**GREATER MANCHESTER FIRE AND RESCUE AUTHORITY**

**FINANCIAL STATEMENTS**

**2014/15**

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**INTRODUCTION TO THE STATEMENT OF ACCOUNTS**

Greater Manchester Fire and Rescue Authority is one of the largest fire services in the country, covering an area of approximately 496 square miles, with a population of over 2.5million people. Within that area we have 41 fire stations which are organised into 5 areas, each with an Area Office.

Around 2,100 people work in the Service split between Operational staff and support services including finance, property/fleet management, Human Resources and Information Technology.

Our Fire Fighters key role is still to respond to emergencies but they also spend time promoting fire safety within the community. Around 60,000 Home Safety Checks are carried out each year. Our aim is to have at least one working smoke alarm in every home in Greater Manchester.

I am pleased to introduce the Statement of Accounts for the Authority for 2014/15. A surplus of £0.261m has been achieved which helps maintain a sufficient level of balances. Balances are integral to the Authority’s financial plans as they provide long term stability to assist with budget planning and the capital programme. It is also part of my role to ensure that the Authority makes the most of its resources in order to deliver a value for money service for the people of Greater Manchester. Despite cuts to the budget we have achieved our savings targets and continued with our excellent record of delivering efficiencies whilst still attaining some significant successes against our wider aims and outcomes in the last 12 months including:-

* An average response time of less than 6 minutes
* Helping young people gain over 1700 recognised qualifications
* The recruitment and deployment of 443 volunteers providing 57,000 hours service
* A reduction in false alarms attended of 16%
* The installation of solar panels which generate enough electricity for 8 fire stations.

As the Government is continuing to address the budget deficit it is essential that the Authority continues to plan for the longer term whilst further transforming itself in order to meet future reductions in funding. The Service’s core purpose is still to protect and improve the quality of life of the residents of Greater Manchester.

**Councillor David Acton**

**Chairman of Greater Manchester Fire and Rescue Authority**



**Councillor David Acton**

**EXPLANATORY FOREWORD BY THE TREASURER**

1. **Introduction**

I am pleased to introduce to you the Statement of Accounts for the Authority for 2014/15. The purpose of this foreword is to present the financial results of the Authority’s activities for the year and to provide details of the changes and challenges that the Authority faces.

The financial statements provided within the accounts show that the Authority has sound financial management processes and takes the stewardship of public funds extremely seriously. The statements show that the financial standing of the Authority is robust and is in a strong position to meet future challenges.

We are required by law to complete our accounts in accordance with the requirements of the Code of Practice on Local Authority Accounting based on International Financial Reporting Standards (IFRS) for 2014/15, Accounting Codes of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and any other government legislation or regulations. The guidance ensures that the accounts of different authorities can be compared with each other. It tells us how the figures need to be prepared and the definition of services to be included under the main headings. The overriding requirement of the Code of Practice is that the Statement of Accounts ‘presents a true and fair view’ of the financial position and transactions of the Authority.

The accounts that follow this foreword are highly technical and inevitably include some technical language. Wherever possible this has been avoided in an attempt to provide the reader with an easily understandable guide to the most significant matters reported in the accounts. A glossary is provided at the back of the publication to explain some of the technical terms.

1. **Review of the financial year**

The Authority set its budget for 2014/15 in February 2014. Along with efficiency savings the budget also included a contribution from balances towards the development of the Bury Practical Training Site, which will become a specialised training facility for the fire service, ensuring that all potential scenarios are fully practiced and rehearsed.

The outturn for 2014/15 shows an underspend of £0.261m will be added to balances. This surplus means that the efficiency targets have been met and delivered in year providing an opportunity to earmark future monies in reserves which can be utilised in the future to assist in the transformation of the service as austerity continues.

As Treasurer to the Authority I need to ensure that balances are adequate and are available to meet the future challenges. The 2014/15 accounts provide me with further evidence that the current strategy of maintaining the level of balances, whilst providing support to initiatives and acting as a hedge against future precept rises is a sound approach and further emphasises the value for money that the Authority provides.

**3. Where the Authority received its money from and how it was spent**

The following diagrams show a high level picture of where the Authority gets its money from and how it spends that money.

The Authority receives Revenue Support Grant and an allocation of Business Rates “Top Up” directly from Central Government. It levies a precept on the ten Greater Manchester District Authorities for the balance of its expenditure requirements. The precept levied for 2014/15 excluding the surplus on collection fund was £39.042m which equated to a Council Tax Band D equivalent of £57.64.

1. **Capital Expenditure and Financing**

The Authority also operates a capital programme. The Capital Programme is a 4 year plan of our future spending on assets including land, buildings and vehicles. In 2014/15 £4.7m was spent on capital schemes and was fully funded from government grants and contributions from earmarked reserves (that have been built up over a number of years).

A summary of the capital programme spending in 2014/15 is provided in the table below:

|  |  |  |
| --- | --- | --- |
| **2013/14** | **Project** | **2014/15** |
| **£’m** |  | **£’m** |
| 2.301 | Equipment | 2.579 |
| 2.269 | Building Improvements | 0.768 |
| 2.587 | Fire Stations / Major Builds / Refurbishments | 0.533 |
| 0.544 | General Vehicles | 0.411 |
| 0.494 | Information Technology | 0.401 |
| **8.195** | **Total Capital Expenditure** | **4.692** |

The most significant items of expenditure in future years relate to the development of the Bury practical training centre and a new build multipurpose premises at Wigan.

As part of the development of a capital programme the Authority needs to ensure that sufficient funds are available and the programme remains in balance. During recent years this position has been maintained by using reserves set aside for this purpose.

The long term future of the capital programme will be dependent upon the availability of reserves to support the programme, grant funding made available by the Government, receipts from the sale of land and buildings and borrowing. There are cost implications associated with borrowing and this would only take place if sufficient revenue budget was available to repay the debt.

**Borrowing Facilities**

Traditionally any approved borrowing of the Authority would have been secured via the Public Works Loans Board (PWLB). The PWLB offers borrowing at rates only slightly above the rates at which the Government secures its debt. The current level of PWLB has reduced by £4m during 2014/15 as historic loans have become due for repayment. These repayments have been managed from internal cash resources and therefore there has been no need to replace them.

As a result, the level of PWLB debt held by the Authority now stands at £0.700m. In addition to the PWLB debt the Authority is also liable for its share of the former Greater Manchester County GMC debt, which is administered by Tameside Council. At 31 March 2015 this debt was £3.736m

As part of the regulatory frameworks that must be followed the Authority must calculate a capital financing requirement which is defined as the measure of the underlying need to borrow to finance capital expenditure. This figure has been calculated at £36.811m for 2014/15.

1. **Other Matters**

In 2013/14 the Government transferred the responsibility for the Collection of Business rates to Local Councils. The Authority as part of its budget receives the equivalent of 1% business rates collected from each of the Greater Manchester Councils. There is significant volatility in the level of business rates in particular due to the impact of appeals against rating decisions. It is becoming apparent that there has been a significant increase in the number of appeals lodged. As the Authority takes its share of any surplus and deficits of the GM Councils in business rates then an increase in successful appeals will have an adverse impact on the Authority’s finances. The position on appeals will be considered as part of the budget strategy. It has been proposed to take a prudent approach and set aside £1.5m in a reserve to meet future potential liabilities.

**Fire Control**

The Authority together with Cheshire, Cumbria and Lancashire Fire and Rescue Authorities in conjunction with the Department for Communities and Local Government collaborated to create a regional control centre. In 2014/15 the Centre became operational and is managed by the NW Fire Control Ltd, which is a Local Authority controlled company governed by a Board of Directors made up of Councillors from each Fire Authority. Full details of the company and the service provided is included as a note to the accounts.

1. **Pension Fund Account**

The Accounts also include a separate statement on the Fire Fighters Pension Fund. The maintenance of a Pension Fund account is required under legislation and the accounting code of practice. The Pension Fund is where the costs of pension paid out to individuals and the contributions made by employees and employers is recorded. The current pension scheme arrangements ensure that any shortfall between pensions paid out and contributions received is met by the Department for Communities and Local Government.

The Pension fund only relates to the Fire Fighters pension scheme whereas any pensions relating to the Local Government Pension Scheme are included within the main body of the accounts.

1. **Medium Term Financial Strategy Outlook**

The Authority continues to plan within a longer term horizon as all indications are that we are only halfway through the national austerity programme. Given these national economic forecasts the Authority aims to introduce changes in a measured way. The Medium Term Financial Strategy (MTFS) covers a three year period so that Members of the Authority can appreciate the potential consequences of funding decisions in the future. The MTFS is developed in line with the Authority’s Corporate Plan which identifies the Authority’s purpose and aims and examines the emerging opportunities and threats facing the Service.

The plan outlines our strategic direction for the next three years and in particular how we aim to change our approach to consultation and ensure it is being undertaken proportionately and with relevance to local people as we transform the Service. As part of our transformation we need to work more closely with other public services and expand our collaborative agenda by developing closer links with the Greater Manchester Combined Authority and local Councils as we look towards the integration of the blue light service.

As a result of extending our collaborative activity funding has been secured from the Government to create a Community Risk Intervention Team (CRIT) which is being led by ourselves. CRIT consists of representatives from the Greater Manchester Fire and Rescue Service, North West Ambulance Service, Greater Manchester Police, Director of Public Health, Clinical Commissioning Groups and Health and Social Care providers within Local Councils. The development of CRIT offers a prime opportunity to provide a more cost effective response to high volume low priority incidents and expand prevention activities thus reducing demand and deliver further efficiencies.

1. **Concluding Remarks**

As the Authority transforms it is expected that as chief financial officer that I ensure that the budget and precept are appropriate and that a prudent level of reserves and balances are available to ensure the delivery of future plans are achievable.

The financial statements provide assurance to the reader that the Authority’s financial position is robust and that its pro-active approach to the impact of the austerity measures has delivered the necessary savings in advance thus providing a one off opportunity to set monies aside into reserves which will be utilised to support the service as it transforms.

The preparation of these statutory accounts to a high standard is a testament to the finance staff who have contributed to the completion of this statement and I would like to take the opportunity to pass on my thanks for this considerable achievement.

**Core Financial Statements**

**Movement In Reserves Statement.**

The Movement in Reserves Statement shows the movement in year on the different reserves held by the Authority, analysed into “usable reserves” (those that can be applied to fund expenditure or reduce taxation) and other reserves. The Surplus or (Defict) on the provision of services line shows the true economic cost of providing the Authority’s services, which is shown in more detail in the Comprehensive Income and Expenditure Statement.

**The Comprehensive Income and Expenditure Statement**

The Comprehensive Income and Expenditure Statement for 2014/15 shows the accounting cost in year of providing services in accordance with International Financial Reporting Standards rather than the amount funded from taxation. The taxation position is contained within the movement in reserves statement.

**The Balance Sheet**

The Balance Sheet shows the value as at 31 March 2015 of the assets and liabilities recognised by the Authority. The net liabilities of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are held in two categories ie Usable reserves (those that are available to use to deliver the service). The second category of reserves are those that the Authority is not able to use to provide services (for example the Revaluation Reserve).

**The Cash Flow**

The Cash Flow Statement summarises the total movement of cash and cash equivalents during 2014/15. The statement shows how the Authority uses cash and cash equivalents by classifying cash as operating, investing and financing activities.

**The Pension Fund Account**

The Pension Fund Account summarises the movements relating to the firefighters’ pension scheme. This statement shows the costs of pensions for uniformed staff.

The cost of the Firefighters pensions is funded by contributions from employees and employers with the balance being funded by the Government.



**Paul McKevitt BA (Hons), ACMA & CGMA**

**Treasurer to the Authority**

**24 September 2015**

**MOVEMENT IN RESERVES STATEMENT**

This Statement shows the movement in year on the different reserves held by the Authority, analysed into ‘Usable Reserves’ (ie those that can be applied to fund expenditure or reduce taxation) and other reserves. The ‘Surplus or (-) Deficit on the provision of services’ line shows the true economic cost of providing the authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for Precept setting purposes. The ‘Net Increase/Decrease before transfers to Earmarked Reserves’ line shows the statutory General Fund Balance before discretionary transfers to Earmarked Reserves undertaken by the Authority.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Note** | **General Fund Balance** | **Earmarked General Fund** | **Capital Grants Unapplied** | **Total Usable Reserves** | **Unusable Reserves** | **Total**  **Authority Reserves** |
|  |  | **£’m** | **£’m** | **£’m** | **£’m** | **£’m** | **£’m** |
| **Balance at 31 March 2013** |  | **17.638** | **28.778** | **2.233** | **48.649** | **-1,456.645** | **-1,407.996** |
| **Movement in reserves during 2013/14** |  |  |  |  |  |  |  |
| Surplus or deficit(-) on provision of services (accounting basis) |  | -49.524 | - | - | **-49.524** | - | **-49.524** |
| Other Comprehensive Income and Expenditure |  | - | - | - | **0.000** | 77.986 | **77.986** |
| **Total Comprehensive Income and Expenditure** |  | **-49.524** | **0.000** | **0.000** | **-49.524** | **77.986** | **28.462** |
| Adjustments between accounting basis and funding basis under regulations | 6 | 49.777 | - | -1.441 | **48.336** | -48.336 | **0.000** |
| **Net Increase or Decrease before Transfers to Earmarked Reserves** |  | **0.253** | **0.00** | **-1.441** | **-1.188** | **29.650** | **28.462** |
| Transfers to or from Earmarked Reserves | 20 | 1.267 | -1.267 | - | **0.000** | - | **0.000** |
| **Increase or Decrease in Year** |  | **1.520** | **-1.267** | **-1.441** | **-1.188** | **29.650** | **28.462** |
| **Balance at 31 March 2014** | 20 & 21 | **19.158** | **27.511** | **0.792** | **47.461** | **-1,426.995** | **-1,379.534** |
| **Movement in reserves during 2014/15** |  |  |  |  |  |  |  |
| Surplus or deficit(-) on provision of services (accounting basis) |  | -39.235 | - | - | **-39.235** | - | **-39.235** |
| Other Comprehensive Income and Expenditure |  | - | - | - | **0.000** | -83.198 | **-83.198** |
| **Total Comprehensive Income and Expenditure** |  | **-39.235** | **0.000** | **0.000** | **-39.235** | **-83.198** | **-122.432** |
| Adjustments between accounting basis and funding basis under regulations | 6 | 44.389 | - | -0.772 | **43.617** | -43.617 | **0.000** |
| **Net Increase or Decrease before Transfers to Earmarked Reserves** |  | **5.154** | **0.000** | **-0.772** | **4.382** | **-126.814** | **-122.432** |
| Transfers to or from Earmarked Reserves | 20 | -8.696 | 8.696 | - | **0.000** | - | **0.000** |
| **Increase or Decrease in Year** |  | **-3.542** | **8.696** | **-0.772** | **4.382** | **-126.814** | **-122.432** |
| **Balance at 31 March 2015** | 20 & 21 | **15.615** | **36.208** | **0.020** | **51.843** | **-1,553.809** | **-1,501.966** |

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities 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.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **2013/14** | **2013/14** | **2013/14** |  | **Notes** | **2014/15** | **2014/15** | **2014/15** |
| **Gross** | **Gross** | **Net** |  |  | **Gross** | **Gross** | **Net** |
| **Expenditure** | **Income** | **Expenditure** |  |  | **Expenditure** | **Income** | **Expenditure** |
| **£'m** | **£'m** | **£'m** |  |  | **£'m** | **£'m** | **£'m** |
|  |  |  |  |  |  |  |  |
| 21.061 | 0.938 | 20.123 | Community Safety |  | 16.835 | 0.926 | 15.909 |
| 85.298 | 14.081 | 71.217 | Fire Fighting and Rescue Operations |  | 77.359 | 10.239 | 67.120 |
| 0.112 | 0.074 | 0.038 | Fire Service Emergency Planning |  | 0.356 | 0.058 | 0.298 |
| 0.641 | - | 0.641 | Corporate and Democratic Core |  | 0.553 | - | 0.553 |
| - | - | - | Non Distributed Cost |  | 0.429 | - | 0.429 |
| **107.112** | **15.093** | **92.019** | **Cost of Services** |  | **95.531** | **11.223** | **84.309** |
|  |  |  |  |  |  |  |  |
| 0.007 | 0.035 | -0.028 | Other Operating Income(-) and Expenditure | 7 | 0.026 | 0.027 | -0.001 |
| 74.092 | 3.505 | 70.587 | Financing and Investment Income and Expenditure | 8 | 68.233 | 3.514 | 64.718 |
| - | 113.054 | -113.054 | Taxation and Non-Specific Grant Income | 9 | - | 109.792 | -109.792 |
|  |  |  |  |  |  |  |  |
| **181.211** | **131.687** | **49.524** | **Surplus(-) or Deficit on Provision of Services** |  | **163.790** | **124.556** | **39.235** |
|  |  |  |  |  |  |  |  |
|  |  | -5.462 | Surplus(-) or deficit on revaluation of non-current assets |  |  |  | -4.320 |
|  |  | -72.524 | Re-measurement of the net defined liability/(asset) | 35 |  |  | 87.518 |
|  |  | **-77.986** | **Other Comprehensive Income(-) and Expenditure** |  |  |  | **83.198** |
|  |  |  |  |  |  |  |  |
|  |  | **-28.462** | **Total Comprehensive Income(-) and Expenditure** |  |  |  | **122.432** |

I certify that the Comprehensive Income and Expenditure Statement presents a true and fair view of the financial position of Greater Manchester Fire and Rescue Authority for the year ended 31 March 2015.



**P McKevitt BA (Hons), ACMA & CGMA**

**Treasurer to the Authority**

**24 September 2015**

**BALANCE SHEET AT 31 MARCH 2015**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net liabilities of the authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority 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 authority 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’.

|  |  |  |  |
| --- | --- | --- | --- |
| **At 31 March**  **2014** |  | **Note** | **At 31 March**  **2015** |
| **£’m** |  |  | **£’m** |
|  | Property, Plant & Equipment |  |  |
| 63.553 | Other Land and Buildings | 10 | 63.916 |
| 12.938 | Vehicles, Plant & Equipment | 10 | 13.190 |
| 0.169 | Assets under Construction | 10 | 0.665 |
| - | Surplus Assets |  | 0.094 |
| 0.378 | Investment Property | 12 | 0.379 |
| 0.496 | Intangible Assets | 13 | 0.219 |
| **77.534** | **Long Term Assets** |  | **78.463** |
|  |  |  |  |
| 18.491 | Cash and Cash Equivalents | 17 | 20.321 |
| 0.203 | Assets Held for Sale | 11 | - |
| 1.039 | Inventories and Work in Progress | 15 | 0.851 |
| 5.724 | Short Term Debtors | 16 | 9.230 |
| 8.041 | Amount due from Pension Fund |  | 6.535 |
| **33.498** | **Current Assets** |  | **36.937** |
|  |  |  |  |
| 4.000 | Short Term Borrowing | 14 | - |
| 12.872 | Short Term Creditors | 18 | 12.203 |
| 1.048 | Short Term Provisions | 19 | 2.269 |
| **17.920** | **Current Liabilities** |  | **14.472** |
|  |  |  |  |
| 1.100 | Long Term Provisions | 19 | 1.400 |
| 0.700 | Long Term Borrowing | 14 | 0.700 |
| 1,464.352 | Long Term Liability - Pension Scheme | 35 | 1,594.956 |
| 2.241 | Long Term Liability – PFI Scheme | 14 | 2.102 |
| 4.253 | Long Term Liability – Tameside Debt |  | 3.736 |
| **1,472.646** | **Long Term Liabilities** |  | **1,602.894** |
|  |  |  |  |
| **-1,379.534** | **Net Liability** |  | **-1,501.966** |
|  |  |  |  |
| 47.461 | Usable Reserves | 20 | 51.843 |
| -1,426.995 | Unusable Reserves | 21 | -1,553.809 |
| **-1,379.534** | **Total Reserves** |  | **-1,501.966** |

I certify that the Balance Sheet and related accounts present a true and fair view of the financial position of Greater Manchester Fire and Rescue Authority at 31 March 2015.

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**P McKevitt BA (Hons), ACMA & CGMA**

**Treasurer to the Authority**

**24 September 2015**

CASH FLOW STATEMENT

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

The Authority has chosen the indirect method in preparing its cash flow statement which provides a detailed breakdown of the elements of operating, investing and financing activities.

|  |  |  |  |
| --- | --- | --- | --- |
| **2013/14** |  | **Notes** | **2014/15** |
| **£'m** |  |  | **£'m** |
|  |  |  |  |
| 49.524 | Net surplus(-) or deficit on the provision of services |  | 39.235 |
| -58.595 | Adjustments to net surplus or deficit on the provision of services for non-cash movements | 22 | -50.107 |
| 3.194 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 23 | 3.148 |
| 0.811 | Interest Paid |  | 0.587 |
| 0.270 | Interest element of finance lease and PFI rental payments |  | 0.257 |
| -0.107 | Interest received |  | -0.102 |
| -0.975 | Reversal of operating activity items included in the net surplus or deficit on the provision of service |  | -0.742 |
|  |  |  |  |
| **-5.877** | **Net Cash Flows from Operating Activities** |  | **-7.724** |
|  |  |  |  |
|  | **Investing Activities** |  |  |
| 8.390 | Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets |  | 4.436 |
| -0.007 | Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets |  | -0.026 |
| -3.187 | Capital Grants received |  | -3.122 |
| **5.196** | **Net Cash Flows from Investing Activities** |  | **1.288** |
|  |  |  |  |
|  | **Financing Activities** |  |  |
| 0.111 | Cash Payments for the Reduction of the Outstanding Liability Relating to Finance Leases and On-Balance Sheet PFI Contracts |  | 0.124 |
| 0.460 | Repayments of Short-Term and Long-Term Borrowing |  | 4.483 |
| **0.571** | **Net Cash Flows from Financing Activities** |  | **4.607** |
|  |  |  |  |
| **-0.109** | **Net Decrease/Increase(-) in Cash** |  | **-1.829** |
|  |  |  |  |
| **-18.382** | **Cash and Cash Equivalents at the beginning of the reporting period** |  | **-18.491** |
| **-18.491** | **Cash and Cash Equivalents at the end of the reporting period** |  | **-20.321** |

NOTES TO THE CORE FINANCIAL STATEMENTS

1. **Accounting Standards that have been issued but have not yet been adopted**

The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

The following standards have been issued and will be adopted by the Code in 2015/16 and will be applicable to the Council from 1 April 2015 as follows:

**IFRS 13 Fair Value Measurement**

This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to all assets and liabilities which use fair value as a measurement basis. The adoption of the standard will require surplus assets to be revalued at market value rather than existing use at present. Therefore other operational Property, Plant and Equipment will be outside the scope of IFRS13. Overall this standard is not expected to have a material impact on the Statement of Accounts.

**IFRIC 21 Levies**

This standard provides guidance on when to recognise a levy imposed by Government. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. This standard will not have a material impact on the Statement of Accounts.

**Annual Improvements to IFRS’s (2011 – 2013 Cycle)**

These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts.

1. **Critical judgements in applying Accounting Policies**

**Government Funding**

There is still a high degree of uncertainty about future levels of funding for the Authority and Local Government as a whole. The Authority has had to consider a range of options on how to continue to provide its services with a reduced level of funding. As part of these deliberations a possible reduction in its asset base has been considered. However there is not currently sufficient indication that the assets of the Authority might be materially impaired.

**North West FiReControl Company**

The North West FiReControl limited company was created to operate a regional control centre based in Warrington. The company has four equal partners namely: Greater Manchester, Cheshire, Cumbria and Lancashire Fire and Rescue Authorities.

The company became operational during 2014/15. It has been determined that it meets with the definition of a joint operation for Group Accounts purposes. However, on the grounds of materiality it has been decided that Group Accounts are not required. For the reader’s benefit we have continued to include details of the relationship with the company and its financial performance. These details are included in the Related Parties note (note 29).

**Private Finance Initiative (PFI)**

The Authority is deemed to control the services provided under its PFI arrangement for the Stretford Fire Station site. This assessment was based on advice received from expert external advisors. The accounting policy for PFI’s and similar arrangements has been applied to these arrangements and the assets are recognised as Property, Plant and Equipment in the Balance Sheet.

1. **Assumptions made about the future and other major sources of estimation uncertainty**

**Pensions**

The 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 (LGPS only). A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied to the Local Government Pension Scheme. Advice for the Fire Fighters pension scheme is provided by the Government Actuary Department.

The effects on the net pensions liability of changes in assumptions can be measured. For instance, a change in the rate for discounting scheme liabilities of + or – 0.5% would change the liability by £179.3m A change in excess of earnings of + or – 0.5% would potentially change the total liability by £26.5m. An increase in excess of pensions of 0.5% would change the liability by £145.9m and an increase in longevity of 1 year would result in a £40.5m increase in the total liability. However, the assumptions interact in complex ways and changes to other estimates and actuarial assumptions may produce a different impact upon the total liability.

**Plant, Property and Equipment**

The Authority’s portfolio of Land and Buildings is re-valued as part of a 5 year rolling programme. The value of those assets is based upon calculations and estimation techniques employed by the Authority’s appointed valuers following the Royal Institute of Chartered Surveyors (RICS) guidance. Changes in asset values are largely influenced by market forces which can be volatile. Therefore it is uncertain that the Authority’s assets will not see a significant change in value.

Any revaluation of assets either upward or downward would be reflected in the Authority’s asset base. It is estimated that a 1% change in asset values would result in a change of £0.640m.

**Private Financing Initiative**

The PFI arrangement has an implied finance lease within the agreement. The Authority estimates the implied interest rate within the contract to calculate the interest and principal payments. In addition, the future RPI increase within the contract has been estimated as remaining constant throughout the period of the contract.

1. **Material items of income and expense**

It is a requirement of the Code of Practice that details of any material items of income and expenditure that are recorded in the CIES, that would potentially distort any comparison with previous years are identified. In 2014/15 the following transactions are included in the CIES:-

**IAS19 Employee Benefits**

This standard requires the recognition of the cost of pensions to be recorded in the Comprehensive Income and Expenditure Statement. Due to the volatility and uncertainty of the estimation process involved in the calculation of these costs there are significant variations each year. In 2014/15 a credit of £16.4m has been recorded in the Firefighters and Rescue Operations line (£10.8m in 2013/14).

1. **Events after the reporting period**

**Authorised for Issue Date**

The Statement of Accounts was authorised for issue by the Treasurer on 30 June 2015. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

1. **Adjustments between accounting basis and funding basis under regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The following sets out a description of the reserves that the adjustments are made against.

**General Fund Balance**

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

**Capital Grants Unapplied**

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

The table is set out over the page.

|  |  |  |  |
| --- | --- | --- | --- |
| **2014/15** | **Usable Reserves** | | **Movement in Unusable Reserves** |
|  | **General Fund Balance** | **Capital Grants Unapplied** |
|  | **£’m** | **£’m** | **£’m** |
| **Adjustments primarily involving the Capital Adjustment Account:** |  |  |  |
| **Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:** |  |  |  |
| Charges for depreciation and impairment of non-current assets | 5.572 | - | -5.572 |
| Revaluation losses on Property Plant and Equipment | 1.415 |  | -1.415 |
| Amortisation of Intangible Assets | 0.273 | - | -0.273 |
| Capital grants and contributions applied | -3.122 | - | 3.122 |
| Revenue Expenditure Funded from Capital under Statute | 1.001 | - | -1.001 |
| Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement | 0.026 | - | -0.026 |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:** |  |  |  |
| Statutory provision for the financing of capital investment | -2.475 | - | 2.475 |
| Capital expenditure charged against the General Fund | -0.798 | - | 0.798 |
| **Adjustments primarily involving the Capital Grants Unapplied Account:** |  |  |  |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | -0.772 | 0.772 |
| **Adjustments primarily involving the Pensions Reserve:** |  |  |  |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 94.795 | - | -94.795 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | -51.710 | - | 51.710 |
| **Adjustments primarily involving the Collection Fund Adjustment Account:** |  |  |  |
| Amount by which Precept and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from the amount calculated for the year in accordance with statutory requirements | -0.473 | - | 0.473 |
| **Adjustments primarily involving the Accumulated Absences Account:** |  |  |  |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | -0.115 | - | 0.115 |
| **Total Adjustments** | **44.389** | **-0.772** | **-43.617** |

|  |  |  |  |
| --- | --- | --- | --- |
| **2013/14** | **Usable Reserves** | | **Movement in Unusable Reserves** |
|  | **General Fund Balance** | **Capital Grants Unapplied** |
|  | **£’m** | **£’m** | **£’m** |
| **Adjustments primarily involving the Capital Adjustment Account:** |  |  |  |
| **Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:** |  |  |  |
| Charges for depreciation and impairment of non-current assets | 4.621 | - | -4.621 |
| Movements in the market value of Investment Properties | 0.070 | - | -0.070 |
| Amortisation of Intangible Assets | 0.458 | - | -0.458 |
| Capital grants and contributions applied | -3.187 | - | 3.187 |
| Revenue Expenditure Funded from Capital under Statute | 1.931 | - | -1.931 |
| Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement | 0.007 | - | -0.007 |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:** |  |  |  |
| Statutory provision for the financing of capital investment | -2.653 | - | 2.653 |
| Capital expenditure charged against the General Fund | -3.568 | - | 3.568 |
| **Adjustments primarily involving the Capital Grants Unapplied Account:** |  |  |  |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | -1.441 | 1.441 |
| **Adjustments primarily involving the Pensions Reserve:** |  |  |  |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 99.597 | - | -99.597 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | -48.533 | - | 48.533 |
| **Adjustments primarily involving the Collection Fund Adjustment Account:** |  |  |  |
| Amount by which Precept and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from the amount calculated for the year in accordance with statutory requirements | 1.037 | - | -1.037 |
| **Adjustments primarily involving the Accumulated Absences Account:** |  |  |  |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | -0.004 | - | 0.004 |
| **Total Adjustments** | **49.777** | **-1.441** | **-48.336** |

1. **Other Operating Income and Expenditure**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **2013/14** |  | **Expenditure** | **Income** | **2014/15** |
| **£'m** |  | **£'m** | **£'m** | **£'m** |
| 0.007 | Loss on Disposal of Non-Current Assets | 0.026 | - | 0.026 |
| -0.035 | Operating Rental Income | - | 0.027 | -0.027 |
| **-0.028** | **Total** | **0.026** | **0.027** | **-0.001** |

1. **Financing and Investment Income and Expenditure**

|  |  |  |
| --- | --- | --- |
| **2013/14** |  | **2014/15** |
| **£’m** |  | **£’m** |
| 0.701 | Interest Payable and similar charges | 0.549 |
| 6.397 | Surplus(-)/Deficit on trading undertakings not included under Continuing Operations | 0.401 |
| 66.994 | Net interest on the net defined liability (asset) | 67.282 |
| -0.145 | Interest receivable and similar income | -0.133 |
| -0.054 | Investment Property Rental | -0.053 |
| -3.306 | Expected Return on Pension Assets | -3.328 |
| **70.587** | **Total** | **64.718** |

Interest receivable and similar income represents the amount of interest earned on the Authority’s revenue balances for 2014/15.

1. **Taxation and non specific grant income**

|  |  |  |
| --- | --- | --- |
| **2013/14** |  | **2014/15** |
| **£’m** |  | **£’m** |
| -38.863 | Precept Income | -39.271 |
| -26.435 | Non Domestic Rates | -28.744 |
| -42.290 | Revenue Support Grant | -36.209 |
| -3.187 | Capital Grants and contributions | -3.122 |
| - | Council Tax Freeze Grant | -0.470 |
| -1.906 | Regional Control Centre Grant | -1.261 |
| -0.090 | Localising Council Tax Support Grant | - |
| -0.283 | Section 31 Grants | -0.715 |
| **-113.054** | **Total** | **-109.792** |

The precept received from the ten district authorities of Greater Manchester includes £39.042m for precepts levied for 2014/15 and adjustments of -£0.148m in respect of previous years. An amount of £0.377m is adjusted in accordance with statutory requirements in relation to the difference between the authority’s budgeted and actual share of the surplus/deficit on the Collection Fund.

1. **Property, Plant and Equipment**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Movements in 2014/15** | **Land & Buildings** | **Vehicles, Plant, Furniture & Equipment** | **Surplus Assets** | **Assets under Construction** | **Total** | **PFI Assets included in Property, Plant & Equipment** |
|  | **£’m** | **£’m** | **£’m** | **£’m** | **£’m** | **£’m** |
| **Cost or Valuation** |  |  |  |  |  |  |
| **At 1April 2014** | **70.048** | **30.768** | **-** | **0.169** | **100.986** | **3.084** |
| Additions | 0.721 | 2.470 | - | 0.495 | **3.685** | - |
| Revaluation increases/decreases(-) recognised in the Revaluation Reserve | 4.141 | - | - | - | **4.141** | - |
| Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services | -1.872 | - | 0.073 | - | **-1.799** | - |
| Derecognition - disposals | - | -1.608 | - | - | **-1.608** | -0.027 |
| Assets Reclassified (to)/from Held for Sale | - | - | 0.203 |  | **0.203** |  |
| **At 31 March 2015** | **73.038** | **31.630** | **0.276** | **0.664** | **105.608** | **3.057** |
|  |  |  |  |  |  |  |
| **Accumulated Depreciation and Impairment** |  |  |  |  |  |  |
| **At 1 April 2014** | **-6.496** | **-17.830** | **0.000** | **0.000** | **-24.327** | **-0.323** |
| Depreciation Charge | -3.349 | -2.201 | -0.023 | - | **-5.572** | -0.157 |
| Depreciation written out to the Revaluation Reserve | 0.206 | - |  | - | **0.206** | - |
| Depreciation written out to the Surplus/Deficit(-) on the Provision of Services | 0.516 | - | -0.158 | - | **0.358** | - |
| Derecognition - disposals | - | 1.593 | - | - | **1.593** | 0.027 |
| **At 31 March 2015** | **-9.123** | **-18.438** | **-0.181** | **0.000** | **-27.742** | **-0.453** |
|  |  |  |  |  |  |  |
| **Net Book Value** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **At 31 March 2015** | **63.916** | **13.192** | **0.095** | **0.664** | **77.866** | **2.604** |
| **At 1 April 2014** | **63.553** | **12.938** | **0.000** | **0.169** | **76.660** | **2.762** |

**Movements on Balances**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Movements in 2013/14** | **Land & Buildings** | **Vehicles, Plant, Furniture & Equipment** | **Assets under Construction** | **Total** | **PFI Assets included in Property, Plant & Equipment** |
|  | **£’m** | **£’m** | **£’m** | **£’m** | **£’m** |
| **Cost or Valuation** |  |  |  |  |  |
| **At 1April 2013** | **60.678** | **28.991** | **0.670** | **90.339** | **2.363** |
| Additions | 2.042 | 1.854 | 2.275 | **6.171** | - |
| Revaluation increases/decreases(-) recognised in the Revaluation Reserve | 5.072 | - | - | **5.072** | 0.265 |
| Revaluation increases/decreases(-) recognised in the Surplus/Deficit on the Provision of Services | 0.085 | - | - | **0.085** | 0.456 |
| Derecognition - disposals | - | -0.479 | - | **-0.479** | - |
| Assets Reclassified (to)/from Held for Sale | -0.203 |  |  | **-0.203** |  |
| Other movements in cost or valuation | 2.374 | 0.402 | -2.776 | **0.000** |  |
| **At 31 March 2014** | **70.048** | **30.768** | **0.169** | **100.986** | **3.084** |
|  |  |  |  |  |  |
| **Accumulated Depreciation and Impairment** |  |  |  |  |  |
| **At 1 April 2013** | **-4.376** | **-16.106** | **0.000** | **-20.482** | **-0.237** |
| Depreciation Charge | -2.857 | -2.196 |  | **-5.053** | -0.188 |
| Depreciation written out to the Revaluation Reserve | 0.425 | - | - | **0.425** | 0.035 |
| Depreciation written out to the Surplus/Deficit(-) on the Provision of Services | 0.312 | - | - | **0.312** | 0.068 |
| Derecognition - disposals | - | 0.471 | - | **0.471** | - |
| **At 31 March 2014** | **-6.496** | **-17.830** | **0.000** | **-24.327** | **-0.322** |
|  |  |  |  |  |  |
| **Net Book Value** |  |  |  |  |  |
|  |  |  |  |  |  |
| **At 31 March 2014** | **63.553** | **12.938** | **0.169** | **76.660** | **2.762** |
| **At 1 April 2013** | **56.302** | **12.884** | **0.671** | **69.857** | **2.126** |

**Capital Commitments**

At 31 March 2015, the Authority had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2015/16 and future years budgeted to cost £0.832m.

In addition, c. £11.1m has been committed after the 31st March 2015, in respect of the Bury Training and Community site scheme. A contract to design and build the new site was signed by GMFRS in April 2015 with works commencing during May.

**Effects of changes in estimates**

As required by IFRS, valuations carried out in 2014/15 took into account componentisation of Assets. The properties valued by the Valuer in 2014/15 were split into components of Frame, Services and Yards which have different remaining lives. This componentisation increased the depreciation charge in 2014/15 on the ten sites valued from £0.279m (as per the previous valuation) to £0.743m (based on the new valuation). The impact of this change will carry forward into 2015/16 and future years. All properties have been valued based on this componentisation split over the past five years.

**Revaluations**

A rolling programme of revaluation of land and buildings is contained within the Authority's Asset Management Plan. This rolling programme caters for the re-valuation of all fixed assets and is carried out over 5 years. The valuation of ten properties for financial year 2014/15 (as at 1 April 2014) was carried out by GVA Grimley, Norfolk House, 7 Norfolk Street, Manchester, M2 1DW.

Land and properties are valued at open market value for existing use, or where no market exists, at depreciated replacement cost. Land and properties valued at open market value have not been depreciated but other properties are shown net of depreciation.

Vehicles, plant, furniture and equipment are valued at historic cost less depreciation.

The following statement shows the progress of the rolling programme for the valuation of fixed assets. The valuations for 2014/15 were carried out by Michael A. Kings FRICS and Chris Morton BA(Hons) of GVA Grimley.

|  |  |
| --- | --- |
|  | **Land and Buildings** |
|  | **£’m** |
| Carried at historic cost | 74.598 |
| Valued at fair value as at: |  |
| PFI Stretford (1999 and 2004) | -0.972 |
| 2007/08 | 0.186 |
| 2008/09 (includes impairment review) | -10.328 |
| 2009/10 | 0.194 |
| 2010/11 | -0.304 |
| 2011/12 | 2.712 |
| 2012/13 | -0.271 |
| 2013/14  2014/15 | 5.157  2.269 |
| **Total Cost or Valuation** | **73.241** |

1. **Assets held for sale**

For assets to be included under this category they must meet with the following criteria:

* The asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).
* The sale must be highly probable; the appropriate level of management must be

committed to a plan to sell the asset (or disposal group) and an active programme to

locate a buyer and complete the plan must have been initiated.

* The asset (or disposal group) must be actively marketed for a sale at a price that is

reasonable in relation to its current fair value.

* The sale should be expected to qualify for recognition as a completed sale within one

year of the date of classification and action required to complete the plan should

indicate that it is unlikely that significant changes to the plan will be made or that the

plan will be withdrawn.

|  |  |  |
| --- | --- | --- |
|  | **2013/14** | **2014/15** |
|  | **£’m** | **£’m** |
|  |  |  |
| **Balance outstanding at start of year** | **0.000** | **0.203** |
| Assets newly classified as held for sale: |  |  |
| Property, Plant & Equipment  Assets declassified as held for sale:  Property, Plant & Equipment | 0.203  - | -  -0.203 |
| **Balance outstanding at end of year** | **0.203** | **0.000** |

1. **Investment properties**

The following table summarises the movement in the fair value of investment properties over the year:

|  |  |  |
| --- | --- | --- |
|  | **2013/14** | **2014/15** |
|  | **£’m** | **£’m** |
| Balance at start of the year | 0.449 | 0.379 |
| Additions: Purchases | - | - |
| Net gains/losses(-) from fair value adjustments | -0.070 | - |
| **Balance at end of the year** | **0.379** | **0.379** |

1. **Intangible assets**

The Authority 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 purchased licences. There are currently no internally generated items of software treated as intangible assets.

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 Authority. The useful lives assigned to the major software suites used by the Authority are between 3 and 15 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £0.273m charged to revenue in 2014/15 was charged to the appropriate service heading.

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

|  |  |  |
| --- | --- | --- |
|  | **2013/14** | **2014/15** |
|  | **Other Assets** | **Other Assets** |
|  | **£’m** | **£’m** |
| Balance at start of year: |  |  |
| Gross carrying amounts | 8.308 | 8.402 |
| Accumulated amortisation | -7.448 | -7.906 |
| **Net carrying amount at start of year** | **0.860** | **0.496** |
| Additions: |  |  |
| Purchases | 0.094 | 0.006 |
| Amortisation for the period | -0.458 | -0.273 |
| Disposals: |  |  |
| Disposals: cost |  | -6.687 |
| Disposals: amortisation |  | 6.677 |
| **Net carrying amount at end of year** | **0.496** | **0.219** |
| Comprising: |  |  |
| Gross carrying amounts | 8.402 | 1.721 |
| Accumulated amortisation | -7.906 | -1.502 |
|  | **0.496** | **0.219** |

During 2014/15, the Command and Control system was disposed of following the commencement of the North West Fire Control facility. The disposal value of the system was £6.469m.

1. **Financial Instruments**

The following categories of financial instrument are carried in the Balance Sheet:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Long-term** | | **Current** | |
|  | **31 March 2014** | **31 March 2015** | **31 March 2014** | **31 March 2015** |
|  | **£’m** | **£’m** | **£’m** | **£’m** |
| **Investments** |  |  |  |  |
| Loans and receivables: |  |  |  |  |
| Short Term Investments | - | - | 18.845 | 19.950 |
| Cash at Bank in hand / overdrawn (-) | - | - | -0.354 | 0.370 |
| **Total Investments** | **0.000** | **0.000** | **18.491** | **20.320** |
|  |  |  |  |  |
| **Debtors** |  |  |  |  |
| Financial assets carried at contract amounts | - | - | 5.724 | 9.230 |
| Less items not classed as Financial Instruments\* | - | - | -4.787 | -7.191 |
| **Total Debtors** | **0.000** | **0.000** | **0.937** | **2.039** |
|  |  |  |  |  |
| **Borrowings** |  |  |  |  |
| Financial liabilities at amortised cost | 0.700 | 0.700 | 4.000 | - |
| **Total Borrowings** | **0.700** | **0.700** | **4.000** | **0.000** |
|  |  |  |  |  |
| **Other Long Term Liabilities** |  |  |  |  |
| PFI and finance lease liabilities | 2.241 | 2.102 | - | - |
| **Total other long term liabilities** | **2.241** | **2.102** | **0.000** | **0.000** |
|  |  |  |  |  |
| **Creditors\*\*** |  |  |  |  |
| Financial liabilities carried at contract amount | - | - | 12.872 | 12.203 |
| Less items not classed as Financial Instruments | - | - | -6.540 | -6.440 |
| **Total Creditors** | **0.000** | **0.000** | **6.332** | **5.763** |

\* This figure includes a debtor relating to the cycle to work scheme which is classified as an employee benefit scheme and therefore not subject to the financial instruments accounting requirements.

\*\* For completeness the creditors figure includes the current liability for the PFI Finance lease together with a figure for accrued interest.

**Income, Expense, Gains and Losses**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2013/14** | | **2014/15** | |
|  | **Financial Liabilities measured at Amortised Cost** | **Financial Assets: Loans and Receivables** | **Financial Liabilities measured at Amortised Cost** | **Financial Assets: Loans and Receivables** |
|  | **£’m** | **£’m** | **£’m** | **£’m** |
|  |  |  |  |  |
| Interest expense | 0.701 | - | 0.550 | - |
| **Total expense in Surplus or Deficit on the Provision of Services** | **0.701** | **0.000** | **0.550** | **0.000** |
|  |  |  |  |  |
| Interest Income | - | -0.145 | - | -0.133 |
| **Total Income in Surplus or Deficit on the Provision of Services** | **0.000** | **-0.145** | **0.000** | **-0.133** |
|  |  |  |  |  |
| **Net gain/loss for the year** | **0.701** | **-0.145** | **0.550** | **-0.133** |

**Fair Value of Assets and Liabilities**

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are disclosed in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining life of the instruments, using the following assumptions:

* Estimated ranges of interest rates at 31 March 2015 for loans from the PWLB and for short term investments based on new lending rates for equivalent loans at that date
* no early repayment or impairment is recognised
* where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
* the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated by Capita Asset Services, the Authority’s Treasury Management Advisor are as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Financial Liabilities** | **31 March 2014** | | **31 March 2015** | |
| **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| **£’m** | **£’m** | **£’m** | **£’m** |
| PWLB Borrowing | 4.700 | 4.931 | 0.700 | 0.791 |

The IFRS Code also allows for an alternative method of calculation to the above based on the premature repayment set of rates. PWLB has calculated the value of the loans under this method for 2014/15 as £0.890m (£5.041m in 2013/14).

The fair value of the liabilities is greater than the carrying amount because the Authority’s portfolio of loans include a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest at above current market rates increases the amount that the Authority would have to pay if the lender agreed to the early repayment of the loans.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Financial Assets** | **31 March 2014** | | **31 March 2015** | |
| **Carrying Amount** | **Fair Value** | **Carrying Amount** | **Fair Value** |
| **£’m** | **£’m** | **£’m** | **£’m** |
| Loans and Receivables | 18.845 | 18.878 | 19.950 | 20.000 |

**Short Term Borrowing**

As at 31 March 2015 no short term PWLB loans were outstanding (£4.000m in 2013/14).

**Long-Term Borrowing**

External long-term borrowing is analysed by maturity date below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Maturity in Years** | | | | **Total** |
| **Source** | **1 to 2** | **2 to 5** | **5 to 10** | **Over 10** |  |
|  | **£'m** | **£'m** | **£'m** | **£'m** | **£'m** |
|  |  |  |  |  |  |
| Public Works Loan Board (PWLB) | - | - | - | 0.700 | 0.700 |
| **Total** | **0.000** | **0.000** | **0.000** | **0.700** | **0.700** |

|  |  |  |
| --- | --- | --- |
| **31 March 2014** | **Long Term Liability** | **31 March 2015** |
| **£’m** |  | **£’m** |
| 2.241 | PFI | 2.102 |
| 4.253 | Debt transferred from former GMC | 3.736 |
| **6.494** |  | **5.838** |

The debt outstanding on the assets transferred from the Greater Manchester Council (GMC) following the 1986 reorganisation is administered by Tameside Metropolitan Borough Council on behalf of all successor Authorities. There is £0.517m debt repayable with 12 months. This is classified as a short term creditor on the Balance Sheet.

**Nature and extent of risks arising from financial instruments**

The Authority’s activities expose it to a variety of financial risks:

* Credit Risk – the possibility that other parties might fail to pay amounts due to the Authority
* Liquidity Risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
* Market Risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk Management is carried out, under policies approved in the Annual Treasury Management Policy.

The Authority has adopted CIPFA’s Treasury Management in the Public Services ‘Code of Practice’. In accordance with the code, the Authority sets an annual Treasury Management Policy containing a number of measures to control financial instrument risks including;

* Approved Methods of Raising Capital Finance
* Limits on External Borrowing
* Policy Sources and Types of Borrowing Instruments

**Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority’s customers. The risk is minimised through the Treasury Policy Statement, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Authority applies the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated approach incorporating:

* Credit ratings, credit watches and credit outlooks from all three credit rating agencies
* Credit Default Swap (CDS) spreads to give an early warning of likely changes in credit ratings.

This modelling combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads to create colour coded bands. These colour codes are used to indicate relative creditworthiness of counterparties and the suggested maximum investment period.

The annual Treasury management Policy also imposes a maximum sum or percentage to be invested with financial institutions. Due to the current shortage of high quality counterparties, a percentage limit was introduced to be utilised in periods of high investment balances.

The credit criteria in respect of financial assets held by the Authority are detailed below;

|  |  |  |
| --- | --- | --- |
| **Financial Asset** | **Maximum Investment** | **% Limit** |
|  | **£’m** |  |
| Deposits with part nationalised Banks  Deposits with Banks | 10.000  10.000 | 45%  35% |
| Deposits with Building Societies | 2.000 | - |
| Deposits with Money Market Funds  Deposits with Local Authorities | 2.000  5.000 | -  - |

The Authority does not generally allow credit for customers but some of the current balance is past its due date for payment. The past due date amount can be analysed by age as follows:

|  |  |
| --- | --- |
|  | **2014/15** |
|  | **£’m** |
| Less than three months | 0.438 |
| Three to six months | 0.005 |
| Six months to one year | 0.006 |
| More than one year | 0.049 |

**Liquidity Risk**

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The maturity risk of financial liabilities is shown below:

|  |  |
| --- | --- |
|  | **2014/15** |
|  | **£’m** |
| Less than 1 year | - |
| 1 – 2 years | - |
| 2 – 5 years | - |
| More than 5 years | 0.700 |

All trade and other payables are due to be paid in less than one year.

**Market Risk**

**Interest Rate Risk**

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

* Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
* Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
* Investment at fixed rates – the fair value of the assets will fall.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been:

|  |  |
| --- | --- |
|  | **2014/15** |
|  | **£’m** |
| Daily average investment balance (average rate of interest 0.56%) | 28.151 |
| Additional Interest assuming interest rates 1% higher | 0.282 |
| Decrease in fair value of fixed rate borrowing liabilities (no impact on Comprehensive Income & Expenditure Statement) | -0.090 |

**Foreign Exchange Risk**

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

1. **Inventories**

Inventories (stock) are materials or supplies that will be used in producing goods or providing services or distributed as part of the Authority’s ordinary business.

Balances are carried as specified in the IFRS code.

|  |  |  |
| --- | --- | --- |
| **Consumable Stores** | **2013/14** | **2014/15** |
|  | **£’m** | **£’m** |
| **Balance outstanding at start of year** | **0.992** | **1.039** |
| Purchases | 1.641 | 1.398 |
| Recognised as an expense in the year | -1.624 | -1.565 |
| Written off balances | 0.030 | -0.021 |
| **Balance outstanding at year-end** | **1.039** | **0.851** |

1. **Debtors**

|  |  |  |
| --- | --- | --- |
| **31 March 2014** |  | **31 March 2015** |
| **£'m** |  | **£'m** |
| 0.311 | Central Government Bodies | 0.308 |
| 4.240 | Other Local Authorities | 6.064 |
| - | NHS Bodies | - |
| - | Public Corporations | - |
| 1.173 | Other entities and individuals | 2.859 |
| **5.724** | **Total Debtors** | **9.230** |

1. **Cash and Cash Equivalents**

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

|  |  |  |
| --- | --- | --- |
| **31 March 2014** |  | **31 March 2015** |
| **£’m** |  | **£’m** |
| 0.083 | Cash held by the Authority | -0.204 |
| -0.437 | Bank current accounts in hand / overdrawn (-) | 0.575 |
| 18.845 | Short-term deposits with building societies | 19.950 |
| **18.491** | **Total Cash and Cash Equivalents** | **20.321** |

1. **Creditors**

|  |  |  |
| --- | --- | --- |
| **31 March 2014** |  | **31 March 2015** |
| **£'m** |  | **£'m** |
| 1.738 | Central Government Bodies | 1.554 |
| 6.196 | Other local authorities | 4.996 |
| - | NHS Bodies | - |
| - | Public Corporations | - |
| 4.938 | Other entities and individuals | 5.653 |
| **12.872** | **Total Creditors** | **12.203** |

1. **Provisions**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Insurance Provision** | **NDR Appeals Provision** | **Total**  **Provisions** |
|  | **£’m** | **£’m** | **£’m** |
| **Balance at 1 April 2014** | **1.600** | **0.548** | **2.148** |
| Additional provisions made in 2014/15 | 0.762 | 2.069 | **2.831** |
| Provision utilised in year | -0.570 | -0.548 | **-1.118** |
| Transfers in year | -0.192 | - | **-0.192** |
| **Balance at 31 March 2015** | **1.600** | **2.069** | **3.669** |

**Split between short and long term**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Insurance Provision** | **NDR Appeals Provision** | **Total**  **Provisions** |
|  | **£’m** | **£’m** | **£’m** |
| Short term component of provisions balance | 0.200 | 2.069 | 2.269 |
| Long term component of provisions balance | 1.400 | - | 1.400 |
| **Total** | **1.600** | **2.069** | **3.669** |

The purpose and operation of the provisions are discussed in the following notes.

**a) Insurance**

At 31 March 2015 the Authority held an Insurance provision of £1.600m. The purpose of setting aside this fund is for future payments of claims made or yet to be made for incidents which occurred before 31 March 2015. These include incidents where a legal liability arises and incidents of damage to Fire Authority property. Increases to the provision in 2014/15 reflect contributions from services. The costs of premium payments, settlement of claims and risk management are shown as decreases to the provision in 2014/15.

**b) NDR Appeals Provision**

This provision represents the authority’s share of the 10 Manchester Councils NDR appeals provision. This is equivalent to 1% of the overall total.

1. **Usable Reserves**

|  |  |  |
| --- | --- | --- |
| **2013/14** |  | **2014/15** |
| **£’m** |  | **£’m** |
| 27.511 | Earmarked Reserves | 36.208 |
| 19.158 | General Fund Balances | 15.615 |
| 0.792 | Capital Grants Unapplied Reserve | 0.020 |
| **47.461** | **Total Usable Reserves** | **51.843** |

**Transfers to/from Earmarked Reserves**

This note shows the movements on earmarked reserves. These funds are available for the financing of current and future expenditure plans.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Balance at 31 March 2013** | **Transfers Out 2013/14** | **Transfers in**  **2013/14** | **Balance at 31 March 2014** | **Transfers Out**  **2014/15** | **Transfers in**  **2014/15** | **Balance at 31 March 2015** |
|  | **£’m** | **£’m** | **£’m** | **£’m** | **£’m** | **£’m** | **£’m** |
| Capital Reserve | **13.220** | - | 0.958 | **14.178** | - | 5.953 | **20.131** |
| Insurance Reserve | **4.785** | 0.190 | 0.101 | **4.696** | 0.025 | 0.193 | **4.864** |
| Unspent Grant Reserve | **5.546** | 3.951 | 0.840 | **2.435** | 0.852 | 1.961 | **3.544** |
| Earmarked Budgets Reserve | **2.030** | 0.896 | 1.856 | **2.990** | 1.190 | 1.714 | **3.514** |
| Business Rates Reserve | **0.000** | - | - | **0.000** | - | 1.500 | **1.500** |
| Restructuring Reserve | **1.240** | - | - | **1.240** | 0.031 | - | **1.209** |
| Innovation & Partnership/CYP Reserve | **1.427** | 0.127 | 0.316 | **1.616** | 0.768 | 0.318 | **1.166** |
| Projects Reserve | **0.530** | 0.300 | 0.126 | **0.356** | 0.208 | 0.132 | **0.280** |
| **Total** | **28.778** | **5.464** | **4.197** | **27.511** | **3.074** | **11.771** | **36.208** |

The purpose and operation of the reserves are discussed in the following notes.

**a) Capital Reserve**

The Capital Reserve is built up from revenue contributions for the purpose of funding deficiencies in the resources available to finance the Authority’s capital programme. No contributions were required in 2014/15 from the reserve. A number of transfers of underspends in line with the approved budget strategy were made during the year to support the costs of future schemes.

**b) Insurance Reserve**

This reserve has been established as a result of reducing the insurance provision in compliance with IAS37. The reserve provides a prudent contingency against unforeseen future claims, including the MMI Scheme of Arrangement, details of which are provided below. The reserve also provides a prudent hedge against changes in the insurance market which may require premium increases. A contribution towards risk management schemes was made in the year.

In January 1994, the Authority’s then insurer, Municipal Mutual Insurance (MMI), made a Scheme of Arrangement with its creditors. Under this scheme, claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities, a claw back clause will be triggered, which could affect claims already paid.

On 13 November 2012, the directors of MMI ‘triggered’ MMI’s Scheme of Arrangement (‘the Scheme’) under section 425 of the Companies Act 1985 (now section 899 of the Companies Act 2006). This was because solvent run off could not be foreseen and there was no alternative to insolvent liquidation.

A Levy Notice was issued on 01 January 2014 by the Scheme Administrator at a rate of 15% on Established Scheme Liabilities which exceeded £50,000 in aggregate. Payments made on or after the Levy Notice Date in respect of Established Scheme Liabilities, to the extent that such payments, when aggregated with other such payments exceed £50,000, have been made subject to the application of the Payment Percentage (85%).

The rate of Levy may be adjusted by the Scheme Administrator if, following a review of the financial position of MMI, he determines that the rate requires to be increased or decreased. Any such adjustment would be applied to the carried forward Gross Payments at that time, based upon the amounts.

A claw back clause has now been invoked and payment at a 15% levy based on claims at 31 December 2013 has been made in 2013/14. This equates to £0.206m. As at 31 March 2014 the Authority holds a further £0.250m in respect of the potential contributions to future claim settlements and a future levy.

**c) Restructuring Reserve**

This reserve was created to provide funds towards the costs of transition as the levels of funding provided by the Government as announced in the spending review, continues to fall over the next few years.

**d) Innovation & Partnership /CYP Reserve**

This reserve was created to provide the necessary funding for future partnership and innovation schemes and to support Children’s and Young People’s initiatives.

**e) Unspent Grant Reserve**

The reserve represents grant funding unspent during the year which is required to meet costs in future years.

**f) Earmarked Budgets Reserve**

The earmarked budget reserve will be utilised to meet the costs of future projects as part of the budget strategy.

**g) Projects Reserve**

This reserve was created specifically to support project work within the Authority.

**h) General Fund Balances**

Available balances at 31 March 2015 were £15.615m (£19.158m at 31 March 2014).

**i) Capital Grants Unapplied Reserve**

This reserve represents the amount of unused capital grant as at 31 March 2015. In line with accounting practice it has been recognised in the Comprehensive Income and Expenditure Statement (CIES) but the expenditure to be financed from the grants has not been incurred at the balance sheet date therefore, it is removed from the CIES and placed in the Capital Grants Unapplied Reserve.

**j) Business Rates Reserve**

This reserve has been created to mitigate the impact of potential significant deficits on the 10 Manchester Council respective Collection Funds, of which the Authority is liable for 1%.

1. **Unusable Reserves**

|  |  |  |
| --- | --- | --- |
| **2013/14** |  | **2014/15** |
| **£’m** |  | **£’m** |
| 14.610 | Revaluation Reserve | 18.535 |
| 23.840 | Capital Adjustment Account | 23.117 |
| -1,464.352 | Pensions Reserve | -1,594.956 |
| -0.894 | Collection Fund Adjustment Account | -0.421 |
| -0.199 | Accumulated Absences Account | -0.085 |
| **-1,426.995** | **Total Unusable Reserves** | **-1,553.810** |

**Revaluation Reserve**

The Revaluation Reserve contains the gains made to the Authority arising from increases in the value of Property, Plant & Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

* revalued downwards or impaired and the gains are lost
* used in the provision of services and the gains are consumed through depreciation, or
* disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

|  |  |  |  |
| --- | --- | --- | --- |
| **2013/14** |  | **2014/15** | |
| **£’m** |  | **£’m** | **£’m** |
| **9.497** | **Balance at 1 April** |  | **14.610** |
| 6.901 | Upward revaluation of assets | 4.644 |  |
| -1.439 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | -0.324 |  |
| **5.462** | Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services |  | **4.320** |
|  |  |  |  |
| -0.349 | Difference between fair value depreciation and historical cost depreciation | -0.396 |  |
| **-0.349** | Amount written off to the Capital Adjustment Account |  | **-0.396** |
| **14.610** | **Balance at 31 March** |  | **18.535** |

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The account also contains revaluation gains accumulated on Property, Plant & Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

|  |  |  |  |
| --- | --- | --- | --- |
| **2013/14** |  | **2014/15** | |
| **£’m** |  | **£’m** | **£’m** |
| **19.730** | **Balance at 1 April** |  | **23.840** |
|  | **Reversal of items relating to capital expenditure debited or credited to the CI&E:** |  |  |
| -5.053 | Charges for depreciation and impairment of non-current assets | -5.572 |  |
| 0.432 | Revaluation losses(-)/gains on Property, Plant & Equipment | -1.415 |  |
| -0.458 | Amortisation of intangible assets | -0.273 |  |
| -1.931 | Revenue Expenditure Funded from Capital Under Statute | -1.000 |  |
| -0.007 | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CI&E | -0.026 |  |
| -7.017 |  |  | -8.286 |
| 0.349 | Adjusting amounts written out of the Revaluation Reserve |  | 0.396 |
| **-6.668** | **Net written out amount of the cost of non-current assets consumed in the year** |  | **-7.890** |
|  |  |  |  |
|  | **Capital financing applied in the year:** |  |  |
| 3.187 | Capital grants and contributions credited to the CI&E that have been applied to capital financing | 3.122 |  |
| 1.441 | Application of grants to capital financing from the Capital Grants Unapplied Account | 0.772 |  |
| 2.652 | Statutory provision for the financing of capital investment charged against the General Fund | 2.475 |  |
| 3.568 | Capital expenditure charged against the General Fund | 0.798 |  |
| **10.848** |  |  | **7.167** |
| -0.070 | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | - |  |
| **-0.070** |  |  | **0.000** |
|  |  |  |  |
| **23.840** | **Balance at 31 March** |  | **23.117** |

**Pensions Reserve**

The Pension 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 Authority 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 Authority 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 Authority 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.

|  |  |  |
| --- | --- | --- |
| **2013/14** |  | **2014/15** |
| **£’m** |  | **£’m** |
| **-1,485.812** | **Balance at 1 April** | **-1,464.352** |
| 72.524 | Actuarial gains or losses on pensions assets and liabilities | -87.518 |
| -99.597 | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | -94.796 |
| 48.533 | Employer’s pensions contributions and direct payments to pensioners payable in the year | 51.710 |
| **-1,464.352** | **Balance at 31 March** | **-1,594.956** |

**Collection Fund Adjustment Account**

The Collection Fund Adjustment Account manages the differences arising from the recognition of precept income and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

|  |  |  |
| --- | --- | --- |
| **2013/14** |  | **2014/15** |
| **£’m** |  | **£’m** |
| **0.143** | **Balance at 1 April** | **-0.894** |
| -1.037 | Amount by which precept income and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax income and non-domestic rates income calculated for the year in accordance with statutory requirements | 0.473 |
|  |  |  |
| **-0.894** | **Balance at 31 March** | **-0.421** |

The above deficit does not impact upon the bottom line and therefore does not affect balances in 2014/15. However this sum will need to be deducted from the budgeted precept income in 2016/17. Monies have been earmarked within reserves to meet this potential cost. This significant deficit is due to Councils being required to account for back dated appeals on business rates, which has resulted in large collection fund deficits being reported across most of the Greater Manchester Councils.

**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 e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

|  |  |  |  |
| --- | --- | --- | --- |
| **2013/14** |  | **2014/15** | |
| **£’m** |  | **£’m** | **£’m** |
| **-0.203** | **Balance at 1 April** |  | **-0.199** |
| 0.203 | Settlement or cancellation of accrual made at the end of the preceding year | 0.199 |  |
| -0.199 | Amounts accrued at the end of the current year | -0.085 |  |
| **0.004** | **Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements** |  | **0.115** |
| **-0.199** | **Balance at 31 March** |  | **-0.085** |

1. **Cashflow – Adjustments to net surplus or deficit on the provision of service for non-cash movements**

|  |  |  |
| --- | --- | --- |
| **2013/14** |  | **2014/15** |
| **£’m** |  | **£’m** |
|  |  |  |
| -5.053 | Depreciation of non-current assets | -5.572 |
| 0.362 | Revaluation gain(-)/loss of non-current assets | -1.415 |
| -1.931 | De-minimus | -1.001 |
| -0.458 | Amortisation of intangible fixed assets | -0.273 |
| -51.064 | Pension Fund adjustments | -43.086 |
| -0.628 | Contributions to provisions | -1.521 |
| -0.007 | Carrying amount of PPE, investment property and intangible assets sold | -0.026 |
| 0.047 | Increase(-)/decrease in inventories | -0.188 |
| 4.421 | Increase(-)/decrease in debtors | 2.000 |
| -4.284 | Increase/decrease(-) in creditors | 0.974 |
| **-58.595** |  | **-50.108** |

1. **Cashflow – Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities**

|  |  |  |
| --- | --- | --- |
| **2013/14** |  | **2014/15** |
| **£’m** |  | **£’m** |
|  |  |  |
| 0.007 | Proceeds from the disposal of PPE, investment property and intangible assets | 0.026 |
| 3.187 | Capital grants credited to surplus or deficit on the provision of services | 3.122 |
| **3.194** |  | **3.148** |

1. **Amounts reported for resource allocation decisions**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Authority’s Policy, Resources and Performance Committee on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

* no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
* the cost of retirement benefits is based on cash flows (payment of employer’s pensions contributions) rather than current service cost of benefits accrued in the year
* expenditure on some support services is budgeted for centrally and not charged to services.

The income and expenditure of the Authority’s principal services recorded in the budget reports for the year is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Service Income and Expenditure 2014/15** | **Community Safety** | **Firefighting and Rescue Operations** | **Total** |
|  | **£’m** | **£’m** | **£’m** |
| Government Grants | - | -0.549 | **-0.549** |
| Other Grants, Reimbursements & Contributions | -0.774 | -1.094 | **-1.868** |
| Customer & Client Receipts | -0.926 | -0.114 | **-1.040** |
| Recharges to Other Revenue A/C Heads | - | -9.545 | **-9.545** |
| **Total Income** | **-1.700** | **-11.302** | **-13.002** |
|  |  |  |  |
| Employees Pay | 6.740 | 48.674 | **55.414** |
| Pensions | 0.562 | 7.946 | **8.508** |
| Indirect Employee Allowances | 0.150 | 0.299 | **0.449** |
| Premises Related Expenditure | 0.006 | 3.014 | **3.020** |
| Transport Related Expenditure | 0.278 | 0.973 | **1.251** |
| Supplies, Services & Other Expenses | 1.315 | 5.255 | **6.570** |
| Support Services | 12.826 | 23.902 | **36.728** |
| Capital Charges | 0.073 | 5.240 | **5.314** |
| Capital Financing Costs | 0.130 | 0.411 | **0.541** |
| **Total Expenditure** | **22.081** | **95.714** | **117.795** |
|  |  |  |  |
| **Net Expenditure** | **20.381** | **84.411** | **104.793** |

|  |  |  |  |
| --- | --- | --- | --- |
| **Service Income and Expenditure 2013/14** | **Community Safety** | **Firefighting and Rescue Operations** | **Total** |
|  | **£’m** | **£’m** | **£’m** |
| Government Grants | - | -0.547 | **-0.547** |
| Other Grants, Reimbursements & Contributions | -0.184 | -1.742 | **-1.926** |
| Customer & Client Receipts | -0.697 | -0.281 | **-0.978** |
| Recharges to Other Revenue A/C Heads | -0.242 | -12.214 | **-12.456** |
| **Total Income** | **-1.123** | **-14.784** | **-15.907** |
|  |  |  |  |
| Employees Pay | 6.271 | 53.005 | **59.277** |
| Pensions | 0.563 | 7.941 | **8.504** |
| Indirect Employee Allowances | 0.141 | 0.581 | **0.722** |
| Premises Related Expenditure | 0.003 | 2.837 | **2.840** |
| Transport Related Expenditure | 0.270 | 1.148 | **1.417** |
| Supplies, Services & Other Expenses | 2.125 | 3.912 | **6.037** |
| Support Services | 14.301 | 24.140 | **38.441** |
| Capital Charges | 0.064 | 4.061 | **4.125** |
| Capital Financing Costs | - | 0.232 | **0.232** |
| **Total Expenditure** | **23.738** | **97.857** | **121.595** |
|  |  |  |  |
| **Net Expenditure** | **22.615** | **83.073** | **105.688** |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement** | | | | | | **2013/14**  **£’m** | | **2014/15**  **£’m** | |
| Cost of Services in Service Analysis | | | | | | 105.688 | | 104.793 | |
| Additional Segments not included in analysis | | | | | | 1.121 | | 1.011 | |
| Amounts not included in the analysis but included in the CI&E Statement | | | | | | -12.624 | | -20.868 | |
| Amounts included in the analysis but not included in the CI&E Statement | | | | | | -2.168 | | -0.627 | |
| **Net Cost of Services in Comprehensive Income and Expenditure Statement** | | | | | | **92.017** | | **84.309** | |
|  | | | | | |  | |  | |
| **Reconciliation to Subjective Analysis**  **2014/15** | **Service Analysis** | **Services not in analysis** | **Amounts not included in analysis but included in CI&E** | **Amounts included in analysis but not included in CI&E** | **Net Cost of Services** | | **Corporate Amounts** | | **Total** | |
|  | **£’m** | **£’m** | **£’m** | **£’m** | **£’m** | | **£’m** | | **£’m** | |
| Government Grants & Contributions | -0.549 | - | - | - | **-0.549** | | -70.520 | | **-71.069** | |
| Other Grants, Reimbursements & Contributions | -1.868 | -0.150 | - | 1.987 | **-0.031** | | -39.271 | | **-39.302** | |
| Customer & Client Receipts | -1.040 | -0.058 | - | - | **-1.098** | | - | | **-1.098** | |
| Recharges | -9.545 | - | - | - | **-9.545** | | - | | **-9.545** | |
| Operating Lease Income | - | - | - | - | **0.000** | | -0.027 | | **-0.027** | |
| Investment Property Lease Income | - | - | - | - | **0.000** | | -0.053 | | **-0.053** | |
| Expected Returns on Pensions Assets | - | - | - | - | **0.000** | | -3.328 | | **-3.328** | |
| Interest & investment income | - | - | - | - | **0.000** | | -0.133 | | **-0.133** | |
| **Total income** | **-13.002** | **-0.208** | **0.000** | **1.987** | **-11.223** | | **-113.333** | | **-124.556** | |
| Employees Pay | 55.414 | 0.411 | - | - | **55.824** | | - | | **55.824** | |
| Pensions | 8.508 | 0.122 | -20.868 | - | **-12.238** | | - | | **-12.238** | |
| Indirect employee expenses | 0.449 | 0.002 | - | - | **0.451** | | - | | **0.451** | |
| Premises related expenditure | 3.020 | - | - | - | **3.020** | | - | | **3.020** | |
| Transport related expenditure | 1.251 | 0.026 | - | - | **1.277** | | - | | **1.277** | |
| Supplies, services & other expenses | 6.570 | 0.469 | - | -2.074 | **4.966** | |  | | **4.966** | |
| Support services | 36.728 | 0.181 | - | - | **36.909** | | - | | **36.909** | |
| Capital charges | 5.314 | 0.007 | - | - | **5.321** | |  | | **5.321** | |
| Capital financing costs | 0.541 | 0.002 | - | -0.541 | **0.002** | |  | | **0.002** | |
| Pension interest cost | - | - | - | - | **0.000** | | 67.282 | | **67.282** | |
| Deficit on trading undertakings | - | - | - | - | **0.000** | | 0.401 | | **0.401** | |
| Interest payable | - | - | - | - | **0.000** | | 0.550 | | **0.550** | |
| Loss on disposal of non-current assets | - | - | - | - | **0.000** | | 0.026 | | **0.026** | |
| **Total Operating Expenses** | **117.795** | **1.219** | **-20.868** | **-2.614** | **95.531** | | **68.259** | | **163.790** | |
|  |  |  |  |  |  | |  | |  | |
| **Surplus(-)/Deficit on the provision of services** | **104.793** | **1.011** | **-20.868** | **-0.627** | **84.309** | | **-45.074** | | **39.235** | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Reconciliation to Subjective Analysis**  **2013/14** | **Service Analysis** | **Services not in analysis** | **Amounts not included in analysis but included in CI&E** | **Amounts included in analysis but not included in CI&E** | **Net Cost of Services** | **Corporate Amounts** | **Total** |
|  | **£’m** | **£’m** | **£’m** | **£’m** | **£’m** | **£’m** | **£’m** |
| Government Grants & Contributions | -0.547 | - | - | - | **-0.547** | -74.191 | **-74.738** |
| Other Grants, Reimbursements & Contributions | -1.926 | -0.150 | - | 1.036 | **-1.040** | -38.863 | **-39.903** |
| Customer & Client Receipts | -0.978 | -0.074 | - | - | **-1.051** | - | **-1.051** |
| Recharges | -12.456 | - | - | - | **-12.456** | - | **-12.456** |
| Operating Lease Income | - | - | - | - | **0.000** | -0.035 | **-0.035** |
| Investment Property Lease Income | - | - | - | - | **0.000** | -0.054 | **-0.054** |
| Expected Returns on Pensions Assets | - | - | - | - | **0.000** | -3.306 | **-3.306** |
| BCCI Income | - | - | - | - | **0.000** | - | **-** |
| Interest & investment income | - | - | - | - | **0.000** | -0.145 | **-0.145** |
| **Total income** | **-15.907** | **-0.224** | **0.000** | **1.036** | **-15.094** | **-116.594** | **-131.688** |
| Employees Pay | 59.277 | 0.380 | - | - | **59.657** | - | **59.657** |
| Pensions | 8.504 | 0.109 | -12.624 | - | **-4.011** | - | **-4.011** |
| Indirect employee expenses | 0.722 | 0.002 | - | - | **0.724** | - | **0.724** |
| Premises related expenditure | 2.840 | - | - | - | **2.840** | - | **2.840** |
| Transport related expenditure | 1.417 | 0.019 | - | - | **1.436** | - | **1.437** |
| Supplies, services & other expenses | 6.037 | 0.583 | - | -2.972 | **3.648** |  | **3.648** |
| Support services | 38.441 | 0.243 | - | - | **38.684** | - | **38.684** |
| Capital charges | 4.125 | 0.007 | - | - | **4.132** |  | **4.132** |
| Capital financing costs | 0.232 | 0.002 | - | -0.232 | **0.002** |  | **0.002** |
| Pension interest cost | - | - | - | - | **0.000** | 66.994 | **66.994** |
| Deficit on trading undertakings | - | - | - | - | **0.000** | 6.397 | **6.397** |
| Interest payable | - | - | - | - | **0.000** | 0.701 | **0.701** |
| Loss on disposal of non-current assets | - | - | - | - | **0.000** | 0.007 | **0.007** |
| **Total Operating Expenses** | **121.595** | **1.345** | **-12.624** | **-3.204** | **107.112** | **74.099** | **181.212** |
|  |  |  |  |  |  |  |  |
| **Surplus(-)/Deficit on the provision of services** | **105.688** | **1.121** | **-12.624** | **-2.168** | **92.018** | **-42.495** | **49.524** |

**Basis for analysis –** The above segments have been identified using the service expenditure analysis as set out in the Service Reporting Code of Practice (SeRCOP). The segments reported have been measured on the basis that they individually form 10% or more of the gross expenditure/income of the net cost of services.

**Services not in analysis -** This includes services which are less than 10% of gross income/expenditure in the CI&E Net Cost of Services. In the case of GMFRA for 2014/15 this relates to Fire Service Emergency Planning, Corporate & Democratic Core and Non Distributed Costs.

**Amounts not included in analysis but included in the CI&E -** this shows the entries relating to IAS19.

**Amounts included in analysis but not included in the CI&E -** this shows the entries relating to reserve movements and DRFs on revenue committees.

1. **Trading operations**

**Holding Account Balances**

The Authority operates support services which can, under the Service Reporting Code of Practice, be classified as trading activities. The net cost of these activities is allocated in line with recommended practice across the services on the face of the Comprehensive Income and Expenditure Statement.

The activities included under central support services are: Finance, Information Technology, Personnel, Facilities Management and Catering. Contained within these activities is income of £1.045m which is not recorded on the face of the Comprehensive Income and Expenditure Statement as income but is contained within the support services allocated under expenditure in line with recommended practice. The balance of income in the table is recharge income from the allocation of support to service heads.

The Authority also holds the costs and recovery of income relating to seconded officers under support services. This is shown separately in the table below.

**Surplus/Deficit on Trading Accounts**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **2013/14** |  | **2014/15** | **2014/15** | **2014/15** |
| **Surplus(-)/Deficit** |  | **Expenditure** | **Income** | **Surplus(-)/Deficit** |
| **£’m** |  | **£’m** | **£’m** | **£’m** |
| -0.203 | Central Support | 27.116 | -27.858 | -0.742 |
| 0.028 | Secondments | 0.190 | -0.197 | -0.007 |
| 6.573 | Regional Control | 1.150 | - | 1.150 |
| **6.398** | **Total** | **28.456** | **-28.055** | **0.401** |

Included in the table above are payments made on behalf of the Regional Control project. Grants are received in year to cover this expense with any remaining balance put into reserve for future expenditure. This does not have an effect on the level of balances held by the Fire Authority.

1. **Agency Services**

The Authority collects superannuation payments from its employees on behalf of the Greater Manchester Pension Fund.

The ten Greater Manchester district councils are billing authorities and therefore collect the precept and business rates on behalf of the Fire Authority. This money is paid over to the Authority during the year. For 2014/15 the amount of precept paid to the Authority was £49.221m

1. **Members’ Allowances**

The Authority paid the following amounts to members of the Authority during the year.

|  |  |  |
| --- | --- | --- |
|  | **2013/14** | **2014/15** |
|  | **£’m** | **£’m** |
| Salaries | 0.008 | 0.007 |
| Allowances | 0.207 | 0.200 |
| Expenses | 0.012 | 0.017 |
| **Total** | **0.227** | **0.224** |

1. **Officers’ Remuneration**

The number of employees whose remuneration, excluding employer’s pension contributions, was £50,000 or more in bands of £5,000 were:

**Table a)**

|  |  |  |
| --- | --- | --- |
| **Number of Employees** | **Remuneration Band** | **Number of Employees** |
| **2013/14** |  | **2014/15** |
| \*33 | £50,000 - £54,999 | 21 |
| \*26 | £55,000 - £59,999 | 21 |
| \*18 | £60,000 - £64,999 | \*9 |
| \*8 | £65,000 - £69,999 | 9 |
| 3 | £70,000 - £74,999 | 5 |
| \*3 | £75,000 - £79,999 | 3 |
| - | £80,000 - £84,999 | 4 |
| - | £85,000 - £89,999 | - |
| - | £90,000 - £94,999 | - |
| - | £95,000 - £99,999 | - |
| 2 | £100,000 - £104,999 | 2 |
| - | £105,000 - £109,999 | - |
| \*1 | £110,000 - £114,999 | - |
| \*1 | £115,000 - £119,999 | - |
| 2 | £120,000 - £124,999 | 1 |
| - | £125,000 - £129,999 | 1 |
| - | £130,000 - £134,999 | - |
| 1 | £135,000 - £139,999 | 1 |
| - | £140,000 - £164,999 | - |
| 1 | £165,000 - £169,999 | 1 |
| **99** | **Total** | **78** |

The table above includes senior employees whose information is shown in more detail in table b).

\* Includes Redundancy Payments

**The remuneration paid to the Authority’s senior employees is as follows:**

**Table b)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Total Remuneration including pension contributions 2013/14** | **Post** | **Salary (including fees & allowances)** | **Expenses** | **Total Remuneration excluding pension contributions 2014/15** | **Pension Cont’s** | **Total Remuneration including pension contributions 2014/15** |
| **£** |  | **£** | **£** | **£** | **£** | **£** |
| **Chief Executive & County Fire Officer - whose salary is £150,000 or more per year** | | | | | | |
| 200,713 | S McGuirk | 166,650 | - | 166,650 | 35,496 | 202,146 |
|  |  |  |  |  |  |  |
| **Corporate Leadership Team whose salary is less than £150,000 but equal or more than £50,000 per year** | | | | | | |
| 163,571 | Deputy County Fire Officer | 131,299 | 4,534 | 135,833 | 27,967 | 163,800 |
|  |  |  |  |  |  |  |
| 149,357 | Director of Emergency Response | 121,743 | 4,635 | 126,378 | 25,512 | 151,890 |
|  |  |  |  |  |  |  |
| 148,183 | Director of Prevention & Protection/ACFO AGMA Project (Note1) | 119,772 | 3,686 | 123,458 | 25,512 | 148,970 |
|  | Director of Prevention & Protection (Note 2) | 27,114 | 410 | 27,524 | 6,312 | 33,836 |
| 119,926 | Director of People & Organisation Development | 100,310 | 1,725 | 102,035 | 20,564 | 122,599 |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| 120,446 | Director of Finance & Technical Services | 99,811 | 2,711 | 102,522 | 20,461 | 122,983 |
|  |  |  |  |  |  |  |
| 93,071 | Director of Information & Communications Technology | 76,831 | 3,460 | 80,291 | 15,750 | 96,041 |
|  |  |  |  |  |  |  |
| 73,425 | Deputy Clerk & Authority Solicitor | 60,803 | 1,652 | 62,455 | 12,465 | 74,920 |
|  |  |  |  |  |  |  |
| 61,471 | Director of Corporate Communications | 67,025 | 2,259 | 69,284 | 13,616 | 82,900 |

**Note 1** The postholder of Director of Prevention & Protection had 2 roles as noted above during 2014/15. The AFCO AGMA Project was from 25/03/14 to 30/06/14. The total values for both roles are shown above as there was no change in salary level.

**Note 2** This post was to backfill the Director of Prevention & Protection whilst covering the additional role in Note 1. Values are for the period from 01/04/14 to 30/06/14. The annual salary for this role is £114,070

**Exit Packages**

**Table c)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | |  | |  | |  | |
| **Exit Package Cost Band** | **Number of** | | **Number of** | | **Total Number of** | | **Total Cost of** | |
| **(including special payments)** | **Compulsory** | | **Other Departures** | | **Exit Packages** | | **Exit Packages** | |
|  | **Redundancies** | | **Agreed** | | **by Cost Band** | | **in Each Band** | |
|  |  | |  | |  | | **£’m** | |
| **£** | **2013/14** | **2014/15** | **2013/14** | **2014/15** | **2013/14** | **2014/15** | **2013/14** | **2014/15** |
|  |  |  |  |  |  |  |  |  |
| 0 - £20,000 | - | - | 9 | 9 | 9 | 9 | 0.136 | 0.084 |
| £20,001 - £40,000 | - | - | 11 | 1 | 11 | 1 | 0.302 | 0.038 |
| £40,001 - £60,000 | - | - | 4 | - | 4 | - | 0.198 | - |
| £60,001 - £80,000 | - | - | - | - | - | - | - | - |
| £80,001 - £100,000 | - | - | - | - | - | - | - | - |
| £100,001 - £150,000 | - | - | - | - | - | - | - | - |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  | **0** | **0** | **24** | **10** | **24** | **10** | **0.636** | **0.122** |

1. **External audit costs**

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority’s external auditors:

|  |  |  |
| --- | --- | --- |
|  | **2013/14** | **2014/15** |
|  | **£'m** | **£'m** |
| Fees payable to the external auditors with regard to external audit services carried out by the appointed auditor for the year | 0.053 | 0.053 |
| Fees payable to the external auditors for the certification of grant claims and returns for the year | - | - |
| Fees payable in respect of other services provided by the external auditors during the year | - | 0.007 |
| **Total** | **0.053** | **0.060** |

1. **Grant income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

|  |  |  |
| --- | --- | --- |
| **Credited to Taxation and Non Specific Grant Income** | **2013/14** | **2014/15** |
| **£’m** | **£’m** |
| Capital Grants | 3.187 | 3.122 |
| NW Fire Control Grant | 1.906 | 1.261 |
| Revenue Support Grant | 42.290 | 36.209 |
| Localising Council Tax Support Grant | 0.090 | 0.470 |
| Section 31 Grants | 0.283 | 0.715 |
| **Total** | **47.756** | **41.777** |

|  |  |  |
| --- | --- | --- |
| **Credited to Services** | **2013/14** | **2014/15** |
| **£’m** | **£’m** |
| PFI Grant | 0.452 | 0.452 |
| Firelink Grant | 0.184 | 0.215 |
| Urban Search and Rescue Grant | 0.107 | 0.108 |
| New Dimensions Grant | 0.126 | 0.129 |
| Local Transparency – CLG | - | 0.005 |
| Sustainability - TFGM | - | 0.010 |
| **Total** | **0.869** | **0.919** |

1. **Related Parties**

In accordance with International Accounting Standard 24 (IAS24), the Authority is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party’s ability to bargain freely with the Authority. This note exemplifies those transactions between related parties and the Authority.

The related parties of the Authority have been identified as its Members and Chief Officers and their close relatives, Central Government and the ten Greater Manchester District Authorities including the administration of pensions on behalf of the Authority.

**Central Government**

Central Government has significant influence over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Details of grant transactions with Government Departments are set out in Note 30 Grant Income.

**Members of the Authority**

The Authority consists of 30 members, all of whom are councillors appointed by Greater Manchester's 10 district councils. Members of the Authority have direct control over the Authority’s financial and operating policies. Each year the Authority invites Members to declare any such interests including related parties. During 2014/15 there were no reported material transactions with related parties advised by Members.

**Chief Officers**

The Authority on an annual basis necessitates Chief Officers to make a declaration of any related party transactions. There were no reported interests in an organisation that generated a related party transaction with the Authority in respect of 2014/15.

The Authority receives grants from Central Government and precepts from the Greater Manchester District Authorities. These transactions are disclosed within the Comprehensive Income and Expenditure Statement and the Cash Flow Statement.

The Authority makes a number of appointments to outside bodies, principally the [Local Government Association (LGA)](http://authority.manchesterfire.gov.uk/mgGeneric.aspx?MD=lga&bcr=1), and it appoints members to the North West Partnership Board. The work of the partnership board has been scaled back in 2014/15 and no financial transactions have taken place.

Under the terms of a Service Level Agreement between the Authority and Wigan Council in 2014/15, Donna Hall, Chief Executive of Wigan, was the Clerk to the Authority, and Paul McKevitt Wigan's Deputy Chief Executive and Director or Resources and Contracts is the Authority's Treasurer.

**NW FiReControl Limited**

NW Fire Control Limited is a company limited by guarantee with the responsibility for Fire and Rescue Service mobilisation for the North West region. The Company has four members which are Cheshire, Cumbria, Greater Manchester and Lancashire Fire & Rescue Authorities (FRAs). The liability of each member in the event of the company being wound up is limited and shall not exceed £1. Each member of the company has the right to appoint 2 directors, who are Councillors appointed to their respective FRAs. All directors have equal voting rights.

During May 2014 all four services transferred their Control Room functions into the regionalised service provided by NW Fire Control Ltd. The cost of the service is charged out to the four FRAs on an agreed pro rata basis agreed by a Service Level Agreement. The implementation phase continued to be funded by a section 31 grant from the Department for Communities and Local Government plus an ongoing grant to fund 66% of the lease costs for the building. The grant is paid to Greater Manchester Fire & Rescue Authority as lead authority for the North West region and released to the company as required. There have also been contributions to the project from the four fire authorities.

A detailed assessment for Group Accounting requirements has taken place during 2014/15 in respect of NW Fire Control Ltd. This is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom Based on International Financial Reporting Standards (IFRS 10, 11 & 12).

It has been determined that the company is governed by Joint Control due to the fact that unanimous consent exists for key decisions and that each Authority has equal voting rights. This joint arrangement has been deemed to be a Joint Operation as the parties have rights to the assets, and obligations for the liabilities relating to the arrangement.

However on the basis of materiality it has been determined that Group Accounts are not required for the financial year 2014/15 having considered both qualitative and quantitative factors, including the following:

* The 25% share of assets, liabilities, income and expenditure are not material against the balances of GMFRS
* Exclusion of the values would not affect the true and fair concept of the financial statements
* The joint control centre was set up to generate savings for the FRAs not because they could not provide the service. There is a Standby Control Room at Stretford Fire Station as Business Continuity for NW Fire Control Ltd
* There are no concerns regarding commercial risk
* No assets have been transferred from the FRAs to NW Fire Control Ltd
* The inclusion of Company figures into Group Accounting would not add value to the reader of the Statement of Accounts

Below shows key Information from draft year-end accounts for NW Fire Control Ltd:

|  |  |  |
| --- | --- | --- |
| **Accounts Information** | **2013/14**  **£’m** | **2014/15**  **£’m** |
|  |  |  |
| Total Assets Less Current Liabilities | 0.193 | 0.217 |
| Net Assets | 0.136 | -2.202 |
| Profits Before Taxation | 0.063 | 0.002 |
| Profits After Taxation | 0.048 | -0.005 |
| Debtor Balance (GMFRS) | 0.250 | 0.025 |
| Creditor Balance (GMFRS) | 0.668 | 1.043 |
| Invoices Raised by NW Fire Control to GMFRS | 0.279 | 1.430 |
| Invoices Raised by GMFRS to NW Fire Control | 1.793 | 1.111 |

\*Net assets includes the future pension liabilities under FRS17 reported by the Cheshire Pension Fund actuaries.

All figures are shown net of VAT

Invoices are raised quarterly in advance for the service to the Fire Authorities, the advance invoices in respect of Quarter 1 2015/16 are excluded from the above figures.

Transactions between GMFRS and NW Fire Control Ltd include Invoices Raised by NW Fire Control to GMFRS for the Control Room service (£1.4m) and use of facilities in the building.

Invoices raised by GMFRS to NW Fire Control Ltd include items purchased on behalf of the Company as the lead Authority, and charges for services including ICT, Finance and for the Standby Control Room.

The Company’s Financial Statements can be obtained from Companies House with the deadline for submission as 31/12/14 for the final audited 2013/14 accounts.

1. **Capital expenditure and capital financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under PFI contracts), 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 Authority, the expenditure results in an increase in the Capital Financing requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

|  |  |  |
| --- | --- | --- |
|  | **2013/14** | **2014/15** |
|  | **£’m** | **£’m** |
| **Opening Capital Financing Requirement** | **41.939** | **39.286** |
| **Capital Investment** |  |  |
| Property, Plant and Equipment | 6.171 | 3.685 |
| Intangible Assets | 0.094 | 0.006 |
| Revenue Expenditure Funded from Capital under Statute | 1.931 | 1.001 |
|  |  |  |
| **Sources of Finance** |  |  |
| Government grants and other contributions | -4.628 | -3.894 |
| Sums set aside from revenue: |  |  |
| Direct revenue contributions | -3.568 | -0.798 |
| MRP/loans fund principal | -2.653 | -2.476 |
| **Closing Capital Financing Requirement** | **39.286** | **36.810** |
|  |  |  |
| **Explanation of movements in year** |  |  |
| Increase/decrease (-) in underlying need to borrowing (unsupported by government financial assistance) | -2.653 | -2.476 |
| **Increase/decrease (-) in Capital Financing Requirement** | **-2.653** | **-2.476** |

1. **Leases**

The Authority has no assets employed for use in Finance Leases or Hire Purchase Contracts**.**

**Authority as Lessee – Operating Leases**

The Authority has a number of operating leases for the provision of photocopiers. The future minimum lease payments are:

|  |  |  |
| --- | --- | --- |
|  | **2013/14** | **2014/15** |
|  | **£'m** | **£'m** |
| Not later than 1 Year | 0.091 | 0.084 |
| Later than 1 Year and not later than 5 years | 0.086 | 0.274 |
| later than 5 Years | 0.022 | - |

The expenditure during 2014/15 in relation to these leases was £0.097m (£0.107m in 2013/14).

A new contract was awarded with effect from 1 July 2014 for 5 years and the above figures are based on this. The contract was to provide for a total of 98 MFDs including servicing and maintenance, and software licence charges. The above figures reflect the fixed contract prices of £0.021m per quarter payable to Xerox Ltd for the revised contract, which terminates on 30 June 2019.

**Authority acting as Lessor – Operating Leases**

The Authority leases out property for operational reasons. The rent receivable in 2014/15 was £0.027m; the equivalent sum in 2013/14 was £0.035m.

1. **Private Finance Initiatives and similar contracts**

2014/15 was the sixteenth year of a 25 year PFI contract (ending October 2024) for the construction, maintenance and provision of a Fire Station at Stretford, along with associated equipment.

The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The building and equipment will be transferred to the Authority at the end of the 25 year contract.

**Property Plant and Equipment**

The Fire Station and Equipment provided under the contract are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property Plant and Equipment balance in note 10.

**Payments**

The Authority makes monthly payments which comprise of a fixed monthly charge, a service charge, a payment in respect of business rates, and a payment to provide for lifecycle replacement costs (known as the 'Sinking Fund'). The payments into the sinking fund are treated initially as a prepayment by the Authority. The Service Provider throughout the contractual term will utilise the sinking fund for the repair and replacement of the premises and fixture and fittings with the consent of the Authority. All payments made (other than the fixed monthly charge) are subject to annual inflation increases.

Payments remaining to be made under the contract as at 31 March 2015 are as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **To Service Provider** | **Repayment of Liability** | **Repayment of Interest** | **Service Charges Assume 3% inflation** | **Total Assumes 3% inflation on service charges** | **Service Charges based on Current Prices** | **Total assumes Service Charges based on Current Prices** |
|  | **£'m** | **£'m** | **£'m** | **£'m** | **£'m** | **£'m** |
| Payable in 2015/16 | 0.139 | 0.243 | 0.309 | 0.691 | 0.306 | 0.688 |
| Within 2-5 years | 0.738 | 0.787 | 1.300 | 2.825 | 1.224 | 2.749 |
| Within 6-10 years | 1.364 | 0.384 | 1.632 | 3.380 | 1.412 | 3.160 |
|  | **2.241** | **1.414** | **3.241** | **6.896** | **2.942** | **6.597** |

The value of the liabilities held under the PFI arrangement are:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Value at 31 March 2014** | **Principal Repayment in 2014/15** | **Value as at 31 March 2015** |
|  | **£'m** | **£'m** | **£'m** |
| Liabilities resulting from PFI Contract | -2.365 | 0.124 | -2.241 |

Under the Code of Practice there is a requirement that the liability reported in the accounts is measured at fair value. There is a significant difficulty in valuing such a liability due to the absence of an active market and a reliable rate to discount future payments. The Authority at this time has no intention to refinance the scheme. Therefore, the value reported in the financial statements is deemed to be the fair value.

**Value of Current Assets Held Under PFI**

As part of the PFI, contract payments are made by the Authority to the service provider to provide for lifecycle replacement costs (known as the ‘Sinking Fund’). The payments into the sinking fund are treated initially as a prepayment by the Authority.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Value at 31 March 2014** | **Payments into Sinking Fund in 2014/15** | **Payments out of sinking fund in 2014/15 for Repair and Replacement** | **Value as at 31 March 2015** |
|  | **£'m** | **£'m** | **£'m** | **£'m** |
| Sinking Fund (Prepayment Account) | 0.123 | 0.020 | 0.023 | 0.120 |

**Central Government Grant Subsidy**

|  |  |
| --- | --- |
|  | **Grant Due to be Received** |
|  | **£'m** |
| Within 1 year | -0.452 |
| Within 2-5 years | -1.809 |
| Within 6-10 years | -2.148 |
| Within 11-15 years | - |
| **Total** | **-4.409** |

The grant received in the form of Central Government Subsidy to partly offset the cost of PFI is credited to revenue accounts in the year of receipt.

1. **Defined Benefit Pension Schemes**

**Participation in Pension Schemes**

As part of the terms and conditions of employment of its firefighters and other employees, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two pension schemes:

**The Fire Service Pension Scheme** for its uniformed firefighters - 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 actual pensions payments as they eventually fall due.

**The Local Government Pension Scheme** for civilian employees - this is a funded scheme, meaning that the Authority and employees pay its contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against precept income is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account in the Statement of Movement on General Fund Balances.

**Comprehensive Income and Expenditure Statement**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **2013/14** | **2013/14** |  | **2014/15** | **2014/15** |
| **£'m LGPS** | **£’m**  **Fire** |  | **£'m**  **LGPS** | **£'m**  **Fire** |
|  |  | **Cost of Services:** |  |  |
| 2.439 | 33.470 | Current service cost (includes transfer in) | 2.263 | 28.150 |
| - | - | Past service cost (including curtailments) | 0.419 | 0.010 |
| **2.439** | **33.470** | **Total Service Cost** | **2.682** | **28.160** |
|  |  | **Financing and Investment Income & Expenditure:** |  |  |
| -3.306 | - | Interest income on plan assets | -3.328 | - |
| 4.634 | 62.360 | Interest cost on defined benefit obligation | 4.412 | 62.870 |
| **1.328** | **62.360** | **Total Net Interest** | **1.084** | **62.870** |
|  |  |  |  |  |
| **3.767** | **95.830** | **Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services** | **3.766** | **91.030** |
|  |  | **Remeasurements of the Net Defined Liability Comprising:** |  |  |
| -0.414 | - | Return on plan assets excluding amounts included in net interest | -5.651 | - |
| 0.130 | - | Changes in demographic assumptions | - | - |
| 0.810 | - | Changes in financial assumptions | 16.782 | - |
| -6.260 | -66.790 | Other | -0.883 | 77.270 |
| **-5.734** | **-66.790** | **Total Remeasurements Recognised in Other in the Comprehensive Income and Expenditure Statement** | **10.248** | **77.270** |
|  |  |  |  |  |
| **-1.967** | **29.040** | **Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement** | **14.014** | **168.300** |

**Movement in the Reserves Statement**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **2013/14** | **2013/14** |  | **2014/15** | **2014/15** |
| **£'m**  **LGPS** | **£'m**  **Fire** |  | **£'m**  **LGPS** | **£'m**  **Fire** |
| -3.767 | -95.830 | Reversal of net charges made to the surplus / deficit on the provision of service | -3.766 | -91.030 |
| 2.063 | - | Employers' contributions payable to the scheme | 2.870 | - |
| - | 46.470 | Retirement benefits payable to pensioners | - | 48.840 |
| **-1.704** | **-49.360** | **Actual amount charged against the General Fund Balance for Pensions in the year** | **-0.896** | **-42.190** |

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Authority’s obligation in respect of its defined benefit plans is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Local Government Pension Scheme** | | **Fire Fighters Pension Scheme** | |
|  | **2013/14** | **2014/15** | **2013/14** | **2014/15** |
|  | **£’m** | **£’m** | **£’m** | **£’m** |
|  |  |  |  |  |
| Present value of the defined benefit obligation | -102.640 | -123.005 | -1,439.040 | -1,558.500 |
| Fair value of employer assets | 77.328 | 86.549 | - | - |
|  |  |  |  |  |
| **Net Liability Arising from the Defined Benefit Obligation** | **-25.312** | **-36.456** | **-1,439.040** | **-1,558.500** |

The firefighters’ pension liability is split between the following schemes:

* Firefighters’ Pension Scheme 1992 liability is £1,465.350m (£1,323.390m in 2013/14)
* Firefighters’ Injury Benefit Scheme liability is £49.090m (£81.710m in 2013/14)
* Firefighters’ Pension Scheme 2006 liability is £44.060m (£33.940m in 2013/14)

**Reconciliation of the present value of the scheme liabilities (Defined Benefit Obligation)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Funded Liabilities: Local Government Pension Scheme** | | **Fire Fighters Pension Scheme** | |
|  | **2013/14** | **2014/15** | **2013/14** | **2014/15** |
|  | **£’m** | **£’m** | **£’m** | **£’m** |
|  |  |  |  |  |
| **Opening fair value of scheme liabilities** | **102.766** | **102.640** | **1,456.470** | **1,439.040** |
| Current Service Cost | 2.439 | 2.263 | 33.470 | 28.150 |
| Interest Cost | 4.634 | 4.412 | 62.360 | 62.870 |
| Contributions from scheme participants | 0.685 | 0.695 | - | - |
|  |  |  |  |  |
| **Remeasurement gain** |  |  |  |  |
| Change in demographic assumptions | 0.130 | - | - | - |
| Change in financial assumptions | 0.810 | 16.782 | - | - |
| Other | -6.260 | -0.883 | -66.790 | 77.270 |
| Past Service Costs | - | 0.419 | - | 0.010 |
| Benefits Paid | -2.564 | -3.323 | -46.470 | -48.840 |
|  |  |  |  |  |
| **Closing balance at 31 March** | **102.640** | **123.005** | **1,439.040** | **1,558.500** |

**Reconciliation of movements in the fair value of the scheme assets**

|  |  |  |
| --- | --- | --- |
|  | **Local Government Pension Scheme** | |
|  | **2013/14** | **2014/15** |
|  | **£’m** | **£’m** |
|  |  |  |
| **Opening fair value of scheme assets** | **73.424** | **77.328** |
| Interest Income | 3.306 | 3.328 |
|  |  |  |
| **Remeasurement gain** |  |  |
| Return on assets excluding amounts included in net interest | 0.414 | 5.651 |
| Contributions from employer | 2.063 | 2.870 |
| Contributions from employees into the scheme | 0.685 | 0.695 |
| Benefits Paid | -2.564 | -3.323 |
| Adjustment to align to actuaries report | - | - |
| **Closing fair value of scheme assets** | **77.328** | **86.549** |

**Local Government Pension Scheme assets comprised:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Period Ended 31 March 2014** | | **Period Ended 31 March 2015** | |
|  | **Quoted prices in active markets** | **Percentage of Total Assets** | **Quoted prices in active markets** | **Percentage of Total Assets** |
|  | **£’m** | **%** | **£’m** | **%** |
|  |  |  |  |  |
| **Equity Securities** |  |  |  |  |
| Consumer | 8.147 | 11 | 8.700 | 10 |
| Manufacturing | 7.474 | 10 | 8.097 | 9 |
| Energy and utilities | 6.832 | 9 | 7.240 | 8 |
| Financial Institutions | 9.443 | 12 | 10.254 | 12 |
| Health and care | 3.308 | 4 | 4.090 | 5 |
| Information Technology | 1.504 | 2 | 1.742 | 2 |
| Other | 1.178 | 2 | 1.089 | 1 |
|  |  |  |  |  |
| **Debt Securities** |  |  |  |  |
| Corporate bonds (investment grade) | 4.597 | 6 | 5.100 | 6 |
| UK Government | 1.289 | 2 | 0.805 | 1 |
| Other | 2.680 | 3 | 4.280 | 5 |
|  |  |  |  |  |
| **Private Equity** |  |  |  |  |
| All | 1.909 | 2 | 2.405 | 3 |
|  |  |  |  |  |
| **Real Estate** |  |  |  |  |
| UK Property | 2.278 | 3 | 2.396 | 3 |
|  |  |  |  |  |
| **Investment Funds and Unit Trusts** |  |  |  |  |
| Equities | 14.830 | 19 | 15.980 | 18 |
| Bonds | 4.091 | 5 | 4.800 | 6 |
| Infrastructure | 0.546 | 1 | 0.950 | 1 |
| Other | 3.116 | 4 | 5.398 | 6 |
|  |  |  |  |  |
| **Derivatives** |  |  |  |  |
| Other | 1.056 | 1 | 0.966 | 1 |
|  |  |  |  |  |
| **Cash and Cash Equivalents** |  |  |  |  |
| All | 3.050 | 4 | 2.257 | 3 |
|  |  |  |  |  |
| **Totals** | **77.328** | **100** | **86.549** | **100** |

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

The Local Government Pension Scheme has been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates for the administering authority being based on the latest full valuation of the scheme as at 1 April 2014. The Firefighters Pension Scheme has been assessed by the Government Acutary Department (GAD).

The significant assumptions used by the actuary have been:

**Mortality Assumptions**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **2013/14**  **LGPS** | **2013/14**  **Fire** |  | **2014/15**  **LGPS** | **2014/15**  **Fire** |
|  |  |  |  |  |
|  |  | **Longevity at 65 for current pensioners**:\* |  |  |
| 21.4 years | 23.5 years | Male | 21.4 years | 22.5 years |
| 24.0 years | 25.5 years | Female | 24.0 years | 22.5 years |
|  |  | **Longevity at 65 for future pensioners:\*** |  |  |
| 24.0 years | 26.6 years | Male | 24.0 years | 24.8 years |
| 26.6 years | 28.6 years | Female | 26.6 years | 24.8 years |
|  |  |  |  |  |
| 2.8% | 2.5% | Rate of Inflation (Price Increases) | 2.4% | 2.2% |
| 3.9% | 4.5% | Rate of increase in salaries (Salary Increases) | 3.6% | 4.2% |
| 2.8% | 2.5% | Rate of increase in pensions (Pension Increases) | 2.4% | 2.2% |
| 4.3% | 4.4% | Rate of discounting scheme liabilities (Discount Rate) | 3.2% | 3.3% |
| 55.0% | - | Take up of option to convert annual pension into retirement grant | 55% | - |
|  |  |  |  |  |

\*Life Expectancy is based on the Fund’s VitaCurves.

An allowance is included for future retirements to elect to take 55% of the maximum additional tax free cash up to the HRMC limits for pre-April 2008 service and 80% of the maximum tax-free cash for post-April 2008 service.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

|  |  |  |
| --- | --- | --- |
| **Local Government Pension Scheme** | **Approximate % increase to Employer Liability** | **Approximate monetary amount** |
| **Change in Assumption at 31 March 2015** |  | **£’m** |
|  |  |  |
| 0.5% decrease in Real Discount Rate | 11% | 13.313 |
| 1 year increase in member life expectancy | 3% | 3.690 |
| 0.5% increase in the Salary Increase Rate | 3% | 4.181 |
| 0.5% increase in the Pension Increase Rate | 7% | 8.862 |
|  |  |  |

The weighted average duration of the defined benefit obligation for scheme members is approximately 18.6 years.

The Authority anticipates paying £2.264m contributions to the scheme in 2015/16.

|  |  |  |
| --- | --- | --- |
| **Fire Fighters Pension Scheme (1992 scheme)** | **Approximate % increase to Employer Liability** | **Approximate monetary amount** |
| **Change in Assumption at 31 March 2015** |  | **£’m** |
|  |  |  |
| 0.5% decrease in Real Discount Rate | 10.7% | 157.000 |
| 1 year increase in member life expectancy | 2.5% | 36.000 |
| 0.5% increase in the Salary Increase Rate | 1.2% | 18.000 |
| 0.5% increase in the Pension Increase Rate | 9.1% | 133.00 |
|  |  |  |

The weighted average duration of the defined benefit obligation for scheme members is approximately 21 years.

|  |  |  |
| --- | --- | --- |
| **Fire Fighters Pension Scheme (2006 scheme)** | **Approximate % increase to Employer Liability** | **Approximate monetary amount** |
| **Change in Assumption at 31 March 2015** |  | **£’m** |
|  |  |  |
| 0.5% decrease in Real Discount Rate | 20.5% | 9.000 |
| 1 year increase in member life expectancy | 2.0% | 0.900 |
| 0.5% increase in the Salary Increase Rate | 10.0% | 4.400 |
| 0.5% increase in the Pension Increase Rate | 9.3% | 4.100 |
|  |  |  |

The weighted average duration of the defined benefit obligation for scheme members is approximately 38 years.

**Impact on Authority’s cash flow – Local Government Pension Scheme**

The objectives of the scheme are to keep employers contributions at as constant a rate as possible and agree a funding strategy to ensure future employers contributions meet the Administering Authority’s funding objectives. Following the latest triennial valuation the LGPS has been assessed as being 90.5% funded. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework. A new career average revalued earnings schemes to pay pensions and other benefits has been established.

1. **Contingent liabilities**

**Municipal Mutual Insurance Limited (MMI)**

The scheme of arrangement was triggered in 2012/13. In effect an initial levy of 15% has been paid during 2013/14 and included within the Insurance Provision. However, as the impact on the Authority as a scheme creditor is not clear in regards to the potential impact of future unknown claims incurred but not reported between 1974 and 1992, there is a risk that the financial liability could increase beyond that currently provided for.

**Pension Fund**

With regard to pension costs, the risk relates to on call firefighters being allowed to retrospectively join the Firefighters pension scheme. DCLG has determined that the costs of the employer contributions will be met through future scheme valuations, which will calculate levels of employer and employee contribution. This will impact on the Authority’s IAS19 position in relation to its outstanding liabilities in future years, and may impact on its Comprehensive Income and Expenditure Account.

A recent court ruling means that the Authority has a risk in relation to being required to meet back dated revised lump sum and pension costs of firefighters who retired between 2001 and 2006. A reliable estimate cannot reasonably be provided at this stage due to the complexity of the calculations, however an initial high level review suggests that the payments could be in the region of £5m. The costs once fully assessed will be funded by DCLG in the form of additional top-up grant.

1. **Publicity Expenditure**

Set out below, in accordance with S.5(1) of the Local Government Act 1986 and the Local Authorities (Publicity Account) (Exemption) Order 1987, is the Authority's spending on publicity. Other Publicity encompasses the cost of providing corporate communications for the Authority, which includes expenditure on campaigns, events and other commercial activity.

|  |  |  |
| --- | --- | --- |
| **2013/14** |  | **2014/15** |
| **£'m** |  | **£'m** |
|  |  |  |
| 0.068 | Recruitment Advertising | 0.065 |
| 0.634 | Other Publicity | 0.638 |
| **0.702** | **Total** | **0.703** |

1. **Pension Fund Account**

There is a requirement in the IFRS Code to create a Pension Fund Account and Net Assets Statement in respect of the Fire-fighter’s Pension Scheme. The primary objective is to separate the cost of providing pensions from the cost of running a Fire and Rescue Service. Therefore, any accruals created relating to the Pension Fund are removed from the Balance Sheet and a corresponding entry created to recognise the relationship with the Pension Fund Account.

1. **Accounting Policies**

**General Principles**

The Statement of Accounts summarises the Authority’s transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011. These regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

**Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are

made or received. In particular:

* Revenue from the sale of goods is recognised when the Authority 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 Authority.

* Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
* 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 services provided by employees) are

recorded as expenditure when the services are received rather than when payments are

made.

* Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the

contract.

* Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

**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 highly liquid investments that mature in no more than three months from the balance sheet date and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

**Charges to Revenue for Non Current Assets**

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

* depreciation attributable to the assets used by the relevant service.
* revaluation and impairment losses used by the service where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
* amortisation of intangible assets attributable to the service.

**Minimum Revenue Provision**

The Authority is not required to raise Precept to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This should be equal to either:-

an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance, or loans funded principal charges

or:

equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by revenue provision in the General Fund Balance, by way of an adjusting transaction within the Capital Adjustment Account for the difference between the two.

**Overheads and Support Services**

The costs of overheads and support services are charged to those service areas that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

* Corporate and Democratic Core – costs relating to the Authority’s status as a multi-functional, democratic organisation.
* Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation or impairment losses chargeable to non-operational properties.

These two cost categories are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of the Net Expenditure on Continuing Services.

**Employee Benefits**

**Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees, and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to the General Fund in the financial year in which the holiday absence occurs.

**Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy. These are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 and pensioners and any such amounts payable but unpaid at the year-end.

**Events After the Reporting Period**

Events after the Reporting Period date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

* those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
* those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

**Financial Instruments**

**Financial Assets**

Financial assets are classified into two types:

* loans and receivables – assets that have fixed or determinable payments but are not

quoted in an active market.

* available-for-sales assets that have a quoted market price and/or do not have fixed or

determinable payments.

**Loans and Receivables**

Loans and receivables are assets that have fixed or determinable payments that are not quoted in an active market. They are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

**Available-for-Sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

* instruments with quoted market prices – the market price
* other instruments with fixed and determinable payments – discounted cash flow analysis
* equity shares with no quoted market prices – independent appraisal of company

valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

**Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

**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 Authority when there is reasonable assurance that:

* the Authority will comply with the conditions attached to the payments, and
* the grants or contributions will be received.

Amounts recognised as due to the Authority 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 in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

**Group Accounts**

The Authority is required to produce group accounts where it has interests in subsidiaries, associates and/or joint ventures unless interest is considered not material. The group boundary is dependent upon the extent of the Authority’s control or significant influence over the entity which is based on the requirements of IFRS10 and IAS 28.

Interests in subsidiaries require consolidation by including items of assets, liabilities, reserves, income and expenses line by line to those of other group members. Intragroup balances and transactions are eliminated. Associates and/or Joint ventures are incorporated into group accounts using the equity method ie bring the investment into group balance sheet at cost and then adjust the carrying value by the change in the share of the associate’s or joint venture’s net assets. In addition, a share of profits and losses is included in the group comprehensive income and expenditure statement.

**Joint Arrangements**

Joint Arrangements are arrangements by which two or more parties have joint control bound by contract.Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A Joint Arrangement can be classed as

* A Joint Venture
* A Joint Operation

The classification depends upon the rights and obligations of the parties to the arrangement.

**Joint Venture**

A Joint Venture is an arrangement by which the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Where material, interests in Joint Ventures require group accounts to be prepared using the equity method.

**Joint Operation**

A Joint Operation is an arrangement by which the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement. Where material, interests in Joint Operations are recognised in the single entity financial statements by including share of assets, liabilities, revenue and expenses held/incurred jointly.

**Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

**Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (eg software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

**Leases**

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

**The Authority as Lessee**

**Operating Leases**

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

**The Authority as Lessor**

**Operating Leases**

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to service the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

**Pensions**

Employees of the Authority are divided between two separate pension schemes: The Fire Service Pension Scheme for its uniformed firefighters and the Local Government Pension Scheme for its civilian staff.

In accordance with proper practices the Authority has within its Statement of Accounts for 2013/14 fully complied with the International Financial Reporting Standard IAS19 (Employee Benefits). Both Pension schemes are classified as ‘defined benefit’ schemes under IAS19 and the accounting principles and their effect on the Financial Statements are explained below.

**The Fire Service Pension Scheme**

This is an unfunded scheme, which is administered by the Authority in accordance with CLG regulations. For such schemes as there are no investment assets, the IAS19 requires recognition of the liability and pension reserve in the Balance Sheet and transactions in the Income and Expenditure Account for movements in the liability and reserve. The primary objective is to allow the separation of the cost of providing pensions from the cost of running a fire and rescue service.

**The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

The liabilities of the Greater Manchester pension GMPF scheme attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method. This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, (based on the indicative rate of return on high quality corporate bonds).

The assets of the GMPF attributable to the Authority are included in the balance sheet at their fair value:

* quoted securities – current bid price
* unquoted securities – professional estimate
* utilised securities – current bid price
* property – market value

The change in the net pensions liability is analysed into seven components:

1. **current service cost** – the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
2. **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. This is debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

Under IAS19 any obligation arising from other long-term employee benefits that depend on length of service need to be recognised when service is rendered, which for the Authority now includes Injury Awards.

1. **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is debited to Financing and Investment Income and Expenditure Line in the Comprehensive Income and Expenditure Statement.
2. **expected return on assets** – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return. This is credited to Financing and Investment Line in the Comprehensive Income and Expenditure Statement.
3. **gains/losses on settlements and curtailments** – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees. This is debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
4. **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
5. **contributions paid to the pension fund** – cash paid as employer’s contributions to the fund.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

**Discretionary Benefits**

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies that are applied to the Local Government Pension Scheme.

**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, ie 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 Authority’s financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) 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.

**Provisions, Contingent Liabilities and Contingent Assets**

**Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

**Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Authority 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 authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current fixed assets has been charged to the relevant service account in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts so there is no impact on the level of Precept.

**Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus and Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement and employee benefits and they do not represent usable resources for the Authority.

**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 Authority and the cost of the item can be measured reliably. A deminimis level of £6,000 is in place for the capitalisation of expenditure. Repairs 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 Authority does not capitalise borrowing costs incurred whilst assets are under

construction.

The cost of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (ie it will not lead to a variation in the cash flows of the Authority). 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 Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

* community assets and assets under construction – depreciated historical cost
* vehicles, plant, furniture & equipment – depreciated historical 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.

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 after any reversals of previous losses have been credited to the Surplus or Deficit on the Provision of Services.

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.

**Disposals & Non Current Assets Held For Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Authority’s underlying need to borrow (the capital financing requirement) (England and Wales)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against precept, 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.

**Depreciation**

Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use according to the following policy:

* Newly acquired assets with the exception of vehicles, plant and equipment are depreciated in the year following acquisition and assets under construction are not depreciated until they are used.
* Newly acquired vehicles, plant and equipment are depreciated in the year of acquisition on a pro-rata basis.

Depreciation is calculated on the following bases:

* other buildings – straight line allocation over the life of the property as estimated by the valuer.
* vehicles, plant and equipment – straight line allocation over the useful life of the asset as advised by a suitably qualified officer.
* freehold land and community assets are not depreciated.

Where an asset has major components with different estimated useful lives, these 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.

**Componentisation Policy**

The Code of Practice on Local Authority Accounting requires each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset to be depreciated separately. Where there is more than one significant part of the same asset which have the same useful life and depreciation method, such parts may be grouped in determining the depreciation charge. In practice this can be achieved by only separately accounting for significant components that have different useful lives and/or depreciation methods. The requirement for componentisation for depreciation purposes is applicable to enhancement and acquisition expenditure incurred and revaluations carried out from 1 April 2010.

1. **Enhancement Expenditure**

Only assets with an overall value of £1 million and over will be considered for componentisation.

To be separately identified as a component any enhancement expenditure must meet the following criteria:

* have a cost of at least 20% of the cost of the overall asset and
* have a materially different useful life (at least 20% different) and
* have a depreciation method that materially affects the amount charged

1. **Derecognition**

Where a component is replaced or restored and is being recognised as per this policy the carrying amount of the old component will be derecognised. Where the carrying value of the derecognised/replaced component is not known the authority will use the cost of the new component as an indication of what the cost of the replaced component was at the time it was acquired or constructed, adjusted for depreciation and impairment if required.

1. **Valuations**

The Authority’s Valuers have been instructed to carry out valuations on componentised basis.

**Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm’s-length. Investment Properties are not subject to depreciation. The Code of Practice on Local Authority Accounting requires properties to be revalued annually according to market conditions at the year-end. However as the value of investment property held by GMFRA is small, the properties will be revalued in line with the Authority’s 5 year rolling programme for land and buildings unless there is evidence of a significant change in the market place.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements 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 (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

**Private Finance Initiative (PFI)**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into four elements:

* fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
* finance cost – interest is charged on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
* payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
* lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out. (If the expenditure meets the relevant criteria) or alternatively debited to the relevant service area in the Comprehensive Income and Expenditure Statement.

**VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty’s Revenue and Customs. VAT receivable is excluded from income.

**PENSION FUND ACCOUNT**

|  |  |  |  |
| --- | --- | --- | --- |
| **2013/14** |  | **2014/15** | **2014/15** |
| **£’m** |  | **£’m** | **£'m** |
|  | **Contributions Receivable** |  |  |
|  | From Employer: |  |  |
| -9.858 | Contributions in relation to pensionable pay | -8.417 |  |
| -6.246 | From Employee | -6.135 |  |
| -0.400 | Ill Health Retirements | -0.186 |  |
| **-16.504** |  |  | **-14.738** |
| **-0.146** | **Transfers In from other Authorities** |  | **0.000** |
|  | **Benefits Payable** |  |  |
| 36.271 | Pensions | 37.198 |  |
| 9.931 | Commutations and lump sum retirement benefits | 7.712 |  |
| **46.202** |  |  | **44.910** |
|  | **Payments to and on account of leavers** |  |  |
| **0.625** | Individual Transfers out to other schemes |  | **0.332** |
| **30.177** | **Sub Total: Net Amount Payable/Receivable for the year before top-up grant receivable/payable to CLG** |  | **30.504** |
| **-30.177** | **Top-up grant receivable** |  | **-30.504** |
| **0.000** | **Net amount payable/receivable for the year** |  | **0.000** |

**NET ASSETS STATEMENT**

|  |  |  |
| --- | --- | --- |
| **2013/14** |  | **2014/15** |
| **£’m** |  | **£'m** |
| 9.081 | Pension Top-Up Grant receivable from CLG | 6.668 |
| -2.325 | Creditor | -0.553 |
| 1.018 | Debtor | 0.420 |
| 0.267 | Payment in Advance | - |
| **-8.041** | Amount due to/from General Fund | **-6.535** |
| **0.000** |  | **0.000** |

**NOTES TO THE PENSION FUND ACCOUNT**

**Introduction**

The funding arrangements for the Firefighters pension scheme in England changed on 1 April 2006. Before 1 April 2006 these schemes did not have a percentage of pensionable pay type of employer’s contribution - rather each Authority was responsible for paying the pensions of its own former employees on a pay as you go basis. Under the new arrangements the schemes remain unfunded but Authorities will pay an employer’s pension contribution based on a percentage of pay into the Pension Fund. Each Authority in England is required by legislation to operate a Pension Fund and the amounts that must be paid into and out of the Fund are specified by regulation under the Firefighters’ Pension Scheme (Amendment) (England) Order 2006.

Employees’ and employers’ contribution levels are based on percentages of pensionable pay set nationally by the Department of Communities and Local Government (CLG) and subject to triennial revaluation by the Government Actuary’s Department.

There are no investment assets and the fund is balanced to nil each year by receipt of pension top-up grant from CLG or by paying over any surplus to CLG.

The fund’s financial statements do not take into account liabilities to pay pensions and other benefits after the period end.

**Accounting Policies**

The accounting policies adopted for the production of the pension fund account are in line with recommended practice and follow those that apply to the Authority’s primary statements.

The Net Assets statement does not include liabilities to pay pensions and other benefits after the balance sheet date. Future liabilities are addressed under the application of IAS19 (See note 35).

**Net Assets Statement**

Included within this statement is the balance of £6.668m due from CLG for the 2014/15 Top-up Grant. The majority of the debtors and creditors relate to additional employer and employee pension contributions. These estimated additional contributions have been included following a legal ruling which has resulted in certain allowances, that were previously non pensionable, now becoming pensionable.

The Amount due from the General Fund is the reconciling amount to the Authority’s Balance Sheet.

Since the year end a legal case has been settled in the favour of a firefighter in relation to the calculation of his pension undertaken by the Government Actuaries Department (GAD). CLG have now confirmed that additional payments will be required to be made to retired firefighters on a national basis. However, as the cost of pensions is fully funded by Communities for Local Government, there should be no cost to the Authority.

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

**The Authority’s Responsibilities**

The Authority is required:

1. 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 Authority, that officer is the Treasurer;
2. to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

I confirm that these accounts were approved by the Audit, Scrutiny and Standards Committee at the meeting held on xx September 2015.

Signed on behalf of the Greater Manchester Fire and Rescue Authority by the Chair of the Audit, Scrutiny and Standards Committee approving the accounts:



**Councillor**

**24 September 2015**

**The Treasurer’s Responsibilities**

The Treasurer is responsible for the preparation of the Authority’s Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (“the Code of Practice”), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2015.

In preparing this Statement of Accounts, the Treasurer has:

1. selected suitable accounting policies and then applied them consistently;
2. made judgements and estimates that were reasonable and prudent;
3. complied with the Code of Practice.

The Treasurer has also:

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

I certify that the responsibilities for the Statement present fairly the financial position on the Greater Manchester Fire and Rescue Authority:



**P McKevitt BA (Hons), ACMA & CGMA**

**Treasurer**

**24 September 2015**

**Sustainability Accounting and Reporting**

Sustainable development is increasing in profile – the 2008 Climate Change Act set binding targets for reducing CO2 emission and a UK-wide commitment to pursuing a sustainable agenda across the whole public sector. Greenhouse gas emissions are now mandatory inclusions in the annual director’s reports of UK quoted companies and HM Treasury now requires sustainability reporting in the financial accounts of all government departments.

Within organisations ‘what gets measured gets managed’, so regular sustainability reporting means that these important issues can be managed. For external stakeholders, sustainability reporting is an opportunity to engage and hold organisations to account.

Greater Manchester Fire and Rescue Authority is committed to providing its service in a sustainable manner that enables us to continue to work effectively within the communities we serve.

**GMFRS Sustainability Strategy**

Since 2009 GMFRS has reduced its carbon footprint by 30%. Numerous invest to save projects mean that annual utility bills are actually £0.267m lower. But this is set against a background of dramatically increasing prices, so if we’d taken no action increased utility bills would have had an additional cumulative cost of £6.2 million.

In April 2014 the Authority approved its second Sustainability Strategy which aims to move GMFRS towards being a truly ‘net positive’ organisation – where rather than merely trying to reduce our impact on the environment, we leave it in better shape than if we did not exist.

Given the scale of change required throughout society in the coming decades, the strategy targets 5 ambitious objectives, with a long-term timescale to 2050:

i. To avert more CO2 than we produce,

ii. To cause no waste,

iii. To avoid all unnecessary pollution from fire-fighting,

iv. To waste no water,

v. To remain leaders on sustainability.

To achieve these objectives, interim targets are set to 2020, ensuring the Authority remains on track to achieve the longer term goals:

i. A 50% reduction in CO2 equivalent emissions vs. 2008/09

ii. A 25% reduction in total waste volume vs. 2008/09

iii. ‘Environmental salvage’ a daily part of fire-fighting

iv. Fully quantified cost and volume of water used operationally

v. All GMFRA employees trained in ‘carbon literacy’

The Strategy is built into the Corporate Plan through a new Development Goal:

*Progress towards our vision of a net positive environmental impact.*

**Environmental Management System (EMS)**

The EMS is the main tool used to understand how all GMFRS activities impact the environment and to ensure full compliance with environmental legislation. It is certified to ISO14001, providing external certification that we are taking active steps to continually improve our environmental performance. In 2014 the auditor reported that:

*“Greater Manchester Fire and Rescue Service can demonstrate excellent continuous improvement with its core objectives which are firmly embedded in the organisations strategy of improvement and change.”*

**Direct Impacts**

**Financial Performance - Investment**

Financial investment has been made to support sustainability initiatives within the Authority, with both capital and revenue commitments. Projects are prioritised based on projected energy, carbon and cost saving to ensure value for money and paybacks within a 10 year timeframe.

Capital investment projects implemented over 2014/15:

|  |  |  |  |
| --- | --- | --- | --- |
| **Project** | **Location** | **Cost (£000s)** | **Payback** |
| **Whole building LED Lighting Swap Out** | Bolton Central | 50 | 7 years |
| **Drying Room Dehumidifiers** | Various Sites | 16 | 5 years |
| **Heating controls** | Leigh Technical Services Centre | 12 | <2 years |

**Sustainability Capital Investment Summary- Expenditure 2014/15**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2011/12 Actual (£000s)** | **2012/13 Actual (£000s)** | **2013/14**  **Actual**  **(£000s)** | **2014/15 Actual**  **(£000s)** |
| Water Consumption & Management | 0 | 0 | 46 | 0 |
| Energy Consumption & Management | 47 | 189 | 656 | 100 |
| Waste & Recycling Management | 0 | 34 | 1 | 0 |
| Travel |  |  | 10 | 10 |
| **TOTAL** | **47** | **223** | **713** | **110** |

**Income Generation**

Solar panels now generate 12% of all electricity used by GMFRS. Government subsidies in the form of Feed in Tariff are paid for every unit of energy generated by our solar panels. Coupled with selling excess electricity to the national grid, a total income of £0.124m has been received in 2014/15.

A Partnership Grant of £0.010m has been secured from Transport for Greater Manchester to install publicly accessible cycle repair stands at 15 fire stations.

**Energy Data Management**

The post of Sustainability Officer continues to carry out detailed analysis of energy and water data and bills. This has led to £0.018m being reclaimed from utility companies this year.

**Financial & Non-Financial Performance Summary**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Measure** | **2012/13** | **2013/14** | **2014/15** | **% Change**  **year on year** |
| **Electricity** | **kWh**  **£** | 4,809,755  524,779 | 4,354,869  532,569 | 3,956,174  492,462 | **11.5%** |
| **Gas** | **kWh**  **£** | 14,388,360  517,995 | 13,421,047  443,976 | 11,602,089  395,104 | **5.3%** |
| **Diesel** | **Litres**  **£** | 647,565  801,042 | 638,441  767,038 | 636,465  708,481 | **1.3%** |
| **Water** | **m3**  **£** | 36,528  298,540 | 35,336  308,752 | 32,425  287,182 | **8.2%** |
| **Waste** | **% Recycled\***  **£** | 87  90,617 | 87  76,359 | 89  60,081 | **⬄0%** |
| **Paper** | **Sheets**  **£** | 2,807,000  15,158 | 2,800,000  15,120 | 2,455,000  12,570 | **12%** |

**\***Recycled = diverted from landfill through recycling and energy recovery

Water charges include fixed Water rates, and during 2013/14 there were refunds received from previous periods of £0.045m which have been removed from the above figures for comparative year on year purposes.

*Please note that costs are based on actuals and may vary from the Statement of Accounts accruals basis*.

**Electricity**

The significant drop in electricity consumption over the year is largely due to first full summer since the solar PV systems were installed.

**Gas**

Rochdale fire station has been built to high efficiency standards and has achieved an A+ rated Display Energy Certificate, meaning that (in carbon terms) it generates more energy than it consumes.

**Diesel**

Fuel consumption is 23% lower than in 2008/09. However, the cyclical nature of fleet replacement means that consumption has plateaued over the last three years.

**Waste**

Only 10% of our waste now ends up in landfill. Most of the waste that cannot be recycled is processed into refuse derived fuel. In total the Service generated 5% less waste than over the previous 12 months.

**Indirect Impacts**

In addition to investments in proven cost and carbon-saving technology, we carry out other initiatives at little to no cost, to further promote sustainability within the organisation and within the communities we serve. To engage with employees, drive innovation and improve efficiency across the service we:

**To avert more CO2 than we produce**

* Following advice from the Carbon Trust, increased insulation was included in the refurbishment of the Emergency Response Hub.
* Re-roofing works at ten fire stations included improvements to thermal insulation.
* Fire service houses received free loft insulation as part of a case study sponsorship with the solar panel providers.

**To cause no waste**

* A new cheaper waste contract includes quarterly reporting and began with an audit to ensure sites have the appropriate number and type of bin.
* Food waste is now being collected from sites with canteens and used to generate electricity through anaerobic digestion.
* End of life computers are now recycled by Tier1 at Forest Bank prison. Not only does this mean materials are recovered in the UK, but provides vital employment for inmates contributing to more successful integration upon release.
* The environmental performance of the new training site will be assessed using CEEQUAL (Civil Engineering Environmental Quality Assessment), with predicted score of ‘Excellent’:
  + 20% lower CO2 emissions than Part L building regulations
  + 20% energy from renewables (for community building)
  + 80% responsible material sourcing (local / reclaimed content)
  + 95% construction waste diversion from landfill

**To avoid all unnecessary pollution from fire fighting**

* Training is underway for all crews to remind and inform of procedures and developments regarding environmental protection at incidents (and hazardous materials).
* New equipment and practices have been delivered to the specialist crews responsible for the Environmental Protection Unit.
* Pre-determined Attendance criteria have been revised to ensure Hazardous Materials Environmental Protection Officers are mobilised to more incidents. HMEPOs now also have electronic access electronic to detailed drainage maps.
* The large waste depot fire at Duncan Street was one notable incident where crews deployed techniques to recirculate fire water run-off back onto the blaze.

**To waste no water**

* A Sustainability Intern was employed to analyse detailed water use data collected by six appliances over three years. This data was cross-mapped with incident and mapping data to reveal some key facts that will feed into future firefighting and the review of fire appliances. It should be noted that the sample size was too small to provide anything more that indicative results. An example would be that currently appliances carry 1,800 litres of water, but 82% of incidents require less than 500 litres to extinguish.
* A rainwater harvesting systems has been installed at Irlam, which feeds a jet spray specifically for vehicle washing.
* Waterless urinals have been installed at headquarters, principally by one officer who made the suggestion through the Green Ideas scheme and has seen the project through business case and pilot to full roll out.
* The introduction of the Ultra High Pressure Lances should see a reduction in the quantity of water used at incidents.

**To remain leaders on sustainability**

* The Sustainability Strategy Sessions series continues to provide insight to Corporate Leadership Team from sustainability leaders in the private sector. The speaker from BT explained their ‘Net Good’ ambition, which aims to reduce carbon emissions by at least three times the end-to-end carbon impact of the business. Other speakers this year followed themes from the strategy with BAM Nuttall construction focussing on ‘greening’ organisational culture and United Utilities focussing on pollution and water.
* GMFRS have been invited to represent the public sector on the Net Positive group. This is an international collaboration aiming to shift corporate sustainability thinking away from ‘doing less harm’ towards ‘having an overall benefit beyond profit’ by encouraging others to make Net Positive commitments. Other collaborators include Ikea, Dell, Cap Gemini and BT. The group’s first findings and output will be launched in May 2015.
* In collaboration with CL4RPs (a collaboration by 20 GM housing associations), an e-learning package has been developed to be used as part of the Carbon Literacy training for GMFRS employees.
* A £0.010m grant from Transport for Greater Manchester has allowed them to pilot public cycle repair stands at fifteen fire stations.



**Recognition**

The Authority continues to be seen as the sector and regional leader in sustainability and in 2014 scooped two awards. At the inaugural Manchester Evening News Environment Awards GMFRS were named the city region’s Carbon Champions. The Service also won the North West’s Green Heroes Sustainable Business (large companies) award, beating off competition from Kelloggs and Walkers.

 

**GLOSSARY**

**A**

**Accruals**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

**B**

**Budget**

A statement defining in financial terms the Authority's plans over a specified period. The budget is prepared as part of the process of setting the precept.

**C**

**Capital Adjustment Account**

This provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through the capital control system.

**Capital Expenditure**

Expenditure on the acquisition of non-current assets such as land, buildings, vehicles and equipment which are of long term value, or expenditure which adds to and not merely maintains the value of existing non-current assets.

**Capital Financing Costs**

Each service is charged with an annual capital charge to reflect the cost of fixed assets used in the provision of services.

**Capital Financing Requirements**

This measures the underlying need to borrow to finance capital expenditure.

**Capital Receipts**

Money received from the sale of capital assets such as vehicles, which may be used to repay outstanding debt or to finance new assets.

**Commutation**

This is where a member of the pension scheme gives up part of his/her pension in exchange for an immediate lump sum payment.

**Corporate and Democratic Core**

The corporate and democratic core is concerned with the costs of corporate policy making and member based activities. Other costs relate to the general running of the Authority including corporate management, public accountability and treasury management.

**Corporate Governance**

This is concerned with the Authority’s accountability for the stewardship of resources, risk management, and relationship with the community. It also encompasses policies on whistle blowing, fraud and corruption.

**Creditors**

Amounts owed by the Authority for work done, goods received or services rendered but for which payment has not been made at the balance sheet date.

**D**

**Debtors**

Sums of money due to the Authority but unpaid at the balance sheet date.

**Defined Benefit Pension Scheme**

A defined benefit pension scheme is one where retirement benefits are determined independently of the investments of the scheme and employers have obligations to make contributions where assets are insufficient to meet employee benefits. The Local Government scheme is classified as a defined benefit scheme. For these schemes the IAS19 requires recognition of the net asset/liability and a pension reserve in the Balance sheet and transactions in the Income and Expenditure Account for movements in the asset/liability.

**Depreciation**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technological or other changes.

**F**

**Fair Value**

This is the amount that an asset could be bought or sold for between parties; the current market value of an asset can be evidence that the assets have been valued fairly.

**Financial Instruments**

This is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another. The term covers both financial assets (eg. loans receivable) and financial liabilities (eg. borrowings).

**Funded Pension Scheme**

A funded pension scheme is one in which the future liabilities for pension benefits are provided for by the accumulation of assets held externally to the employer's business. The Authority's employees, with the exception of firefighters, are covered by such a scheme, which is managed on its behalf by Tameside Metropolitan Borough Council. The firefighters’ scheme on the other hand is unfunded.

**I**

**International Financial Reporting Standards**

These are the accounting standards that must be adopted from 2010/11 onwards.

**Impairment**

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

**Intangible Assets**

These are assets that have no physical substance, for example, the purchase of computer software licences.

**M**

**Minimum Revenue Provision (MRP)**

This is the minimum amount which must be set aside from revenue as provision for debt repayment. For this Authority it is currently 4% of the internal and external debt outstanding at the start of the year.

**N**

**Net Book Value**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current cost less the cumulative depreciation.

**Non Distributed Costs**

Costs incurred by the Authority which are excluded from service costs these include past service costs relating to changes in pension regulations, the costs associated with unused shares of I.T. facilities and impairment losses relating to assets under construction.

**P**

**Pension Account**

The Fire and Rescue Authority is required to set up a separate fund from the rest of its operation for transactions relating to firefighters pension arrangements. The Authority has a formal responsibility for paying firefighters pensions. The fund is balanced to nil each year by the receipt of a pensions top-up grant from the Department for Communities and Local Government.

**Precept**

An amount of money levied by one Authority (the precepting Authority) which is collected by another Authority (the collecting Authority) as part of the council tax. The Fire Authority is the precepting Authority and the Metropolitan District Authorities of Greater Manchester are the collecting authorities.

**Private Finance Initiative (PFI)**

A partnership between the private and public sectors that uses private sector financing to provide public sector assets. The partnership has to meet certain criteria to qualify for Central Government subsidy.

**Provision**

An amount set aside to provide for a liability, which is likely to be

incurred, but the exact amount and the date on which it will arise is uncertain.

**R**

**Reserves**

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

**Revaluation Reserve**

This reserve replaces the Fixed Asset Restatement Account (FARA). It contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation from holding fixed assets.

**Revenue Expenditure**

This is the day to day running costs the Authority incurs in providing the service.

**U**

**Unfunded Pension Scheme**

This is one in which liabilities for pension benefits are charged to the employer's revenue account in the year in which they arise and are not financed from investments held. The Authority operates such a scheme for its firefighters.

**V**

**Voluntary Revenue Provision (VRP)**

The VRP is a voluntary revenue contribution for the repayment of debt. It recognises the shorter life span of a number of assets i.e. vehicles, that would become obsolete before the original debt has been repaid.

**TERMS OF REFERENCE**

**REGULATORY BODIES, OTHER BODIES AND REGULATORY FRAMEWORK**

**C**

**CIPFA (Chartered Institute of Public Finance and Accountancy)**

The leading professional body for public sector accounting which sets accounting standards for the public sector. CIPFA advises central government and other bodies on local government and public sector finance matters

<http://www.cipfa.org>

**Communities and Local Government (CLG)**

The Department of Communities and Local Government (CLG),issues government lead initiatives on issues such as fire prevention, emergency planning and training. CLG is also a major funding source.

https://www.gov.uk/government/organisations/department-for-communities-and-local-government

**G**

**GMC (Greater Manchester (County) Council)**

GMC was a strategic Authority running regional services such as transport, strategic planning, emergency services and waste disposal. The GMC was abolished in 1986, with its responsibilities being transferred between this fire Authority and other local authorities in Greater Manchester.

**Government Actuary’s Department (GAD)**

The Government Actuary’s Department was appointed on behalf of Greater Manchester Fire & Rescue Service to assist with the assessment of accrued retirement benefit liabilities under the Firefighters’ Pension Scheme 1992, the Firefighters’ Compensation Scheme 2006 and the New Firefighters’ Pension Scheme 2006.

**I**

**Integrated Risk Management Plan (IRMP)**

This document sets out the Authority’s plans to reduce the risks from fires and other emergencies.

**International Financial Reporting Standards (IFRS) - Code of Practice on Local Government Accounting in the United Kingdom 2014/15:**

These statements prescribe the methods by which all published accounts should be prepared and presented and compliance is mandatory; any departure must be clearly disclosed within the published accounts. The code incorporates these accounting standards to the extent that they comply with specific legal requirements and are relevant to the activities of the Authority.

**L**

**Local Authority (Scotland) Accounts Advisory Committee (LASAAC)**

Often working as a joint committee with CIPFA, LASAAC aims to develop and promote proper accounting practice for Local Government in Scotland and contributes to the formal approval process for the SORP and SERCOP.

<http://www.cipfa.org.uk/scotland/technical/lasaac.cfm>

**M**

**Medium Term Financial Strategy (MTFS)**

A five year financial plan which demonstrates a sound basis for its budgets and capital programme which are designed.

**P**

**Public Works Loan Board (PWLB)**

This is a government agency which provides long-term loans to public bodies at better rates than what would be obtained commercially.

<http://www.dmo.gov.uk/index.aspx?page=PWLB/Introduction>

**R**

**Royal Institute of Chartered Surveyors (RICS)**

Accrediting body for the surveying profession. Surveyors who value our properties must be RICS accredited.

<http://www.rics.org/>

**S**

**Service Reporting Code of Practice for Local Authorities (SeRCOP)**

Published by CIPFA the SeRCOP establishes “proper practice” with regard to consistent financial reporting to enhance the compatibility of local authority financial information and is given statutory force in England by regulations under the Local Government Act 2003.

**GOVERNMENT FUNDING**

**N**

**Non Domestic Rate (NDR)**

NNDR poundage is set annually by the government, collected by local authorities and then shared between authorities and the government on a 50:50 basis.

**New Dimensions Grant**

Government funding to provide resources that will support advanced training, emergency planning and the procurement of new equipment to enhance the fire service’s capability of responding to a wider range of incidents.

**R**

**Revenue Support Grant (RSG)**

A government grant to aid local Authority services generally. It is based on the government’s assessment of how much an Authority needs to spend in order to provide a standard level of service

**NOTES**