable Reserves £'000		
Balance at 31 March 2010	870	750	562	2,182	9,970	5,168	(137,075)	(157)	(7,500)	(129,594)	(127,412)	
Surplus or (deficit) on Provision of Services (accounting basis)	9,172	-	-	9,172	-	-	-	-	-	-	9,172	
Other Comprehensive Expenditure and Income	-	-	-	-	-	(1,843)	11,457	-	1,700	11,314	11,314	1
Total Comprehensive Expenditure and Income	9,172	-	-	9,172	-	(1,843)	11,457	-	1,700	11,314	20,486	
Adjustments between accounting basis and funding basis under regulations	(8,416)	7	-	(8,409)	(18)	(26)	8,526	27	(100)	8,409	-	2
Net Increase/Decrease before Transfers to Other Statutory Reserves	756	7	-	763	(18)	(1,869)	19,983	27	1,600	19,723	20,486	
Transfers to/from Other Statutory Reserves	(276)	-	276	-	-	-	-	-	-	-	-	3
Increase/Decrease in Year 2010/11	480	7	276	763	(18)	(1,869)	19,983	27	1,600	19,723	20,486	
Balance at 31 March 2011	1,350	757	838	2,945	9,952	3,299	(117,092)	(130)	(5,900)	(109,871)	(106,926)	

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

NOTES

	Usable Reserves					Unusable Reserves				Total Unusable Reserves £'000	Total Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Other Reserves £'000	Total Usable Reserves £'000	Capital Adjustment Account £'000	Revaluation Reserve £'000	Pension Reserve £'000	Accumulated Absences Account £'000	Employee Statutory Mitigation Account - Injury Benefit £'000		
1. Analysis of Other Comprehensive Expenditure and Income											
Deficit on revaluation of non-current assets	-	-	-	-	-	(1,843)	-	-	-	(1,843)	(1,843)
Actuarial gain on Pension Assets and Liabilities	-	-	-	-	-	-	11,457	-	1,700	13,157	13,157
	-	-	-	-	-	(1,843)	11,457	-	1,700	11,314	11,314
2. Analysis of Adjustments between accounting basis and funding basis under regulations											
Amortisation of intangible assets	64	-	-	64	(64)	-	-	-	-	(64)	-
Depreciation and impairment of non-current assets	1,356	-	-	1,356	(1,330)	(26)	-	-	-	(1,356)	-
Capital Grants and Contributions credited to the CIES	(998)	-	-	(998)	998	-	-	-	-	998	-
Net gain or loss on sale of non-current assets	(14)	14	-	-	-	-	-	-	-	-	-
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under the pension scheme regulations	(8,426)	-	-	(8,426)	-	-	8,526	-	(100)	8,426	-
Statutory provision for repayment of debt (Loans Fund Advances)	(371)	-	-	(371)	371	-	-	-	-	371	-
Statutory adjustment re Accumulated Absences Account	(27)	-	-	(27)	-	-	-	27	-	27	-
Capital Receipts applied to fund capital expenditure	-	(7)	-	(7)	7	-	-	-	-	7	-
	(8,416)	7	-	(8,409)	(18)	(26)	8,526	27	(100)	8,409	-
3. Analysis of transfers to/from Other Statutory Reserves											
Transfer to/ from Repairs and Renewals Fund	(276)	-	276	-	-	-	-	-	-	-	-
	(276)	-	276	-	-	-	-	-	-	-	-

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

This statement shows the movement in the year on the different reserves held by the Board, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Board's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. The Net Increase/Decrease before Transfers to Other Statutory Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from other statutory reserves undertaken by the Board.

	Usable Reserves					Unusable Reserves					Total	Note	
	General Fund Balance £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Other Reserves £'000	Total Usable Reserves £'000	Capital Adjustment Account £'000	Revaluation Reserve £'000	Pension Reserve £'000	Accumulated Absences Account £'000	Employee Statutory Mitigation Account - Injury Benefit £'000	Total Unusable Reserves £'000		Total Reserves £'000
Balance at 31 March 2009	1,803	85	699	-	2,587	9,724	6,379	(90,637)	(181)	(5,000)	(79,715)	(77,128)	
Surplus or (deficit) on Provision of Services (accounting basis)	(5,768)	-	-	-	(5,768)	-	-	-	-	-	-	(5,768)	
Other Comprehensive Expenditure and Income	(22)	-	72	-	50	-	(1,137)	(41,529)	-	(1,900)	(44,566)	(44,516)	1
Total Comprehensive Expenditure and Income	(5,790)	-	72	-	(5,718)	-	(1,137)	(41,529)	-	(1,900)	(44,566)	(50,284)	
Adjustments between accounting basis and funding basis under regulations	5,419	(85)	(21)	-	5,313	246	(74)	(4,909)	24	(600)	(5,313)	-	2
Net Increase/Decrease before Transfers to Other Statutory Reserves	(371)	(85)	51	-	(405)	246	(1,211)	(46,438)	24	(2,500)	(49,879)	(50,284)	
Transfers to/from Other Statutory Reserves	(562)	-	-	562	-	-	-	-	-	-	-	-	3
Increase/Decrease in Year 2009/10	(933)	(85)	51	562	(405)	246	(1,211)	(46,438)	24	(2,500)	(49,879)	(50,284)	
Balance at 31 March 2010	870	-	750	562	2,182	9,970	5,168	(137,075)	(157)	(7,500)	(129,594)	(127,412)	

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

NOTES

	Usable Reserves					Unusable Reserves					Total	
	General Fund Balance £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Other Reserves £'000	Total Usable Reserves £'000	Capital Adjustment Account £'000	Revaluation Reserve £'000	Pension Reserve £'000	Accumulated Absences Account £'000	Employee Statutory Mitigation Account - Injury Benefit £'000	Total Unusable Reserves £'000	Total Reserves £'000
1. Analysis of Other Comprehensive Expenditure and Income												
Net Gain on non-current assets	(22)	-	-	-	(22)	-	-	-	-	-	-	(22)
Capital Receipts Received	-	-	72	-	72	-	-	-	-	-	-	72
Deficit on Revaluation of non-current Assets	-	-	-	-	-	-	(1,137)	-	-	-	(1,137)	(1,137)
Actuarial gain on Pension Assets and Liabilities	-	-	-	-	-	-	-	(41,529)	-	(1,900)	(43,429)	(43,429)
	(22)	-	72	-	50	-	(1,137)	(41,529)	-	(1,900)	(44,566)	(44,516)
2. Analysis of Adjustments between accounting basis and funding basis under regulations												
Amortisation of intangible assets	31	-	-	-	31	(31)	-	-	-	-	(31)	-
Depreciation and impairment of non-current assets	1,219	-	-	-	1,219	(1,219)	-	-	-	-	(1,219)	-
Capital Grants and Contributions credited to the CIES	(880)	-	-	-	(880)	880	-	-	-	-	880	-
Net gain or loss on sale of non-current assets	-	-	-	-	-	74	(74)	-	-	-	-	-
Amount by which pension costs calculated in accordance with the Code (i.e. in accordance with IAS 19) are different from the contributions due under the pension scheme regulations	5,509	-	-	-	5,509	-	-	(4,909)	-	(600)	(5,509)	-
Statutory provision for repayment of debt (Loans Fund Advances)	(436)	-	-	-	(436)	436	-	-	-	-	436	-
Statutory adjustment re Accumulated Absences Account	(24)	-	-	-	(24)	-	-	-	24	-	24	-
Capital Receipts applied to fund capital expenditure	-	(85)	(21)	-	(106)	106	-	-	-	-	106	-
	5,419	(85)	(21)	-	5,313	246	(74)	(4,909)	24	(600)	(5,313)	-
3. Analysis of transfers to/from Other Statutory Reserves												
Transfer to/ from Repairs and Renewals Fund	(562)	-	-	562	-	-	-	-	-	-	-	-
	(562)	-	-	562	-	-	-	-	-	-	-	-

NOTES TO THE CORE FINANCIAL STATEMENTS

1. IFRS Transition – Note on Material Differences Between Accounts Prepared Under UK GAAP and IFRS Code of Practice

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10. The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

(i) Differences between Balance Sheets as at 31 March 2009

The adoption of IFRS-based accounting policies as required by the Code of Practice has resulted in amendment to reserves that were previously presented on a UK GAAP basis. The following table summarises the changes for reserve balances as at 31 March 2009, in order to restate the comparative figures on an IFRS basis.

	Capital Adjustment Account £'000	Capital Grants Unapplied £'000	Accumulated Absences Account £'000	Total £'000	Note
Balance as at 1 April 2009 under UK GAAP	7,141	-	-	7,141	
Adjustment re Government Grants	2,583	85	-	2,668	(a)
Accumulated Absences Accrual	-	-	(181)	(181)	(b)
Balance as at 1 April 2009 under IFRS	9,724	85	(181)	9,628	

(ii) Differences between Balance Sheets as at 31 March 2010

Entries during 2009/10

The adoption of IFRS-based accounting policies as required by the Code of Practice has resulted in amendment to reserves that were previously presented on a UK GAAP basis. The following table summarises the changes for reserve balances as at 31 March 2010, being the last date on which the UK GAAP applied.

	Capital Adjustment Account £'000	Capital Grants Unapplied £'000	Accumulated Absences Account £'000	Total £'000	Note
Balance as at 1 April 2010 under UK GAAP	6,935	-	-	6,935	
Adjustment re Government Grants	3,035	-	-	3,035	(a)
Accumulated Absences Accrual	-	-	(157)	(157)	(b)
Balance as at 31 March 2010 under IFRS	9,970	-	(157)	9,813	

(iii) Differences in (Surplus)/Deficit in Provision of Services 2009/10

The adoption of IFRS-based accounting policies as required by the Code of Practice has resulted in amendment to the reported total income and expenditure that was previously presented on a UK GAAP basis. The following table summarises the changes to the 2009/10 income and expenditure which have been necessary to restate these figures to a Code (IFRS) compliant basis.

	£'000	Note
Deficit for the year to 31 March 2010 under UK GAAP	5,559	
Income from Capital Grants now shown in CIES	(367)	(a)
Movement in Accumulated Absences Accrual	(24)	(b)
Deficit for the year to 31 March 2010 under IFRS	5,168	

NOTES TO THE CORE FINANCIAL STATEMENTS

(iv) Differences in Other Comprehensive Income and Expenditure 2009/10

	£'000
Total Recognised Gains and Losses per UK GAAP	44,516
Other Comprehensive Income & Expenditure per Restated IFRS Accounts	44,516

Notes

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

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

- (i) The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
 - (ii) Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
 - (iii) Several grants were received in 2009/10 but not used. Previously, no income was recognised in respect of these grants, which were shown in the Grants Unapplied Account within the liabilities section of the Balance Sheet. Following the change in accounting policy, these grants have been recognised in full and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.
- (b). Accumulated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Board. The most significant benefit covered by this heading is holiday pay. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increases their entitlement to future compensated absences. As a result the Board is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements no such accrual was required.

The government has issued regulations that mean Boards are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

In the restated Balance Sheet as at 1 April 2009, this accrual amounted to £181,000. In the restated accounts for the year to 31 March 2010 this accrual was £157,000.

2. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2009/10 £'000	2010/11 £'000
Interest Received	(14)	(16)
Interest Paid	265	235

NOTES TO THE CORE FINANCIAL STATEMENTS

3. Cash Flow Statement – Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	2009/10 £'000	2010/11 £'000
Cash held by Officers	4	4
Short-term deposits with Loans Fund	2,095	3,316
Total cash and cash equivalents	2,099	3,320

4. Members Allowances

Remuneration paid to Members in 2010/11 was:

	2009/10 £'000	2010/11 £'000
Salaries	4	12
Allowances (Mileage)	-	-
Expenses	-	-
	4	12

5. External Audit Fee

The external audit fee for 2010/11 was £22,170 for work undertaken in accordance with the Code of Audit Practice (£22,640 in 2009/10).

6. Related Party Transactions

The Board is required to disclose material transactions with related parties, that is bodies or individuals that have potential to control or influence the Board or to be controlled or influenced by the Board.

Falkirk Council

A payment of £137,280 was made to Falkirk Council in respect of central support recharges.

Pension Schemes

The employees of the Board are eligible to join either the Local Government Pension Scheme or the Firefighters Pension Schemes, both of which are locally administered by Falkirk Council.

NOTES TO THE CORE FINANCIAL STATEMENTS

7. Property, Plant and Equipment

	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Assets Under Construction £'000	Total £'000
Movements in 2010/11:				
Cost or Valuation as at 1 April 2010	20,789	5,776	50	26,615
Additions	251	708	-	959
Revaluations				
• Recognised in Revaluation Reserve	-	-	-	-
• Recognised in Provision of Services	-	-	-	-
De-recognition				
• Disposals	-	(25)	-	(25)
As at 31 March 2011	21,040	6,459	50	27,549
Accumulated Depreciation and Impairment				
As at 1 April 2010	2,762	2,324	-	5,086
Depreciation				
• Charge for Year	414	582	-	996
Impairment				
• Written Out to Revaluation Reserve	1,841	-	-	1,841
• Written Out to Provision of Services	360	-	-	360
De-recognition				
• Disposals	-	(25)	-	(25)
As at 31 March 2011	5,377	2,881	-	8,258
Net Book Value				
31 March 2010	18,027	3,452	50	21,529
31 March 2011	15,663	3,578	50	19,291

NOTES TO THE CORE FINANCIAL STATEMENTS

	Land & Buildings £'000	Vehicles Plant & Equipment £'000	Assets Under Construction £'000	Total £'000
Comparative Movements in 2009/10:				
Cost or Valuation as at 1 April 2009	20,554	5,162	50	25,766
Additions	235	652	-	887
Revaluations				
• Recognised in Revaluation Reserve	-	-	-	-
• Recognised in Provision of Services	-	-	-	-
De-recognition				
• Disposals	-	(38)	-	(38)
As at 31 March 2010	20,789	5,776	50	26,615
Accumulated Depreciation and Impairment As at 1 April 2009	956	1,814	-	2,770
Depreciation				
• Charge for Year	467	548	-	1,015
Impairment				
• Written Out to Revaluation Reserve	1,137	-	-	1,137
• Written Out to Provision of Services	202	-	-	202
Derecognition				
• Disposals	-	(38)	-	(38)
As at 31 March 2010	2,762	2,324	-	5,086
Net Book Value				
31 March 2009	19,598	3,348	50	22,996
31 March 2010	18,027	3,452	50	21,529

Depreciation

The following depreciation methods have been used:

- Buildings - these are depreciated on a straight line basis over the estimated life of the asset;
- Vehicles, Plant & Equipment - these are depreciated on a straight line basis over the estimated life of the asset;
- Assets Under Construction - these are not depreciated

NOTES TO THE CORE FINANCIAL STATEMENTS

Assets owned by the Board include:

		2009/10	2010/11	Estimated Life (Buildings)
Other Land & Buildings	Headquarters	1	1	28 Years
	Fire Stations	17	17	1-47 Years
		18	18	
Vehicles, Plant & Equipment	Appliances	33	34	
	Support Units	12	12	
	Other	78	78	
		123	124	

Valuation Disclosure

The feuhold and leasehold properties which comprise the Board's property portfolio have been valued as at 1 April 2007 by the District Valuer of the Scotland South East Valuation Office Agency appointed by Falkirk Council on behalf of the Board. They have been valued on the undernoted bases in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual.

Properties regarded as operational were valued on the basis of open market value for their existing use or, where this could not be assessed because there was no market for the subject asset, depreciated replacement cost. Plant and Machinery contained within buildings is included in the valuation of those buildings.

Vehicles, Plant and Equipment are valued on the basis of historic cost.

A subsequent review for impairment of the Board's property portfolio was carried out by the District Valuer as at 1 April 2009 and a further review was carried out at 1 April 2010. This review resulted in a downward revaluation of the Board's property portfolio and this impairment has been reflected in the 2010/11 accounts.

<u>Capital Expenditure was funded by:</u>	2009/10 £'000	2010/11 £'000
Capital Grants	866	952
Capital Receipts	21	7
	887	959

Capital Commitments

As at 31 March 2011, the Board has capital commitments of £0.204m (Nil in 2009/10).

Effects of changes in Estimates

The Board has not made any material changes to its accounting estimates for Property, Plant and Equipment.

NOTES TO THE CORE FINANCIAL STATEMENTS

8. Intangible Assets

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Board. The useful lives assigned to the major software suites used by the Board are:

	<u>Internally Generated Assets</u>	<u>Other Assets</u>
5 years	-	Other Board Software
3 years	-	Firelink Remsdaq Software
3 years	-	Support Infrastructure Software

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £64,000 was charged to revenue in 2010/11.

The movement on Intangible Asset balances during the year is as follows:

	2009/10 Other Assets £'000	2010/11 Other Assets £'000
Balance at start of year:		
• Gross carrying amounts	135	234
• Accumulated amortisation	(22)	(53)
Net carrying amount at start of year	113	181
Additions:		
• Purchases	99	46
Amortisation for the period	(31)	(64)
Other changes	-	-
Net carrying amount at end of year	181	163
Comprising:		
• Gross carrying amounts	234	280
• Accumulated amortisation	(53)	(117)

There are no changes in accounting estimates for Intangible Assets.

All Intangible Assets have a finite useful life.

Capital Expenditure of £0.046m was funded from Capital Grants (£0.098m in 2009/10)

There is only one item of capitalised software that is individually material to the financial statements:

	Carrying Amount		Remaining Amortisation Period
	31 March 2010 £'000	31 March 2011 £'000	
Firelink Remsdaq Software	60	40	2 years

NOTES TO THE CORE FINANCIAL STATEMENTS

9. Impairment Losses

The Board's Land and Buildings assets were revalued as at 1 April 2010. A percentage reduction of 12% was applied to all Land and Buildings which resulted in an impairment of £2.199m. This impairment was written out to both the Revaluation Reserve (£1.840m) and Provision of Services within the Comprehensive Income and Expenditure Statement (£0.359m).

10. Inventories

	Consumable Stores £'000	2009/10 Equipment/ Uniforms £'000	Total £'000	Consumable Stores £'000	2010/11 Equipment/ Uniform £'000	Total £'000
Balance at start of year	20	98	118	19	69	88
Purchases	132	324	456	146	256	402
Stock Write Downs	-	-	-	-	(1)	(1)
Recognition as Expense	(133)	(353)	(486)	(139)	(251)	(390)
Balance at end of year	19	69	88	26	73	99

Note:- Inventories are valued at latest invoice price

11. Short Term Debtors

	2009/10 £'000	2010/11 £'000
Central Government Bodies	644	356
Other local authorities	108	35
Other entities and individuals	91	111
Total Short Term Debtors	843	502

12. Short Term Creditors

	2009/10 £'000	2010/11 £'000
Central Government Bodies	305	385
Other local authorities	39	25
Other entities and individuals	662	651
Total Short Term Creditors	1,006	1,061

13. Other Long Term Liabilities

	2009/10 £'000	2010/11 £'000
Disability Benefits	7,500	5,900
Capital Grant received in advance	-	46
Total Other Long-Term Liabilities	7,500	5,946

NOTES TO THE CORE FINANCIAL STATEMENTS

14. Defined Benefit Pension Schemes

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

The Board participates in three pension schemes:

- The Local Government Pension Scheme (Falkirk Council Pension Fund) for non-uniformed employees, administered by Falkirk Council. This is a funded scheme, meaning that the Board and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets;

Regulation 31A(1) of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 as amended requires that an Administering Authority must, in relation to each year beginning on 1 April 2010, prepare a pension fund annual report. Statutory guidance issued by the Scottish Government and contained in the Local Government Finance Circular 1/2011 requires that the annual report is to be published separately and is to be subject to a separate audit opinion;

The annual report of the Falkirk Council Pension Fund in respect of year 2010/11 can be inspected at the offices of the Council or online at www.falkirk.gov.uk by following the links to local government pension scheme.

- The Firefighters Pension Scheme for uniformed officers. This is an unfunded scheme, meaning that there are no investment assets built up to meet the pensions liabilities, and cash has to be generated to meet scheme benefits as they eventually fall due;
- The New Firefighters Pension Scheme for uniformed officers. This is an unfunded scheme and came into effect from 6 April 2006 for all new employees from that date and to any existing members of the previous scheme who opt to join the new scheme.

In accordance with the requirements of International Accounting Standard 19 'Employee Benefits' (IAS19) the Board is required to disclose certain information concerning assets, liabilities, income and expenditure related to Pension Schemes for its employees.

From 2010/11 onwards injury benefit/compensation figures are separately identified within the Defined Benefit Scheme. Injury benefit/compensation figures are presented in the Balance Sheet in the Employee Statutory Mitigation Account (separated from the Pensions Reserve) and in Other Retirement Benefit Liabilities (separated from the Pensions Liability).

The assets and liabilities of the Board's pension arrangements as at 31 March 2011 have been calculated by Hymans Robertson a firm of independent Consulting Actuaries.

The Board recognises the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. The following information is in relation to the Comprehensive Income and Expenditure Statement during the year:

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

NOTES TO THE CORE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Account

Year Ended	Local Government Pension Scheme		Firefighters and New Firefighters Pension Scheme	
	31/03/10	31/03/11	31/03/10	31/03/11
	£'000	£'000	£'000	£'000
Current Service Cost	169	347	2,600	4,100
Interest Cost	375	509	6,500	7,100
Expected Return on Employer Assets	(271)	(433)	-	-
Past Service Cost	131	(862)	-	(15,700)
Losses/(Gains) on Curtailments and Settlements	-	1	-	-
Total	404	(438)	9,100	(4,500)
Actual Return on Plan Assets	1,472	521	-	-

Reconciliation of defined benefit obligation (excluding injury pensions)

Year Ended	Local Government Pension Scheme		Firefighters and New Firefighters Pension Scheme	
	31/03/10	31/03/11	31/03/10	31/03/11
	£'000	£'000	£'000	£'000
Opening Defined Benefit Obligation	5,326	9,765	89,500	133,200
Current Service Cost	169	347	2,300	3,600
Interest Cost	375	509	6,200	6,700
Contributions by Members	103	102	900	800
Actuarial Losses/(Gains)	3,829	(1,069)	38,900	(10,300)
Estimated Unfunded Benefits Paid	(10)	(2)	-	-
Pensions and Lump Sum Expenditure	-	-	(4,600)	(4,000)
Transfers in from Other Authorities	-	-	100	100
Transfers out to Other Authorities	-	-	(100)	(100)
Past Service Cost	131	(862)	-	(14,900)
Losses/(Gains) on Curtailments and Settlements	-	1	-	-
Estimated Benefits Paid	(158)	(145)	-	-
Closing Defined Benefit Obligation	9,765	8,646	133,200	115,100

Reconciliation of defined benefit obligation (injury pensions only)

Year Ended	Local Government Pension Scheme		Firefighters and New Firefighters Pension Scheme	
	31/03/10	31/03/11	31/03/10	31/03/11
	£'000	£'000	£'000	£'000
Opening Defined Benefit Obligation	-	-	5,000	7,500
Current Service Cost	-	-	300	500
Interest Cost	-	-	300	400
Contributions by Members	-	-	-	-
Actuarial Losses/(Gains)	-	-	1,900	(1,700)
Estimated Unfunded Benefits Paid	-	-	-	-
Pensions and Lump Sum Expenditure	-	-	-	-
Transfers in from Other Authorities	-	-	-	-
Transfers out to Other Authorities	-	-	-	-
Past Service Cost	-	-	-	(800)
Estimated Benefits Paid	-	-	-	-
Closing Defined Benefit Obligation	-	-	7,500	5,900

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of fair value of employer assets (excluding injury pensions)

Year Ended	Local Government Pension Scheme		Firefighters and New Firefighters Pension Scheme	
	31/03/10	31/03/11	31/03/10	31/03/11
	£'000	£'000	£'000	£'000
Opening Fair Value of Employer Assets	4,189	5,890	-	-
Expected Return on Assets	271	433	-	-
Contributions by Members	103	102	900	800
Contributions by Employer	285	286	3,700	3,200
Contributions in respect of Unfunded Benefits	10	2	-	-
Actuarial Gains/(Losses)	1,200	88	-	-
Transfers in from Other Authorities	-	-	100	100
Transfers out to Other Authorities	-	-	(100)	(100)
Pensions and Lump Sum Expenditure	-	-	(4,600)	(4,000)
Estimated Unfunded Benefits Paid	(10)	(2)	-	-
Estimated Benefits Paid	(158)	(145)	-	-
Closing Fair Value of Employer Assets	5,890	6,654	-	-

Reconciliation of fair value of employer assets (injury pensions only)

Year Ended	Local Government Pension Scheme		Firefighters and New Firefighters Pension Scheme	
	31/03/10	31/03/11	31/03/10	31/03/11
	£'000	£'000	£'000	£'000
Opening Fair Value of Employer Assets	-	-	-	-
Expected Return on Assets	-	-	-	-
Contributions by Members	-	-	-	-
Contributions by Employer	-	-	-	-
Contributions in respect of Unfunded Benefits	-	-	-	-
Actuarial Gains/(Losses)	-	-	-	-
Transfers in from Other Authorities	-	-	-	-
Transfers out to Other Authorities	-	-	-	-
Pensions and Lump Sum Expenditure	-	-	-	-
Estimated Unfunded Benefits Paid	-	-	-	-
Estimated Benefits Paid	-	-	-	-
Closing Fair Value of Employer Assets	-	-	-	-

Amounts for the current and previous accounting periods

Year Ended	Local Government Pension Scheme				
	31/03/07	31/03/08	31/03/09	31/03/10	31/03/11
	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	4,338	4,441	4,189	5,890	6,654
Present Value of Defined Benefit Obligation	(5,505)	(4,889)	(5,326)	(9,765)	(8,646)
Surplus/(Deficit)	(1,167)	(448)	(1,137)	(3,875)	(1,992)
Experience Gains/(Losses) on Assets	(35)	(436)	(772)	1,200	88
Experience Gains/(Losses) on Liabilities	-	2	(604)	3	3
Experience Gains/(Losses) as % of Schemes Liability	0.00%	(0.04)%	11.34%	(0.03)%	(0.03)%
Experience Gains/(Losses) as % of Schemes Assets	(0.81)%	(9.82)%	(18.43)%	20.37%	1.32%

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

NOTES TO THE CORE FINANCIAL STATEMENTS

Year Ended	Firefighters and New Firefighters Pension Scheme				
	31/03/07	31/03/08	31/03/09	31/03/10	31/03/11
	£'000	£'000	£'000	£'000	£'000
Present Value of Defined Benefit Obligation	(96,600)	(89,900)	(89,800)	(133,600)	(121,000)
Surplus/(Deficit)	(96,600)	(89,900)	(89,800)	(133,600)	(121,000)
Experience Gains/(Losses) on Liabilities	1,000	(8,100)	3,200	1,400	3,200
Experience Gains/(Losses) as % of Schemes Liability	(1.04)%	9.01%	(3.56)%	(1.05)%	(2.64)%

Balance Sheet

Year Ended	Local Government Pension Scheme		Firefighters and New Firefighters Pension Scheme		Totals	
	31/03/10	31/03/11	31/03/10	31/03/11	31/03/10	31/03/11
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	5,890	6,654	-	-	5,890	6,654
Present Value of Funded Liabilities	(9,715)	(8,603)	-	-	(9,715)	(8,603)
Net (Under)/ Over funding in Funded Plans	(3,825)	(1,949)	-	-	(3,825)	(1,949)
Present Value of Unfunded Liabilities	(50)	(43)	(133,200)	(115,100)	(133,250)	(115,143)
Injury Pension Liability	-	-	(7,500)	(5,900)	(7,500)	(5,900)
Net Asset/(Liability)	(3,875)	(1,992)	(140,700)	(121,000)	(144,575)	(122,992)

	31/03/10 £'000	31/03/11 £'000
Total Net Asset/(Liability)	(144,575)	(122,992)
• Pensions	(137,075)	(117,092)
• Disability Benefits	(7,500)	(5,900)

Fair Value of employer assets (Local Government Pension Scheme)

Year Ended	31/03/10	31/03/11
	£'000	£'000
Equities	4,535	5,057
Bonds	766	865
Property	412	532
Cash	177	200
Total	5,890	6,654

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.

There has been a significant decrease in IAS19 liabilities as at 31 March 2011 compared with the liabilities as at 31 March 2010. This is principally due to the fact that the financial assumptions at 31 March 2011 are more favourable than they were at 31 March 2010. In the June 2010 Emergency Budget the Chancellor announced that public sector pension increases would now be linked to the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). CPI is estimated to be 0.8% approximately below RPI on average and this reduction in the pension increase assumption has resulted in a fall in liabilities being shown as a past service credit.

NOTES TO THE CORE FINANCIAL STATEMENTS

The real discount rate has increased significantly from 1.6% per annum as at 31 March 2010 to 2.7% per annum as at 31 March 2011. This is due to the change in the pensions increase assumption. All else being equal, a higher real discount rate leads to a lower value being placed on the liabilities. Therefore, the change in real discount rate between March 2010 and March 2011 has a substantial positive impact on the IAS19 balance sheet, decreasing the value of the liabilities by around 10% to 15% typically depending on the average age of membership.

In summary, the IAS19 balance sheet this year has improved from last year with IAS19 liabilities smaller in monetary terms. This is because of the impact of the change in pension increases from RPI to CPI.

Hymans Robertson, has assessed the Firefighters Pension Scheme, the New Firefighters Pension Scheme and the Local Government Pension Scheme liabilities. The Firefighters Pension Schemes have no assets to cover liabilities. Assets in the Local Government Pension Scheme are valued at fair value, principally market value for investments, and consist of the following categories by proportion of the total assets held by the Fund. The main assumptions used in their calculations have been:-

Financial Assumptions (Firefighters and New Firefighters Pension Scheme)

Year Ended	31/03/10	31/03/11
	% p.a.	% p.a.
Market derived RPI	3.8	3.6
Salary Increase Rate	5.3	4.6
Pension Increase Rate	3.8	2.8
Discount Rate	5.5	5.5

Financial Assumptions (Local Government Pension Scheme)

Year Ended	31/03/10	31/03/11
	% p.a.	% p.a.
Salary Increase Rate	5.3	5.1
Pension Increase Rate	3.8	2.8
Expected Return on Assets	7.2	6.9
Discount Rate	5.5	5.5

Breakdown of the expected return on assets by category (Local Government Pension Scheme)

Year Ended	31/03/10	31/03/11
	% p.a.	% p.a.
Equities	7.8	7.5
Bonds	5.0	4.9
Property	5.8	5.5
Cash	4.8	4.6

Mortality

Life expectancy is based on the PFA92 and PMA92 mortality tables published by the Institute of Actuaries and the Faculty of Actuaries.

Local Government Pension Scheme:-

Based on these assumptions, the average future life expectancies at age 65 are summarised below:-

	Males	Females
Current Pensioners	21.6 years	25.0 years
Future Pensioners	23.1 years	26.6 years

Firefighters and New Firefighters Pension Scheme:-

Based on the above assumptions, the average future life expectancies at age 60 are summarised below:-

	Males	Females
Current Pensioners	27.9 years	30.8 years
Future Pensioners	29.5 years	32.3 years

NOTES TO THE CORE FINANCIAL STATEMENTS

Commutation

Local Government Pension Scheme:-

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

Firefighters and New Firefighters Pension Scheme:-

It is assumed that 90% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits.

Projected pension expense for the year to 31 March 2012

The following table sets out the estimate of the pension cost for 2011/12 based on the assumptions as at 31 March 2011 (the start of the period)

	Local Government Pension Scheme	Firefighters and New Firefighters Pension Scheme
Year Ended	31/03/12	31/03/12
	£'000	£'000
Projected Current Service Cost	325	3,700
Interest on Obligation	480	6,300
Expected Return on Plan Assets	(465)	-
Past Service Cost	-	-
Total	340	10,000

15. Firefighters' Pension Account

In July 2008, The Scottish Government agreed to a reform of the financial arrangements for Fire Services pensions in Scotland, similar to those introduced in England and Wales. The new arrangements were effective from 1 April 2010 and apply to both the old and new firefighter pension schemes but have no impact on members or on the benefit structure of each scheme.

The regulations require each Fire Authority to open and maintain a fire pensions account and make specified payments into and from that pensions account. Any surplus or deficit on the pensions account at the end of the financial year is recorded as a debtor or a creditor to the Scottish Government with the pensions account balancing to zero.

	2010/11 £'000	2010/11 £'000
<u>Contributions receivable</u>		
Employer's contributions	(1,593)	
Firefighters' contributions	(831)	
	<hr/>	(2,424)
Transfers in from other authorities		(21)
Grant paid by Scottish Government		(1,668)
<u>Benefits payable</u>		
Pensions	3,024	
Commutations and lump sum retirement benefits	1,299	
	<hr/>	4,323
Transfers out to other authorities		145
Net amount payable in year		<hr/> 355
Top-up grant payable by Scottish Government		(355)
		<hr/> -

NOTES TO THE CORE FINANCIAL STATEMENTS

16. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Board, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Board that has yet to be financed. The CFR is analysed in the second part of this note.

	2009/10	2010/11
	£'000	£'000
Opening Capital Financing Requirement	7,007	6,571
Capital Investment:		
Property, Plant and Equipment	887	959
Intangible Assets	99	46
Sources of finance:		
Capital receipts	(21)	(7)
Government grants and other contributions	(965)	(998)
MRP/loans fund principal	(436)	(371)
Closing Capital Financing Requirement	6,571	6,200
Explanation of movements in year:		
Decrease in underlying need to borrow (unsupported by government financial assistance)	(436)	(371)
Increase/(decrease) in Capital Financing Requirement	(436)	(371)

17. Loans Outstanding

These loans were raised to finance the capital expenditure of the Board. The repayment structure of external debt held at 31 March 2011 was as follows:

	2009/10	2010/11
	£'000	£'000
Repayable in 1-2 years < 31/03/2013	31	64
Repayable in 2-5 years < 31/03/2016	363	176
Repayable in 5-10 years < 31/03/2021	81	177
Repayable in more than 10 years	6,096	5,783
	6,571	6,200

NOTES TO THE CORE FINANCIAL STATEMENTS

18. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified by BVACOP. However, decisions about resource allocation are taken by the Board on the basis of budget reports prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

The income and expenditure recorded in the Board's budget reports for the year is as follows:-

	2009/10 £'000	2010/11 £'000
<u>Analysis of Income and Expenditure</u>		
Fees, charges & other income	(1,216)	(277)
Government grants	(1,340)	(1,715)
Total Income	(2,556)	(1,992)
Employee expenses	17,218	13,650
Property expenses	941	866
Transport expenses	346	365
Supplies & services expenses	998	1,009
Support service recharges	125	137
Financing costs	701	606
Total Expenditure	20,329	16,633
Net Expenditure	17,773	14,641

Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

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

	2009/10 £'000	2010/11 £'000
Net expenditure on the Analysis	17,773	14,641
Net expenditure of services and support services not included in the Analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(358)	(14,182)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(711)	(617)
Cost of Services per Comprehensive Income and Expenditure Statement	16,704	(158)

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation to Subjective Analysis 2010/11

	Analysis £'000	Services not in Analysis £'000	Not reported to Management £'000	Not included in CIES £'000	Cost of Services £'000	Corporate Amounts £'000	TOTAL £'000
Income	(261)	-	-	-	(261)	-	(261)
Interest and investment income	(16)	-	-	16	-	(16)	(16)
Government grants and contributions	(1,715)	-	-	-	(1,715)	(998)	(2,713)
Income from requisitions	-	-	-	-	-	(15,397)	(15,397)
Gain or Loss on Disposal of Non-Current Assets	-	-	-	-	-	(14)	(14)
Other Income	-	-	-	-	-	(433)	(433)
Total Income	(1,992)	-	-	16	(1,976)	(16,858)	(18,834)
Employee expenses	13,650	-	(15,602)	(27)	(1,979)	7,609	5,630
Property expenses	866	-	-	-	866	-	866
Transport expenses	365	-	-	-	365	-	365
Supplies & Services expenses	1,009	-	-	-	1,009	-	1,009
Support Service recharges	137	-	-	-	137	-	137
Depreciation, amortisation and impairment	606	-	1,420	(606)	1,420	-	1,420
Interest payments	-	-	-	-	-	235	235
Total Expenditure	16,633	-	(14,182)	(633)	1,818	7,844	9,662
Surplus or Deficit on the Provision of Services	14,641	-	(14,182)	(617)	(158)	(9,014)	(9,172)

CENTRAL SCOTLAND JOINT FIRE AND RESCUE BOARD

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation to Subjective Analysis 2009/10

	Analysis £'000	Services not in Analysis £'000	Not reported to Management £'000	Not included in CIES £'000	Cost of Services £'000	Corporate Amounts £'000	TOTAL £'000
Income	(1,201)	-	-	-	(1,201)	-	(1,201)
Interest and investment income	(14)	-	-	14	-	(14)	(14)
Government grants and contributions	(1,340)	-	-	-	(1,340)	(367)	(1,707)
Income from requisitions	-	-	-	-	-	(17,402)	(17,402)
Gain or Loss on Disposal of Non-Current Assets	-	-	-	-	-	(22)	(22)
Other Income	-	-	-	-	-	(271)	(271)
Total Income	(2,555)	-	-	14	(2,541)	(18,076)	(20,617)
Employee expenses	17,217	-	(1,095)	(24)	16,098	6,875	22,973
Property expenses	941	-	-	-	941	-	941
Transport expenses	346	-	-	-	346	-	346
Supplies & Services expenses	998	-	-	-	998	-	998
Support Service recharges	125	-	-	-	125	-	125
Depreciation, amortisation and impairment	701	-	737	(701)	737	-	737
Interest payments	-	-	-	-	-	265	265
Total Expenditure	20,328	-	(358)	(725)	19,245	7,140	26,385
Surplus or Deficit on the Provision of Services	17,773	-	(358)	(711)	16,704	(10,936)	5,768

GLOSSARY OF TERMS

While much of the terminology used in this report is intended to be self-explanatory, the following additional definitions and interpretation of terms may be of assistance.

- 1. Accumulated Absences Account**
The account holds the monetary value of annual leave accrued but untaken by employees as at the balance sheet date.
- 2. Administration**
This includes printing, stationery, advertising, postages, telephone costs and central support allocations for administration.
- 3. Capital Adjustment Account**
The Capital Financing Account is the store of capital resources set aside to meet past expenditure. This account is a technical accounting presentation and is not available for distribution.
- 4. Capital Charges**
A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of services.
- 5. Capital Expenditure**
This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by capital grant or by utilising the income from the sale of existing assets.
- 6. Capital Grants Unapplied Account**
The Capital Grants Unapplied Account records grants which have been credited to the Comprehensive Income and Expenditure Statement but have still to be applied to fund capital expenditure. Once applied, the value will be transferred from the Capital Grants Unapplied Account to the Capital Adjustment Account.
- 7. Capital Receipts Reserve**
This represents the capital receipts that are available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.
- 8. Corporate & Democratic Core**
This includes the costs of policy making and all other Councillor based activities together with costs which relate to the general running of the Board.
- 9. Employee Costs**
This includes salaries, wages, overtime, bonus, enhancements, employer's pension and national insurance contributions, travelling and subsistence expenses in addition to other employee allowances.
- 10. Financing Costs**
This includes the costs of financing the sums borrowed by the Board to cover the capital repayment of loans, interest charges and debt management expenses, as well as external repayments for operational leases.
- 11. Generally Accepted Accounting Practice in the UK (UK GAAP)**
This is the overall body of regulation that established how company and local authority accounts had to be prepared in the United Kingdom (prior to the transition to International Financial Reporting Standards).
- 12. Pension Reserve**
This represents the difference between accounting for pension costs in line with UK Accounting Standards, and the funding of pension costs from taxation in line with statutory requirements, and is equal to the change in the pension liability (i.e. the commitment to provide retirement benefits).
- 13. Revaluation Reserve**
This fund is a store of gains on the revaluation of non-current assets not yet realised through sales. This reserve is a technical accounting presentation and is not available for distribution.

- 14. SORP**
Stands for Statement of Recommended Practice. It refers to the Codes of Practice on Local Authority Accounting in the UK prior to 31 March 2011.
- 15. Supplies & Services**
This includes materials, uniforms, protective clothing, the purchase and maintenance of tools and equipment.
- 16. Transport Costs**
This includes the costs of operating vehicles and plant such as fuel, repairs, maintenance, tyres, licences and insurance.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Central Scotland Joint Fire & Rescue Board and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Central Scotland Joint Fire and Rescue Board for the year ended 31 March 2011 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Cash-Flow Statement and Movement in Reserves Statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010/11 Code).

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

Respective responsibilities of the Treasurer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Central Scotland Joint Fire and Rescue Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Foreword by the Treasurer and that part of the Remuneration Report which is not audited, to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2010/11 Code of the state of the affairs of Central Scotland Joint Fire and Rescue Board as at 31 March 2011 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

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

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement does not comply with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.



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September 2011